REFINITIV

DELTA REPORT

10-Q

FIRST SEACOAST BANCORP, I

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1798
CHANGES	500
DELETIONS	895
ADDITIONS	403

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, March 31, 2023 2024

OR

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

For the transition period from _______________ to _______________

Commission File No. 001-41597

First Seacoast Bancorp, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Maryland	92-0334805
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
633 Central Avenue, Dover, New Hampshire	03820
(Address of Principal Executive Offices)	(Zip Code)

(603)742-4680
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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, $0.01 par value per share	FSEA	The Nasdaq Stock Market, LLC

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

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

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

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

As of November 3, 2023 May 3, 2024, there were 5,077,616 5,077,164 outstanding shares of the Registrant's common stock.

Table of Contents

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

FIRST SEACOAST BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)	**(Unaudited) September 30, 2023**	**December 31, 2022**	**(Unaudited) March 31, 2024**	**December 31, 2023**
ASSETS				
Cash and due from banks	$ 7,168	$ 8,250	$ 6,713	$ 6,069
Interest bearing time deposits with other banks	—	747		
Securities available-for-sale, at fair value	102,552	106,100	124,199	121,854
Federal Home Loan Bank stock	1,972	3,502	3,448	2,986

Total loans	427,485	402,505	431,851	430,031
Less allowance for credit losses on loans	(3,349)	(3,581)	(3,420)	(3,390)
Net loans	424,136	398,924	428,431	426,641
Land, building and equipment, net	4,160	4,181	3,979	4,072
Bank-owned life insurance	4,642	4,561	4,683	4,663
Accrued interest receivable	2,130	1,988	2,368	2,294
Other assets	10,395	9,171	2,650	2,456
Total assets	$ 557,155	$ 537,424	$ 576,471	$ 571,035
LIABILITIES AND STOCKHOLDERS' EQUITY				
Deposits:				
Non-interest bearing deposits	$ 72,956	$ 92,757	$ 64,628	$ 65,845
Interest bearing deposits	338,829	289,606	340,967	338,953
Total deposits	411,785	382,363	405,595	404,798
Advances from Federal Home Loan Bank	44,877	99,397	78,412	73,007
Advances from Federal Reserve Bank	25,000	—	20,000	20,000
Mortgagors’ tax escrow	2,381	938	2,079	640
Deferred compensation liability	1,990	1,830	2,117	2,071
Other liabilities	3,860	3,559	3,529	3,901
Total liabilities	489,893	488,087	511,732	504,417

Stockholders' Equity:				
Preferred Stock, $.01 par value, 10,000,000 shares authorized, none issued	—	—		
Common Stock, $.01 par value, 90,000,000 shares authorized; 5,192,515 issued and 5,077,616 outstanding at September 30, 2023; and 5,183,439 issued and 5,068,540 outstanding at December 31, 2022(1)	52	62		
Preferred Stock, $.01 par value, 10,000,000 shares authorized, none issued			—	—
Common Stock, $.01 par value, 90,000,000 shares authorized; 5,192,612 issued and 5,077,164 outstanding at March 31, 2024 and December 31, 2023			52	52
Additional paid-in capital	52,592	26,768	52,698	52,642
Retained earnings	35,266	36,248	24,445	25,597
Accumulated other comprehensive loss	(14,783)	(9,727)	(6,867)	(5,944)
Treasury stock, at cost: 114,899 shares outstanding as of September 30, 2023 and December 31, 2022(1)	(1,377)	(1,377)		
Treasury stock, at cost: 115,448 shares outstanding as of March 31, 2024 and December 31, 2023			(1,381)	(1,381)
Unearned stock compensation	(4,488)	(2,637)	(4,208)	(4,348)
Total stockholders' equity	67,262	49,337	64,739	66,618
Total liabilities and stockholders' equity	$ 557,155	$ 537,424	$ 576,471	$ 571,035

(1) Adjusted for conversion of First Seacoast Bancorp, Inc.

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

FIRST SEACOAST BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF (LOSS) INCOME (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
(Dollars in thousands, except per share data)	**2023**	**2022**	**2023**	**2022**	**2024**	**2023**

Interest and dividend income:						
Interest and fees on loans	$ 4,281	$ 3,543	$ 12,215	$ 10,427	$ 4,710	$ 3,808
Interest on debt securities:						
Taxable	385	295	1,087	752	852	342
Non-taxable	443	342	1,305	900	440	422
Total interest on debt securities	828	637	2,392	1,652	1,292	764
Dividends	54	37	185	60	68	64
Total interest and dividend income	5,163	4,217	14,792	12,139	6,070	4,636
Interest expense:						
Interest on deposits	1,668	151	3,454	400	2,030	586
Interest on borrowings	928	276	2,593	418	1,149	854
Total interest expense	2,596	427	6,047	818	3,179	1,440
Net interest and dividend income	2,567	3,790	8,745	11,321	2,891	3,196
Provision (release) for credit losses	120	(60)	170	—		
Net interest and dividend income after provision (release) for credit losses	2,447	3,850	8,575	11,321		
(Release) provision for credit losses					(20)	30
Net interest and dividend income after (release) provision for credit losses					2,911	3,166
Non-interest income:						
Customer service fees	177	211	582	673	168	196
Gain on sale of loans	—	—	—	2		
Securities gains, net	—	—	—	52		
Gain on termination of interest rate swaps	—	—	849	—	—	849
Income from bank-owned life insurance	41	40	81	80	20	20
Loan servicing fee income	9	27	47	116	11	15
Investment services fees	65	76	220	252	89	71
Other income	22	11	42	30	9	10

Total non-interest income	314	365	1,821	1,205	297	1,161
Non-interest expense:						
Salaries and employee benefits	2,486	2,228	7,328	6,905	2,314	2,364
Director compensation	46	86	234	223	105	100
Occupancy expense	205	179	584	554	179	186
Equipment expense	115	121	342	375	105	109
Marketing	174	137	378	286	81	89
Data processing	404	329	1,192	1,053	335	391
Deposit insurance fees	62	35	194	109	98	59
Professional fees and assessments	196	265	726	780	389	212
Debit card fees	58	50	157	136	30	49
Employee travel and education expenses	42	87	136	153	32	43
Other expense	311	191	779	749	330	221
Total non-interest expense	4,099	3,708	12,050	11,323	3,998	3,823
(Loss) income before income tax (benefit) expense	(1,338)	507	(1,654)	1,203		
Income tax (benefit) expense	(427)	39	(667)	163		
(Loss) income before income tax expense					(790)	504
Income tax expense					362	40
Net (loss) income	$ (911)	$ 468	$ (987)	$ 1,040	$ (1,152)	$ 464
(Loss) earnings per share:						
Basic (1)	$ (0.20)	$ 0.10	$ (0.21)	$ 0.22		
Basic					$ (0.24)	$ 0.10
Diluted					$ (0.24)	$ 0.10
Weighted Average Shares:						
Basic					4,713,931	4,673,732
Diluted (1)	$ (0.20)	$ 0.10	$ (0.21)	$ 0.22	4,713,931	4,673,732
Weighted average shares:						

Basic (1)	4,63 8,22 5	4,80 8,24 3	4,64 8,65 1	4,81 8,42 3
Diluted (1), (2)	4,63 8,22 5	4,83 2,83 7	4,64 8,65 1	4,83 5,82 3

(1)Adjusted for conversion of First Seacoast Bancorp, Inc.

(2) Not adjusted for potentially dilutive shares for periods where a net loss was recognized. The three and nine months ended September 30, 2023 March 31, 2024 excludes 32,393 66,027 stock-based awards that could potentially dilute basic earnings per share in the future that were not included in the computation of diluted earnings per share because to do so would have been antidilutive for the periods presented.

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

3

FIRST SEACOAST BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (LOSS) INCOME (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	2023	2022	2023	2022
Net (loss) income	$ (911)	$ 468	$ (987)	$ 1,040
Other comprehensive loss, net of income taxes:				
Securities available-for-sale:				
Unrealized holding losses on securities available-for-sale arising during the period, net of income taxes of $(1,873), $(1,914), $(1,788) and $(5,449), respectively	(5,023)	(5,153)	(4,876)	(14,671)
Reclassification adjustment for securities gains, net and net amortization of bond premiums included in net (loss) income, net of income taxes of $60, $71, $191 and $189, respectively	162	193	521	510
Total unrealized loss on securities available-for-sale	(4,861)	(4,960)	(4,355)	(14,161)
Derivatives:				
Change in interest rate swaps, net of income taxes of $-0-, $93, $(30) and $238, respectively	—	250	(82)	642
Reclassification adjustment for net interest expense on swaps included in net (loss) income, net of income taxes of $-0-, $(11), $(230) and $(9), respectively	—	(30)	(619)	(25)

Total change in interest rate swaps	—	220	(701)	617
Other comprehensive loss	(4,861)	(4,740)	(5,056)	(13,544)
Comprehensive loss	$ (5,772)	$ (4,272)	$ (6,043)	$ (12,504)

(Dollars in thousands)	Three Months Ended March 31, 2024	2023
Net (loss) income	$ (1,152)	$ 464
Other comprehensive (loss) income, net of income taxes:		
Securities available-for-sale:		
Unrealized holding (losses) gains on securities available-for-sale arising during the period, net of income taxes of $(381) and $523, respectively	(1,033)	1,334
Reclassification adjustment for net amortization of bond premiums included in net (loss) income, net of income taxes of $40 and $64, respectively	110	175
Total unrealized (loss) income on securities available-for-sale	(923)	1,509
Derivatives:		
Change in interest rate swaps, net of income taxes of $-0- and $(30), respectively	—	(82)
Reclassification adjustment for swap unwind gains and net interest expense on swaps included in net (loss) income, net of income taxes of $-0- and $(230), respectively	—	(619)
Total change in interest rate swaps	—	(701)
Other comprehensive (loss) income	(923)	808
Comprehensive (loss) income	$ (2,075)	$ 1,272

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

FIRST SEACOAST BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS’ EQUITY (UNAUDITED)

(Dollars in thousands)	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Unearned Stock Compensation	Total Stockholders' Equity
Three months ended September 30,								
Balance June 30, 2023	5,077,616	$ 52	$ 52,534	$ 36,177	$ (9,922)	$ (1,377)	$ (4,628)	$ 72,836
Balance December 31, 2022[1]	5,068,637	$ 62	$ 26,768	$ 36,248	$ (9,727)	$ (1,377)	$ (2,637)	$ 49,337
Net income	—	—	—	464	—	—	—	464
Other comprehensive income	—	—	—	—	808	—	—	808
Cumulative adjustment for change in accounting principle (ASU 2016-13)	—	—	—	5	—	—	—	5
Reorganization: Conversion of First Seacoast Bancorp, Inc. (net of costs of $2.4 million)	6,598	(10)	25,732	—	—	—	—	25,722

Purchase of 224,400 shares of common stock by the ESOP									—	—	—	—	—	—	(2,244)	(2,244)
Amortization of unearned stock compensation									—	—	—	—	—	—	97	97
ESOP shares earned - 3,839 shares									—	—	—	—	—	—	38	38
Balance March 31, 2023									5,075,235	$ 52	$ 52,500	$ 36,717	$ (8,919)	$ (1,377)	$ (4,746)	$ 74,227
Balance December 31, 2023									5,077,164	$ 52	$ 52,642	$ 25,597	$ (5,944)	$ (1,381)	$ (4,348)	$ 66,618
Net loss	—	—	—	(911)	—	—	—	(911)	—	—	—	(1,152)	—	—	—	(1,152)
Other comprehensive loss	—	—	—	—	(4,861)	—	—	(4,861)	—	—	—	—	(923)	—	—	(923)
Amortization of unearned stock compensation	—	—	—	—	—	—	102	102	—	—	62	—	—	—	102	164
Stock-based compensation expense	—	—	67	—	—	—	—	67								
ESOP shares earned - 3,839 shares	—	—	(9)	—	—	—	38	29	—	—	(6)	—	—	—	38	32
Balance September 30, 2023	5,077,616	$ 52	$ 52,592	$ 35,266	$ (14,783)	$ (1,377)	$ (4,488)	$ 67,262								

<u>Nine months ended September 30,</u>

Balance December 31, 2022[1]	5,068,540	$ 62	$ 26,768	$ 36,248	$ (9,727)	$ (1,377)	$ (2,637)	$ 49,337
Net loss	—	—	—	(987)	—	—	—	(987)
Other comprehensive loss	—	—	—	—	(5,056)	—	—	(5,056)
Cumulative adjustment for change in accounting principle (ASU 2016-13)	—	—	—	5	—	—	—	5
Reorganization: Conversion of First Seacoast Bancorp, Inc. (net of costs of $2.4 million)	6,598	(10)	25,732	—	—	—	—	25,722
Purchase of 224,400 shares of common stock by the ESOP	—	—	—	—	—	—	(2,244)	(2,244)
Issuance of stock compensation	2,478	—	20	—	—	—	(20)	—
Amortization of unearned stock compensation	—	—	—	—	—	—	298	298
Stock-based compensation expense	—	—	88	—	—	—	—	88
ESOP shares earned - 11,517 shares	—	—	(16)	—	—	—	115	99

Balance September 30, 2023	5,077,616	$ 52	$ 52,592	$ 35,266	$ (14,783)	$ (1,377)	$ (4,488)	$ 67,262
<u>Three months ended September 30,</u>								
Balance June 30, 2022(1)	5,069,036	$ 62	$ 26,785	$ 37,385	$ (8,083)	$ (1,371)	$ (2,906)	$ 51,872
Net income	—	—	—	468	—		—	468
Other comprehensive loss	—	—	—	—	(4,740)		—	(4,740)
Amortization of unearned stock compensation	—	—	—	—	—	—	98	98
ESOP shares earned - 2,492 shares	—	—	2	—	—		30	32
Balance September 30, 2022(1)	5,069,036	$ 62	$ 26,787	$ 37,853	$ (12,823)	$ (1,371)	$ (2,778)	$ 47,730
<u>Nine months ended September 30,</u>								
Balance December 31, 2021(1)	5,117,885	$ 62	$ 26,783	$ 36,813	$ 721	$ (748)	$ (3,163)	$ 60,468
Net income	—	—	—	1,040	—	—	—	1,040

Other comprehensive loss	—	—	—	—	(13,544)	—	—	(13,544)
Treasury stock activity	(48,849)	—	—	—	—	(623)	—	(623)
Amortization of unearned stock compensation	—	—	—	—	—	—	295	295
ESOP shares earned - 7,475 shares	—	—	4	—	—	—	90	94
Balance September 30, 2022(1)	5,069,036	$ 6	$ 26,787	$ 37,853	$ (12,823)	$ (1,371)	$ (2,778)	$ 47,730
Balance March 31, 2024	5,077,164	$ 52	$ 52,698	$ 24,445	$ (6,867)	$ (1,381)	$ (4,208)	$ 64,739

(1) Adjusted Shares adjusted for conversion of the former First Seacoast Bancorp, Inc. MHC.

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

FIRST SEACOAST BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended September 30,		Three Months Ended March 31,	
(Dollars in thousands)	2023	2022	2024	2023
Cash flows from operating activities:				
Net (loss) income	$ (987)	$ 1,040	$ (1,152)	$ 464
Adjustments to reconcile net (loss) income to net cash (used) provided by operating activities:				
Adjustments to reconcile net (loss) income to net cash used by operating activities:				

Cumulative change in accounting principle (ASU 2016-13)	5	—	—	5
ESOP expense	99	94	32	38
Stock based compensation	386	295		
Loss on disposition of property and equipment	2	—		
Stock-based compensation			164	97
Depreciation and amortization	364	401	112	118
Net amortization of bond premium	712	751	150	239
Provision for credit losses	170	—		
Gain on sale of loans	—	(2)		
Securities gains, net	—	(52)		
(Release) provision for credit losses			(20)	30
Gain on termination of interest rate swaps	(849)	—	—	(849)
Proceeds from loans sold	—	639		
Origination of loans sold	—	(637)		
Increase in bank-owned life insurance	(81)	(80)	(20)	(20)
Increase in deferred costs on loans	(231)	(601)		
Deferred tax (benefit) expense	(720)	105		
Increase in accrued interest receivable	(142)	(288)		
Decrease (increase) in other assets	794	(880)		
Increase in deferred compensation liability	160	44		
(Decrease) increase in other liabilities	(99)	1,020		
Net cash (used) provided by operating activities	(417)	1,849		
Decrease (increase) in deferred costs on loans			36	(35)
Deferred tax expense			342	18
(Increase) decrease in accrued interest receivable			(74)	86
Decrease in other assets			636	618
Increase (decrease) in deferred compensation liability			46	(4)
Decrease in other liabilities			(322)	(1,166)
Net cash used by operating activities			(70)	(361)
Cash flows from investing activities:				
Proceeds from sales, maturities and principal payments received on securities available-for-sale	3,661	4,087	1,258	1,038
Purchase of securities available-for-sale	(6,754)	(33,642)	(5,166)	(1,146)
Purchase of property and equipment	(323)	(103)	(11)	(75)
Loan purchases	(1,221)	(3,002)	(774)	(304)
Loan originations and principal collections, net	(23,977)	(15,531)	(1,772)	(4,067)
Net redemption (purchase) of Federal Home Loan Bank stock	1,530	(1,658)		
Net (purchase) redemption of Federal Home Loan Bank stock			(462)	1,108

Proceeds from sales of interest bearing time deposits with other banks	747	498	—	498
Proceeds from termination of interest rate swaps	849	—		
Proceeds from unwind of interest rate swaps			—	849
Net cash used by investing activities	(25,488)	(49,351)	(6,927)	(2,099)
Cash flows from financing activities:				
Net increase (decrease) in NOW, demand deposits, money market and savings accounts	6,404	(623)		
Net increase (decrease) in time deposits	23,018	(5,871)		
Net (decrease) increase in NOW, demand deposits, money market and savings accounts			(1,757)	28,198
Net increase in time deposits			2,554	4,745
Increase in mortgagors’ escrow accounts	1,443	1,400	1,439	1,142
Proceeds from sale of common stock, net	25,622	—	—	25,622
Common stock purchased by ESOP	(2,244)	—	—	(2,244)
Return of capital from conversion of First Seacoast Bancorp, Inc.	100	—	—	100
Treasury stock purchases	—	(623)		
Net (payments) proceeds from short-term FHLB advances	(39,520)	55,224		
Proceeds from long-term FHLB advances	—	468		
Net proceeds (payments) from short-term FHLB advances			5,405	(41,730)
Payments on long-term FHLB advances	(15,000)	(2,262)	—	(5,000)
Proceeds from advances from Federal Reserve Bank	25,000	—		
Net cash provided by financing activities	24,823	47,713	7,641	10,833
Net change in cash and cash equivalents	(1,082)	211	644	8,373
Cash and cash equivalents at beginning of period	8,250	6,638	6,069	8,250
Cash and cash equivalents at end of period	$ 7,168	$ 6,849	$ 6,713	$ 16,623
Supplemental disclosure of cash flow information:				
Cash activities:				
Cash paid for interest	$ 5,633	$ 789	$ 2,916	$ 1,459
Cash paid for income taxes	41	53	—	1
Noncash activities:				
Effect of change in fair value of securities available-for-sale:				
Securities available-for-sale	(5,929)	(19,421)	(1,264)	2,096
Deferred taxes	1,574	5,260	341	(587)
Other comprehensive loss	(4,355)	(14,161)		
Other comprehensive (loss) income			(923)	1,509
Cumulative fair value hedging adjustment - loans			(690)	—
Cumulative fair value hedging adjustment - securities available-for-sale			(149)	—
Effect of change in fair value of interest rate swaps:				
Interest rate swaps	(961)	846	—	(961)

Deferred taxes	260	(229)	—	260
Other comprehensive (loss) income	(701)	617		
Cumulative fair value hedging adjustment - loans	447	—		
Other comprehensive loss			—	(701)
Effect of the adoption of ASU 2016-13:				
Allowance for credit losses on loans	(295)	NA	—	(295)
Other liabilities	290	NA	—	290
Effect of the adoption of ASU 2016-02:				
Other assets	—	224		
Other liabilities	—	224		

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

FIRST SEACOAST BANCORP, INC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Summary of Significant Accounting Policies

The accompanying unaudited consolidated financial statements include the accounts of First Seacoast Bancorp, Inc. (the “Company”), its wholly-owned subsidiary, First Seacoast Bank (the “Bank”), and the Bank’s wholly-owned subsidiary, FSB Service Corporation, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation

The accompanying unaudited consolidated financial statements of the Company were prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) for interim consolidated financial information, general practices within the banking industry and with instructions for Form 10-Q and Regulation S-X. Accordingly, these interim financial statements do not include all the information or footnotes required by U.S. GAAP for annual financial statements. However, in the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary for a fair presentation of these consolidated financial statements have been included. The results of operations for the interim periods disclosed herein are not necessarily indicative of the results which may be expected for the entire year. These statements should be read in conjunction with the audited consolidated financial statements and notes thereto contained in the Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023, as filed with the U.S. Securities and Exchange Commission (“SEC”) on March 24, 2023 March 29, 2024.

Corporate Structure

On January 19, 2023, the conversion of First Seacoast Bancorp, MHC from mutual to stock form and the related stock offering by First Seacoast Bancorp, Inc., the new holding company for First Seacoast Bank, was completed. As a result, both First Seacoast Bancorp, MHC and First Seacoast Bancorp (a federal corporation) ceased to exist. First Seacoast Bancorp, Inc.'s common stock began trading on the Nasdaq Capital Market under the trading symbol "FSEA" on January 20, 2023. As a result of the subscription offering, the community offering and the syndicated community offering, First Seacoast Bancorp, Inc. sold a total of 2,805,000 shares of its common stock at a price of $10.00 per share, which includes 224,400 shares sold to First Seacoast Bank's Employee Stock Ownership Plan. As part of the conversion transaction, each outstanding share of First Seacoast Bancorp (a federal corporation) common stock owned by the public stockholders of First Seacoast Bancorp (a federal corporation) (stockholders other than First Seacoast Bancorp, MHC) as of the closing date was converted into shares of First Seacoast Bancorp, Inc. common stock based on an exchange ratio of 0.8358 shares of First Seacoast Bancorp, Inc. common stock for each share of First Seacoast Bancorp (a federal corporation) common stock.

The Bank offers a full range of banking and wealth management services to its customers. The Bank focuses on four core services that center around customer needs. The core services include residential lending, commercial banking, personal banking and wealth management. The Bank offers a full range of commercial and consumer banking services through its network of five full-service branch locations.

The Bank is engaged principally in the business of attracting deposits from the public and investing those funds in various types of loans, including residential and commercial real estate loans, and a variety of commercial and consumer loans. The Bank also invests its deposits and borrowed funds in investment securities. Deposits at the Bank are insured by the Federal Deposit Insurance Corporation ("FDIC") for the maximum amount permitted by law.

The Company has one reportable segment, "Banking Services." All of the Company's activities are interrelated, and each activity is dependent and assessed based on how each of the activities of the Company supports the others. For example, lending is dependent upon the ability of the Company to fund itself with deposits and other borrowings and manage interest rate and credit risk. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment or unit.

Investment management services are offered through FSB Wealth Management. FSB Wealth Management is a division of First Seacoast Bank. The division currently consists of two financial advisors who are located in Dover, New Hampshire. FSB Wealth Management provides access to non-FDIC insured products that include retirement planning, portfolio management, investment and insurance strategies, business retirement plans and college planning to individuals throughout our primary market area. These investments and services are offered through a third-party registered broker-dealer and investment advisor. FSB Wealth Management receives fees from advisory services and commissions on individual investment and insurance products purchased by clients. The assets held for wealth management customers are not assets of the Company and, accordingly, are not reflected in the Company's consolidated balance sheets.

