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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 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 Number: 001-40612

PB BANKSHARES, INC

(Exact name of registrant as specified in its charter)

Maryland **(State or other jurisdiction of incorporation or organization)**	**86-3947794** **(I.R.S. Employer Identification Number)**

185 E Lincoln Highway
Coatesville , PA 19320
(Address of Principal Executive Offices)
(610) 384-8282
(Registrant's telephone number)

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

Title of Each Class	Trading symbol	Name of Exchange on which registered
Common Shares, par value $0.01 per share	**PBBK**	**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 filing requirements for the past 90 days. Yes ☒ No ☐

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

Indicate by check mark 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 Common Stock, $0.01 par value – 2,549,140 shares outstanding as of August 12, 2024.

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PART I —FINANCIAL INFORMATION

Item 1. Financial Statements

PB BANKSHARES, INC.
Condensed Consolidated Balance Sheets
(dollars in thousands, except per share data)

	June 30, 2024 (Unaudited)	December 31, 2023
Assets		
Cash and due from banks	$ 38,878	$ 18,256
Federal funds sold	15,853	14,182
Cash and cash equivalents	54,731	32,438
Debt securities available-for-sale, at fair value	36,068	68,115
Equity securities, at fair value	792	793
Restricted stocks, at cost	2,515	2,590
Loans receivable, net of allowance for credit losses of $4,500 at June 30, 2024 and $ 4,511 at December 31, 2023	339,999	321,382
Premises and equipment, net	1,971	2,057
Deferred income taxes, net	1,708	1,732
Accrued interest receivable	1,632	1,253
Bank owned life insurance	8,337	8,230
Other assets	1,292	1,158
Total Assets	$ 449,045	$ 439,748
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	$ 346,960	$ 332,966
Borrowings	50,534	55,104
Accrued expenses and other liabilities	4,951	4,689
Total Liabilities	402,445	392,759
Commitments and contingencies - see notes 9 and 10		
Stockholders' Equity		
Preferred Stock, $ 0.01 par value, 10,000,000 shares authorized; -0- issued and outstanding at June 30, 2024 and December 31, 2023	—	—
Common Stock, $ 0.01 par value, 40,000,000 shares authorized; 2,629,967 (including 89,468 unvested restricted shares) and 2,679,967 (including 86,493 unvested restricted shares) issued and outstanding at June 30, 2024 and December 31, 2023, respectively	25	26
Additional paid-in capital	22,873	24,115
Retained earnings	27,245	26,558
Unearned ESOP shares, 188,853 shares at June 30, 2024 and December 31, 2023	(2,463)	(2,463)
Accumulated other comprehensive loss	(1,080)	(1,247)
Total Stockholders' Equity	46,600	46,989
Total Liabilities and Stockholders' Equity	$ 449,045	$ 439,748

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

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PB BANKSHARES, INC.
Condensed Consolidated Statements of Income
(dollars in thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	**2024**	2023
Interest and Dividend Income				
Loans, including fees	**$ 4,856**	$ 4,355	**$ 9,407**	$ 8,153
Securities	**267**	218	**578**	401
Other	**808**	474	**1,560**	862
Total Interest and Dividend Income	**5,931**	5,047	**11,545**	9,416
Interest Expense				
Deposits	**2,680**	1,388	**5,166**	2,316
Borrowings	**465**	437	**961**	833
Total Interest Expense	**3,145**	1,825	**6,127**	3,149
Net interest income	**2,786**	3,222	**5,418**	6,267
Provision for Credit Losses	**17**	247	**(67)**	430
Net interest income after provision for credit losses	**2,769**	2,975	**5,485**	5,837
Noninterest Income				
Service charges on deposit accounts	**42**	44	**97**	91
Loss on equity securities	**(4)**	(12)	**(12)**	—
Bank owned life insurance income	**54**	48	**107**	91
Debit card income	**53**	56	**103**	106
Other service charges	**20**	48	**37**	67
Loss on disposal of premises and equipment	**—**	—	**—**	(40)
Other income	**25**	75	**45**	82
Total Noninterest Income	**190**	259	**377**	397
Noninterest Expenses				
Salaries and employee benefits	**1,326**	1,342	**2,682**	2,691
Occupancy and equipment	**158**	177	**333**	341
Data and item processing	**300**	263	**580**	530
Advertising and marketing	**39**	73	**90**	98
Professional fees	**193**	165	**358**	345
Directors' fees	**107**	108	**214**	215
FDIC insurance premiums	**70**	52	**119**	92
Pennsylvania shares tax	**73**	72	**152**	149
Debit card expenses	**39**	39	**80**	74
Other	**182**	202	**377**	423
Total Noninterest Expenses	**2,487**	2,493	**4,985**	4,958
Income before income tax expense	**472**	741	**877**	1,276
Income Tax Expense	**102**	153	**190**	279
Net Income	**$ 370**	$ 588	**$ 687**	$ 997
Earnings per common share - basic	**$ 0.16**	$ 0.24	**$ 0.29**	$ 0.40
Earnings per common share - diluted	**$ 0.16**	$ 0.23	**$ 0.29**	$ 0.39