On August 17, 2021, the Bank entered into a definitive agreement with an investment advisory and wealth management firm (the "seller") to purchase certain of its client accounts and client relationships for a final adjusted purchase price of $324,000 which is included in other assets at September 30, 2023. The client accounts purchased are recorded as a customer list intangible asset. Identifiable intangible assets that are subject to amortization will be reviewed for impairment, at least annually, based on their fair value. Any impairment will be recognized as a charge to earnings and the adjusted carrying amount of the intangible asset will become its new accounting basis. The remaining useful life of the intangible asset will also be evaluated each reporting period to determine whether events and circumstances warrant a revision to the remaining period of amortization. The Company is amortizing the customer list intangible on a straight-line basis over a ten-year period. During the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, $8,000 and $9,000 of amortization expense was recorded in other expense, respectively. During the nine months ended September 30, 2023 and 2022, Customer list intangible balances included in other assets are $22,000 239,000 and $27,000 247,000 as of amortization expense was recorded in other expense, March 31, 2024 and December 31, 2023, respectively.

Recently Recent Accounting Pronouncements Yet To Be Adopted Accounting Standards

As an "emerging growth company," as defined in Title 1 of Jumpstart Our Business Startups (JOBS) Act, the Company has elected to use the extended transition period to delay adoption of new or reissued accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. As a result, the Company's consolidated financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards without an extended transition period. As of September 30, 2023 March 31, 2024, there was no significant difference in the comparability of the Company's consolidated financial statements as a result of this extended transition period. The Company's status as an "emerging growth company" will end on the earlier of: (i) the last day of the fiscal year of the Company during which it had total annual gross revenues of $1.07 billion $1.235 billion (as adjusted for inflation) or more; (ii) the last day of the fiscal year of the Company following the fifth anniversary of the effective date of the Company's initial public offering offering; (which will be December 31, 2024 for the Company); (iii) the date on which the Company has, during the previous three-year period, issued more than $1.0 billion in non-convertible debt; or (iv) the date on which the Company is deemed to be a "large accelerated filer" under Securities and Exchange Commission regulations (generally, at least $700 million of voting and non-voting equity held by non-affiliates).

In March 2022, the FASB issued ASU 2022-2,*"Financial Instruments-Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures,"* which eliminates the troubled debt restructuring ("TDR") accounting model for creditors that have adopted Topic 326, *"Financial Instruments – Credit Losses."* All other creditors must continue to apply the TDR accounting model until they adopt ASU 2016-13,*"Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments."* Due to the removal of the TDR accounting model, all loan modifications are accounted for under the general loan modification guidance in Subtopic 310-20. In addition, on a prospective basis, entities are subject to new disclosure requirements covering modifications of receivables to borrowers experiencing financial difficulty. Public business entities within the scope of the Topic 326 vintage disclosure requirements also are required to prospectively disclose current-period gross write-off information by vintage (that is, year of origination). This ASU becomes effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

In November 2019, the FASB issued ASU 2019-11, "*Codification Improvements to Topic 326, Financial Instruments – Credit Losses,"* to increase stakeholder awareness of the improvements made to the various amendments to Topic 326 and to clarify certain areas of guidance as companies transition to the new standard. Also during November 2019, the FASB issued ASU 2019-10, "*Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*," finalizing various effective date deferrals for private companies, not-for-profit organizations and certain smaller reporting companies applying the credit losses (CECL), leases and hedging standards. The effective date for ASU 2016-13, *"Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,"* is deferred to years beginning after December 15, 2022. The effective dates for ASU 2016-02, "*Leases (Topic 842)"* was deferred to fiscal years beginning after December 15, 2021. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

In April 2019, the FASB issued ASU 2019-04,*"Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments,"* to increase stakeholders' awareness of the amendments and to expedite improvements to the Codification. In May 2019, the FASB issued ASU 2019-05,*"Financial Instruments—Credit Losses, Topic 326."* This ASU addresses certain stakeholders' concerns by providing an option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis. For those entities, the targeted transition relief will increase comparability of financial statement information by providing an option to align measurement methodologies for similar financial assets. Furthermore, the targeted transition relief also may reduce the costs for some entities to comply with the amendments in Update 2016-13 while still providing financial statement users with decision-useful information. On October 16, 2019, the FASB approved a proposal to delay the implementation of this standard for smaller reporting companies to years beginning after December 15, 2022. Early adoption was permitted. See the next paragraph for further discussion regarding the implementation of this standard.

In June 2016, the FASB issued ASU 2016-13,*“Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,”* which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of (loss) income as the amounts expected to be collected change. The ASU was originally to be effective for fiscal years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021. In November 2018, the FASB issued ASU 2018-19,*“Codification Improvements to Topic 326, Financial Instruments-Credit Losses,”* extending the implementation date by one year for smaller reporting companies and clarifying that operating lease receivables are outside the scope of Accounting. In November, 2019, the FASB issued ASU 2019-10, which delayed the effective date for ASU 2016-13 for smaller reporting companies, resulting in ASU 2016-13 becoming effective in the first quarter of 2023 for the Company. The ASU requires the measurement of all expected credit losses for loans held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Accordingly, the ASU requires the use of forward-looking information to form credit loss estimates. Many of the loss estimation techniques applied today are still permitted, though the inputs to those techniques have changed to reflect the full amount of expected credit losses. The Company has selected a loss estimation methodology which utilizes a third-party software application. The Company has recorded the effect of implementing this ASU using a modified-retrospective approach through a cumulative-effect adjustment through retained earnings as of the beginning of the reporting period in which the ASU was effective, which was January 1, 2023. The adoption of the new standard resulted in a decrease to its allowance for credit losses on loans (“ACL”). This decrease, though, was offset by an increase in the allowance for credit losses on off-balance sheet ("OBS") commitments that are not unconditionally cancelable. The decrease in ACL was due to a reduced emphasis on qualitative factors under the CECL model as the underlying historical loss data of the selected peer group is much more robust with broader time horizons as compared to the Company's actual historical loss data used under an incurred loss methodology. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements (see below and Note 3, Loans, for more information).

January 1, 2023 CECL Transition (Day 1) Impact

The CECL methodology reflects the Company's view of the state of the economy and forecasted macroeconomic conditions and their impact on the Company's loan portfolio as of the adoption date.

The following table illustrates the impact of the adoption of ASU 2016-13:

	January 1, 2023		
	As reported under ASC 326	**Pre-ASC 326 Adoption**	**Impact of ASC 326 Adoption**
		(Dollars in thousands)	

ASSETS						
Allowance for credit losses on loans:						
Commercial real estate (CRE)	$	788	$	942	$	(154)
Multifamily (MF)		55		54		1
Commercial and industrial (C+I)		273		184		89
Acquisition, development, and land (ADL)		120		138		(18)
1-4 family residential (RES)		1,847		2,048		(201)
Home equity line of credit (HELOC)		88		81		7
Consumer (CON)		114		100		14
Unallocated		1		34		(33)
Allowance for credit losses on loans	$	3,286	$	3,581		(295)
LIABILITIES						
Allowance for credit losses on OBS credit exposures	$	308	$	18	$	290

Recent Accounting Pronouncements Yet To Be Adopted

The Company considers the applicability and impact of all ASUs. Recent accounting pronouncements issued by the FASB ASUs not listed below did were assessed and determined to be either not have, applicable or are expected to have an immaterial impact on the Company's consolidated financial statements.

In March 2024, the FASB issued ASU 2024-02, *"Codification Improvements,"* 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 and is not expected to have a material impact on the Company's present or future consolidated financial statements.

In January 2021, the FASB issued ASU 2021-1, *"Reference Rate Reform (Topic 848) (Scope),"* which clarifies certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting applied to derivatives that are affected by the discounting transition. This ASU was to become effective immediately for all entities on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020 or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the issuance of a final update, up to the date that financial statements are available to be issued. The effective date was extended by the issuance of

9

ASU No. 2022-06, "Reference Rate Reform (Topic 848)," which, as noted above, defers the sunset date of Topic 848 from December 2022 to December 2024. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

8

2. Securities Available-for-Sale

The amortized cost and fair value of securities available-for-sale, and the corresponding amounts of gross unrealized gains and losses for which an allowance for credit losses has not been recorded, are as follows as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

	September 30, 2023				March 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)				(Dollars in thousands)			
U.S. Government-sponsored enterprises obligations	$ 2,172	$ —	$ (403)	$ 1,769	$ 1,662	$ —	$ (282)	$ 1,380
U.S. Government agency small business administration pools guaranteed by SBA	8,625	—	(1,381)	7,244	15,659	18	(895)	14,782
Collateralized mortgage obligations issued by the FHLMC, FNMA and GNMA	6,401	—	(809)	5,592	6,012	—	(538)	5,474
Residential mortgage-backed securities	26,202	—	(5,470)	20,732	42,743	534	(3,954)	39,323
Municipal bonds	70,645	—	(11,003)	59,642	56,926	787	(4,219)	53,494
Corporate debt	500	—	(14)	486	500	—	(7)	493
Corporate subordinated debt	8,237	—	(1,150)	7,087	10,095	82	(924)	9,253
	$ 122,782	$ —	$ (20,230)	$ 102,552	$ 133,597	$ 1,421	$ (10,819)	$ 124,199

	December 31, 2022				December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)				(Dollars in thousands)			
U.S. Government-sponsored enterprises obligations	$ 2,191	$ —	$ (365)	$ 1,826	$ 1,668	$ —	$ (270)	$ 1,398
U.S. Government agency small business administration pools guaranteed by SBA	9,475	—	(1,116)	8,359	16,410	36	(863)	15,583

Collateralized mortgage obligations issued by the FHLMC, FNMA and GNMA	6,922	8	(708)	6,222	2,958	—	(484)	2,474
Residential mortgage-backed securities	26,390	—	(4,567)	21,823	41,186	653	(3,618)	38,221
Municipal bonds	69,373	172	(7,129)	62,416	57,192	1,087	(3,587)	54,692
Corporate debt	500	—	(3)	497	500	—	(8)	492
Corporate subordinated debt	5,550	—	(593)	4,957	10,074	3	(1,083)	8,994
	$ 120,401	$ 180	$ (14,481)	$ 106,100	$ 129,988	$ 1,779	$ (9,913)	$ 121,854

The amortized cost and fair values of securities available-for-sale at September 30, 2023 March 31, 2024 by contractual maturity are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	September 30, 2023		March 31, 2024	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)		(Dollars in thousands)	
Due in one year or less	$ —	$ —	$ 1,784	$ 1,789
Due after one year through five years	2,234	1,410	500	493
Due after five years through ten years	9,988	7,962	10,917	9,734
Due after ten years	69,332	59,612	55,982	52,604
Total U.S. Government-sponsored enterprises obligations, municipal bonds, corporate debt and corporate subordinated debt	81,554	68,984	69,183	64,620
U.S. Government agency small business pools guaranteed by SBA(1)	8,625	7,244	15,659	14,782
Collateralized mortgage obligations issued by the FHLMC, FNMA, and GNMA(1)	6,401	5,592	6,012	5,474
Residential mortgage-backed securities(1)	26,202	20,732	42,743	39,323
Total	$ 122,782	$ 102,552	$ 133,597	$ 124,199

(1) Actual maturities for these debt securities are dependent upon the interest rate environment and prepayments on the underlying loans.

The following is a summary of gross unrealized losses and fair value for those investments with unrealized losses for which an allowance for credit losses has not been recorded, aggregated by investment category and length of time the individual securities have been in a continuous unrealized loss position, at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

	Less than 12 Months			More than 12 Months			Total		Less than 12 Months			More than 12 Months			Total	
	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in thousands)								(Dollars in thousands)							
September 30, 2023																
March 31, 2024																
U.S. Government sponsored enterprises obligations	—	$—	$—	4	$ 1,769	$ (403)	$ 1,769	$ (403)	—	$ —	$ —	3	$ 1,380	$ (282)	$ 1,380	$ (282)
U.S. Government agency small business administration pools guaranteed by SBA	—	—	—	11	7,244	(1,381)	7,244	(1,381)	8	7,831	(65)	5	3,787	(830)	11,618	(895)

Collateralized mortgage obligations issued by the FHLMC, FNMA and GNMA	1	906	(21)	9	4,686	(788)	5,592	(809)	2	3,069	(26)	4	2,405	(512)	5,474	(538)
Residential mortgage backed securities	3	2,228	(94)	31	18,504	(5,376)	20,732	(5,470)								
Residential mortgage-backed securities									6	5,592	(89)	23	14,788	(3,865)	20,380	(3,954)
Municipal bonds	20	14,151	(968)	85	45,491	(10,035)	59,642	(11,003)	5	3,217	(69)	49	30,035	(4,150)	33,252	(4,219)
Corporate debt	1	486	(14)	—	—	—	486	(14)	—	—	—	1	493	(7)	493	(7)
Corporate subordinated debt	3	3,082	(120)	4	4,005	(1,030)	7,087	(1,150)	—	—	—	5	4,601	(924)	4,601	(924)

	28	$ 20,853	$ (1,217)	144	$ 81,699	$ (19,013)	$ 102,552	$ (20,230)	21	$ 19,709	$ (249)	90	$ 57,489	$ (10,570)	$ 77,198	$ (10,819)
December 31, 2022																
December 31, 2023																
U.S. Government sponsored enterprises obligations	1	$ 453	$ (43)	3	$ 1,373	$ (322)	$ 1,826	$ (365)	—	$ —	$ —	3	$ 1,398	$ (270)	$ 1,398	$ (270)
U.S. Government agency small business administration pools guaranteed by SBA	8	5,947	(602)	3	2,412	(514)	8,359	(1,116)	8	8,432	(75)	5	3,899	(788)	12,331	(863)
Collateralized mortgage obligations issued by the FHLMC, FNMA and GNMA	5	3,212	(209)	4	2,016	(499)	5,228	(708)	—	—	—	4	2,474	(484)	2,474	(484)

Residential mortgage backed securities	8	4,239	(503)	23	16,649	(4,064)	20,888	(4,567)								
Residential mortgage-backed securities									5	4,806	(53)	23	15,347	(3,565)	20,153	(3,618)
Municipal bonds	86	49,228	(5,900)	8	5,769	(1,229)	54,997	(7,129)	1	1,941	(10)	49	30,729	(3,577)	32,670	(3,587)
Corporate debt	1	497	(3)	—	—	—	497	(3)	—	—	—	1	492	(8)	492	(8)
Corporate subordinated debt	4	4,457	(593)	—	—	—	4,457	(593)	4	4,080	(82)	4	4,029	(1,001)	8,109	(1,083)
	113	$ 68,033	$ (7,853)	41	$ 28,219	$ (6,628)	$ 96,252	$ (14,481)	18	$ 19,259	$ (220)	89	$ 58,368	$ (9,693)	$ 77,627	$ (9,913)

Management evaluates securities available-for-sale in unrealized loss positions to determine whether the impairment is due to credit-related factors or noncredit-related factors. Consideration is given to (1) the extent to which the fair value is less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the security for a period of time sufficient to allow for any anticipated recovery in fair value. At September 30, 2023 March 31, 2024, the Company had 172 111 securities available-for-sale in an unrealized loss position without an allowance for credit losses. Management does not have the intent to sell any of these securities and believes that it is more likely than not that the Company will not have to sell any such securities before a recovery of cost. The fair value is expected to recover as the securities approach their maturity date or repricing date or if market yields for such investments decline. Accordingly, as of September 30, 2023 March 31, 2024, management believes that the unrealized losses detailed in the previous table are due to noncredit-related factors, including changes in market interest rates and other market conditions, and therefore the Company carried no allowance for credit losses on securities available-for-sale as of September 30, 2023 March 31, 2024.

Proceeds from sales, maturities, principal payments received and gross realized gains and losses on securities available-for-sale were as follows for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

	March 31,	
	2024	2023
	(Dollars in thousands)	
Proceeds from sales, maturities and principal payments received on securities available-for-sale	$ 1,258	$ 1,038
Gross realized gains	—	—
Gross realized losses	—	—
Net realized gains	$ —	$ —

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(Dollars in thousands)			
Proceeds from sales, maturities and principal payments received on securities available-for-sale	$ 1,450	$ 1,545	$ 3,661	$ 4,087
Gross realized gains	—	—	—	52
Gross realized losses	—	—	—	—
Net realized gains	$ —	$ —	$ —	$ 52

As At March 31, 2024 and December 31, 2023, $72.7 million and $74.1 million of September 30, 2023 securities available-for-sale were pledged as collateral for the Company's Bank Term Funding Program and Borrower-In-Custody secured credit facilities, respectively (see Note 6 Borrowings for more information).As of March 31, 2024 and December 31, 2022 December 31, 2023, there were no holdings of securities of any issuer, other than the SBA, FHLMC, GNMA and FNMA, whose aggregate carrying value exceeded 10% of consolidated stockholders' equity.

3. <u>Loans and Allowance for Credit Losses on Loans</u>

The Company's lending activities are primarily conducted in and around Dover, New Hampshire, and in the areas surrounding its branches. The Company grants commercial real estate loans, multifamily 5+ dwelling unit loans, commercial and industrial loans, acquisition, development and land loans, 1–4 family residential loans, home equity line of credit loans and consumer loans. Most loans are collateralized by real estate. The ability and willingness of real estate, commercial and construction loan borrowers to honor their repayment commitments is generally dependent on the health of the real estate sector in the borrowers' geographic area and the general economy.

Loans consisted of the following at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
	(Dollars in thousands)		(Dollars in thousands)	
Commercial real estate (CRE)	$ 87,295	$ 80,506	$ 87,779	$ 86,566
Multifamily (MF)	7,679	8,185	7,493	7,582
Commercial and industrial (C+I)	24,875	24,059	25,394	25,511
Acquisition, development, and land (ADL)	19,255	18,490	15,205	17,520
1-4 family residential (RES)	264,477	251,466	270,765	268,943
Home equity line of credit (HELOC)	12,614	10,161	15,230	14,093
Consumer (CON)	8,610	7,189	9,985	9,816
Total loans	424,805	400,056	431,851	430,031
Net deferred loan costs	2,680	2,449		
Allowance for credit losses on loans	(3,349)	(3,581)	(3,420)	(3,390)
Total loans, net	$ 424,136	$ 398,924	$ 428,431	$ 426,641

Allowance for Credit Losses on Loans ("ACL")

Effective January 1, 2023, the Company adopted the new accounting standard for credit losses, ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended* ("ASU 2016-13"). This new accounting standard, commonly referred to as "CECL," significantly changed the methodology for accounting for reserves on loans and unfunded off-balance sheet credit exposures, including certain unfunded loan commitments and standby guarantees. ASU 2016-13 replaced the "incurred loss" methodology used to establish an allowance on loans and off-balance sheet credit exposures, with an "expected loss" approach. Under CECL, the ACL at each reporting period serves as a best estimate of projected credit losses over the contractual life of certain assets, adjusted for expected prepayments, given an expectation of economic conditions and forecasts as of the valuation date. Upon adoption of CECL, the Company made the following elections regarding accrued interest receivable: (i) present accrued interest receivable balances separately on the balance sheet on the consolidated statements of condition; (ii) exclude accrued interest from the measurement of the ACL, including investments and loans; and (iii) continue to write-off accrued interest receivable by reversing interest income. The Company has a policy in place to write-off accrued interest when a loan is placed on non-accrual. Accrued interest is written-off by reversing previously recorded interest income. For loans, write-off typically occurs when a loan has been in default for 90 days or more. An immaterial amount of accrued interest on non-accrual loans was written off during the three and nine months ended September 30, 2023, March 31, 2024 and 2023, by reversing interest income. Historically, the Company has not experienced uncollectible accrued interest receivable on its securities available-for-sale.

The ACL is the sum of various components including the following: (a) historical loss experience, (b) a reasonable and supportable forecast, (c) loans evaluated individually, and (d) changes in relevant environmental factors. The historical loss component is segmented by loan type and serves as the core of the ACL adequacy methodology. The Company has selected the Weighted Average Remaining Maturity Model ("WARM"), for the loss calculation of each of the Bank's loan pools utilizing a third-party software application. The WARM uses a quarterly loss rate and future expectations of loan balances to calculate an ACL. A loss rate is applied to pool balances over time.

CECL may create more volatility in the ACL, specifically the ACL on loans and ACL on off-balance sheet credit exposures. Under CECL, the ACL may increase or decrease period to period based on many factors, including, but not limited to: (i) macroeconomic forecasts and conditions; (ii) forecast period and reversion speed; (iii) prepayment speed assumption; (iv) loan portfolio volumes and changes in mix; (v) credit quality; and (vi) various qualitative factors outlined in ASU 2016-13.

The significant key assumptions used with the ACL calculation at September 30, 2023 March 31, 2024 and December 31, 2023 using the CECL methodology, included:

•*Macroeconomic factors (loss drivers)*: Monitoring and assessing local and national unemployment, changes in national GDP and other macroeconomic factors which may be the most predictive indicator of losses within the loan portfolio. The macroeconomic factors considered in determining the ACL may change from time to time.

•*Forecast Period and Reversion speed*: ASU 2016-13 requires a company to use a reasonable and supportable forecast period in developing the ACL, which represents the time period that management believes it can reasonably forecast the identified loss drivers. Generally, the forecast period management believes to be reasonable and supportable will be set annually and validated through an assessment of economic leading indicators. In periods of greater volatility and uncertainty, such as the current interest rate environment, management will likely use a shorter forecast period, whereas when markets, economies, interest rate environment, political matters, and other factors are considered to be more stable and certain, a longer forecast period may be used. Also, in times of greater uncertainty, management may consider a range of possible forecasts and evaluate the probability of each scenario. Generally, the forecasted period is expected to range from one to three years. Once the reasonable and supportable forecast period is determined, ASU 2016-13 requires a company to revert its loss expectations to the long-run historical mean for the remainder of the contract life of the asset, adjusted for prepayments. In determining the length of time over which the reversion will take place (i.e. "reversion speed"), factors such as, historical credit loss experience over previous economic cycles, as well as where the Company believes it is within the current economic cycle, will be considered. The Company has chosen a forecast period of six quarters which will be similar to the historical loss period between September 2007 January 2014 and March 2009 December 2016 and then reverting to the long-term average over the following six two quarters using the straight-line reversion method. The Company believes this historical forecast period to be representative of potential economic conditions over the next eighteen months.

•*Prepayment speeds:* Prepayment speeds are determined for each loan segment utilizing the Company's historical loan data, as well as consideration of current environmental factors. The prepayment speed assumption is utilized with the WARM method to forecast expected cash flows over the contractual life of the loan, adjusted for expected prepayments. A higher prepayment speed assumption will drive a lower ACL, and vice versa.

•*Qualitative factors:* As within previous accounting guidance used for the "incurred loss" model, ASU 2016-13 requires companies to consider various qualitative factors that may impact expected credit losses. The Company continues to consider qualitative factors in determining and arriving at an ACL at each reporting period such as: (i) actual or expected changes in economic trends and conditions, (ii) changes in the value of underlying collateral for loans, (iii) changes to lending policies, underwriting standards and/or management personnel performing such functions, (iv) delinquency and other credit quality trends, (v) credit risk concentrations, if any, (vi) changes to the nature of the Company's business impacting the loan portfolio, (vii) and other external factors, that may include, but are not limited to, results of internal loan reviews and examinations by bank regulatory agencies.

Certain loans which may not share similar risk characteristics with other loans in the portfolio may be tested individually for estimated credit losses, including (i) loans classified as special mention, substandard or doubtful and are on non-accrual, (ii) a loan modified for a borrower experiencing financial difficulty or (iii) loans that have other unique characteristics. Factors considered in measuring the extent of the expected credit loss for these loans may include payment status, collateral value, borrower's financial condition, guarantor support and the probability of collecting scheduled principal and interest payments when due.

13 12

January 1, 2023 CECL Transition (Day 1) Impact

The CECL methodology reflects the Company's view of the state of the economy and forecasted macroeconomic conditions and their impact on the Company's loan portfolio as of the adoption date.