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

PB BANKSHARES, INC.
Condensed Consolidated Statements of Comprehensive Income
(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	**2024**	2023
Net Income	**$ 370**	$ 588	**$ 687**	$ 997
Other Comprehensive Income (Loss)				
Unrealized gains (losses) on debt securities available-for-sale:				
Unrealized holding gains (losses) arising during period	**215**	(300)	**211**	204
Tax effect	**(45)**	63	**(44)**	(42)
Other comprehensive income (loss)	**170**	(237)	**167**	162
Total Comprehensive Income	**$ 540**	$ 351	**$ 854**	$ 1,159

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

PB BANKSHARES, INC.
Condensed Consolidated Statements of Stockholders' Equity
Three and six months ended June 30, 2024 and 2023
(In thousands)
(Unaudited)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Loss	Total
Balance, April 1, 2023	$ 27	$ 25,357	$ 25,048	$ (2,608)	$ (1,533)	$ 46,291
Net income	—	—	588	—	—	588
Repurchased common stock, 46,303 shares	—	(599)	—	—	—	(599)
Stock based compensation expense	—	134	—	—	—	134
Other comprehensive loss	—	—	—	—	(237)	(237)
Balance, June 30, 2023	$ 27	$ 24,892	$ 25,636	$ (2,608)	$ (1,770)	$ 46,177
Balance, April 1, 2024	**$ 25**	**$ 23,582**	**$ 26,875**	**$ (2,463)**	**$ (1,250)**	**$ 46,769**
Net income	**—**	**—**	**370**	**—**	**—**	**370**
Repurchased common stock, 65,827 shares	**—**	**(844)**	**—**	**—**	**—**	**(844)**
Stock based compensation expense	**—**	**135**	**—**	**—**	**—**	**135**
Other comprehensive income	**—**	**—**	**—**	**—**	**170**	**170**
Balance, June 30, 2024	**$ 25**	**$ 22,873**	**$ 27,245**	**$ (2,463)**	**$ (1,080)**	**$ 46,600**
Balance, January 1, 2023	$ 27	$ 25,721	$ 24,779	$ (2,608)	$ (1,932)	$ 45,987
Net income	—	—	997	—	—	997
Repurchased common stock, 81,954 shares	—	(1,097)	—	—	—	(1,097)
Adoption of CECL	—	—	(140)	—	—	(140)
Stock based compensation expense	—	268	—	—	—	268
Other comprehensive income	—	—	—	—	162	162
Balance, June 30, 2023	$ 27	$ 24,892	$ 25,636	$ (2,608)	$ (1,770)	$ 46,177
Balance, January 1, 2024	**$ 26**	**$ 24,115**	**$ 26,558**	**$ (2,463)**	**$ (1,247)**	**$ 46,989**
Net income	**—**	**—**	**687**	**—**	**—**	**687**
Repurchased common stock, 115,827 shares	**(1)**	**(1,512)**	**—**	**—**	**—**	**(1,513)**
Stock based compensation expense	**—**	**270**	**—**	**—**	**—**	**270**
Other comprehensive income	**—**	**—**	**—**	**—**	**167**	**167**
Balance, June 30, 2024	**$ 25**	**$ 22,873**	**$ 27,245**	**$ (2,463)**	**$ (1,080)**	**$ 46,600**