The following table illustrates the impact of the adoption of ASU 2016-13:

	January 1, 2023		
	As reported under ASC 326	**Pre-ASC 326 Adoption**	**Impact of ASC 326 Adoption**
		(Dollars in thousands)	
ASSETS			
Allowance for credit losses on loans:			
Commercial real estate (CRE)	$ 788	$ 942	$ (154)
Multifamily (MF)	55	54	1
Commercial and industrial (C+I)	273	184	89
Acquisition, development, and land (ADL)	120	138	(18)
1-4 family residential (RES)	1,847	2,048	(201)
Home equity line of credit (HELOC)	88	81	7
Consumer (CON)	114	100	14
Unallocated	1	34	(33)
Allowance for credit losses on loans	$ 3,286	$ 3,581	(295)
LIABILITIES			
Allowance for credit losses on OBS credit exposures	$ 308	$ 18	$ 290

Changes in the ACL for the three and nine months ended September 30, 2023, under the CECL model, March 31, 2024 and 2023, by portfolio segment, are summarized as follows:

(Dollars in thousands)	CRE	MF	C+I	ADL	RES	HELOC	CON	Unallocated	Total
Balance, June 30, 2023	$ 806	$ 49	$ 277	$ 70	$ 1,910	$ 85	$ 109	$ 13	$ 3,319
Provision for credit losses on loans	(18)	22	11	31	(174)	76	95	(13)	30
Charge-offs	—	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—	—
Balance, September 30, 2023	$ 788	$ 71	$ 288	$ 101	$ 1,736	$ 161	$ 204	$ —	$ 3,349
Balance, December 31, 2022, Prior to Adoption of ASC 326	$ 942	$ 54	$ 184	$ 138	$ 2,048	$ 81	$ 100	$ 34	$ 3,581
Impact of adopting ASC 326	(154)	1	89	(18)	(202)	7	14	(32)	(295)
Provision for credit losses on loans	—	16	15	(19)	(110)	73	92	(2)	65
Charge-offs	—	—	—	—	—	—	(4)	—	(4)
Recoveries	—	—	—	—	—	—	2	—	2
Balance, September 30, 2023	$ 788	$ 71	$ 288	$ 101	$ 1,736	$ 161	$ 204	$ —	$ 3,349

Changes in the allowance for credit losses on loans for the three and nine months ended September 30, 2022, under the incurred loss model, by portfolio segment, are summarized as follows:

(Dollars in thousands)	CRE	MF	C+I	ADL	RES	HELOC	CON	Unallocated	Total
Balance, December 31, 2023	$ 830	$ 76	$ 236	$ 105	$ 1,601	$ 156	$ 357	$ 29	$ 3,390
(Release) provision for credit losses on loans	(85)	(1)	15	(25)	(1)	13	15	99	30
Charge-offs	—	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—	—
Balance, March 31, 2024	$ 745	$ 75	$ 251	$ 80	$ 1,600	$ 169	$ 372	$ 128	$ 3,420

(Dollars in thousands)	CRE	MF	C+I	ADL	RES	HELOC	CON	Unallocated	Total
Balance, June 30, 2022	$ 1,019	$ 57	$ 208	$ 110	$ 2,025	$ 87	$ 111	$ 27	$ 3,644
Provision for loan losses	(75)	(1)	(11)	16	24	4	(18)	1	(60)
Charge-offs	—	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—	—
Balance, September 30, 2022	$ 944	$ 56	$ 197	$ 126	$ 2,049	$ 91	$ 93	$ 28	$ 3,584
Balance, December 31, 2021	$ 833	$ 80	$ 194	$ 178	$ 2,139	$ 63	$ 75	$ 28	$ 3,590
Provision for loan losses	111	(24)	2	(52)	(90)	28	25	—	—
Charge-offs	—	—	—	—	—	—	(9)	—	(9)
Recoveries	—	—	1	—	—	—	2	—	3
Balance, September 30, 2022	$ 944	$ 56	$ 197	$ 126	$ 2,049	$ 91	$ 93	$ 28	$ 3,584

As of September 30, 2023 and December 31, 2022, information about loans, the ACL and the ALL, by portfolio segment, are summarized below:

(Dollars in thousands)	CRE	MF	C+I	ADL	RES	HELOC	CON	Unallocated	Total
September 30, 2023 Loan Balances									
Individually evaluated to determine expected credit losses	$ —	$ —	$ —	$ —	$ 184	$ —	$ —	$ —	$ 184
Collectively evaluated to determine expected credit losses	87,295	7,679	24,875	19,255	264,293	12,614	8,610	—	424,621
Total	$ 87,295	$ 7,679	$ 24,875	$ 19,255	$ 264,477	$ 12,614	$ 8,610	$ —	$ 424,805
ACL related to the loans									
Individually evaluated to determine expected credit losses	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Collectively evaluated to determine expected credit losses	788	71	288	101	1,736	161	204	—	3,349
Total	$ 788	$ 71	$ 288	$ 101	$ 1,736	$ 161	$ 204	$ —	$ 3,349
December 31, 2022 Loan Balances									
Individually evaluated for impairment	$ —	$ —	$ —	$ —	$ 273	$ —	$ 5	$ —	$ 278
Collectively evaluated for impairment	80,506	8,185	24,059	18,490	251,193	10,161	7,184	—	399,778
Total	$ 80,506	$ 8,185	$ 24,059	$ 18,490	$ 251,466	$ 10,161	$ 7,189	$ —	$ 400,056
ALL related to the loans									
Individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Collectively evaluated for impairment	942	54	184	138	2,048	81	100	34	3,581
Total	$ 942	$ 54	$ 184	$ 138	$ 2,048	$ 81	$ 100	$ 34	$ 3,581

14

(Dollars in thousands)	CRE	MF	C+I	ADL	RES	HELOC	CON	Unallocated	Total
Balance, December 31, 2022, Prior to Adoption of ASC 326	$ 942	$ 54	$ 184	$ 138	$ 2,048	$ 81	$ 100	$ 34	$ 3,581
Impact of adopting ASC 326	(154)	1	89	(18)	(201)	7	14	(33)	(295)
(Release) provision for credit losses on loans	(63)	(6)	8	(24)	57	—	4	24	—
Recoveries	—	—	—	—	—	—	1	—	1
Balance, March 31, 2023	$ 725	$ 49	$ 281	$ 96	$ 1,904	$ 88	$ 119	$ 25	$ 3,287

The following is an aging analysis of past due loans by portfolio segment as of September 30, 2023, March 31, 2024 and December 31, 2023 including non-accrual loans without an ACL:

March 31, 2024:

(Dollars in thousands)	30-59 Days	60-89 Days	90 + Days	Total Past Due	Current	Total Loans	Non-Accrual Loans

CRE	$ —	$ —	$ —	$ —	$ 87,295	$ 87,295	$ —
MF	—	—	—	—	7,679	7,679	—
C+I	—	—	—	—	24,875	24,875	—
ADL	—	—	—	—	19,255	19,255	—
RES	—	—	—	—	264,477	264,477	—
HELOC	—	—	—	—	12,614	12,614	—
CON	—	—	—	—	8,610	8,610	—
	$ —	$ —	$ —	$ —	$ 424,805	$ 424,805	$ —

(Dollars in thousands)	30-59 Days	60-89 Days	90 + Days	Total Past Due	Current	Total Loans	Non-Accrual Loans
CRE	$ —	$ —	$ —	$ —	$ 87,779	$ 87,779	$ —
MF	—	—	—	—	7,493	7,493	—
C+I	—	—	—	—	25,394	25,394	—
ADL	—	—	—	—	15,205	15,205	—
RES	—	—	127	127	270,638	270,765	127
HELOC	—	—	14	14	15,216	15,230	14
CON	—	—	—	—	9,985	9,985	—
	$ —	$ —	$ 141	$ 141	$ 431,710	$ 431,851	$ 141

Interest income recognized on non-accrual loans during three and nine months ended September 30, 2023 was $-0-.

The following is an aging analysis of past due loans by portfolio segment as of December 31, 2022: 13

(Dollars in thousands)	30-59 Days	60-89 Days	90 + Days	Total Past Due	Current	Total Loans	Non-Accrual Loans
CRE	$ —	$ —	$ —	$ —	$ 80,506	$ 80,506	$ —
MF	—	—	—	—	8,185	8,185	—
C+I	—	—	—	—	24,059	24,059	—
ADL	—	—	—	—	18,490	18,490	—
RES	—	84	—	84	251,382	251,466	84
HELOC	5	—	—	5	10,156	10,161	—
CON	7	—	—	7	7,181	7,189	5
	$ 12	$ 84	$ —	$ 96	$ 399,960	$ 400,056	$ 89

December 31, 2023:

(Dollars in	30-59	60-89	90 +	Total	Current	Total	Non-

thousands)	Days	Days	Days	Past Due		Loans	Accrual Loans
CRE	$ —	$ —	$ —	$ —	$ 86,566	$ 86,566	$ —
MF	—	—	—	—	7,582	7,582	—
C+I	—	—	—	—	25,511	25,511	—
ADL	—	—	—	—	17,520	17,520	—
RES	—	131	—	131	268,812	268,943	127
HELOC	—	—	14	14	14,079	14,093	14
CON	—	—	—	—	9,816	9,816	—
	$ —	$ 131	$ 14	$ 145	$ 429,886	$ 430,031	$ 141

The Company's onecollateral-dependent non-accrual RES loan and HELOC loans with one borrower had an amortized cost basis of $84,000 141,000 at March 31, 2024 and December 31, 2023, and was secured by real estate with an appraised value of $422,000 216,000. The property There was sold no significant change in April the extent to which the collateral secures the loan. Interest income recognized on non-accrual loans during three months ended March 31, 2024 and 2023 was $-0-. There were no loans past due over 90 days still accruing interest at March 31, 2024 and the loan was repaid.

December 31, 2023. There were no loans collateralized by residential real estate property in the process of foreclosure at September 30, 2023 or December 31, 2022 March 31, 2024 and December 31, 2023.

The following table provides information on impaired loans as of and for the year ended December 31, 2022:

	As of December 31, 2022			At December 31, 2022	
(Dollars in thousands)	Recorded Carrying Value	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
CRE	$ —	$ —	$ —	$ —	$ —
MF	—	—	—	—	—
C+I	—	—	—	—	—
ADL	—	—	—	—	—
RES	273	273	—	446	32
HELOC	—	—	—	57	3
CON	5	5	—	2	—
Total	$ 278	$ 278	$ —	$ 505	$ 35

There were no loans modified for borrowers experiencing financial difficulty during the nine three months ended September 30, 2023. March 31, 2024 and 2023. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification, if applicable. The ACL incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon origination. Because the effect of most modifications made to borrowers experiencing financial difficulty would already be included in the ACL as a result of the measurement methodologies used to estimate the allowance, a change in the ACL is generally not recorded upon modification. There were no loans modified and determined to be a troubled debt restructuring during the year ended December 31, 2022.

Credit Quality Information

The Company utilizes a ten-grade internal loan rating system for its commercial real estate, multifamily, commercial and industrial, and acquisition, development, and land loans. Residential real estate, home equity line of credit and consumer loans are considered “pass” rated loans until they become delinquent. Once delinquent, loans can be rated an 8, 9 or 10 as applicable.

Loans rated 1 through 6: Loans in these categories are considered “pass” rated loans with low to average risk.

Loans rated 7: Loans in this category are considered “special mention.” These loans are starting to show signs of potential weakness and are being closely monitored by management.

Loans rated 8: Loans in this category are considered “substandard.” Generally, a loan is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligors and/or the collateral pledged. There is a distinct possibility that the Bank will sustain some loss if the weakness is not corrected.

Loans rated 9: Loans in this category are considered “doubtful.” Loans classified as doubtful have all the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, highly questionable and improbable.

Loans rated 10: Loans in this category are considered uncollectible (“loss”) and of such little value that their continuance as loans is not warranted and should be charged off.

On an annual basis, or more often if needed, the Company formally reviews the ratings on its commercial and industrial, commercial real estate and multifamily loans. On a periodic basis, the Company engages an independent third party to review a significant portion of loans within these segments and to assess the credit risk management practices of its commercial lending department. Management uses the results of these reviews as part of its annual review process, adequacy of the ACL on loans and overall credit risk administration.

On a quarterly basis, the Company formally reviews the ratings on its applicable residential real estate and home equity loans if they have become classified as non-accrual. Criteria used to determine ratings consist of loan-to-value ratios and days delinquent.

Based upon the most recent analysis performed, the risk category of loans by portfolio segment by vintage, reported under the CECL methodology, was as follows as of September 30, 2023 March 31, 2024 and December 31, 2023:

March 31, 2024:

(Dollars in thousands)	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Revolving Loans Amortized Cost Basis**	**Revolving Loans Converted to Term**	**Total**
CRE:									
Risk rating:									
Pass	$ 9,756	$ 10,257	$ 8,123	$ 2,821	$ 4,849	$ 17,307	$ 34,182	$ —	$ 87,295

Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total CRE	9,756	10,257	8,123	2,821	4,849	17,307	34,182	—	87,295
MF:									
Risk rating:									
Pass	—	148	5,201	1,093	—	875	362	—	7,679
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total MF	—	148	5,201	1,093	—	875	362	—	7,679
C+I:									
Risk rating:									
Pass	2,813	6,928	4,363	3,006	1,635	2,255	3,875	—	24,875
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total C+I	2,813	6,928	4,363	3,006	1,635	2,255	3,875	—	24,875
ADL:									
Risk rating:									
Pass	11,077	6,050	1,507	—	—	621	—	—	19,255
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total ADL	11,077	6,050	1,507	—	—	621	—	—	19,255
RES:									
Risk rating:									
Pass	12,513	41,831	64,656	52,469	20,150	72,858	—	—	264,477
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total RES	12,513	41,831	64,656	52,469	20,150	72,858	—	—	264,477
HELOC:									
Risk rating:									
Pass	—	—	—	—	—	—	12,614	—	12,614
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total HELOC	—	—	—	—	—	—	12,614	—	12,614
CON:									

Risk rating:									
Pass	2,157	2,466	1,956	1,534	271	226	—	—	8,610
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total CON	2,157	2,466	1,956	1,534	271	226	—	—	8,610
Total	$ 38,316	$ 67,680	$ 85,806	$ 60,923	$ 26,905	$ 94,142	$ 51,033	$ —	$ 424,805

(Dollars in thousands)	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
CRE:									
Risk rating:									
Pass	$ 1,298	$ 7,949	$ 10,655	$ 11,498	$ 1,595	$ 20,623	$ 33,926	$ —	$ 87,544
Special mention	—	—	—	—	—	235	—	—	235
Substandard	—	—	—	—	—	—	—	—	—
Total CRE	1,298	7,949	10,655	11,498	1,595	20,858	33,926	—	87,779
MF:									
Risk rating:									
Pass	—	—	142	5,113	1,069	836	333	—	7,493
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total MF	—	—	142	5,113	1,069	836	333	—	7,493
C+I:									
Risk rating:									
Pass	1,220	5,604	6,357	3,767	2,739	3,151	2,556	—	25,394
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total C+I	1,220	5,604	6,357	3,767	2,739	3,151	2,556	—	25,394
ADL:									
Risk rating:									
Pass	97	11,569	593	1,502	—	1,444	—	—	15,205
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total ADL	97	11,569	593	1,502	—	1,444	—	—	15,205
RES:									

Risk rating:									
Pass	8,420	14,888	47,659	60,073	50,784	88,814	—	—	270,638
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	127	—	—	127
Total RES	8,420	14,888	47,659	60,073	50,784	88,941	—	—	270,765
HELOC:									
Risk rating:									
Pass	—	—	—	—	—	—	15,216	—	15,216
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	14	—	14
Total HELOC	—	—	—	—	—	—	15,230	—	15,230
CON:									
Risk rating:									
Pass	518	2,780	3,013	1,932	1,476	266	—	—	9,985
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total CON	518	2,780	3,013	1,932	1,476	266	—	—	9,985
Total	$ 11,553	$ 42,790	$ 68,419	$ 83,885	$ 57,663	$ 115,496	$ 52,045	$ —	$ 431,851

17 15

The following presents the internal risk rating of loans by portfolio segment as of December 31, 2022: December 31, 2023:

(Dollars in thousands)	Pass	Special Mention	Substandard	Total
CRE	$ 77,820	$ 2,686	$ —	$ 80,506
MF	8,185	—	—	8,185
C+I	24,059	—	—	24,059
ADL	18,490	—	—	18,490
RES	251,382	—	84	251,466
HELOC	10,161	—	—	10,161
CON	7,184	—	5	7,189

Total	$ 397,281	$ 2,686	$ 89	$ 400,056

(Dollars in thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
CRE:									
Risk rating:									
Pass	$ 7,552	$ 10,849	$ 11,977	$ 2,268	$ 2,724	$ 18,713	$ 32,244	$ —	$ 86,327
Special mention	—	—	—	—	—	239	—	—	239
Substandard	—	—	—	—	—	—	—	—	—
Total CRE	7,552	10,849	11,977	2,268	2,724	18,952	32,244	—	86,566
MF:									
Risk rating:									
Pass	—	145	5,157	1,081	—	852	347	—	7,582
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total MF	—	145	5,157	1,081	—	852	347	—	7,582
C+I:									
Risk rating:									
Pass	5,745	6,580	4,151	2,875	1,537	1,917	2,704	—	25,509
Special mention	—	—	2	—	—	—	—	—	2
Substandard	—	—	—	—	—	—	—	—	—
Total C+I	5,745	6,580	4,153	2,875	1,537	1,917	2,704	—	25,511
ADL:									
Risk rating:									
Pass	10,511	4,048	1,507	—	1,454	—	—	—	17,520
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total ADL	10,511	4,048	1,507	—	1,454	—	—	—	17,520
RES:									
Risk rating:									
Pass	19,533	43,517	64,226	50,675	20,021	70,844	—	—	268,816
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	127	—	—	127
Total RES	19,533	43,517	64,226	50,675	20,021	70,971	—	—	268,943
HELOC:									
Risk rating:									
Pass	—	—	—	—	—	—	14,079	—	14,079

Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	14	—	14
Total HELOC	—	—	—	—	—	—	14,093	—	14,093
CON:									
Risk rating:									
Pass	2,902	3,145	1,966	1,512	215	76	—	—	9,816
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total CON	2,902	3,145	1,966	1,512	215	76	—	—	9,816
Total	$ 46,243	$ 68,284	$ 88,986	$ 58,411	$ 25,951	$ 92,768	$ 49,388	$ —	$ 430,031

Certain directors and executive officers of the Company and entities in which they have significant ownership interests are customers of the Bank. Company. Loans outstanding to these persons and entities at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 were $5.3 5.0 million and $4.4 5.2 million, respectively.

4. Loan Servicing

Loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of such loans were $34.1 33.2 million and $36.0 33.9 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. Substantially all of these loans were originated by the Bank and sold to third parties on a non-recourse basis with servicing rights retained. These retained servicing rights are recorded as a servicing asset and are initially recorded at fair value (see Note 15, Fair Value Values of Assets and Liabilities, for more information). Changes to the balance of mortgage servicing rights are recorded in loan servicing fee income in the Company's consolidated statements of (loss) income.

The Company's mortgage servicing activities include: collecting principal, interest and escrow payments from borrowers; making tax and insurance payments on behalf of borrowers; monitoring delinquencies and executing foreclosure proceedings; and accounting for and remitting principal and interest payments to investors. Loan servicing income, including late and ancillary fees, was $9,000 11,000 and $27,000 15,000 for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $47,000 and $116,000 for the nine months ended September 30, 2023 and 2022, 2023, respectively. The Company's residential mortgage investor loan servicing portfolio is primarily comprised of fixed rate loans concentrated in the Company's market areas.

The following summarizes activity in mortgage servicing rights for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

(Dollars in thousands)	2023	2022
Balance, June 30,	$ 350	$ 364
Additions	—	1
Payoffs	(2)	(6)

Change in fair value due to change in assumptions	(10)	10
Balance, September 30,	338	369
Balance, January 1,	357	322
Additions	—	6
Payoffs	(5)	(24)
Change in fair value due to change in assumptions	(14)	65
Balance, September 30,	$ 338	$ 369

(Dollars in thousands)	2024	2023
Balance, December 31,	$ 339	$ 357
Payoffs	(1)	(3)
Change in fair value due to change in assumptions	(9)	(5)
Balance, March 31,	$ 329	$ 349

5. <u>Deposits</u>

Deposits consisted of the following at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

(Dollars in thousands)	September 30, 2023	December 31, 2022
NOW and demand deposits	$ 174,284	$ 204,739
Money market deposits	85,825	60,931
Savings deposits	66,919	54,954
Time deposits of $250,000 and greater	13,980	7,796
Time deposits less than $250,000	70,777	53,943
	$ 411,785	$ 382,363

18

(Dollars in thousands)	March 31, 2024	December 31, 2023
NOW and demand deposits	$ 160,731	$ 163,316
Money market deposits	86,552	85,364
Savings deposits	64,463	64,823
Time deposits of greater than $250,000	18,222	17,107
Time deposits of $250,000 or less	75,627	74,188
	$ 405,595	$ 404,798

At September 30, 2023 March 31, 2024, the scheduled maturities of time deposits were as follows:

(Dollars in thousands)	Total	Total
2023	$ 26,320	

2024	41,523	$ 73,036
2025	12,401	16,945
2026	3,212	2,981
2027	1,141	596
2028	160	224
2029		67
	$ 84,757	$ 93,849

There were $23.6 million and $18.1 million of brokered time deposits which were bifurcated into amounts below the FDIC insurance limit at September 30, 2023 March 31, 2024 and December 31, 2022, respectively. December 31, 2023.Additionally, there were $20.6 21.2 million and $- $0 20.9- million of brokered deposits included in savings deposits at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. Reciprocal deposits were $920,000 and $1.1 million at March 31, 2024 and December 31, 2023, respectively.

Deposits from related parties totaled $11.9 million and $10.7 million at of March 31, 2024 and December 31, 2023, respectively.

6. Borrowings

Federal Home Loan Bank ("FHLB")

A summary of borrowings from the FHLB is as follows:

September 30, 2023		
Principal Amounts	**Maturity Dates**	**Interest Rates**
	(Dollars in thousands)	
$ 42,209	2023	5.22% to 5.57% – fixed
800	2024	0.00% – fixed
520	2025	0.00% – fixed
718	2028	0.00% – fixed
200	2030	0.00% – fixed
430	2031	0.00% – fixed
$ 44,877		

December 31, 2022		
Principal Amounts	**Maturity Dates**	**Interest Rates**
	(Dollars in thousands)	
$ 96,729	2023	0.44% to 4.38% – fixed
800	2024	0.00% – fixed
520	2025	0.00% – fixed
718	2028	0.00% – fixed
200	2030	0.00% – fixed
430	2031	0.00% – fixed
$ 99,397		

All borrowings from the FHLB are secured by a blanket security agreement on qualified collateral, principally residential mortgage loans and certain U.S. government sponsored mortgage-backed securities, in an aggregate amount equal to outstanding advances. The Bank's unused remaining available borrowing capacity at the FHLB was approximately $99.2 66.4 million and $36.5 71.8 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Bank had sufficient collateral at the FHLB to support its obligations and was in compliance with the FHLB's collateral pledging program.

A summary of borrowings from the FHLB is as follows:

March 31, 2024			
Principal Amounts		Maturity Dates	Interest Rates
(Dollars in thousands)			
$	26,544	2024	0.00% to 5.53% – fixed
	520	2025	0.00% – fixed
	50,000	2026	4.38% to 4.48% – fixed
	718	2028	0.00% – fixed
	200	2030	0.00% – fixed
	430	2031	0.00% – fixed
$	78,412		

December 31, 2023			
Principal Amounts		Maturity Dates	Interest Rates
(Dollars in thousands)			
$	21,139	2024	0.00% to 5.53%– fixed
	520	2025	0.00% – fixed
	50,000	2026	4.38% to 4.48% – fixed
	718	2028	0.00% – fixed
	200	2030	0.00% – fixed
	430	2031	0.00% – fixed
$	73,007		

Included in the above borrowings from the FHLB at March 31, 2024 and December 31, 2023 is a $25.0 million long-term advance, with an interest rate of 4.48%, which is callable by the FHLB on May 2, 2024 and quarterly thereafter, and a $25.0 million long-term advance, with an interest rate of 4.38%, which is callable by the FHLB on December 8, 2025 and quarterly thereafter (see Note 15, Subsequent Events, for more information). As of September 30, 2023 March 31, 2024 and December 31, 2022, December 31, 2023 borrowings from the FHLB also include $2.7 million of advances through the FHLB's Jobs for New England program where certain qualifying small business loans that create or preserve jobs, expand woman-, minority- or veteran- owned veteran-owned businesses, or otherwise stimulate the economy in New England communities are offered at an interest rate of 0%.

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Bank had an overnight line of credit with the FHLB that may be drawn up to $3.0 million. Additionally, the Bank had a total of $5.0 million of unsecured Fed Funds borrowing lines of credit with two correspondent banks. The entire balance of all these credit facilities was available at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

19

Federal Reserve Bank of Boston ("FRB")

During June 2023, the The Bank has established two secured credit facilities with the FRB – Bank Term Funding Program ("BTFP") and Borrower-In-Custody of Collateral Program ("BIC"). On July 25, 2023 As of March 31, 2024 and December 31, 2023, the Bank borrowed a $25.0 20.0 million under the FRB BTFP for a term of one year, at a fixed annual rate of 5.48%. At September 30, 2023, the Bank's remaining borrowing capacity advance is $7.3 million under the BTFP outstanding and is based upon collateralized by eligible collateral principally consisting primarily of government-sponsored enterprise obligations, mortgage-backed securities and collateralized mortgage obligations issued by various U.S. Government agencies, owned as of March 12, 2023, December 31, 2023 and March 31, 2024. The advance matures on December 13, 2024 at a fixed annual rate of 4.89%. The interest rate for term advances under the BTFP will be are based upon the one-year overnight index swap rate plus 10 basis points and fixed for the term of the advance – up to one year - on the day the advance is made. At September 30, 2023, the Bank's borrowing capacity is $55.5 million Advances under the BIC and is based upon would be collateralized by eligible collateral - principally general obligation municipal bonds. The entire balance $49.5 million borrowing capacity of this credit facility the BIC was available at September 30, 2023 March 31, 2024.

7. <u>Financial Instruments with Off-Balance Sheet Credit Exposures</u>

The Company is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to originate loans, unadvanced funds on loans and standby letters of credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheets. The contract amounts of those instruments reflect the extent of involvement the Bank Company has in particular classes of financial instruments.

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

Commitments to originate loans are agreements to lend to a customer provided there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank Company upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but generally includes secured interests in mortgages.

Standby letters of credit are conditional commitments issued by the Bank Company to guarantee performance by 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.

In the ordinary course of business, the Company may be subject to various legal proceedings. Management, after consultation with legal counsel, believes that the liabilities, if any, arising from such proceedings will not be material to the consolidated balance sheet or consolidated statements of (loss) income.

18

Notional amounts of financial instruments with off-balance sheet credit risk are approximately as follows as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

	2023	2022	2024	2023
Unadvanced portions of loans	$ 65,773	$ 44,929	$ 58,061	$ 46,175
Commitments to originate loans	7,977	16,134	24,401	34,074
Standby letters of credit	—	302	125	125

The Company records an ACL for off-balance sheet credit exposures that are not unconditionally cancelable through a charge to the provision for credit losses on the Company's consolidated statements of (loss) income. At September 30, 2023 March 31, 2024 and December 31, 2022, December 31, 2023 the ACL for off-balance sheet credit exposures exposure totaled $413,000 341,000 and $18,000 391,000, respectively, and was included in other liabilities on the Company's consolidated balance sheets. The (release) provision for credit losses for off-balance sheet credit exposures for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 was $(50,000) and $90,000 30,000 and $-0-, respectively. The provision for credit losses for off-balance sheet credit exposures for the nine months ended September 30, 2023 and 2022 was $105,000 and $-0-, respectively.

8. Employee Benefits

401(k) Plan

The Company sponsors a 401(k) defined contribution plan for substantially all employees pursuant to which employees of the Company could elect to make contributions to the plan subject to Internal Revenue Service limits. The Company makes matching and profit-sharing contributions to eligible participants in accordance with plan provisions. The Company's contributions for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 were $59,000 and $56,000, respectively, and $163,000 and $153,000 for the nine months ended September 30, 2023 and 2022, respectively.

20

Pension Plan

The Company participated in the Pentegra Defined Benefit Plan for Financial Institutions (The Pentegra DB Plan), a tax-qualified defined benefit pension plan. The Pentegra DB Plan operates as a multi-employer plan for accounting purposes and as a multiple-employer plan under the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code. There are no collective bargaining agreements in place that require contributions to the Pentegra DB Plan. The Pentegra DB Plan is a single plan under Internal Revenue Code Section 413 (c) and, as a result, all of the assets stand behind all of the liabilities. Accordingly, under the Pentegra DB Plan, contributions made by a participating employer may be used to provide benefits to participants of other participating employers.

The Company enacted a "hard freeze" for the Pentegra DB Plan as of December 31, 2018, eliminating all future service-related accruals for participants. Prior to this enactment the Company maintained a "soft freeze" status that continued service-related accruals for its active participants with no new participants permitted into the Pentegra DB Plan. On May 26, 2022, the board of directors approved a resolution authorizing the Company to give notice of its intent to withdraw from the Pentegra DB Plan as of September 30, 2022. On September 30, 2022, the Company proceeded with its notification to withdraw from the Pentegra DB Plan as of September 30, 2022. As a result, a contribution amount that achieved a funded status of 100% - market value of plan assets equal to the final withdrawal liability - was due. The final withdrawal liability amounted to $1.5 million of which $200,000 was paid prior to December 31, 2022 and $1.3 million of pension expense was accrued at December 31, 2022 and subsequently paid in January 2023. A final settlement credit of $14,000 was received in June 2023.

Total pension plan (credit) expense for the three months ended September 30, 2023 and 2022 was $-0- and $50,000, respectively, and $(14,000) and $150,000 for the nine months ended September 30, 2023 and 2022, respectively, and is included in salaries and employee benefits expense in the accompanying consolidated statements of (loss) income.

Supplemental Executive Retirement Plans

Salary Continuation Plan

The Company maintains a nonqualified supplemental retirement plan for its current President and its former President. The plan provides supplemental retirement benefits payable in installments over a period of years upon retirement or death. The recorded liability at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 relating to this supplemental retirement plan was $717,000 758,000 and $660,000 735,000, respectively. The discount rate used to determine the Company's obligation was 5.00%. The projected rate of salary increase for its current President was 3%. The expense of this salary retirement plan was $32,000 37,000 and $20,000 33,000 for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $99,000 and $61,000 for each of the nine months ended September 30, 2023 and 2022, 2023, respectively.

Directors Deferred Supplemental Retirement Plan

The Company has a supplemental retirement plan for eligible directors that provides for monthly benefits based upon years of service to the Company, subject to certain limitations as set forth in the agreements. The present value of these future payments is being accrued over the estimated period of service. The estimated liability at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 relating to this plan was $563,000 566,000 and $537,000 581,000, respectively. The discount rate used to determine the Company's obligation was 6.25% at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. Total supplemental retirement plan expense amounted to $19,000 15,000 and $22,000 18,000 for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $57,000 and $54,000 for the nine months ended September 30, 2023 and 2022, 2023, respectively.

The Company enacted a "hard freeze" for this supplemental retirement plan as of January 1, 2022. On February 10, 2022, the Bank and the non-employee members of the board of directors of the Bank entered into amendments to the Supplemental Director Retirement Agreements (the "Agreements") previously entered into by the Bank and the directors. The amendments eliminate the formula for determining the normal annual retirement benefit (previously "70% of Final Base Fee") and replaces it with a fixed annual benefit of $20,000. The amendments also eliminate the formula for determining the benefit payable on a change in control (previously tied to the normal annual retirement formula with certain imputed increases in the Base Fee) and replacing it with a fixed amount equal to the present value of $200,000. The effect of the amendments is to eliminate the variable and increasing costs associated with the Agreements. Instead, since the normal annual retirement benefit is now will be a fixed amount, the future costs associated with the Agreements is now more predictable. It is the intention of the Bank that no new directors of the Bank would enter into similar agreements.

Additionally, the Company has a deferred director's fee plan, which allows members of the board of directors to defer the receipt of fees that otherwise would be paid to them in cash. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the total deferred directors' fees amounted to $675,000 757,000 and $553,000 718,000, respectively.

9. Stock Based Compensation

Employee Stock Ownership Plan

The Company maintains the First Seacoast Bank Employee Stock Ownership Plan ("ESOP") to provide eligible employees of the Company the opportunity to own Company stock. The ESOP is a tax-qualified retirement plan for the benefit of Company

21

employees. Contributions are allocated to eligible participants on the basis of compensation, subject to federal limits. The

19

number of shares committed to be released per year through 2047 is 15,354. The Company uses the principal and interest method to determine the release of shares amount.

The ESOP funded its purchase of 383,851 423,715 shares through a loan from the Company equal to 100% of the aggregate purchase price of the common stock. The ESOP trustee is repaying the loan principally through the Bank's contributions to the ESOP over the remaining loan term that matures on December 31, 2047. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the remaining principal balance on the ESOP debt was $4.3 4.2 million and $2.0 million, respectively. million.

Under applicable accounting requirements, the Company records compensation expense for the ESOP equal to fair market value of shares when they are committed to be released from the suspense account to participants' accounts under the plan. Total compensation expense recognized in connection with the ESOP for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 was $29,000 32,000 and $32,000 38,000, respectively, and $100,000 and $94,000 for the nine months ended September 30, 2023 and 2022, respectively. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, total unearned compensation for the ESOP was $4.0 million and $1.9 million, respectively. million.

	September 30, 2023	December 31, 2022(1)
Shares held by the ESOP include the following:		
Allocated	39,864	29,898
Committed to be allocated	11,517	9,966
Unallocated	372,334	159,451
Total	423,715	199,315

(1) Adjusted for conversion of First Seacoast Bancorp, Inc.

	March 31, 2024	December 31, 2023
Shares held by the ESOP include the following:		
Allocated	55,218	39,864
Committed to be allocated	3,839	15,354
Unallocated	364,658	368,497

Total	423,715	423,715

The fair value of unallocated shares was approximately $2.8 3.1 million and $1.8 2.8 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

Equity Incentive Plan

Effective May 27, 2021, the Company adopted the First Seacoast Bancorp 2021 Equity Incentive Plan (the "2021 Plan"). The Company's stockholders approved the 2021 plan on that date. The 2021 Plan provides for the granting of incentive and non-statutory stock options to purchase shares of common stock and the granting of shares of restricted stock awards and restricted stock units.

The 2021 Plan authorizes the issuance or delivery to participants of up to 348,802 348,801 converted shares of common stock (adjusted for the second step conversion transaction). Of this number, the maximum number of shares of common stock that may be issued pursuant to the exercise of stock options is 249,144 shares (adjusted for the second step conversion transaction) and the maximum number of shares of common stock that may be issued as restricted stock awards or restricted stock units is 99,657 shares (adjusted for the second step conversion transaction). The exercise price of stock options may not be less than the fair market value on the date the stock option is granted. Further, stock options may not be granted with a term that is longer than 10 years.

On May 25, 2023, 249,144 incentive and non-statutory stock options to purchase shares of common stock were granted to directors for their services on the board of directors and certain members of management. As of December 31, 2022, no stock options had been granted. The Company estimates the grant date fair value of each option using the Black-Scholes option pricing model. The use of the Black-Scholes option pricing model requires management to make assumptions with respect to the expected term of the option, the expected volatility of the common stock consistent with the expected life of the option, risk-free interest rates and expected dividend yields of the common stock. Since it was determined that the Company lacked sufficient historical closing stock prices, the expected volatility assumption was based upon a combination of actual historical volatility combined with the historical volatility developed for comparable companies. Also, since the Company lacked the appropriate historical data, the expected term of the option was calculated using the simplified method. Forfeitures are required to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The estimated grant date fair value of each option is expensed as employee benefits expense ratably over the vesting period. The expense recognized for this equity incentive plan was $67,000 62,000 and $-0-, for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively, which provided a tax benefit of $18,000 and $-0-, respectively. The expense recognized for the nine months ended September 30, 2023 and 2022 was $88,000 and $-0-, respectively, which provided a tax benefit of $24,000 17,000 and $-0-, respectively. At September 30, 2023 March 31, 2024 and December 31, 2023, total unrecognized compensation expense for this equity incentive plan was $660,000 536,000 and $598,000, respectively, with a 2.7 2.2 and 2.4 year weighted average future recognition period. period, respectively.

22

20

A summary of stock options outstanding as of September 30, 2023 March 31, 2024 and changes during the nine three months ended September 30, 2023 March 31, 2024 is presented below:

September 30, 2023

	September 30, 2023						
	Number of Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in Years)		Aggregate Intrinsic Value	
Stock options:						*(In Thousands)*	
Balance at beginning of period	—	$	—	—	$		—
Granted	249,144		8.06	9.7			—
Vested	—		—	—			—
Forfeited	—		—	—			—
Balance at end of period	249,144	$	8.06	9.7	$		—

Date of grant		5/25/2023
Options granted		249,144
Exercise price	$	8.06
Vesting period(1)		3 years
Expiration date		5/25/2033
Expected volatility		27.8 %
Expected term		6.5 years
Expected dividend yield		0 %
Expected forfeiture rate		0 %
Risk free interest rate		3.9 %
Fair value per option	$	3.00

(1) Vesting is ratably and the period begins on the date of the grant.

	March 31, 2024						
	Number of Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in Years)		Aggregate Intrinsic Value	
Stock options:						*(In Thousands)*	
Balance at beginning of period	249,144	$	8.06	9.1	$		—
Granted	—		—	—			—
Vested	—		—	—			—
Forfeited	—		—	—			—
Balance at end of period	249,144	$	8.06	9.1	$		80

Date of grant		5/25/2023
Options granted		249,144
Exercise price	$	8.06
Vesting period(1)		3 years

Expiration date		5/25/2033
Expected volatility		27.8 %
Expected term		6.5 years
Expected dividend yield		0 %
Expected forfeiture rate		0 %
Risk free interest rate		3.9 %
Fair value per option	$	3.00

(1) Vesting is ratably and the period begins on the date of the grant.

On June 1, 2023, 2,478 restricted stock awards were granted to a certain member of management at $7.99 per share. The total fair value related to the June 1, 2023 grant was $20,000. These restricted stock awards time-vest 50% as of November 18, 2023 and 50% as of November 18, 2024 and have been fair valued as of the date of grant. On November 18, 2021, 98,850 restricted stock awards were granted to directors and certain members of management at $11.95 per share (adjusted for the second step conversion transaction). The total fair value related to the November 18, 2021 grant was $1.2 million. These restricted Restricted stock awards time-vest over a three year period and have been fair valued as of the date of grant. The holders of restricted stock awards participate fully in the rewards of stock ownership of the Company, including voting rights when granted and dividend rights when vested.

A summary of non-vested restricted shares outstanding as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 and changes during the nine months periods then ended September 30, 2023 and year ended December 31, 2022 is presented below:

	September 30, 2023			Three Months Ended March 31, 2024		
	Number of Shares		Weighted Average Grant Value	Number of Shares		Weighted Average Grant Value
Restricted stock:						
Non-vested at beginning of period	64,785	$	11.95	33,629	$	11.80
Granted	2,478		7.99	—		—
Vested	—		—	—		—
Forfeited	—		—	—		—
Non-vested at end of period	67,263	$	11.80	33,629	$	11.80

	Year Ended December 31, 2023		
Restricted stock:			
Non-vested at beginning of year	64,785	$	11.95
Granted	2,478		7.99
Vested	(33,634)		11.80
Forfeited	—		—
Non-vested at end of year	33,629	$	11.80

	December 31, 2022	
	Number of Shares	Weighted Average Grant Value

Restricted stock:				
Non-vested at beginning of period	98,850	$	11.95
Granted	—		—
Vested	(32,393)		11.95
Forfeited	(1,672)		11.95
Non-vested at end of period	64,785	$	11.95

21

23

The For the three months ended March 31, 2024 and 2023, the expense recognized for this equity incentive plan was $102,000 and $98,000 97,000, for the three months ended September 30, 2023 and 2022, respectively, and $298,000 and $295,000, for the nine months ended September 30, 2023 and 2022, respectively, which provided a tax benefit of $27,000, for each of the three months ended September 30, 2023 and 2022, and $80,000 26,000 and $77,000 for the nine months ended September 30, 2023 and 2022, , respectively. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, total unrecognized compensation expense for this equity incentive plan was $452,000 248,000 and $729,000 350,000, respectively, with a 1.1 0.6 and 1.9 0.9 year weighted average future recognition period, respectively.

10. Leases

The Company is obligated under various lease agreements for one of its branch offices and certain equipment. These agreements are accounted for as operating leases and their terms expire between 2024 and 2031 and, in some instances, contain options to renew for periods of up to four years. The Company has no financing leases.

The Company adopted ASU 2016-02 – *Leases (Topic 842)*– on January 1, 2022 and began recognizing recognizes its operating leases on its the consolidated balance sheet by recording a net lease liability, representing the Company's legal obligation to make these lease payments, and a Right-Of-Use ("ROU") asset, representing the Company's legal right to use the leased assets. The Company, by policy, does not include renewal options for leases as part of its ROU asset and lease liabilities unless they are deemed reasonably certain to exercise. The Company does not have any sub-lease agreements.

The following table summarizes information related to the Company's right-of-use asset and net lease liability:

	September 30, 2023			March 31, 2024		
	Operating Leases		Balance Sheet Location	Operating Leases		Balance Sheet Location
	(Dollars in thousands)			(Dollars in thousands)		
Right-of-use asset	$	612	Other Assets	$	561	Other Assets
Net lease liability		612	Other Liabilities		561	Other Liabilities

	December 31, 2022			December 31, 2023	
	Operating Leases	Balance Sheet Location		Operating Leases	Balance Sheet Location
	(Dollars in thousands)			(Dollars in thousands)	
Right-of-use asset	$ 202	Other Assets	$	587	Other Assets
Net lease liability	202	Other Liabilities		587	Other Liabilities

The Company determines whether a contract contains a lease based on whether a contract, or a part of a contract, conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The discount rate is either implicit in the lease or, when a rate cannot be readily determined, the Company's incremental borrowing rate is used. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term.

24

The components of operating lease cost and other related information are as follows:

	Three months ended September 30,	
(Dollars in thousands)	2023	2022
Operating lease cost	$ 16	$ 10
Short-term lease cost	—	—
Variable lease cost (cost excluded from lease payments)	—	—
Sublease income	—	—
Total operating lease cost	16	10
Other Information:		
Cash paid for amounts included in the measurement of lease liabilities - operating cash flows from operating leases	16	10
Operating lease - operating cash flows (liability reduction)	$ —	$ —
Weighted average lease term remaining (in years)	6.06	4.59
Weighted average discount rate	4.59 %	3.28 %

	Nine months ended September 30,	
(Dollars in thousands)	2023	2022
Operating lease cost	$ 38	$ 42
Short-term lease cost	—	—
Variable lease cost (cost excluded from lease payments)	—	—
Sublease income	—	—
Total operating lease cost	38	42
Other Information:		
Cash paid for amounts included in the measurement of lease liabilities - operating cash flows from operating leases	38	42
Operating lease - operating cash flows (liability reduction)	$ —	$ —

Weighted average lease term remaining (in years)	6.06	4.59
Weighted average discount rate	4.59 %	3.28 %

The total minimum lease payments due in future periods for lease agreements in effect at September 30, 2023 were as follows:

As of September 30, 2023	Future Minimum Lease Payments
	(Dollars in thousands)
Remainder of 2023	$ 32
2024	125
2025	122
2026	120
2027	307
Total minimum lease payments	706
Less: interest	(94)
Total lease liability	$ 612

During the three months ended September 30, 2023 2023, the Company completed a conversion of all of its branch ATMs from owned equipment to leased equipment and recognized a $2,000 loss on the disposition of all ATM-related equipment. The Company's obligation under the operating lease related to these ATMs expires in August 2030 and has future lease payments of $529,000 490,000 as of September 30, 2023 March 31, 2024. Total lease expense was $6,000 19,000 and $-0- for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

The Company's obligation under the operating lease related to one of its branches expires in August 2027 and has future lease payments of $161,000 142,000 as of September 30, 2023 March 31, 2024. Total lease expense was $9 $,000 10,000 and $8,000 9,000 for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $27,000 and $24,000 for the nine months ended September 30, 2023 and 2022, 2023, respectively. This lease agreement contains clauses calling for escalation of minimum lease payments contingent on increases in LIBOR, or a similar replacement index, and the consumer price index.

The components of operating lease cost and other related information are as follows for the three months ended March 31:

	2024	2023
	(Dollars in thousands)	
Operating lease cost	$ 26	$ 11
Short-term lease cost	—	—
Variable lease cost (cost excluded from lease payments)	—	—
Sublease income	—	—
Total operating lease cost	26	11
Other Information:		

Cash paid for amounts included in the measurement of lease liabilities - operating cash flows from operating leases	$	26	$	11
Operating lease - operating cash flows (liability reduction)		—		—
Weighted average lease term remaining (in years)		5.64		4.16
Weighted average discount rate		5.00 %		3.11 %

The total minimum lease payments due in future periods for lease agreements in effect at March 31, 2024 were as follows:

	Future Minimum Lease Payments	
	(Dollars in thousands)	
Remainder of 2024	$	93
2025		122
2026		120
2027		107
2028		77
Thereafter		122
Total minimum lease payments		641
Less: interest		(80)
Total lease liability	$	561

11. Other Comprehensive Loss (Loss) Income

The Company reports certain items as "other comprehensive income or loss" (loss) income" and reflects total accumulated other comprehensive loss (loss) income ("AOCI") in the consolidated financial statements for all periods containing elements of other comprehensive income or loss. The following table presents a reconciliation of the changes in the components of other comprehensive income or loss for the dates indicated, including the amount of income tax expense or benefit allocated to each component of other comprehensive income or loss:

Reclassification Adjustments	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Affected Line Item in Consolidated Statements of (Loss) Income	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Affected Line Item in Consolidated Statements of (Loss) Income
	(Dollars in thousands)			(Dollars in thousands)		
Gains on sale of securities available-for-sale	$ —	$ —	Securities gains, net			
Tax effect	—	—	Income tax (benefit) expense			
	—	—	Net (loss) income			

Net amortization of bond premiums	222	264	Interest on debt securities	$ 150	$ 239	Interest on debt securities
Tax effect	(60)	(71)	Income tax (benefit) expense	(40)	(64)	Income tax expense
	162	193	Net (loss) income	110	175	Net (loss) income
Net interest expense on swaps	—	(41)	Interest on borrowings			
Gains on termination of interest rate swaps				—	(849)	Gain on termination of interest rate swaps
Tax effect	—	11	Income tax (benefit) expense	—	230	Income tax expense
	—	(30)	Net (loss) income	—	(619)	Net (loss) income
Total reclassification adjustments	$ 162	$ 163		$ 110	$ (444)	

	Nine Months Ended September 30,		
Reclassification Adjustments	**2023**	**2022**	**Affected Line Item in Consolidated Statements of (Loss) Income**
	(Dollars in thousands)		
Gains on sale of securities available-for-sale	$ —	$ (52)	Securities gains, net
Tax effect	—	14	Income tax (benefit) expense
	—	(38)	Net (loss) income
Net amortization of bond premiums	712	751	Interest on debt securities
Tax effect	(191)	(203)	Income tax (benefit) expense
	521	548	Net (loss) income
Gains on termination of interest rate swaps	(849)	—	Gain on termination of interest rate swaps
Tax effect	230	—	Income tax (benefit) expense
	(619)	—	Net (loss) income
Net interest expense on swaps	—	(34)	Interest on borrowings
Tax effect	—	9	Income tax (benefit) expense
	—	(25)	Net (loss) income
Total reclassification adjustments	$ (98)	$ 485	

The following tables present the changes in each component of AOCI for the periods indicated:

(Dollars in thousands)	Net Unrealized Gains (Losses) on AFS Securities(1)	Net Unrealized Gains (Losses) on Cash Flow Hedges(1)	AOCI(1)
Balance at December 31, 2023	$ (5,944)	$ —	$ (5,944)
Other comprehensive loss before reclassification	(1,033)	—	(1,033)
Amounts reclassified from AOCI	110	—	110
Other comprehensive loss	(923)	—	(923)
Balance at March 31, 2024	$ (6,867)	$ —	$ (6,867)
Balance at December 31, 2022	$ (10,428)	$ 701	$ (9,727)
Other comprehensive income (loss) before reclassification	1,334	(82)	1,252
Amounts reclassified from AOCI	175	(619)	(444)
Other comprehensive income (loss)	1,509	(701)	808
Balance at March 31, 2023	$ (8,919)	$ —	$ (8,919)

(Dollars in thousands)	Net Unrealized (Losses) Gains on AFS Securities(1)	Net Unrealized Gains (Losses) on Cash Flow Hedges(1)	AOCI(1)
Balance at June 30, 2023	$ (9,922)	$ —	$ (9,922)
Other comprehensive loss before reclassification	(5,023)	—	(5,023)
Amounts reclassified from AOCI	162	—	162
Other comprehensive loss	(4,861)	—	(4,861)
Balance at September 30, 2023	$ (14,783)	$ —	$ (14,783)
Balance at June 30, 2022	$ (8,626)	$ 543	$ (8,083)
Other comprehensive (loss) income before reclassification	(5,153)	250	(4,903)
Amounts reclassified from AOCI	193	(30)	163
Other comprehensive (loss) income	(4,960)	220	(4,740)
Balance at September 30, 2022	$ (13,586)	$ 763	$ (12,823)
Balance at December 31, 2022	$ (10,428)	$ 701	$ (9,727)
Other comprehensive loss before reclassification	(4,876)	(82)	(4,958)
Amounts reclassified from AOCI	521	(619)	(98)

Other comprehensive loss	(4,355)	(701)	(5,056)
Balance at September 30, 2023	$ (14,783)	$ —	$ (14,783)
Balance at December 31, 2021	$ 575	$ 146	$ 721
Other comprehensive (loss) income before reclassification	(14,671)	642	(14,029)
Amounts reclassified from AOCI	510	(25)	485
Other comprehensive (loss) income	(14,161)	617	(13,544)
Balance at September 30, 2022	$ (13,586)	$ 763	$ (12,823)

(1) All amounts are net of tax.

12. Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below). As of September 30, 2023 March 31, 2024, the most recent notification from the Office of the Comptroller of the Currency categorized the Bank, as well capitalized under the regulatory framework, for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum capital amounts and ratios as set forth in the following tables. There are no conditions or events since the notification that management believes have changed the Bank's category. Management believes that, as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Bank met all capital adequacy requirements to which it was subject, including the capital conservation buffer, at those dates.

The following table presents actual and required capital ratios as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 for the Bank under the Basel Committee on Banking Supervisions capital guidelines for U.S. banks ("Basel III Capital Rules") as fully phased-in on January 1, 2019. Capital levels required to be considered well capitalized are based upon prompt corrective action regulations, as amended to reflect the changes under the Basel III Capital Rules.

	Actual		Minimum Capital Requirement		Minimum Capital Required to be Well Capitalized		Minimum Capital Required For Capital Adequacy Plus Capital Conservation Buffer Fully Phased-In		Actual		Minimum Capital Requirement		Minimum Capital Required to be Well Capitalized		Minimum Capital Required For Capital Adequacy Plus Capital Conservation Buffer Fully Phased-In	
(Dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
September 30, 2023																
March 31, 2024																
Total Capital (to risk-weighted assets)	$ 65,432	17.92%	$ 29,203	8.00%	$ 36,504	10.00%	$ 38,329	10.50%	$ 54,737	14.88%	$ 29,425	8.00%	$ 36,781	10.00%	$ 38,620	10.50%
Tier 1 Capital (to risk-weighted assets)	61,625	16.88	21,902	6.00	29,203	8.00	31,028	8.50	50,930	13.85	22,068	6.00	29,425	8.00	31,264	8.50
Tier 1 Capital (to average assets)	61,625	11.12	22,174	4.00	27,718	5.00	22,174	4.00	50,930	8.92	22,843	4.00	28,554	5.00	22,843	4.00

Common Equity Tier 1 (to risk-weighted assets)	61,625	16.88	16,427	4.50	23,727	6.50	25,552	7.00	50,930	13.85	16,551	4.50	23,908	6.50	25,747	7.00

	Actual		Minimum Capital Requirement		Minimum Capital Required to be Well Capitalized		Minimum Capital Required For Capital Adequacy Plus Capital Conservation Buffer Fully Phased-In		Actual		Minimum Capital Requirement		Minimum Capital Required to be Well Capitalized		Minimum Capital Required For Capital Adequacy Plus Capital Conservation Buffer Fully Phased-In	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2022																
December 31, 2023																
Total Capital (to risk-weighted assets)	$ 52,475	15.53%	$ 27,028	8.00%	$ 33,785	10.00%	$ 35,474	10.50%	$ 55,701	15.32 %	$ 29,090	8.00 %	$ 36,363	10.00 %	$ 38,181	10.50 %
Tier 1 Capital (to risk-weighted assets)	48,821	14.45	20,271	6.00	27,028	8.00	28,717	8.50	51,878	14.27	21,818	6.00	29,090	8.00	30,908	8.50

Tier 1 Capital (to average assets)	48,821	9.20	21,224	4.00	26,530	5.00	21,224	4.00	51,878	9.19	22,592	4.00	28,240	5.00	22,592	4.00
Common Equity Tier 1 (to risk-weighted assets)	48,821	14.45	15,203	4.50	21,960	6.50	23,649	7.00	51,878	14.27	16,363	4.50	23,636	6.50	25,454	7.00

13. <u>Treasury Stock</u>

<u>Common Stock Repurchases</u>

On September 23, 2020, the board of directors of First Seacoast Bancorp (a federal corporation) authorized the repurchase of up to 114,403 shares of First Seacoast Bancorp's (a federal corporation) outstanding common stock (adjusted for the second step conversion transaction), which equals approximately 2.2% of all shares then outstanding and approximately 5.0% of the then outstanding shares owned by stockholders other than First Seacoast Bancorp, MHC. The Company holds repurchased shares in its treasury. As of December 31, 2022, First Seacoast Bancorp (a federal corporation) had repurchased all 114,403 shares authorized (adjusted for the second step conversion transaction).

<u>Equity Incentive Plan</u>

A certain member of management elected to surrender 496 shares (adjusted for the second step conversion transaction) of a vested restricted stock award on November 18, 2022 in lieu of a cash payment for the tax liabilities associated with the time-vesting of their award. The Company holds these shares in its treasury. As of September 30, 2023 and December 31, 2022, the Company held a total of 114,899 shares in its treasury (adjusted for the second step conversion transaction).

14. <u>Derivatives and Hedging Activities</u>

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its assets and liabilities and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. These derivative financial instruments are reported at fair value in other assets or other liabilities and are not reported on a net basis.

Derivatives Designated as Hedging Instruments

<u>Cash Flow Hedges of Interest Rate Risk</u>

The Company's objectives in using interest rate derivatives are to add stability to interest income and expense and to manage its exposure to interest rate movements. To accomplish these objectives, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed rate payments or the receipt of fixed rate amounts from a counterparty in exchange for the Company making variable rate payments over the life of the agreements without exchange of the underlying notional amount.

The Company entered into two $5 million notional interest rate swaps that were designated as cash flow hedges on 90-day advances from FHLB. The purpose of these cash flow hedges was to reduce potential interest rate risk by swapping a variable rate borrowing to a fixed rate. Management deemed it prudent to limit the variability of these interest payments by entering into these interest rate swap agreements. These agreements provided for the Company to receive payments at a variable rate determined by a specific index (three-month LIBOR) in exchange for making payments at a fixed rate. Publication of LIBOR is expected to cease in December September of 2024. The swap agreements allowed for substitution of an alternative reference rate such as the secured overnight financing rate ("SOFR") at that time.

On January 17, 2023, the Company terminated both of its interest rate swap derivative instruments at a gain of $849,000. The Company recognized the change in fair value of these hedging instruments, previously accumulated in AOCI, as a gain on termination of interest rate swaps in its consolidated statement of (loss) income for the nine three months ended September 30, 2023 March 31, 2023 as it was determined that it was probable that the hedged forecasted transaction - the variability in cash flows related to 90-day advances from the FHLB - would not occur by the end of the original maturity dates of the hedging instruments. The use of derivatives for debt hedging as part of the Company's overall interest rate risk management strategy has been infrequent as the Company has utilized other interest rate risk management activities to achieve similar business purposes. Also, $536,000 of cash posted to the counterparty as collateral on these interest rate swaps contracts was returned to the Company. The changes in the fair value of interest rate swaps were reported in other comprehensive loss (loss) income and were subsequently reclassified into interest expense or income in the period that the hedged transactions affected earnings. The change in fair value for these derivative instruments for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, was $-0- and $302,000, respectively, and $(112,000) and $846,000 for the nine months ended September 30, 2023 and 2022, , respectively. At December 31, 2022, the fair value of interest rate swap derivatives resulted in an asset of $961,000, and is recorded in other assets.

29

The following table summarizes the Company's cash flow hedges associated with its interest rate risk management activities:

				December 31, 2022		
(Dollars in thousands)	Start Date	Maturity Date	Rate	Notional	Assets	Liabilities
Debt Hedging						
Hedging Instruments:						
Interest Rate Swap 2020	4/13/2020	4/13/2025	0.68%	$ 5,000	$ 431	$ —
Interest Rate Swap 2021	4/13/2021	4/13/2026	0.74%	5,000	530	—
Total Hedging Instruments				$ 10,000	$ 961	$ —
Hedged Items:						

Variability in cash flows related to 90-day FHLB advances	N/A	$ —	$ 10,000

The following tables summarize the effect of cash flow hedge accounting on the consolidated statements of (loss) income for the three and nine months ended September 30, 2023 and 2022 :

	Location and Amount of Gain or Loss Recognized in Consolidated Statements of (Loss) Income			
	Three Months Ended September 30,			
(Dollars in thousands)	2023		2022	
	Interest Income (Expense)	Other Income (Expense)	Interest Income (Expense)	Other Income (Expense)
The effect of cash flow hedge accounting:				
Amount reclassified from AOCI into expense	$ —	$ —	$ 41	$ —

	Location and Amount of Gain or Loss Recognized in Consolidated Statements of (Loss) Income			
	Nine Months Ended September 30,			
(Dollars in thousands)	2023		2022	
	Interest Income (Expense)	Other Income (Expense)	Interest Income (Expense)	Other Income (Expense)
The effect of cash flow hedge accounting:				
Amount reclassified from AOCI into expense	$ —	$ —	$ 34	$ —

The credit risk associated with these interest rate swaps was the risk of default by the counterparty. To minimize this risk, the Company only enters into interest rate swap agreements with highly rated counterparties that management believes to be creditworthy. The notional amounts of these agreements did not represent amounts exchanged by the parties and, therefore, was not a measure of the potential loss exposure. Risk management results for the three and nine months ended September 30, 2023 and 2022, related to the balance sheet hedging of $10.0 million of 90 day FHLB advances, included in borrowings, indicated that the hedge was 100% effective and there was no component of the derivative instruments' unrealized gain or loss which was excluded from the assessment of hedge effectiveness. As of September 30, 2023 and December 31, 2022, the Company posted $-0- and $535,000, respectively, of cash to the counterparty as collateral on these interest rate swap contracts, which was presented within cash and due from banks on the consolidated balance sheets.

Fair Value Hedges of Interest Rate Risk

On June 5, 2023, During 2023, the Company entered into interest rate contracts that were designated as fair value hedges utilizing a pay fixed interest rate swap to hedge portions of the residential mortgage loan portfolio's change in fair value attributable to the movement in the one-month SOFR. Additionally, the Company entered into an interest rate contract that was designated as a fair value hedge utilizing a pay fixed interest rate swap to hedge a portion of the residential mortgage loan securities available-for-sale municipal bond portfolio's change in fair value attributable to the movement in the one-month SOFR. The Company is exposed to changes in the fair value of certain pools of fixed-rate assets due to changes in benchmark interest rates. The Company uses interest rate swaps to manage its exposure to changes in fair value on these instruments attributable to changes in the designated benchmark interest rate. The Company's interest rate swaps designated as fair value hedges involve the payment of fixed-rate amounts to a counterparty in exchange for the Company receiving variable-rate payments over the life of the agreement without the exchange of the underlying notional amount. The hedging strategy effectively converts these mortgage loans fixed-rate assets to SOFR floating rate loans assets for the term of the swap starting on the effective date.

For derivatives designated and that qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in interest income.

As of September 30, 2023 March 31, 2024 and December 31, 2023, the following amounts were recorded on the balance sheet related to cumulative basis adjustment for fair value hedges:

Location in Consolidated Balance Sheets	**Carrying Amount of Hedged Assets/(Liabilities)**		**Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets/(Liabilities)**		**Carrying Amount of Hedged Assets/(Liabilities)**		**Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets/(Liabilities)**	
(Dollars in thousands)	**September 30, 2023**	**December 31, 2022**	**September 30, 2023**	**December 31, 2022**	**March 31, 2024**	**December 31, 2023**	**March 31, 2024**	**December 31, 2023**
Securities available-for-sale, at fair value					$ 9,977	$ 10,126	$ (23)	$ 126
Total loans	$ 24,553	$ —	$ 447	$ —	49,942	50,632	(58)	632
Total	$ 24,553	$ —	$ 447	$ —	$ 59,919	$ 60,758	$ (81)	$ 758

These amounts include The carrying amount of the hedged asset located in “total loans” includes the amortized cost basis of closed portfolios of fixed-rate residential loans used to designate hedging relationships in which the hedged item is items are the stated amount of assets in the closed portfolio anticipated to be outstanding for the designated hedged period. At inception, March 31, 2024 and December 31, 2023, the amortized cost basis of the closed portfolios of fixed-rate residential loans used in these the hedging relationships relationship was $63.7 60.0 million. The million and $62.2 million, respectively; the cumulative basis adjustments associated with these this hedging relationships relationship was $(447,000 58,000) and $632,000, respectively; and the notional amount of the designated hedged items were item was $25.0 50.0 million. Under the "portfolio layer" approach, the Company designated a $25.0 50.0 million notional amount of portfolio assets that are not expected to be affected by prepayments, defaults and other factors affecting the timing and amount of cash flows of the designated hedged layer.

The Company had carrying amount of the hedged asset located in “securities available-for-sale, at fair value” includes the principal amount of municipal bonds used to designate hedging relationships in which the hedged items are the stated amount of assets anticipated to be outstanding for the designated hedged period. At March 31, 2024 and December 31, 2023, the par value of the municipal bonds used in this hedging relationship was $no 19.3 fair value hedges at December 31, 2022. million; the cumulative basis adjustments associated with these hedging relationships was $(23,000) and $126,000, respectively; and the notional amount of the designated hedged items were $10.0 million. Under the "portfolio layer" approach, the Company designated a $10.0 million notional amount of portfolio assets that are not expected to be affected by prepayments, defaults and other factors affecting the timing and amount of cash flows of the designated hedged layer.

The notional amounts of these agreements do not represent amounts exchanged by the parties and, thus, are not a measure of potential loss exposure. At September 30, 2023 March 31, 2024 and December 31, 2023, the Company’s fair value hedges had a remaining maturity of 2.67 2.48 and 2.73 years, respectively, an average pay fixed rate of 3.99 4.29% and an average received rate of 5.19 5.32%.

Derivatives not Designated as Hedging Instruments

Customer Loan Swaps

Derivatives not designated as hedges are not speculative and result from a service the Company provides to certain commercial banking customers. On May 19, 2023, the Company entered into an interest rate swap with a commercial loan borrower. The Company executes interest rate swaps with customers to facilitate their respective risk management strategies. The interest rate swap contract with the commercial loan borrower allows them to convert floating-rate loan payments based on SOFR to fixed-rate loan payments. This interest rate swap is simultaneously hedged by an offsetting derivative that the Company executes with a third party, such that the Company minimizes its net risk exposure resulting from such transactions. As the interest rate derivatives associated with this program do not meet hedge accounting requirements, changes in the fair value of both the customer derivative and the offsetting derivative are recognized directly in earnings.

The following table presents the fair value of the Company’s derivative financial instruments as well as their classification on the consolidated balance sheet:

	Derivative Assets			Derivative Liabilities			Derivative Assets			Derivative Liabilities		
	Notional Amount	Location	Fair Value	Notional Amount	Location	Fair Value	Notional Amount	Location	Fair Value	Notional Amount	Location	Fair Value
(Dollars in thousands)												
September 30, 2023												
March 31, 2024												
Derivatives designated as												

hedging instruments:												
Interest rate contracts - fair value hedge	$ 25,000	Other assets	$ 447	$ —	Other liabilities	$ —	$ 60,000	Other assets	$ 81	$ —	Other liabilities	$ —
Total derivatives designated as hedging instruments			$ 447			$ —			$ 81			$ —
Derivatives not designated as hedging instruments:												
Customer loan swaps	$ 4,799	Other assets	$ 158	$ 4,799	Other liabilities	$ 158	$ 4,732	Other assets	$ 22	$ 4,732	Other liabilities	$ 22
Total derivatives not designated as hedging instruments			$ 158			$ 158			$ 22			$ 22

December 31, 2022

December 31, 2023

Derivatives designated as hedging instruments:		

Interest rate contracts - cash flow hedge	$ 10,000	Other assets	$ 961	$ —	Other liabilities	$ —	$ 60,000	Other assets	$ —	$ —	Other liabilities	$ 758
Total derivatives designated as hedging instruments			$ 961			$ —			$ —			$ 758
Derivatives not designated as hedging instruments:												
Customer loan swaps							$ 4,766	Other assets	$ 90	$ 4,766	Other liabilities	$ 90
Total derivatives not designated as hedging instruments									$ 90			$ 90

31 27

The following table presents the effect of the Company’s derivative financial instruments that are not designated as hedging instruments on the consolidated statements of (loss) income for the periods presented:

		Amount of (Loss) Gain Recognized in Income			
		Three Months Ended		Nine Months Ended	
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
(Dollars in thousands)	Location of (Loss) Gain				

Customer loan swaps	Interest and fees on loans	$ (12)	$ —	$ 83	$ —

Credit-risk-related Contingent Features

By entering into derivative transactions, the Company is exposed to credit risk to the extent that counterparties to the derivative contracts do not perform as required. Should a counterparty fail to perform under the terms of a derivative contract, the Company's credit exposure on interest rate swaps is limited to the net positive fair value and accrued interest of all swaps with each counterparty. The Company seeks to minimize counterparty credit risk through credit approvals, limits, and other monitoring procedures. Institutional counterparties must have an investment grade credit rating and be approved by the Company's board of directors. As such, management believes the risk of incurring credit losses on derivative contracts with institutional counterparties is remote. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company posted $786,000 1.8 million and $535,000 1.6, million, respectively, of cash to the counterparties as collateral on its interest rate swap contracts and customer loan swaps, which was presented within cash and due from banks on the consolidated balance sheets.

Balance Sheet Offsetting

Certain financial instruments may be eligible for offset in the consolidated balance sheet and/or subject to master netting arrangements or similar agreements. The Company's derivative transactions with institutional counterparties are generally executed under International Swaps and Derivative Association ("ISDA") master agreements which include "right of set-off" provisions. In such cases there is generally a legally enforceable right to offset recognized amounts and there may be an intention to settle such amounts on a net basis. Generally, the Company does not offset such financial instruments for financial reporting purposes.

The following tables present the information about derivative positions that are eligible for offset in the consolidated balance sheets as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

				Gross Amounts Not Offset		
(Dollars in thousands)	**Gross Amounts Recognized**	**Gross Amounts Offset**	**Net Amounts Recognized**	**Financial Instruments Pledged (Received)**	**Cash Collateral Pledged (Received)(1)**	**Net Amount**
September 30, 2023						
Derivative Assets:						
Interest rate contracts (2)	$ 447	$ —	$ 447	$ —	$ 447	$ —
Customer loan swaps - commercial customer (3)	158	—	158	—	—	158
Total	$ 605	$ —	$ 605	$ —	$ 447	$ 158
Derivative Liabilities:						
Customer loan swaps - dealer bank (3)	$ 158	$ —	$ 158	$ —	$ 158	$ —
December 31, 2022						
Derivative Assets:						
Interest rate contracts (2)	$ 961	$ —	$ 961	$ —	$ 535	$ 426

				Gross Amounts Not Offset		

(Dollars in thousands)	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Recognized	Financial Instruments Pledged (Received)	Cash Collateral Pledged (Received) (1)	Net Amount
March 31, 2024						
Derivative Assets:						
Interest rate contracts(2)	$ 81	$ —	$ 81	$ —	$ 81	$ —
Customer loan swaps - dealer bank(3)	22	—	22	—	—	22
Total	$ 103	$ —	$ 103	$ —	$ 81	$ 22
Derivative Liabilities:						
Interest rate contracts(2)	$ —	$ —	$ —	$ —	$ —	$ —
Customer loan swaps - commercial customer(3)	22	—	22	—	22	—
Total	$ 22	$ —	$ 22	$ —	$ 22	$ —
December 31, 2023						
Derivative Assets:						
Interest rate contracts(2)	$ —	$ —	$ —	$ —	$ —	$ —
Customer loan swaps - dealer bank(3)	90	—	90	—	90	—
Total	$ 90	$ —	$ 90	$ —	$ 90	$ —
Derivative Liabilities:						
Interest rate contracts(2)	$ 758	$ —	$ 758	$ —	$ 758	$ —
Customer loan swaps - commercial customer(3)	90	—	90	—	—	90
Total	$ 848	$ —	$ 848	$ —	$ 758	$ 90

(1) The amount presented was the lesser of the amount pledged (received) or the net amount presented in the consolidated balance sheets.

(2) Interest rate swap contracts were completed with the same dealer bank. The Company maintains a master netting arrangement with the counterparty and settles collateral on a net basis for all contracts.

(3) The Company manages its net exposure on its commercial customer loan swaps by obtaining collateral as part of the normal loan policy and underwriting practices. The Company does not post collateral to its commercial customers as part of its contract.

At September 30, 2023 and December 31, 2022, there were no derivatives in a net liability position related to these agreements.

15. 14.Fair Values of Assets and Liabilities

Determination of Fair Value

The fair value of an asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from one level to another. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various assets and liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value of cash flows or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The Company groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the observability and reliability of the assumptions used to determine fair value.

Level 1 - Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 - Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities, fair value is based upon the lowest level of observable input that is significant to the fair value measurement.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon models that primarily use, as inputs, observable market-based parameters. The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Furthermore, the reported fair value amounts have not been comprehensively revalued since the presentation dates, and, therefore, estimates of fair value after the balance sheet date may differ significantly from the amounts presented therein. A more detailed description of the valuation methodologies used for assets and liabilities measured at fair value is set forth below. A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all the Company's financial assets and financial liabilities carried at fair value at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

Financial Assets and Financial Liabilities: Financial assets and financial liabilities measured at fair value on a recurring basis include the following:

Securities Available-for-Sale: The Company's investment in U.S. Government-sponsored entities bonds, U.S Government agency small business administration pools guaranteed by the SBA, collateralized mortgage obligations issued by the FHLMC, residential mortgage-backed securities and other municipal bonds is generally classified within Level 2 of the fair value hierarchy. For these securities, the Company obtains fair value measurements from independent pricing services. The fair value measurements consider observable data that may include reported trades, dealer quotes, market spreads, cash flows, the U.S.

treasury yield curve, trading levels, market consensus prepayment speeds, credit information and the instrument's terms and conditions.