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

PB BANKSHARES, INC.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Cash Flows from Operating Activities		
Net income	$ 687	$ 997
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	(67)	430
Depreciation and amortization	170	156
Loss on disposal of premises and equipment	—	40
Net accretion of securities premiums and discounts	(297)	(196)
Deferred income tax benefit	(20)	(83)
Loss on equity securities	12	—
Deferred loan (cost) fees, net	(28)	74
Earnings on bank owned life insurance	(107)	(91)
Stock-based compensation expense	270	268
Increase in accrued interest receivable and other assets	(527)	(256)
Increase in accrued expenses and other liabilities	272	301
Net Cash Provided by Operating Activities	365	1,640
Cash Flows from Investing Activities		
Activity in debt securities available-for-sale:		
Purchases	(11,752)	(12,748)
Maturities, calls, and principal repayments	44,307	30,367
Dividends on equity securities reinvested	(11)	(9)
Redemption (purchase) of restricted stocks	75	(153)
Purchase of additional Bank Owned Life Insurance (BOLI)	—	(550)
Net increase in loans receivable	(18,575)	(16,974)
Purchases of premises and equipment	(27)	(556)
Net Cash Provided by (Used in) Investing Activities	14,017	(623)
Cash Flows from Financing Activities		
Net increase in deposits	13,994	22,596
Repurchased common stock	(1,513)	(1,097)
Advances of borrowings	—	9,900
Repayments of borrowings	(4,570)	(7,119)
Net Cash Provided by Financing Activities	7,911	24,280
Increase in cash and cash equivalents	22,293	25,297
Cash and Cash Equivalents, Beginning of Period	32,438	17,204
Cash and Cash Equivalents, End of Period	$ 54,731	$ 42,501
Supplementary Cash Flows Information		
Interest paid	$ 5,914	$ 2,916
Right-of-use lease assets and liabilities	43	—
Income taxes paid	140	320
Supplementary Non-Cash Flows Information		
Unrealized gain on debt securities available-for-sale	$ 211	$ 204

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

1. Basis of Presentation

Organization and Nature of Operations

PB Bankshares, Inc., a Maryland corporation (the “Company”) is the holding company of Presence Bank (the “Bank”) and was formed in connection with the conversion of the Bank from the mutual to the stock form of organization. On July 14, 2021, the mutual to stock conversion of the Bank was completed and the Company became the parent holding company for the Bank. Shares of the Company began trading on the Nasdaq Capital Market on July 15, 2021. The Company is subject to regulation by the Board of Governors of the Federal Reserve System (the “Federal Reserve Bank”).

The Bank is a state-chartered savings bank established in 1919. The main office is located in Coatesville, Pennsylvania with three other branches located in New Holland, Oxford, and Georgetown, Pennsylvania. The Bank is principally engaged in the business of attracting deposits from the general public and using these deposits, together with borrowings and other funds, to make loans primarily secured by real estate and, to a lesser extent, consumer loans. The Bank competes with other banking and financial institutions in its primary market communities encompassing Chester, Cumberland, Dauphin, Lancaster, and Lebanon Counties in Pennsylvania. The Bank is regulated by the Federal Deposit Insurance Corporation (the “FDIC”) and the Pennsylvania Department of Banking and Securities (the “PADOB”).

Principles of Consolidation

The consolidated financial statements include accounts of the Company and its wholly-owned subsidiary, the Bank. The Bank also includes the accounts of CSB Investments, Inc. (“CSB”), a wholly-owned subsidiary of the Bank located in Wilmington, Delaware. The sole purpose of CSB is to maintain and manage the Bank’s investment portfolio. All significant intercompany accounts and transactions have been eliminated in consolidation.

Interim Financial Information

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information and with the instructions to the Securities and Exchange Commission’s Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

In the opinion of management, all adjustments considered necessary (consisting only of normal recurring accruals) for a fair presentation have been included. Operating results for the three and six month periods ended June 30, 2024 are not necessarily indicative of the results for the year ending December 31, 2024 or any other interim periods. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended December 31, 2023 as filed in the annual report on Form 10-K filed with the Securities and Exchange Commission on April 1, 2024.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated balance sheet and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses on loans.

While management uses available information to recognize expected estimated losses on loans, future additions to the allowance for credit losses may be necessary based on changes in economic conditions and underlying collateral values, if any. In addition, the FDIC and PADOB, as an integral part of their examination process, periodically review the Bank’s allowance for credit losses. These agencies may require the Bank to recognize additions to the allowance based on their judgments of information available to them at the time of their examinations.

2. Recent Accounting Pronouncements

This section provides a summary description of recent ASUs issued by the FASB to the ASC that had or that management expects may have an impact on the financial statements issued upon adoption. The Company is classified as an emerging growth company and has elected 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. Effective dates reflect this election.

Recently Issued, But Not Yet Effective Accounting Pronouncement

In December 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures.” The amendments in this ASU require an entity to disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold, which is greater than five percent of the amount computed by multiplying pretax income by the entity’s applicable statutory rate, on an annual basis. Additionally, the amendments in this ASU require an entity to disclose the amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes and the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions that are equal to or greater than five percent of total income taxes paid (net of refunds received). Lastly, the amendments in this ASU require an entity to disclose income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign and income tax expense (or benefit) from continuing operations disaggregated by federal, state, and foreign. This ASU is effective for annual periods beginning after December 15, 2024, for public business entities. For entities other than public business entities the amendments are effective for annual periods beginning after December 15, 2025. Early adoption is permitted. The amendments should be applied on a prospective basis; however, retrospective application is permitted. The Company does not expect the adoption of ASU 2023-09 to have a material impact on its consolidated financial statements.

3. Debt and Equity Securities

The amortized cost, gross unrealized gains and losses, and fair value of securities available-for-sale and equity securities are as follows (in thousands):

June 30, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities:				
Agency bonds	**$ 21,246**	**$ —**	**$ (1,146)**	**$ 20,100**
Treasury securities	**13,796**	**1**	**(2)**	**13,795**
Mortgage-backed securities	**69**	**—**	**—**	**69**
Collateralized mortgage obligations	**2,324**	**—**	**(220)**	**2,104**
Total available-for-sale debt securities	**$ 37,435**	**$ 1**	**$ (1,368)**	**$ 36,068**
Equity securities:				
Mutual funds (fixed income)				**$ 792**

December 31, 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities:				
Agency bonds	$ 23,244	$ —	$ (1,384)	$ 21,860
Treasury securities	43,750	32	—	43,782
Mortgage-backed securities	83	2	—	85
Collateralized mortgage obligations	2,616	—	(228)	2,388
Total available-for-sale debt securities	$ 69,693	$ 34	$ (1,612)	$ 68,115
Equity securities:				
Mutual funds (fixed income)				$ 793

The tables below indicate the length of time individual available-for-sale securities have been in a continuous unrealized loss position at June 30, 2024 and December 31, 2023 (in thousands):

June 30, 2024	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Agency bonds	**$ —**	**$ —**	**$ 20,100**	**$ (1,146)**	**$ 20,100**	**$ (1,146)**
Treasury securities	**5,952**	**(2)**	**—**	**—**	**5,952**	**(2)**
Collateralized mortgage obligations	**—**	**—**	**2,104**	**(220)**	**2,104**	**(220)**
Total	**$ 5,952**	**$ (2)**	**$ 22,204**	**$ (1,366)**	**$ 28,156**	**$ (1,368)**

December 31, 2023	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Agency bonds	$ 1,998	$ (1)	$ 19,862	$ (1,383)	$ 21,860	$ (1,384)
Collateralized mortgage obligations	—	—	2,388	(228)	2,388	(228)
Total	$ 1,998	$ (1)	$ 22,250	$ (1,611)	$ 24,248	$ (1,612)

As of June 30, 2024 and December 31, 2023, the mortgage-backed securities and collateralized mortgage obligations included in the securities portfolio consisted of securities issued by U.S. government sponsored agencies. There were no private label mortgage-backed securities or collateralized mortgage obligations held in the securities portfolio as of June 30, 2024 and December 31, 2023.

At June 30, 2024, 47 agency bonds, two treasury securities and 36 collateralized mortgage obligations were in an unrealized loss position. In analyzing an issuer's financial condition, management considers whether downgrades by bond rating agencies have occurred and industry analysts' reports.

As of June 30, 2024, management believes that the estimated fair value of securities disclosed above is primarily dependent upon the movement in market interest rates particularly given the negligible inherent credit risk associated with these securities. Although the fair value will fluctuate as the market interest rates move, management believes that these fair values will recover as the underlying portfolios mature and are reinvested in market yielding investments. Additionally, all securities remain highly rated and all issuers have continued to make timely payments of interest and principal.

As the Company does not intend to sell these securities and it is more likely than not that the Company will not be required to sell the securities before recovery of their amortized cost basis, which may be maturity, the Company concluded that a credit loss did not exist in its portfolio at June 30, 2024, and therefore, no allowance for credit losses was recorded.

There were no securities sold during the three and six months ended June 30, 2024 and 2023. The amortized cost and fair value of debt securities available-for-sale at June 30, 2024, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties (in thousands).