Mortgage Servicing Rights: Fair value is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model utilizes interest rate, prepayment speed and default rate assumptions that market participants would use in estimating future net servicing income and that can be validated against available market data (see Note 4, Loan Servicing, for more information). These assumptions are inherently sensitive to change as these unobservable inputs are not based on quoted prices in active markets or otherwise observable.

Derivative Instruments and Hedges: The valuation of these instruments is determined using the discounted cash flow method on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities.

The following table summarizes financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
	(Dollars in thousands)				(Dollars in thousands)			
September 30, 2023								
March 31, 2024								
Securities available-for-sale:								
U.S. Government-sponsored enterprises obligations	$ 1,769	$ —	$ 1,769	$ —	$ 1,380	$ —	$ 1,380	$ —
U.S Government agency small business administration pools guaranteed by the SBA	7,244	—	7,244	—	14,782	—	14,782	—
Collateralized mortgage obligations issued by the FHLMC, FNMA and GNMA	5,592	—	5,592	—	5,474	—	5,474	—
Residential mortgage-backed-securities	20,732	—	20,732	—	39,323	—	39,323	—
Municipal bonds	59,642	—	59,642	—	53,494	—	53,494	—
Corporate debt	486	—	486	—	493	—	493	—
Corporate subordinated debt	7,087	—	7,087	—	9,253	—	9,253	—
Other assets:								

Mortgage servicing rights	338	—	—	338	329	—	—	329
Derivatives	605	—	605	—	103	—	103	—
Other liabilities:								
Other Liabilities:								
Derivatives	158	—	158	—	22	—	22	—

	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
	(Dollars in thousands)				**(Dollars in thousands)**			
December 31, 2022								
December 31, 2023								
Securities available-for-sale:								
U.S. Government-sponsored enterprises obligations	$ 1,826	$ —	$ 1,826	$ —	$ 1,398	$ —	$ 1,398	$ —
U.S Government agency small business administration pools guaranteed by the SBA	8,359	—	8,359	—	15,583	—	15,583	—
Collateralized mortgage obligations issued by the FHLMC, FNMA and GNMA	6,222	—	6,222	—	2,474	—	2,474	—
Residential mortgage-backed-securities	21,823	—	21,823	—				
Residential mortgage-backed securities					38,221	—	38,221	—
Municipal bonds	62,416	—	62,416	—	54,692	—	54,692	—
Corporate debt	497	—	497	—	492	—	492	—
Corporate subordinated debt	4,957	—	4,957	—	8,994	—	8,994	—
Other assets:								
Mortgage servicing rights	$ 357	—	—	357	$ 339	—	—	339
Derivatives	961	—	961	—	90	—	90	—
Other liabilities:								
Derivatives					848	—	848	—

For the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, the changes in Level 3 assets and liabilities measured at fair value on a recurring basis were as follows:

(Dollars in thousands)	Mortgage Servicing Rights (1)
Balance as of January 1, 2023	$ 357
Included in net (loss) income	(19)
Balance as of September 30, 2023	$ 338
Total unrealized net gains (losses) included in net income related to assets still held as of September 30, 2023	$ —
Balance as of January 1, 2022	$ 322
Included in net (loss) income	47
Balance as of September 30, 2022	$ 369
Total unrealized net gains (losses) included in net income related to assets still held as of September 30, 2022	$ —

(Dollars in thousands)	Mortgage Servicing Rights (1)
Balance as of January 1, 2024	$ 339
Included in net (loss) income	(10)
Balance as of March 31, 2024	$ 329
Total unrealized net gains (losses) included in net (loss) income related to assets still held as of March 31, 2024	$ —
Balance as of January 1, 2023	$ 357
Included in net (loss) income	(8)
Balance as of March 31, 2023	$ 349
Total unrealized net gains (losses) included in net (loss) income related to assets still held as of March 31, 2023	$ —

(1) Realized and unrealized gains and losses related to mortgage servicing rights are reported as a component of loan servicing fee income i the Company's consolidated statements of (loss) income.

For Level 3 assets measured at fair value on a recurring basis as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the significant unobservable inputs used in the fair value measurements were as follows:

	March 31, 2024

(Dollars in thousands)	Valuation Technique	Description	Range	Weighted Average (1)	Fair Value
Mortgage Servicing Rights	Discounted Cash Flow	Prepayment Rate	5.01% - 17.31%	6.67%	$ 329
		Discount Rate	9.75%	9.75%	
		Delinquency Rate	2.16% - 2.77%	2.27%	
		Default Rate	0.14% - 0.18%	0.15%	

	September 30, 2023				
(Dollars in thousands)	Valuation Technique	Description	Range	Weighted Average (1)	Fair Value
Mortgage Servicing Rights	Discounted Cash Flow	Prepayment Rate	5.66% - 13.52%	6.70%	$ 338
		Discount Rate	10.13% - 10.13%	10.13%	
		Delinquency Rate	1.90% - 2.48%	2.00%	
		Default Rate	0.14% - 0.18%	0.15%	

	December 31, 2022				
(Dollars in thousands)	Valuation Technique	Description	Range	Weighted Average (1)	Fair Value
Mortgage Servicing Rights	Discounted Cash Flow	Prepayment Rate	6.48% - 23.49%	7.78%	$ 357
		Discount Rate	9.50% - 9.50%	9.50%	
		Delinquency Rate	2.13% - 2.79%	2.24%	
		Default Rate	0.14% - 0.20%	0.15%	

	December 31, 2023				
(Dollars in thousands)	Valuation Technique	Description	Range	Weighted Average (1)	Fair Value
Mortgage Servicing Rights	Discounted Cash Flow	Prepayment Rate	5.35% - 20.53%	6.85%	$ 339
		Discount Rate	9.38%	9.38%	
		Delinquency Rate	2.08% - 2.60%	2.17%	
		Default Rate	0.12% - 0.14%	0.14%	

(1) Unobservable inputs for mortgage servicing rights were weighted by loan amount.

The significant unobservable inputs used in the fair value measurement of the Company’s mortgage servicing rights are the weighted-average prepayment rate, weighted-average discount rate, weighted average delinquency rate and weighted-average default rate. Significant increases (decreases) in any of those inputs in isolation could result in a significantly lower (higher) fair value measurement. Although the prepayment rate and the discount rate are not directly interrelated, they generally move in opposite directions of each other.

The Company estimates the fair value of mortgage servicing rights by using a discounted cash flow model to calculate the present value of estimated future net servicing income. Observable and unobservable inputs are entered into this model as prescribed by an independent third party to arrive at an estimated fair value. See Note 4, Loan Servicing, for a roll forward of our Level 3 item and related inputs used to determine fair value at September 30, 2023.

Certain financial assets and financial liabilities are measured at fair value on a non-recurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). Financial assets measured at fair value on a non-recurring basis during the reported periods may include certain individually evaluated loans reported at the fair value of the underlying collateral. Fair value is measured using appraised values of collateral and adjusted as necessary by management based on unobservable inputs for specific properties. However, the choice of observable data is subject to significant judgment, and there are often adjustments based on judgment in order to make observable data comparable and to consider the impact of time, the condition of properties, interest rates and other market factors on current values. Additionally, commercial real estate appraisals frequently involve discounting of projected cash flows, which relies inherently on unobservable data. Therefore, real estate collateral related nonrecurring fair value measurement adjustments have generally been classified as Level 3.

Estimates of fair value used for other collateral supporting commercial loans generally are based on assumptions not observable in the marketplace and therefore such valuations have been classified as Level 3. Financial assets measured at fair value on a non-recurring basis during the reported periods also include loans held for sale. Residential mortgage loans held for sale are recorded at the lower of cost or fair value and are therefore measured at fair value on a non-recurring basis. The fair values for loans held for sale are estimated based on commitments in effect from investors or prevailing market prices for loans with similar terms to borrowers of similar credit quality and are included in Level 3. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, there were no assets or liabilities measured at fair value on a non-recurring basis.

Non-Financial Assets and Non-Financial Liabilities: The Company has no non-financial assets or non-financial liabilities measured at fair value on a recurring basis. Non-financial assets measured at fair value on a non-recurring basis generally include certain foreclosed assets which, upon initial recognition, were remeasured and reported at fair value through a charge-off to the allowance for loan losses and certain foreclosed assets which, subsequent to their initial recognition, are remeasured at fair value through a write-down included in other non-interest expense. There were no foreclosed assets at September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023.

ASC Topic 825,*"Financial Instruments,"* requires disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis. The methodologies for estimating the fair value of financial assets and financial liabilities that are measured at fair value on a recurring or non-recurring basis are discussed above. ASU 2016-01 requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. The exit price notion is a market-based measurement of fair value that is represented by the price to sell an asset or transfer a liability in the principal market (or most advantageous market in the absence of a principal market) on the measurement date. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, fair values of loans are estimated on an exit price basis incorporating discounts for credit, liquidity and marketability factors.

Summary of Fair Values of Financial Instruments not Carried at Fair Value

The estimated fair values, and related carrying or notional amounts, of the Company's financial instruments at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 are as follows:

(Dollars in thousands)	**Carrying Amount**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**	**Carrying Amount**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
September 30, 2023										
March 31, 2024										
Financial Assets:										
Cash and due from banks	$ 7,168	$ 7,168	$ 7,168	$ —	$ —	$ 6,713	$ 6,713	$ 6,713	$ —	$ —
Federal Home Loan Bank stock	1,972	1,972	—	1,972	—	3,448	3,448	—	3,448	—
Bank-owned life insurance	4,642	4,642	—	4,642	—	4,683	4,683	—	4,683	—
Loans, net	424,136	372,797	—	—	372,797	428,431	381,372	—	—	381,372
Accrued interest receivable	2,130	2,130	2,130	—	—	2,368	2,368	2,368	—	—
Financial Liabilities:										
Deposits	$ 411,785	$ 409,866	$ 327,029	$ 82,837	$ —	$ 405,595	$ 404,371	$ 311,745	$ 92,626	$ —
Advances from Federal Home Loan Bank	44,877	44,435	—	44,435	—	78,412	78,162	—	78,162	—
Advances from Federal Reserve Bank	25,000	25,024	—	25,024	—	20,000	19,966	—	19,966	—
Mortgagors' tax escrow	2,381	2,381	—	2,381	—	2,079	2,079	—	2,079	—
Accrued interest payable	509	509	509	—	—	644	644	644	—	—
December 31, 2022										
December 31, 2023										
Financial Assets:										

Cash and due from banks	$ 8,250	$ 8,250	$ 8,250	$ —	$ —	$ 6,069	$ 6,069	$ 6,069	$ —	$ —
Interest-bearing time deposits with other banks	747	747	—	747	—					
Federal Home Loan Bank stock	3,502	3,502	—	3,502	—	2,986	2,986	—	2,986	—
Bank-owned life insurance	4,561	4,561	—	4,561	—	4,663	4,663	—	4,663	—
Loans, net	398,924	361,402	—	—	361,402	426,641	376,772	—	—	376,772
Accrued interest receivable	1,988	1,988	1,988	—	—	2,294	2,294	2,294	—	—
Financial Liabilities:										
Deposits	$ 382,363	$ 379,714	$ 320,624	$ 59,090	$ —	$ 404,798	$ 403,489	$ 313,503	$ 89,986	$ —
Advances from Federal Home Loan Bank	99,397	97,675	—	97,675	—	73,007	73,162	—	73,162	—
Advances from Federal Reserve Bank						20,000	20,020	—	20,020	—
Mortgagors' tax escrow	938	938	—	938	—	640	640	—	640	—
Accrued interest payable	95	95	95	—	—	380	380	380	—	—

16. 15.Subsequent Events

On April 11, 2024, the board of directors authorized a stock repurchase program for up to 507,707 shares of common stock, representing approximately 10% of shares currently outstanding. The Company intends to conduct the repurchases on the open market, including by means of a trading plan adopted under SEC Rule 10b5-1,subject to market conditions and other factors. There is no guarantee as to the number of shares that the Company may ultimately repurchase. The program will expire 12 months after the effective date, regardless of whether all shares will have been repurchased. The Company may suspend or discontinue the program at any time.

During October 2023, On April 17, 2024, the Company purchased $ Bank signed a purchase and sale agreement for the sale and leaseback of 25.0 five million properties owned and operated by the Bank, which consists of securities available-for-sale. These purchases consisted its main office and branch, a building annex used primarily by its FSB Wealth Management division and three standalone branches for an aggregate cash purchase price of $5.0 7.9 million million. Each of floating rate U.S. Government agency small business administration pools guaranteed by SBA, $ the sold branches include an adjacent drive thru. All of the sold properties include an adjacent parking lot. The Bank will concurrently enter into absolute net lease agreements with the purchaser under which the Bank will lease each of the properties under an initial term of 10.015 million years. We will not close any branches or exit any markets as a result of residential mortgage-backed securities and $10.0 million of municipal bonds. The average yield for these investment purchases the sale-leaseback transaction. This transaction is expected to be approximately 6.37%. close during the second quarter of 2024.

On October 31, 2023, the Company agreed to a contract extension with its core technology provider, FISERV. The new agreement expires on April 30, 2032, with an unconditional option to exit the agreement in April 2028 and includes lower pricing for transaction and processing services that become effective immediately.

On November 1, 2023 April 29, 2024, the Company borrowed $25.0 million from the FHLB at a rate of 4.48 4.75%, which is callable by the FHLB on October 29, 2024 and quarterly thereafter to replace the callable advance which was called on May 2, 2024 (see Note 6, Borrowings, for more information).

On May 3, 2024, the Company purchased $5.7 million of brokered deposits, for a term of May 1, 2024 one year, at an annual rate of 5.20%. The brokered deposits are callable, at the option of the Company, in whole, prior to the maturity date beginning on August 3, 2024 and quarterly thereafter.

On November 1, 2023 Also on May 3, 2024, the Company entered into an interest rate contract with a notional amount of purchased $25.0 2.4 million that was designated as of brokered deposits, for a fair value hedge utilizing a pay fixed interest rate swap to hedge a portion of the residential mortgage loan portfolio's change in fair value attributable to the movement in the one-month SOFR. This fair value hedge has a maturity term of 3 two years, a pay fixed at an annual rate of 4.67% and a receive rate, as of November 1, 2023, of 5.31 5.20%. The brokered deposits are callable, at the option of the Company, in whole, prior to the maturity date beginning on November 3, 2024 and quarterly thereafter.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Management's discussion and analysis of financial condition and results of operations is intended to assist in understanding the Company's consolidated financial condition at September 30, 2023 March 31, 2024 and consolidated results of operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023. It should be read in conjunction with our unaudited consolidated financial statements and accompanying notes presented elsewhere in this report and with the Company's audited consolidated financial statements and accompanying notes presented in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023, filed on March 24, 2023 March 29, 2024 with the Securities and Exchange Commission. Certain prior year amounts have been reclassified to conform to the current year presentation.

Overview

Our business consists primarily of taking deposits from the general public and investing those deposits, together with funds generated from operations and borrowings from the FHLB, in one- to four-family residential real estate loans, commercial real estate and multi-family loans, acquisition, development and land loans, commercial and industrial loans, home equity loans and lines of credit and consumer loans. In recent years, we have increased our focus, consistent with what we believe to be conservative underwriting standards, on originating higher yielding commercial real estate and commercial and industrial loans.

We conduct our operations from four full-service banking offices in Strafford County, New Hampshire and one full-service banking office in Rockingham County, New Hampshire. We consider our primary lending market area to be Strafford and Rockingham Counties in

New Hampshire and York County in Southern Maine.

Cautionary Note Regarding Forward-Looking Statements

This quarterly report contains forward-looking statements, which can be identified by the use of words such as “estimate,” “project,” “believe,” “intend,” “anticipate,” “plan,” “seek,” “expect,” “will,” “may” and words of similar meaning. These forward-looking statements include, but are not limited to:

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

These forward-looking statements are based on current beliefs and expectations of our management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change.

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

- general economic conditions, either nationally or in our market areas, that are worse than expected;
- changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance credit losses;
- our ability to access cost-effective funding;
- fluctuations in real estate values and both residential and commercial real estate market conditions;
- demand for loans and deposits in our market area;
- our ability to implement and change our business strategies;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins and yields, our mortgage banking revenues, the fair value of financial instruments or our level of loan originations or increase the level of defaults, losses and prepayments on loans w have made and make;
- adverse changes in the securities or secondary mortgage markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capi requirements and insurance premiums;
- changes in the quality or composition of our loan or investment portfolios;
- technological changes that may be more difficult or expensive than expected;

- the inability of third-party providers to perform as expected;
- our ability to manage market risk, credit risk and operational risk in the current economic environment;
- our ability to enter new markets successfully and capitalize on growth opportunities;

- system failures or breaches of our network security;
- electronic fraudulent activity within the financial services industry;
- our ability to successfully integrate into our operations any assets, liabilities, customers, systems and management personnel we r acquire and our ability to realize related revenue synergies and cost savings within expected time frames and any goodwill charge related thereto;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Stanc Board, the Securities and Exchange Commission or the Public Company Accounting Oversight Board;
- our ability to retain key employees;
- our compensation expense associated with equity allocated or awarded to our employees; and
- changes in the financial condition, results of operations or future prospects of issuers of securities that we own.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. Except as required by applicable law or regulation, we do not undertake, and we specifically disclaim any obligation, to release publicly the results of any revisions that may be made to any forward-looking statements to reflect events or circumstances after the date of the statements or to reflect the occurrence of anticipated or unanticipated events.

Critical Accounting Policies and Use of Critical Accounting Estimates

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

Our critical accounting policies involve the calculation of the allowance for credit losses ("ACL") and the measurement of the fair value of financial instruments. A detailed description of these critical accounting policies can be found in Note 2 of the Company's consolidated financial statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023.

Comparison of Financial Condition at September 30, 2023 March 31, 2024 (unaudited) and December 31, 2022 December 31, 2023

Total Assets. Total assets were $557.2 million $576.5 million as of September 30, 2023 March 31, 2024, an increase of $19.7 million $5.4 million, or 3.7% 1.0%, compared to total assets of $537.4 million $571.0 million at December 31, 2022 December 31, 2023. The increase was due primarily to a $25.2 million $644,000 increase in net loans and a $1.2 million increase in other assets which resulted from an increase in a deferred tax benefit related to the increase in our net unrealized losses within the available-for-sale securities portfolio offset by a $1.1 million decrease in cash and due from banks, a $3.5 million decrease $1.8 million increase in net loans, a $2.3 million increase in securities available-for-sale and a $1.5 million decrease in $462,000 net purchase of Federal Home Loan Bank stock.

Cash and Due From Banks. Cash and due from banks decreased $1.1 million, increased $644,000, or 13.1% 10.6%, to $7.2 million $6.7 million at September 30, 2023 March 31, 2024 from $8.3 million $6.1 million at December 31, 2022 December 31, 2023. The decrease was due This increase primarily to resulted from a $25.2 million $797,000 increase in total deposits, a $1.4 million increase in mortgagors' tax escrow and a $5.4 million increase in borrowings, offset by a $1.8 million increase in net loans and a $29.5 million decrease in borrowings offset by $25.6 million of net proceeds from the stock offering in connection with the conversion of the former First Seacoast

Bancorp, MHC and a $29.4 million $2.3 million increase in total deposits securities available-for-sale during the nine three months ended September 30, 2023 March 31, 2024.

Available-for-Sale Securities. Available-for-sale securities decreased increased by $3.5 million $2.3 million, or 3.3% 1.9%, to $102.6 million $124.2 million at September 30, 2023 March 31, 2024 from $106.1 million $121.9 million at December 31, 2022 December 31, 2023. This decrease increase was due primarily to $5.2 million of investment purchases offset by proceeds from principal payments totaling $1.3 million and a $5.9 million $1.3 million increase in net unrealized losses within the portfolio and $3.7 million of proceeds from principal payments offset by investment purchases totaling $6.8 million during the nine three months ended September 30, 2023 March 31, 2024. Management believes that the unrealized losses within the portfolio are due to noncredit-related factors, including changes in market interest rates and other market conditions, and therefore we recorded no allowance for credit losses on available-for-sale debt securities as of September 30, 2023 March 31, 2024.

The following table sets forth the amortized cost and average yield of our debt securities, by type and contractual maturity:

	Maturity as of March 31, 2024									
	One Year or Less		After One Year but within Five Years		After Five Years but within Ten Years		After Ten Years		Total	
	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Amortized Cost	Average Yield
	(Dollars in thousands)									
U.S. Government-sponsored enterprises obligations	$ —	—	$ —	—	$ 1,662	1.22 %	$ —	—	$ 1,662	1.22 %
U.S. Government agency small business administration pools guaranteed by SBA	—	—	—	—	5,847	5.53 %	9,812	4.73 %	15,659	5.03 %
Collateralized mortgage obligations issued by the FHLMC, FNMA and GNMA	—	—	—	—	1,749	3.35 %	4,263	3.93 %	6,012	3.76 %
Residential mortgage-backed securities	—	—	812	3.47 %	—	—	41,931	4.07 %	42,743	4.06 %

Municipal bonds	—	—	—	—	944	2.86 %	55,982	3.18 %	56,926	3.17 %
Corporate debt	—	—	500	7.00 %	—	—	—	—	500	7.00 %
Corporate subordinated debt	1,784	7.70 %	—	—	8,311	6.02 %	—	—	10,095	6.32 %
	1,784	7.70 %	$ 1,312	4.81 %	$ 18,513	5.02 %	$ 111,988	3.68 %	$ 133,597	3.93 %

Net Loans. Net loans increased $25.2 million $1.8 million, or 6.3% 0.4%, to $424.1 million $428.4 million at September 30, 2023 March 31, 2024 from $398.9 million $426.6 million at December 31, 2022 December 31, 2023. During the nine three months ended September 30, 2023 March 31, 2024, we originated $24.0 million $1.8 million of loans, net of principal collections, and purchased $1.2 million of consumer loans secured by manufactured housing properties. a $774,000 participation interest in a commercial loan through our membership in a national community bank loan program. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the portfolio of purchased loans had outstanding principal balances of $30.7 million $33.8 million and $30.5 million $33.3 million, respectively, and were performing in accordance with their original repayment terms. Net deferred loan costs increased $231,000, or 9.4%, to $2.7 million at September 30, 2023 from $2.4 million at December 31, 2022 due primarily to the increase in deferred costs on consumer loans. SBA fee and interest income recognized during the three and nine months ended September 30, 2023 was $-0-, as compared to $7,000 and $233,000 during the three and nine months ended September 30, 2022, respectively. SBA fee and interest income is included in interest and fees on loans.

One- to four-family residential mortgage loans increased $13.0 million $1.8 million, or 5.2% 0.7%, to $264.5 million $270.8 million at September 30, 2023 March 31, 2024 from $251.5 million $268.9 million at December 31, 2022 December 31, 2023. Commercial real estate mortgage loans increased $6.8 million $1.2 million, or 8.4% 1.4%, to $87.3 million $87.8 million at September 30, 2023 March 31, 2024 from $80.5 million $86.6 million at December 31, 2022 December 31, 2023. Multi-family loans decreased $506,000, $89,000, or 6.2% 1.2%, to $7.7 million $7.5 million at September 30, 2023 March 31, 2024 from $8.2 million $7.6 million at December 31, 2022 December 31, 2023. Commercial and industrial loans increased $816,000, decreased $117,000, or 3.4% 0.5%, to $24.9 million $25.4 million at September 30, 2023 March 31, 2024 from $24.1 million $25.5 million at December 31, 2022 December 31, 2023. Acquisition, development, and land loans increased $765,000, decreased $2.3 million, or 4.1% 13.2%, to $19.3 million $15.2 million at September 30, 2023 March 31, 2024 from $18.5 million $17.5 million at December 31, 2022 December 31, 2023. Home equity loans and lines of credit increased $2.5 million $1.1 million, or 24.1% 8.1%, to $12.6 million $15.2 million at September 30, 2023 March 31, 2024 from $10.2 million $14.1 million at December 31, 2022 December 31, 2023. Consumer loans increased $1.4 million, $169,000, or 19.8% 1.7%, to $8.6 million $10.0 million at September 30, 2023 March 31, 2024 from $7.2 million $9.8 million at December 31, 2022 December 31, 2023.