	Available-for-Sale		
	Amortized Cost	Fair Value	Yield
Due less than one year	$ **13,845**	$ **13,692**	**3.59** %
Due one year through five years	**21,197**	**20,203**	**2.46**
Due after five years through ten years	**—**	**—**	**—**
Mortgage-backed securities	**69**	**69**	**5.69**
Collateralized mortgage obligations	**2,324**	**2,104**	**1.95**
Total available-for-sale debt securities	$ **37,435**	$ **36,068**	**2.38** %

At June 30, 2024 and December 31, 2023, the Company had securities with fair values totaling $ 1,864,000 and $ 1,878,000 , respectively, pledged to secure borrowings.

At June 30, 2024 and December 31, 2023, the Company had securities with fair values totaling $ 22,034,000 and $ 15,073,000 , respectively, pledged primarily for public fund depositors.

At June 30, 2024 and December 31, 2023, the Company had accrued interest receivable on available for sale debt securities totaling $ 171,000 and $ 46,000 , respectively.

4. Loans Receivable and Allowance for Credit Losses

The Company's loans are stated at their face amount and consist of the classes of loans included in the table below. The Company has elected to exclude accrued interest receivable, totaling $ 1.6 million and $ 1.3 million at June 30, 2024 and December 31, 2023, respectively, from the amortized cost basis of loans.

Major classifications of net loans receivable at June 30, 2024 and December 31, 2023 are as follows (in thousands):

	June 30, 2024	December 31, 2023
Real estate:		
One-to four-family residential	$ **106,952**	$ 108,534
Commercial	**200,972**	184,868
Construction	**7,895**	10,805
Commercial and industrial	**19,133**	16,552
Consumer and other	**10,146**	5,836
	345,098	326,595
Deferred loan fees, net	**(599)**	(702)
Allowance for credit losses	**(4,500)**	(4,511)
Total loans receivable, net	$ **339,999**	$ 321,382

The following table summarizes the activity in the allowance for credit losses - loans by loan class for the three months ended June 30, 2024 (in thousands):

	Allowance for Credit Losses - Loans				
	Beginning Balance	Charge-offs	Recoveries	Provisions for Credit Losses - Loans	Ending Balance
Real Estate:					
One- to four-family residential	**$ 1,218**	**$ —**	**$ —**	**$ (19)**	**$ 1,199**
Commercial	**2,782**	**—**	**—**	**56**	**2,838**
Construction	**104**	**—**	**—**	**(35)**	**69**
Commercial and industrial	**201**	**—**	**1**	**45**	**247**
Consumer and other	**69**	**—**	**4**	**32**	**105**
Unallocated	**91**	**—**	**—**	**(49)**	**42**
	$ 4,465	**$ —**	**$ 5**	**$ 30**	**$ 4,500**

The following table summarizes the activity in the allowance for credit losses - loans by loan class for the three months ended June 30, 2023 (in thousands):

	Allowance for Credit Losses - Loans				
	Beginning Balance	Charge-offs	Recoveries	Provisions (Recovery)	Ending Balance
Real Estate:					
One- to four-family residential	$ 1,188	$ —	$ —	$ 45	$ 1,233
Commercial	2,026	—	—	328	2,354
Construction	240	—	—	(102)	138
Commercial and industrial	258	(69)	1	19	209
Consumer and other	109	—	—	3	112
Unallocated	269	—	—	(1)	268
	$ 4,090	$ (69)	$ 1	$ 292	$ 4,314

The following table summarizes the activity in the allowance for credit losses - loans by loan class for the six months ended June 30, 2024 (in thousands):

	Allowance for Credit Losses - Loans				
	Beginning Balance	Charge-offs	Recoveries	Provisions for Credit Losses - Loans	Ending Balance
Real Estate:					
One- to four-family residential	**$ 1,267**	**$ —**	**$ —**	**$ (68)**	**$ 1,199**
Commercial	**2,637**	**—**	**—**	**201**	**2,838**
Construction	**112**	**—**	**—**	**(43)**	**69**
Commercial and industrial	**229**	**—**	**3**	**15**	**247**
Consumer and other	**71**	**(6)**	**6**	**34**	**105**
Unallocated	**195**	**—**	**—**	**(153)**	**42**
Total	**$ 4,511**	**$ (6)**	**$ 9**	**$ (14)**	**$ 4,500**

The following table summarizes the activity in the allowance for credit losses - loans by loan class for the six months ended June 30, 2023 (in thousands):