Our strategy to grow the balance sheet continues to be through originations and, to a lesser extent, purchases of commercial loan participations, one- to four-family residential mortgage loans and consumer loans secured by manufactured housing properties, while also diversifying into higher yielding commercial real estate mortgage loans and commercial and industrial loans to improve net margins and manage interest rate risk. We also continue to consider selling sell selected, conforming 15-year and 30-year residential fixed rate mortgage loans to the secondary market on a servicing retained basis as market conditions allow, providing us a recurring source of revenue from loan servicing income and gains on the sale of such loans.

Our ACL on loans decreased $232,000 to $3.3 million was $3.4 million at September 30, 2023 from $3.6 million at December 31, 2022, due primarily to a $295,000 adjustment from the adoption of March 31, 2024 and December 31, 2023 based upon ASU 2016-13 and its new credit impairment standard for financial assets measured at amortized cost offset by $65,000 of provision for credit losses on loans for the nine months ended September 30, 2023 . and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost, including loans, to be presented at the net amount expected to be collected, through an ACL that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires the measurement of all expected credit losses for loans held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Accordingly, the ASU requires the use of forward-looking information to form credit loss estimates. Many of the loss estimation techniques applied at prior reporting dates are still permitted, though the inputs to those techniques have changed to reflect the full amount of expected credit losses. The Bank has selected the Weighted Average Remaining Maturity Model ("WARM" or "CECL model"), for the loss calculation of each of the Bank's loan pools utilizing a third-party software application. The WARM uses a quarterly loss rate and future expectations of loan balances to calculate an ACL. A loss rate is applied to pool balances over time.

The effect of implementing this ASU was recorded as a cumulative-effect adjustment through retained earnings as of the beginning of the reporting period in which the ASU is effective, which was January 1, 2023. The adoption of the new standard

36

---

resulted in a $295,000 decrease to the our ACL which was offset by a $290,000 increase in the allowance for off-balance sheet commitments that are not unconditionally cancelable. The decrease in ACL was due to a reduced emphasis on qualitative factors under the CECL model as the underlying historical loss data of the selected peer group is more robust with broader time horizons as compared to our actual historical loss data used under the incurred loss methodology. Under the CECL model, subsequent changes in the ACL are recorded through a charge to the provision for credit losses in the statement of (loss) income as the amounts expected to be collected change.

Deposits. Our deposits are generated primarily from residents within our primary market area. We offer a selection of deposit accounts, including non-interest-bearing and interest-bearing checking accounts, savings accounts, money market accounts and time deposits, for both individuals and businesses. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the aggregate amount of uninsured total deposit balances, which is the portion exceeding the $250,000 FDIC insurance limit, was estimated not to exceed $106.3 million $103.7 million, or 25.8% 25.6% of total deposits, and $82.0 million $102.5 million, or 21.4% 25.3% of total deposits, respectively.

For customers requiring full FDIC insurance on certificates of deposit in excess of $250,000, we began offering in late 2023 the CDARS® program, which allows us to place the certificates of deposit with other participating banks to maximize the customers' FDIC insurance. We receive a like amount of deposits from other participating financial institutions. In addition, we offer the ICS™ program, an insured deposit "sweep" program for demand deposits which is a product offered by IntraFi Network, LLC, which is also the provider of the CDARS® program. Similarly to the certificates of deposit's discussed above, we receive a like amount of deposits from other financial institutions and all customer deposits are insured by the FDIC. These "reciprocal" CDARS® and ICS deposits are classified as "brokered" deposits in regulatory reports and "core" deposits in our consolidated balance sheet. At March 31, 2024 our "reciprocal" CDARS® and ICS deposits were $-0- and $920,000, respectively. At December 31, 2023, our "reciprocal" CDARS® and ICS deposits were $-0- and $1.1 million, respectively.

Deposits increased $29.4 million, $797,000, or 7.7% 0.2%, to $411.8 million $405.6 million at September 30, 2023 March 31, 2024 from $382.4 million $404.8 million at December 31, 2022 December 31, 2023 primarily as a result of an $21.6 million a $6.2 million increase in commercial retail deposits and offset by a $7.8 million increase $5.4 million decrease in retail commercial deposits. Core deposits (defined as deposits other than time deposits, including CDARS® and ICS deposits) increased $6.4 million decreased $1.8 million, or 2.0% 0.6%, to $327.0 million $311.7 million at September 30, 2023 March 31, 2024 from $320.6 million $313.5 million at December 31, 2022 December 31, 2023. As of September 30, 2023 March 31, 2024, savings deposits increased $12.0 million, decreased $360,000, money market deposits increased $24.9 million $1.2 million, NOW and demand deposit accounts deposits decreased $30.5 million $2.6 million and time deposits increased $23.0 million $2.6 million. There were $23.6 million and $18.1 million of brokered deposits included in time deposits at September 30, 2023 March 31, 2024 and December 31, 2022, respectively. December 31, 2023.

Additionally, there were $20.6 million $21.2 million and $-0- $20.9 million of brokered deposits included in savings deposits at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

Deposits from related parties totaled $11.9 million and $10.7 million at of March 31, 2024 and December 31, 2023, respectively.

Borrowings. Total advances from Federal Home Loan Bank decreased $54.5 million borrowings increased $5.4 million, or 54.9% 5.8%, to $44.9 million $98.4 million at September 30, 2023 March 31, 2024 from $99.4 million $93.0 million at December 31, 2022 due primarily to December 31, 2023 in support of the net repayment of advances Company's investment and loan growth initiatives. Total borrowings include $78.4 million and $20.0 million from the receipt of $25.6 million of net proceeds FHLB and FRB at March 31, 2024, respectively, and $73.0 million and $20.0 million from the stock offering in connection with the conversion of the former First Seacoast Bancorp, MHC, a $29.4 million increase in total deposits FHLB and a $25.0 million advance from Federal Reserve Bank under the Federal Reserve's Bank Term Funding Program. FRB at December 31, 2023, respectively.

Total Stockholders' Equity. Total stockholders' equity increased $17.9 million decreased $1.9 million, or 36.3% 2.8%, to $67.3 million $64.7 million at September 30, 2023 March 31, 2024 from $49.3 million $66.6 million at December 31, 2022 December 31, 2023. This increase decrease was due primarily to $25.6 million of net proceeds received from the conversion of the former First Seacoast Bancorp, MHC offset by the purchase of $2.2 million of common stock by the ESOP and an other comprehensive loss of $5.1 million $923,000 related primarily to net changes in unrealized holding losses in the available-for-sale securities portfolio as a result of an increase changes in market interest rates during the nine three months ended September 30, 2023. March 31, 2024 and a net loss of $1.2 million for the three months ended March 31, 2024, partially offset by the recognition of $140,000 of previously unearned compensation.

Non-performing Assets. Non-performing assets include loans that are 90 or more days past due or on non-accrual status and real estate and other loan collateral acquired through foreclosure and repossession. Management determines that a loan is non-performing when it is probable at least a portion of the loan will not be collected in accordance with the original terms due to a deterioration in the financial condition of the borrower or the value of the underlying collateral if the loan is collateral dependent. When a loan is determined to be non-performing, the measurement of the loan in the ACL is based on present value of expected future cash flows, except that all collateral-dependent loans are measured for non-performance based on the fair value of the collateral. Non-accrual loans are loans for which collectability is questionable and, therefore, interest on such loans will no longer be recognized on an accrual basis.

We generally cease accruing interest on our loans when contractual payments of principal or interest have become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. Interest received on non-accrual loans generally is applied against principal or applied to interest on a cash basis. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for at least six consecutive months and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

Non-performing loans were $-0- $141,000 at March 31, 2024 and $89,000 at September 30, 2023 December 31, 2023. At March 31, 2024 and December 31, 2022, respectively. At December 31, 2022 December 31, 2023, non-performing loans consisted primarily consist of a residential mortgage loan to a deceased borrower which had and an associated home equity loan with outstanding balance balances totaling $141,000 and an estimated market value of $84,000. The property was sold in April 2023 $216,000. At March 31, 2024 and the outstanding loan balance was paid in full. At September 30, 2023 and December 31, 2022 December 31, 2023, we had no foreclosed assets.

Comparison of Operating Results for the Three Months Ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023

Net (Loss) Income. Net loss was $911,000 $(1.2) million for the three months ended September 30, 2023 March 31, 2024, compared to net income of $468,000 $464,000 for the three months ended September 30, 2022 March 31, 2023, a decrease of $1.4 million $1.6 million, or 348.3%. The decrease was due primarily to a decrease in net interest and dividend income after (release) provision (release) for credit losses of $1.4 million, $255,000, a decrease in total non-interest income of $864,000 ($15,000 decrease excluding a one-time $849,000 gain on termination of interest rate swaps recognized during the three months ended March 31, 2023) and an increase in total non-interest expenses expense of $391,000 $175,000 and a decrease in non-interest income of $51,000 offset by a decrease an increase in income tax expense of $466,000 $322,000 during the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023.

Interest and Dividend Income. Total interest and dividend income increased $946,000, $1.4 million, or 22.4% 30.9%, to $5.2 million $6.1 million for the three months ended September 30, 2023 March 31, 2024 compared to $4.2 million $4.6 million for the three months ended September 30, 2022 March 31, 2023. This increase was due to a $208,000 $532,000 increase in interest and dividend income on investments and a $738,000 $902,000 increase in interest and fees on loans. Interest and fees on loans for the three months ended September 30, 2023 and 2022 included $-0- and $7,000 of SBA fee and interest income earned on PPP loans, respectively.

Average interest-earning assets increased $32.1 million $39.9 million, to $536.2 million $559.1 million for the three months ended September 30, 2023 March 31, 2024 from $504.1 million $519.2 million for the three months ended September 30, 2022 March 31, 2023. The weighted average annualized yield on interest earning-assets increased to 3.85% 4.34% for the three months ended September 30, 2023 March 31, 2024 from 3.35% 3.57% for the three months ended September 30, 2022 March 31, 2023 primarily due to an increase in market interest rates. The weighted average annualized yield for the loan portfolio increased to 4.09% 4.40% for the three months ended September 30, 2023 March 31, 2024 from 3.66% 3.79% for the three months ended September 30, 2022 March 31, 2023 due primarily to an increase in market interest rates. The weighted average annualized yield for all other interest-earning assets increased to 3.00% 4.17% for the three months ended September 30, 2023 March 31, 2024 from 2.31% 2.82% for the three months ended September 30, 2022 March 23, 2023 due primarily to an increase in market interest rates.

Interest Expense. Total interest expense increased $2.2 million $1.7 million, or 120.8%, to $2.6 million $3.2 million for the three months ended September 30, 2023 March 31, 2024 from $427,000 $1.4 million for the three months ended September 30, 2022 March 31, 2023. Interest expense on deposits increased $1.5 million $1.4 million, or 246.4%, to $1.7 million $2.0 million for the three months ended September 30, 2023 March 31, 2024 from $151,000 $586,000 for the three months ended September 30, 2022 March 31, 2023. The average balance of interest-bearing deposits increased $28.9 million $48.0 million, or 9.7% 16.5%, to $328.5 million $338.8 million for the three months ended September 30, 2023 March 31, 2024 from $299.6 million $290.7 million for the three months ended September 30, 2022 March 31, 2023 primarily as a result of an increase in the average balance of money market savings deposits and an increase in the average balances of time deposits offset by a decrease in the average balances of NOW and demand deposits. The weighted average annualized rate of interest-bearing deposits increased to 2.03% 2.39% for the three months ended September 30, 2023 March 31, 2024 from 0.20% 0.79% for the

three months ended September 30, 2022 March 31, 2023 primarily as a result of an increase in market interest rates and to respond to deposit pricing by competitors. rates.

Interest expense on borrowings increased $652,000 $295,000 to $928,000 $1.1 million for the three months ended September 30, 2023 March 31, 2024 from $276,000 $854,000 for the three months ended September 30, 2022 March 31, 2023 primarily due to an increase in the average balance of borrowings and an increase in market interest rates. The average balance of borrowings increased $6.1 million $9.1 million, or 8.5% 10.3%, to $78.2 million $97.4 million for the three months ended September 30, 2023 March 31, 2024 from $72.1 million $88.3 million for the three months ended September 30, 2022 March 31, 2023. The weighted average annualized rate of borrowings increased to 4.75% 4.72% for the three months ended September 30, 2023 March 31, 2024 from 1.53% 3.87% for the three months ended September 30, 2022 due to March 31, 2023 as a result of an increase in market interest rates.

Net Interest and Dividend Income. Net interest and dividend income decreased $1.2 million, $305,000, or 32.3% 9.5%, to $2.6 million $2.9 million for the three months ended September 30, 2023 March 31, 2024 from $3.8 million $3.2 million for the three months ended September 30, 2022 March 31, 2023. This decrease was due to an increase of $34.9 million $57.0 million, or 9.4% 15.0%, in the average balance of interest-bearing liabilities, consisting primarily of an increase in the average balance of borrowings and time interest-bearing deposits, during the three months ended September 30, 2023 March 31, 2024 offset by a $32.1 million $39.9 million, or 6.4% 7.7%, increase in the average balance of interest-earning assets, consisting primarily of increases in the average balances of loans and non-taxable taxable debt securities. Annualized net interest margin decreased to 1.92% 2.07% for the three months ended September 30, 2023 March 31, 2024 from 3.01% 2.46% for the three months ended September 30, 2022 March 31, 2023 due primarily to an increase in the average rate of borrowings interest-bearing deposits and interest-bearing deposits borrowings offset by an increase in the average yield on interest-earning assets.

(Release) Provision for Credit Losses. Based on management's analysis of the ACL, a $120,000 provision for $(20,000) release of credit losses expense was recorded for the three months ended September 30, 2023 March 31, 2024, compared to a $60,000 $30,000 provision for credit losses expense for the three months ended March 31, 2023. The release for of credit losses for the three months ended September 30, 2022. March 31, 2024 consisted of $-0- for the provision for credit losses on available-for-sale securities, a $30,000 for the provision for credit losses on loans and a $(50,000) release of credit losses on off-balance sheet credit exposures. The provision for credit losses expense for the three months ended September 30, 2023 March 31, 2023 consisted of a $30,000 $-0- for the provision for credit losses on loans and a $90,000 available-for-sale securities and $30,000 for the provision for credit losses on for off-balance sheet credit exposures.

Non-Interest Income. Non-interest income decreased $51,000, $864,000, or 14.0% 74.4%, to $314,000 $297,000 for the three months ended September 30, 2023 March 31, 2024 compared to $365,000 $1.2 million for the three months ended September 30, 2022 March 31, 2023. The decrease in non-interest income during the three months ended September 30, 2023 March 31, 2024 was due primarily to a $34,000 decrease in customer service fees and an $18,000 decrease in loan servicing fee income. one-time $849,000 gain on termination of interest rate swaps recognized only during the three months ended March 31, 2023.

Non-Interest Expense. Non-interest expense increased $391,000, $175,000, or 10.5% 4.6%, to $4.1 million $4.0 million for the three months ended September 30, 2023 March 31, 2024 from $3.7 million $3.8 million for the three months ended September 30, 2022 March 31, 2023. The increase was primarily due to a $258,000, or 11.6%, $177,000 increase in professional fees and assessments and a $39,000 increase in deposit insurance fees, offset by a $50,000 decrease in salaries and employee benefits due to the adjustment of staffing levels reflecting the expected reduction in residential mortgage and commercial lending activity and a $27,000, or 77.1%, increase in deposit insurance fees, a $75,000, or 22.8%, increase $56,000 decrease in data processing a $37,000, or 27.0%, increase in marketing and a

$26,000, or 14.5%, increase in occupancy expense offset by a $69,000, or 26.0%, decrease in professional fees and assessments. The increase in salaries and employee benefits during the three months ended September 30, 2023, was due to headcount additions and normal salary increases. the favorable negotiation of a large vendor contract renewal.

Income Taxes. Income tax expense decreased $466,000 increased $322,000 to a benefit of $427,000 $362,000 for the three months ended September 30, 2023 March 31, 2024 from an expense of $39,000 $40,000 for the three months ended September 30, 2022 March 31, 2023. The effective tax rate was (31.9)% 45.8% and 7.7% 7.9% for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. (Loss) income before income tax expense was $(790,000) for the three months ended March 31, 2024 as compared to $504,000 for the three months ended March 31, 2023. The decrease increase in income tax expense and the effective tax rate for the three months ended September 30, 2023 March 31, 2024 as compared to the three months ended September 30, 2022 March 31, 2023 was due primarily to the adjustment of the valuation allowance for all deferred tax assets. Net deferred tax assets as of March 31, 2024, amounting to $6.9 million, were reduced by a $1.8 million decrease 100% valuation allowance because management believes that it is more likely than not that the benefit of these deferred tax assets will not be realized. The ultimate realization of these deferred tax assets is dependent upon the generation of future taxable income. The valuation allowance for these net deferred tax assets may be adjusted in the future if estimates of taxable income before income tax (benefit) expense for during the three months ended September 30, 2023 as compared to the three months ended September 30, 2022. carryforward period are increased.

Average Balance Sheets

The following table sets forth average balance sheets, average yields and costs and certain other information at and for the periods indicated. No tax-equivalent yield adjustments have been made, as the effects would be immaterial. All average balances are daily average balances. Non-accrual loans are included in the computation of average balances only. The yields set forth below include the effect of net deferred fee (expense) income, discounts and premiums that are amortized or accreted to interest income or interest expense. Average loan balances exclude loans held for sale, if applicable. The following table includes no out-of-period items or adjustments.

	For the Three Months Ended September 30,					
	2023			2022		
(Dollars in thousands)	Average Outstanding Balance	Interest	Average Yield/Rate	Average Outstanding Balance	Interest	Average Yield/Rate
Interest-earning assets:						
Loans (4)	$ 418,744	$ 4,281	4.09 %	$ 387,604	$ 3,543	3.66 %
Taxable debt securities	49,828	345	2.77 %	55,966	271	1.94 %
Non-taxable debt securities	59,743	443	2.97 %	50,726	342	2.70 %
Interest-bearing deposits with other banks	5,164	40	3.10 %	6,802	24	1.41 %
Federal Home Loan Bank stock	2,701	54	8.00 %	2,982	37	4.96 %
Total interest-earning assets	536,180	5,163	3.85 %	504,080	4,217	3.35 %

Non-interest-earning assets	18,833			16,539		
Total assets	$ 555,013			$ 520,619		
Interest-bearing liabilities:						
NOW and demand deposits	$ 99,442	$ 120	0.48 %	$ 116,690	$ 43	0.15 %
Money market deposits	78,327	571	2.92 %	65,596	31	0.19 %
Savings accounts	68,500	320	1.87 %	63,526	8	0.05 %
Time deposits	82,240	655	3.19 %	53,760	69	0.51 %
Total interest-bearing deposits	328,509	1,666	2.03 %	299,572	151	0.20 %
Borrowings	78,191	928	4.75 %	72,079	276	1.53 %
Other	1,530	2	0.52 %	1,642	—	—
Total interest-bearing liabilities	408,230	2,596	2.54 %	373,293	427	0.46 %
Non-interest-bearing deposits	69,813			90,645		
Other noninterest-bearing liabilities	4,526			4,029		
Total liabilities	482,569			467,967		
Total stockholders' equity	72,444			52,652		
Total liabilities and stockholders' equity	$ 555,013			$ 520,619		
Net interest income		$ 2,567			$ 3,790	
Net interest rate spread (1)			1.31 %			2.89 %
Net interest-earning assets (2)	$ 127,950			$ 130,787		
Net interest margin (3)			1.92 %			3.01 %
Average interest-earning assets to interest-bearing liabilities	131.34 %			135.04 %		

	For the Three Months Ended March 31,					
	2024			2023		
	Average Outstandi ng Balance	Interest	Average Yield/Rate	Average Outstandi ng Balance	Interest	Average Yield/Rate
(Dollars in thousands)						
Interest-earning assets:						
Loans (4)	$ 428,537	$ 4,710	4.40 %	$ 401,866	$ 3,808	3.79 %
Taxable debt securities	71,083	812	4.57 %	49,625	282	2.27 %
Non-taxable debt securities	51,614	440	3.41 %	57,333	422	2.94 %
Interest-bearing deposits with other banks	4,668	40	3.43 %	7,152	60	3.36 %
Federal Home Loan Bank stock	3,180	68	8.55 %	3,237	64	7.91 %
Total interest-earning assets	559,082	6,070	4.34 %	519,213	4,636	3.57 %
Non-interest-earning assets	12,472			16,888		

Total assets	$ 571,554			$ 536,101		
Interest-bearing liabilities:						
NOW and demand deposits	$ 95,101	$ 130	0.55 %	$ 106,817	$ 55	0.21 %
Money market deposits	85,908	729	3.39 %	60,648	176	1.16 %
Savings deposits	64,947	332	2.04 %	57,957	62	0.43 %
Time deposits	92,809	837	3.61 %	65,295	280	1.72 %
Total interest-bearing deposits	338,765	2,028	2.39 %	290,717	573	0.79 %
Borrowings	97,405	1,149	4.72 %	88,297	854	3.87 %
Other	1,431	2	0.56 %	1,586	13	3.28 %
Total interest-bearing liabilities	437,601	3,179	2.91 %	380,600	1,440	1.51 %
Non-interest-bearing deposits	63,443			83,084		
Other non-interest-bearing liabilities	4,529			3,312		
Total liabilities	505,573			466,996		
Total stockholders' equity	65,981			69,105		
Total liabilities and stockholders' equity	$ 571,554			$ 536,101		
Net interest income		$ 2,891			$ 3,196	
Net interest rate spread (1)			1.43 %			2.06 %
Net interest-earning assets (2)	$ 121,481			$ 138,613		
Net interest margin (3)			2.07 %			2.46 %
Average interest-earning assets to interest-bearing liabilities	127.76 %			136.42 %		

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

(4)Net deferred fee expense (expense) included in loan interest totaled $103,000 $(81,000) and $118,000 $(109,000) for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

Rate/Volume Analysis

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

	Three Months Ended September 30, 2023 vs. 2022		
	Increase (Decrease) Due to Change in		
(Dollars in thousands)	Volume	Rate	Total
Interest-earning assets:			
Loans	$ 298	$ 440	$ 738
Taxable debt securities	(32)	106	74
Non-taxable debt securities	65	36	101
Interest-bearing deposits with other banks	(7)	23	16
Federal Home Loan Bank stock	(4)	21	17
Total interest-earning assets	320	626	946
Interest-bearing liabilities:			
NOW and demand deposits	(7)	84	77
Money market deposits	7	533	540
Savings accounts	1	311	312
Time deposits	54	532	586
Total interest-bearing deposits	55	1,460	1,515
Borrowings	25	627	652
Other	—	2	2
Total interest-bearing liabilities	80	2,089	2,169
Change in net interest income	$ 240	$ (1,463)	$ (1,223)

Comparison of Operating Results for the Nine Months Ended September 30, 2023 and September 30, 2022

Net Income. Net loss was $987,000 for the nine months ended September 30, 2023, compared to net income of $1.0 million for the nine months ended September 30, 2022, a decrease of $2.0 million, or 194.9%. The decrease was due primarily to a decrease in net interest and dividend income after provision (release) for credit losses of $2.7 million and an increase in non-interest expenses of $727,000 offset by an increase in non-interest income of $616,000 and a decrease in income tax expense of $830,000 during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022.

Interest and Dividend Income. Total interest and dividend income increased $2.7 million, or 21.9%, to $14.8 million for the nine months ended September 30, 2023 compared to $12.1 million for the nine months ended September 30, 2022. This increase was due to a $865,000 increase in interest and dividend income on investments and a $1.8 million increase in interest and fees on loans. Interest and fees on loans for the nine months ended September 30, 2023 and 2022 included $-0- and $233,000 of SBA fee and interest income earned on PPP loans, respectively.