	Allowance for Credit Losses - Loans					
	Balance Prior to Adoption of ASC 326	Impact of Adoption of ASC 326	Charge-offs	Recoveries	Provisions for Credit Losses - Loans	Ending Balance
Real Estate:						
One- to four-family residential	$ 1,156	$ 45	$ —	$ 15	$ 17	$ 1,233
Commercial	1,829	75	—	—	450	2,354
Construction	316	(34)	—	—	(144)	138
Commercial and industrial	308	(84)	(144)	2	127	209
Consumer and other	87	3	—	—	22	112
Unallocated	296	(5)	—	—	(23)	268
Total	$ 3,992	$ —	$ (144)	$ 17	$ 449	$ 4,314

The following tables present a breakdown of the provision for credit losses for the periods indicated (in thousands):

	Three Months Ended June 30,	
	2024	2023
Provision for credit losses:		
Provision for loans	**$ 30**	$ 292
Provision for unfunded commitments	**(13)**	(45)
Total provision for credit losses	**$ 17**	$ 247

	Six Months Ended June 30,	
	2024	2023
Provision for credit losses:		
Provision for loans	**$ (14)**	$ 449
Recovery for unfunded commitments	**(53)**	(19)
Total provision for credit losses	**$ (67)**	$ 430

The following tables present the amortized cost basis of loans on nonaccrual status and the amortized cost basis of loans on nonaccrual status for which there was no related allowance for credit losses as of June 30, 2024 and December 31, 2023 (in thousands):

	June 30, 2024	
	Nonaccrual	Nonaccrual With No ACL
Real estate:		
One- to four-family residential	**$ 116**	**$ 116**
Commercial	**981**	**981**
Commercial and industrial	**175**	**175**
Total	**$ 1,272**	**$ 1,272**

	December 31, 2023	
	Nonaccrual	Nonaccrual With No ALL
Real estate:		
One- to four-family residential	$ 149	$ 149
Commercial	1,065	1,065
Commercial and industrial	207	207
Total	$ 1,421	$ 1,421

The following table presents the amortized cost basis of collateral-dependent loans to borrowers experiencing financial difficulty by loan class as of June 30, 2024 (in thousands):

	June 30, 2024			
	Real Estate Secured Loans	Non-Real Estate Secured Loans	Total Collateral Dependent Loans	Allowance for Credit Losses-Loans
Real estate:				
One- to four-family residential	**$ 320**	**$ —**	**$ 320**	**$ —**
Commercial	**1,483**	**—**	**1,483**	**106**
Construction	**—**	**—**	**—**	**—**
Commercial and industrial	**175**	**—**	**175**	**—**
Consumer and other	**—**	**—**	**—**	**—**
Total	**$ 1,978**	**$ —**	**$ 1,978**	**$ 106**

The following table presents the amortized cost basis of collateral-dependent loans to borrowers experiencing financial difficulty by loan class as of December 31, 2023 (in thousands):

	December 31, 2023			
	Real Estate Secured Loans	Non-Real Estate Secured Loans	Total Collateral Dependent Loans	Allowance for Credit Losses-Loans
Real estate:				
One- to four-family residential	$ **355**	$ **—**	$ **355**	$ **—**
Commercial	**1,577**	**—**	**1,577**	**—**
Construction	**—**	**—**	**—**	**—**
Commercial and industrial	**207**	**—**	**207**	**—**
Consumer and other	**—**	**—**	**—**	**—**
Total	$ **2,139**	$ **—**	$ **2,139**	$ **—**

A loan is considered "substandard" if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. "Substandard" loans include those characterized by the "distinct possibility" that the Company will sustain "some loss" if the deficiencies are not corrected. Loans classified as "doubtful" have all of the weaknesses inherent in those classified "substandard," with the added characteristic that the weaknesses present make "collection or liquidation in full," on the basis of currently existing facts, conditions, and values, "highly questionable and improbable." Loans classified as "loss" are those considered "uncollectible" and of such little value that their continuance as assets without the establishment of a specific allowance for credit losses is not warranted. Loans that do not currently expose the insured institution to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses are designated as "special mention" by our management. Loans that are performing as agreed are classified as "pass".