Average interest-earning assets increased $36.8 million, to $528.5 million for the nine months ended September 30, 2023 from $491.7 million for the nine months ended September 30, 2022. The weighted average annualized yield on interest earning-assets increased to

3.73% for the nine months ended September 30, 2023 from 3.29% for the nine months ended September 30, 2022 primarily due to an increase in market interest rates. The weighted average annualized yield for the loan portfolio increased to 3.96% for the nine months ended September 30, 2023 from 3.64% for the nine months ended September 30, 2022 due primarily to an increase in market interest rates. The weighted average annualized yield for all other interest-earning assets increased to 2.92% for the nine months ended September 30, 2023 from 2.07% for the nine months ended September 30, 2022 due primarily to an increase in market interest rates.

Interest Expense. Total interest expense increased $5.2 million to $6.0 million for the nine months ended September 30, 2023 from $818,000 for the nine months ended September 30, 2022. Interest expense on deposits increased $3.1 million to $3.5 million for the nine months ended September 30, 2023 from $400,000 for the nine months ended September 30, 2022. The average balance of interest-bearing deposits increased $15.3 million, or 5.2%, to $312.0 million for the nine months ended September 30, 2023 from $296.7 million for the nine months ended September 30, 2022 primarily as a result of an increase in the average balance of money market, savings and time deposits offset by a decrease in the average balances of NOW and demand deposits. The weighted average annualized rate of interest-bearing deposits increased to 1.46% for the nine months ended September 30, 2023 from 0.18% for the nine months ended September 30, 2022 primarily as a result of an increase in market interest rates and to respond to deposit pricing by competitors.

Interest expense on borrowings increased $2.2 million to $2.6 million for the nine months ended September 30, 2023 from $418,000 for the nine months ended September 30, 2022 primarily due to an increase in the average balance of borrowings and an increase in market interest rates. The average balance of borrowings increased $22.6 million, or 40.9%, to $78.0 million for the nine months ended September 30, 2023 from $55.4 million for the nine months ended September 30, 2022. The weighted average annualized rate of borrowings increased to 4.43% for the nine months ended September 30, 2023 from 1.01% for the nine months ended September 30, 2022 due to an increase in market interest rates.

Net Interest and Dividend Income. Net interest and dividend income decreased $2.6 million, or 22.8%,to $8.7 million for the nine months ended September 30, 2023 from $11.3 million for the nine months ended September 30, 2022. This decrease was due to an increase of $38.0 million, or 10.8%, in the average balance of interest-bearing liabilities, consisting primarily of an increase in the average balance of borrowings and time deposits, during the nine months ended September 30, 2023 offset by a $36.8 million, or 7.5%, increase in the average balance of interest-earning assets, consisting primarily of increases in the average balances of loans and non-taxable debt securities. Annualized net interest margin decreased to 2.21% for the nine months ended September 30, 2023 from 3.07% for the nine months ended September 30, 2022 due primarily to an increase in the average rate of borrowings and interest-bearing deposits offset by an increase in the average yield on interest-earning assets.

Provision for Credit Losses. Based on management's analysis of the ACL, a $170,000 provision for credit losses expense was recorded for the nine months ended September 30, 2023, compared to a $-0- provision for credit losses expense for the nine months ended September 30, 2022. The provision for credit losses expense for the nine months ended September 30, 2023 consisted of a $65,000 provision for credit losses on loans and a $105,000 provision for credit losses on off-balance sheet credit exposures.

Non-Interest Income. Non-interest income increased $616,000, or 51.1%, to $1.8 million for the nine months ended September 30, 2023 compared to $1.2 million for the nine months ended September 30, 2022. The increase in non-interest income during the nine months ended September 30, 2023 was due primarily to an $849,000 gain on termination of interest rate swaps offset by a $52,000 decrease in securities gains, net, a $91,000 decrease in customer service fees, a $32,000 decrease in investment service fees and a $69,000 decrease in loan servicing fee income.

Non-Interest Expense. Non-interest expense increased $727,000, or 6.4%, to $12.1 million for the nine months ended September 30, 2023 from $11.3 million for the nine months ended September 30, 2022. The increase was primarily due to a $423,000, or 6.1%, increase in salaries and employee benefits, a $85,000, or 78.0%, increase in deposit insurance fees, a $139,000, or 13.2%, increase in data processing, a $92,000, or 32.2%, increase in marketing, and a $30,000, or 5.4%, increase in occupancy expense, offset by a $54,000, or 6.9%, decrease in professional fees and assessments. The increase in salaries and employee benefits during the nine months ended September 30, 2023, was due primarily to normal salary increases.

Income Taxes. Income tax expense decreased $830,000 to a benefit of $667,000 for the nine months ended September 30, 2023 from an expense of $163,000 for the nine months ended September 30, 2022. The effective tax rate was (40.3)% and 13.5% for the nine months ended September 30, 2023 and 2022, respectively. The decrease in income tax expense and the effective tax rate for the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022 was due primarily to a $2.9 million decrease in income before income tax (benefit) expense and an increase in the amount of non-taxable income as a percentage of income before income tax (benefit) expense for the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022.

Average Balance Sheets

The following table sets forth average balance sheets, average yields and costs and certain other information at and for the periods indicated. No tax-equivalent yield adjustments have been made, as the effects would be immaterial. All average balances are daily average balances. Non-accrual loans are included in the computation of average balances only. The yields set forth below include the effect of net deferred fee (expense) income, discounts and premiums that are amortized or accreted to interest income or interest expense. Average loan balances exclude loans held for sale, if applicable. The following table includes no out-of-period items or adjustments.

	For the Nine Months Ended September 30,					
	2023			2022		
	Average Outstanding Balance	Interest	Average Yield/Rate	Average Outstanding Balance	Interest	Average Yield/Rate
(Dollars in thousands)						
Interest-earning assets:						
Loans (4)	$ 410,902	$ 12,215	3.96 %	$ 381,466	$ 10,427	3.64 %
Taxable debt securities	49,684	928	2.49 %	52,915	706	1.78 %
Non-taxable debt securities	58,677	1,305	2.97 %	48,298	900	2.48 %
Interest-bearing deposits with other banks	6,330	159	3.35 %	6,535	46	0.93 %
Federal Home Loan Bank stock	2,934	185	8.41 %	2,483	60	3.22 %
Total interest-earning assets	528,527	14,792	3.73 %	491,697	12,139	3.29 %
Non-interest-earning assets	17,935			14,946		
Total assets	$ 546,462			$ 506,643		
Interest-bearing liabilities:						
NOW and demand deposits	$ 102,994	$ 268	0.35 %	$ 111,978	$ 75	0.09 %
Money market deposits	69,302	1,122	2.16 %	67,407	86	0.17 %
Savings deposits	65,774	674	1.37 %	61,510	21	0.05 %
Time deposits	73,973	1,354	2.44 %	55,813	218	0.52 %
Total interest-bearing deposits	312,043	3,418	1.46 %	296,708	400	0.18 %
Borrowings	78,043	2,593	4.43 %	55,404	418	1.01 %
Other	1,798	36	2.67 %	1,747	—	—
Total interest-bearing liabilities	391,884	6,047	2.06 %	353,859	818	0.31 %

Non-interest-bearing deposits	78,925			93,617		
Other non-interest-bearing liabilities	4,073			3,807		
Total liabilities	474,882			451,283		
Total stockholders' equity	71,580			55,360		
Total liabilities and stockholders' equity	$ 546,462			$ 506,643		
Net interest income		$ 8,745			$ 11,321	
Net interest rate spread (1)			1.67 %			2.98 %
Net interest-earning assets (2)	$ 136,643			$ 137,838		
Net interest margin (3)			2.21 %			3.07 %
Average interest-earning assets to interest-bearing liabilities	134.87 %			138.95 %		

(1) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate of interest-bearing liabilities.
(2) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.
(3) Net interest margin represents net interest income divided by average total interest-earning assets.
(4) Net deferred fee expense included in loan interest totaled $276,000 and $71,000 for the nine months ended September 30, 2023 and 2022, respectively.

Rate/Volume Analysis

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

	Nine Months Ended September 30, 2023 vs. 2022			Three Months Ended March 31, 2024 vs. 2023		
	Increase (Decrease) Due to		Total Increase	Increase (Decrease) Due to		Total Increase
	Volume	Rate	(Decrease)	Volume	Rate	(Decrease)
(In thousands)						
Interest-earning assets:						
Loans	$ 838	$ 950	$ 1,788	$ 264	$ 638	$ 902
Taxable debt securities	(45)	267	222	159	371	530
Non-taxable debt securities	212	193	405	(45)	63	18
Interest-bearing deposits with other banks	(1)	114	113	(22)	1	(20)
Federal Home Loan Bank stock	13	112	125	(1)	5	4
Total interest-earning assets	1,017	1,636	2,653	355	1,079	1,434
Interest-bearing liabilities:						
NOW and demand deposits	(7)	200	193	(6)	81	75
Money market deposits	2	1,034	1,036	98	455	553
Savings deposits	2	651	653	9	261	270

Time deposits	92	1,044	1,136	155	402	557
Total interest-bearing deposits	89	2,929	3,018	256	1,199	1,455
Borrowings	234	1,941	2,175	93	202	295
Other	—	36	36	(1)	(10)	(11)
Total interest-bearing liabilities	323	4,906	5,229	348	1,391	1,739
Change in net interest income	$ 694	$ (3,270)	$ (2,576)	$ 7	$ (312)	$ (305)

Liquidity and Capital Resources

Liquidity describes our ability to meet the financial obligations that arise in the ordinary course of business. Liquidity is primarily needed to meet the borrowing and deposit withdrawal requirements of our customers and to fund current and planned expenditures. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the aggregate amount of uninsured total deposit balances, which is the portion exceeding the $250,000 FDIC insurance limit, had was an estimated value not exceeding $106.3 million $103.7 million, or 25.8% 25.6% of total deposits, and $82.0 million $102.5 million, or 21.4% 25.3% of total deposits, respectively. Our primary sources of funds are deposits, principal and interest payments on loans and securities, proceeds from the sale of loans and proceeds from sales and maturities of securities. We also rely on borrowings from the FHLB and FRB as supplemental sources of funds. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, we had $44.9 million $78.4 million and $99.4 million $73.0 million outstanding in advances from the FHLB, respectively, and the ability to borrow an additional $99.2 million $66.4 million and $36.5 million $71.8 million, respectively. Additionally, at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, we had an overnight line of credit with the FHLB for up to $3.0 million and unsecured Fed Funds borrowing lines of credit with two correspondent banks for up to $5.0 million. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, there were no outstanding balances under any of these additional credit facilities.

The Bank has established two secured credit facilities with the FRB – Bank Term Funding Program ("BTFP") and Borrower-In-Custody of Collateral Program ("BIC"). The BTFP ceased extending new loans on March 11, 2024. At September 30, 2023 March 31, 2024 and December 31, 2023, we had $20.0 million outstanding in advances from the Bank's remaining borrowing capacity is $7.3 million under the BTFP and is based upon eligible collateral, principally FRB secured by government-sponsored enterprise obligations, mortgage-backed securities and collateralized mortgage obligations issued by various U.S. Government agencies, owned as of March 12, 2023, December 31, 2023 and March 31, 2024. The interest rate for term advances under the BTFP will be is the one-year overnight index swap rate plus 10 basis points and fixed for the term of the advance – up to one year - on the day the advance is made. Advances can be requested under the BTFP until The advance matures on December 13, 2024 at least March 11, 2024 a fixed annual interest rate of 4.89%. At September 30, 2023 March 31, 2024 and December 31, 2023, the Bank's borrowing capacity is $55.5 million $49.5 million and $50.6 million, respectively, under the BIC and is based upon eligible collateral - principally -principally general obligation municipal bonds. The entire balance of this credit facility was available at September 30, 2023 March 31, 2024 and December 31, 2023.

While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and loan prepayments are greatly influenced by market interest rates, economic conditions and competition. Our most liquid assets are cash and cash equivalents and available-for-sale investment securities. The levels of these assets are dependent on our operating, financing, lending and investing activities during any given period.

47

Our cash flows are comprised of three primary classifications: cash flows from operating activities, investing activities and financing activities. Net cash (used) provided used by operating activities was $(417,000) $70,000 and $1.8 million $361,000 for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. Net cash used by investing activities, which consists primarily of disbursements for loan originations and purchases, and the purchase of securities available-for-sale, offset by proceeds from the unwinding of interest rate swaps, principal collections on loans, and proceeds from the sale, maturity and principal payments on securities available-for-sale, was $25.5 million $6.9 million and $49.4 million $2.1 million for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. Net cash provided by financing activities, consisting primarily of proceeds from the sale of common stock, activity in deposit accounts and FHLB and FRB advances, was $24.8 million $7.6 million and $47.7 million $10.8 million for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

We are committed to maintaining a strong liquidity position. We monitor our liquidity position daily. We anticipate that we will have sufficient funds to meet our current funding commitments. We have no material commitments for capital expenditures as of September 30, 2023 March 31, 2024. Our current strategy is to increase core deposits and utilize FHLB and FRB advances, as well as brokered deposits, to fund loan growth.

First Seacoast Bancorp, Inc. is a separate legal entity from First Seacoast Bank and must provide for its own liquidity to pay its operating expenses and other financial obligations and to fund repurchases of shares of common stock. The Company's primary source of income is dividends received from the Bank. The amount of dividends that the Bank may declare and pay to the Company is governed by applicable bank regulations. At September 30, 2023 March 31, 2024, the Company (on an unconsolidated basis) had liquid assets of $20.0 million $20.4 million.

At September 30, 2023 March 31, 2024, First Seacoast Bank exceeded all its regulatory capital requirements. See Note 12 of the unaudited consolidated financial statements appearing under Item 1 of this quarterly report. Management is not aware of any conditions or events that would change First Seacoast Bank's categorization as well-capitalized.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

We manage our interest rate risk in an effort to minimize the exposure of our earnings and capital to changes in market interest rates. We have implemented the following strategies to manage our interest rate risk: originating loans with adjustable interest rates; promoting core deposit products; selling a portion of fixed-rate one- to four-family residential real estate loans; maintaining investments as available-for-sale; diversifying our loan portfolio; utilizing interest rate swaps; and strengthening our capital position. By following these strategies, we believe that we are better positioned to react to changes in market interest rates.

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

The following table presents the estimated changes in our net portfolio value that would result from changes in market interest rates as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

As of September 30, 2023 March 31, 2024:

Basis Point ("bp") Change in Interest Rates	Net Portfolio Value ("NPV") Dollar Amount	Dollar Change	Percent Change	NPV as Percent of Portfolio Value of Assets NPV Ratio	Change	Net Portfolio Value ("NPV") Dollar Amount	Dollar Change	Percent Change	NPV as Percent of Portfolio Value of Assets NPV Ratio	Change
	(Dollars in thousands)					(Dollars in thousands)				
400 bp	$ 46,543	$ (33,881)	(42.1)%	10.7%	$ (506)	$ 33,666	$ (30,938)	(47.9)%	7.3%	$ (481)
300 bp	54,344	(26,080)	(32.4)	12.1	(373)	41,329	(23,275)	(36.0)	8.7	(346)
200 bp	62,570	(17,854)	(22.2)	13.3	(245)	49,204	(15,400)	(23.8)	10.0	(217)
100 bp	72,087	(8,337)	(10.4)	14.7	(105)	57,675	(6,929)	(10.7)	11.2	(90)
0	80,424	—	—	15.8	—	64,604	—	—	12.1	—
(100) bp	88,231	7,807	9.7	16.6	85	69,816	5,212	8.1	12.7	53
(200) bp	94,262	13,838	17.2	17.1	133	72,773	8,169	12.6	12.8	65
(300) bp	97,630	17,206	21.4	17.1	133	72,698	8,094	12.5	12.4	27

(400) bp	98,183	17,759	22.1	16.7	88	68,674	4,070	6.3	11.4	(71)

As of December 31, 2022 December 31, 2023:

Basis Point ("bp") Change in Interest Rates	Net Portfolio Value ("NPV")			NPV as Percent of Portfolio Value of Assets		Net Portfolio Value ("NPV")			NPV as Percent of Portfolio Value of Assets	
	Dollar Amount	Dollar Change	Percent Change	NPV Ratio	Change	Dollar Amount	Dollar Change	Percent Change	NPV Ratio	Change
	(Dollars in thousands)					*(Dollars in thousands)*				
400 bp	$ 64,978	$ (31,915)	(32.9)%	15.3%	$ (401)	$ 38,063	$ (29,082)	(43.3)%	8.4%	$ (434)
300 bp	72,904	(23,989)	(24.8)	16.4	(284)	45,307	(21,838)	(32.5)	9.6	(310)
200 bp	80,715	(16,178)	(16.7)	17.5	(180)	52,710	(14,435)	(21.5)	10.8	(194)
100 bp	89,144	(7,749)	(8.0)	18.5	(78)	60,749	(6,396)	(9.5)	11.9	(78)
0	96,893	—	—	19.3	—	67,145	—	—	12.7	—
(100) bp	102,856	5,963	6.2	19.6	37	72,043	4,898	7.3	13.2	45
(200) bp	106,776	9,883	10.2	19.6	35	74,730	7,585	11.3	13.2	49
(300) bp	107,095	10,202	10.5	19.0	(29)	74,371	7,226	10.8	12.7	4
(400) bp	99,984	3,091	3.2	17.3	(199)	67,366	221	0.3	11.3	(141)

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

49 The percent changes to NPV in the +100, +200, +300 and +400 bp changes in interest rates was -10.7%, -23.8%, -36.0% and -47.9%, respectively, at March 31, 2024 versus policy limits of -10.0%, -20.0%, -30.0% and -40.0%, respectively. These percent changes were due primarily to the continued migration of deposits during the three months ended March 31, 2024 from less interest-sensitive products such as NOW and demand deposits to products with greater interest rate sensitivity, i.e., money market and time deposits. The percent

changes to NPV in the +200, +300 and +400 bp changes in interest rates was -21.5%, -32.5% and -43.3%, respectively, at December 31, 2023 versus policy limits of -20.0%, -30.0% and -40.0%, respectively. These percent changes were due primarily to the migration of deposits during 2023 from less interest-sensitive products such as NOW and demand deposits to products with greater interest rate sensitivity, i.e., money market and time deposits. We monitor our exposure to movements in interest rates regularly and discuss the implementation of strategies we believe will mitigate the negative impact of such movements.

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

In a rising interest rate environment, we would expect that the rates on our deposits and borrowings would reprice upwards faster than the rates on our long-term loans and investments, which would be expected to compress our interest rate spread and have a negative effect on our profitability. Furthermore, increases in interest rates may adversely affect the ability of our borrowers to make loan repayments on adjustable-rate loans, as the interest owed on such loans would increase as interest rates increase. Conversely, decreases in interest rates can result in increased prepayments of loans and mortgage-related securities, as borrowers refinance to reduce their borrowing costs. Under these circumstances, we are subject to reinvestment risk as we may have to redeploy such loan or securities proceeds into lower-yielding assets, which might also negatively impact our income. If interest rates rise, we expect that our economic value of equity would decrease. Economic value of equity represents the present value of the expected cash flows from our assets less the present value of the expected cash flows arising from our liabilities. The Company's economic value of equity analysis as of September 30, 2023 March 31, 2024 estimated that, in the event of an instantaneous 200 basis point increase in interest rates, the Company would experience a 22.2% 23.8% decrease in economic value of equity which was above the Board approved policy limit of 20.0% 20%. At the same date, our analysis estimated that, in the event of an instantaneous 200 basis point decrease in interest rates, the Company would experience a 17.2% 12.6% increase in the economic value of equity which was within Board approved limits. equity.

Any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our financial condition, liquidity and results of operations. Changes in the level of interest rates also may negatively affect our ability to originate real estate loans, the value of our assets and our ability to realize gains from the sale of our assets, all of which ultimately affect our earnings. Also, our interest rate risk modeling techniques and assumptions likely may not fully predict or capture the impact of actual interest rate changes on our balance sheet or projected operating results.

Item 4. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures. As of September 30, 2023 March 31, 2024, the Company conducted an evaluation, under the supervision and with the participation of the Company's management, including its Chief Executive Officer and its Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934). Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2023 March 31, 2024 for recording, processing, summarizing and reporting the information the Company is required to disclose in the reports it files under the Securities Exchange Act of 1934, within the time periods specified in SEC rules and forms.

The effectiveness of a system of disclosure controls and procedures is subject to various inherent limitations, including cost limitations, judgments used in decision making, assumptions about the likelihood of future events, the soundness of our systems, the possibility of human error and the risk of fraud. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions and the risk that the degree of compliance with policies or procedures may deteriorate over time. Due to such inherent limitations, there can be no assurance that any system of disclosure controls and procedures will be successful in preventing all errors or fraud or in making all material information known in a timely manner to the appropriate levels of management.

Changes in Internal Controls over Financial Reporting. During the quarter ended September 30, 2023 March 31, 2024, there were no changes in the Company's internal control over financial reporting 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

Periodically, we are involved in claims and lawsuits, such as claims to enforce liens, condemnation proceedings on properties in which we hold security interests, claims involving the making and servicing of real property loans and other issues incident to our business. At September 30, 2023 March 31, 2024, we were not a party to any pending legal proceedings that we believe would have a material adverse effect on our financial condition, results of operations or cash flows.

Item 1A. Risk Factors

Not applicable, as First Seacoast Bancorp, Inc. is a "smaller reporting company."

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no repurchases of the Company's common stock repurchases or during the quarter ended March 31, 2024.

There were no sales of unregistered securities during the quarter ended September 30, 2023 March 31, 2024.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None. During the three months ended March 31, 2024, none of the Company's directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of the Company's securities that was intended to satisfy the affirmative defense conditions of SEC Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement " (as such term is defined in Item 408 of SEC Regulation S-K).

Item 6. Exhibits

Exhibit Number	Description
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials for the quarter ended September 30, 2023 March 31, 2024, formatted in Inline XBRL (Extensible Business Reporting Language): Taxonomy Extension Schema With Embedded Linkbase Documents: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of (Loss) Income, (iii) Consolidated Statements of Comprehensive Loss, (Loss) Income, (iv) Consolidated Statements of Changes in Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements
104	Cover Page Interactive Data Files (embedded within Inline XBRL document)

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.

FIRST SEACOAST BANCORP, INC.

Date: November 9, 2023 May 10, 2024	/s/ James R. Brannen
	James R. Brannen
	President and Chief Executive Officer
Date: November 9, 2023 May 10, 2024	/s/ Richard M. Donovan
	Richard M. Donovan
	Senior Executive Vice President and Chief Financial Officer

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, James R. Brannen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of First Seacoast Bancorp, Inc.;

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 peri 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 respe 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(s) 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 13 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 mos 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(s) 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 the registrant's board of directors:

   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 intern control over financial reporting.

Date: November 9, 2023 May 10, 2024

/s/ James R. Brannen

James R. Brannen

President and Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Richard M. Donovan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of First Seacoast Bancorp, Inc.;

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 peri 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 respe 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(s) 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 13 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 mos 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(s) 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 the registrant's board of directors:

   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 intern control over financial reporting.

Date: November 9, 2023 May 10, 2024

/s/ Richard M. Donovan

Richard M. Donovan

Senior Executive Vice President and Chief Financial Officer

Exhibit 32.1

Certification of Chief Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, James R. Brannen, President and Chief Executive Officer of First Seacoast Bancorp, Inc. (the “Company”), hereby certify in my capacity as an executive officer of the Company that I have reviewed the Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024 (the “Report”) and that, to the best of my knowledge:

1. The Report fully complies with the requirements of Sections 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 results of operations of Company.

Date: November 9, 2023 May 10, 2024	/s/ James R. Brannen
	James R. Brannen
	President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification of Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Richard M. Donovan, Senior Vice President and Chief Financial Officer of First Seacoast Bancorp, Inc. (the “Company”), hereby certify in my capacity as an executive officer of the Company that I have reviewed the Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024 (the “Report”) and that, to the best of my knowledge:

1. The Report fully complies with the requirements of Sections 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 results of operations of Company.

Date: November 9, 2023 May 10, 2024	/s/ Richard M. Donovan

Richard M. Donovan

Senior Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

REFINITIV