The following table presents the classes of the loan portfolio summarized by the aggregate pass rating and the classified ratings of special mention, substandard and doubtful within the Company's internal risk rating system as of June 30, 2024 (in thousands); as well as gross charge-offs (in thousands) for the six months ended June 30, 2024:

	Year of Origination								
	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total
Real estate: one- to four-family residential									
Pass	$ 2,980	$ 8,187	$17,130	$17,521	$11,999	$ 38,272	$ 9,185	$ 1,180	$ 106,454
Special Mention	—	—	—	—	—	178	—	—	178
Substandard	—	—	—	—	—	320	—	—	320
Total real estate: one- to four-family residential	$ 2,980	$ 8,187	$17,130	$17,521	$11,999	$ 38,770	$ 9,185	$ 1,180	$ 106,952
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Real estate: commercial									
Pass	$15,804	$ 44,389	$43,392	$44,885	$20,057	$ 25,621	$ 4,742	$ —	$ 198,890
Special Mention	—	—	259	—	340	—	—	—	599
Substandard	—	—	—	—	—	1,483	—	—	1,483
Total real estate: commercial	$15,804	$ 44,389	$43,651	$44,885	$20,397	$ 27,104	$ 4,742	$ —	$ 200,972
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Real estate: construction									
Pass	$ 480	$ —	$ 2,572	$ 4,375	$ 82	$ —	$ 386	$ —	$ 7,895
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total real estate: construction	$ 480	$ —	$ 2,572	$ 4,375	$ 82	$ —	$ 386	$ —	$ 7,895
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial and industrial									
Pass	$ 2,211	$ 571	$ 2,169	$ 2,236	$ 597	$ 237	$ 10,637	$ 60	$ 18,718
Special Mention	—	—	—	—	—	—	240	—	240
Substandard	—	—	—	—	—	175	—	—	175
Total commercial and industrial	$ 2,211	$ 571	$ 2,169	$ 2,236	$ 597	$ 412	$ 10,877	$ 60	$ 19,133
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Consumer and other									
Pass	$ 383	$ —	$ 2,008	$ 2,000	$ 948	$ —	$ 4,807	$ —	$ 10,146
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total consumer and other	$ 383	$ —	$ 2,008	$ 2,000	$ 948	$ —	$ 4,807	$ —	$ 10,146
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ (6)	$ —	$ (6)
Total loans, gross									
Pass	$21,858	$ 53,147	$67,271	$71,017	$33,683	$ 64,130	$ 29,757	$ 1,240	$ 342,103
Special Mention	—	—	259	—	340	178	240	—	1,017
Substandard	—	—	—	—	—	1,978	—	—	1,978
Total loans, gross	$21,858	$ 53,147	$67,530	$71,017	$34,023	$ 66,286	$ 29,997	$ 1,240	$ 345,098
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ (6)	$ —	$ (6)

The following table presents the classes of the loan portfolio summarized by the aggregate pass rating and the classified ratings of special mention, substandard and doubtful within the Company's internal risk rating system as of December 31, 2023 (in thousands); as well as gross charge-offs (in thousands) for the year ended December 31, 2023:

	Year of Origination								
	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total
Real estate: one- to four-family residential									
Pass	$ 8,452	$ 17,677	$18,152	$12,310	$ 8,188	$ 32,444	$ 9,077	$ 1,293	$ 107,593
Special Mention	—	—	—	—	—	586	—	—	586
Substandard	—	—	—	—	—	355	—	—	355
Total real estate: one- to four-family residential	$ 8,452	$ 17,677	$18,152	$12,310	$ 8,188	$ 33,385	$ 9,077	$ 1,293	$ 108,534
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Real estate: commercial									
Pass	$44,872	$ 42,737	$46,182	$20,797	$ 4,025	$ 22,485	$ 2,193	$ —	$ 183,291
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	1,577	—	—	1,577
Total real estate: commercial	$44,872	$ 42,737	$46,182	$20,797	$ 4,025	$ 24,062	$ 2,193	$ —	$ 184,868
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Real estate: construction									
Pass	$ 269	$ 7,179	$ —	$ 85	$ 116	$ 365	$ 2,233	$ —	$ 10,247
Special Mention	—	89	469	—	—	—	—	—	558
Substandard	—	—	—	—	—	—	—	—	—
Total real estate: construction	$ 269	$ 7,268	$ 469	$ 85	$ 116	$ 365	$ 2,233	$ —	$ 10,805
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial and industrial									
Pass	$ 616	$ 3,273	$ 1,631	$ 728	$ 19	$ 243	$ 9,773	$ 62	$ 16,345
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	207	—	—	207
Total commercial and industrial	$ 616	$ 3,273	$ 1,631	$ 728	$ 19	$ 450	$ 9,773	$ 62	$ 16,552
Current period gross charge-offs	$ —	$ —	$ (144)	$ —	$ —	$ —	$ —	$ —	$ (144)
Consumer and other									
Pass	$ —	$ 2,010	$ 2,000	$ 982	$ —	$ —	$ 844	$ —	$ 5,836
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total consumer and other	$ —	$ 2,010	$ 2,000	$ 982	$ —	$ —	$ 844	$ —	$ 5,836
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Total loans, gross									
Pass	$54,209	$ 72,876	$67,965	$34,902	$12,348	$ 55,537	$ 24,120	$ 1,355	$ 323,312
Special Mention	—	89	469	—	—	586	—	—	1,144
Substandard	—	—	—	—	—	2,139	—	—	2,139
Total loans, gross	$54,209	$ 72,965	$68,434	$34,902	$12,348	$ 58,262	$ 24,120	$ 1,355	$ 326,595
Current period gross charge-offs	$ —	$ —	$ (144)	$ —	$ —	$ —	$ —	$ —	$ (144)

The performance and credit quality of the loan portfolio is also monitored by analyzing the age of the loans receivable as determined by the length of time a recorded payment is past due. The following table presents the classes of the loan portfolio summarized by the past due status as of June 30, 2024 (in thousands):

	30-59 Days Past Due	60-89 Days Past Due	90 or More Days Past Due	Total Past Due	Current	Total Loans Receivable	Loans Receivable 90 or More Days and Accruing
Real estate:							
One- to four-family residential	**$ —**	**$ —**	**$ 29**	**$ 29**	**$ 106,923**	**$ 106,952**	**$ —**
Commercial	**910**	**—**	**—**	**910**	**200,062**	**200,972**	**—**
Construction	**—**	**—**	**—**	**—**	**7,895**	**7,895**	**—**
Commercial and industrial	**—**	**—**	**—**	**—**	**19,133**	**19,133**	**—**
Consumer and other	**—**	**—**	**—**	**—**	**10,146**	**10,146**	**—**
Total loans, gross	**$ 910**	**$ —**	**$ 29**	**$ 939**	**$ 344,159**	**$ 345,098**	**$ —**

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

	30-59 Days Past Due	60-89 Days Past Due	90 or More Days Past Due	Total Past Due	Current	Total Loans Receivable	Loans Receivable 90 or More Days and Accruing
Real estate:							
One- to four-family residential	$ 89	$ —	$ 28	$ 117	$ 108,417	$ 108,534	**$ —**
Commercial	—	655	—	655	184,213	184,868	**—**
Construction	—	—	—	—	10,805	10,805	**—**
Commercial and industrial	—	—	—	—	16,552	16,552	**—**
Consumer and other	—	—	—	—	5,836	5,836	**—**
Total loans, gross	$ 89	$ 655	$ 28	$ 772	$ 325,823	$ 326,595	**$ —**

The Company may grant a concession or modification for economic or legal reasons related to a borrower's financial condition that it would not otherwise consider resulting in a modified loan. The Company may modify loans through rate reductions, extensions of maturity, interest only payments, or payment modifications to better match the timing of cash flows due under the modified terms with the cash flows from the borrowers' operations. Loan modifications are intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral.

The Company identifies loans for potential modification primarily through direct communication with the borrower and evaluation of the borrower's financial statements, revenue projections, tax returns, and credit reports. Even if the borrower is not presently in default, management will consider the likelihood that cash flow shortages, adverse economic conditions, and negative trends may result in a payment default in the near future.

No loans were modified during the three or six months ended June 30, 2024 and 2023 to borrowers experiencing financial difficulty.

The Company closely monitors the performance of modified loans to understand the effectiveness of its modification efforts. Upon the determination that all or a portion of a modified loan is uncollectible, that amount is charged against the allowance for credit losses. There were no payment defaults during the three or six months ended June 30, 2024 and 2023 of modified loans.

At June 30, 2024 and December 31, 2023, there was no other real estate owned. There was no real estate in process of foreclosure as of June 30, 2024 and December 31, 2023.

5. Leases

Lease liabilities represent the Company's obligation to make lease payments and are presented at each reporting date as the net present value of the remaining contractual cash flows. Cash flows are discounted at the Company's incremental borrowing rate in effect at the commencement date of the lease. Right-of-use assets represent the Company's right to use the underlying asset for the lease term and are calculated as the sum of the lease liability and if applicable prepaid rent, initial direct costs and any incentives received from the lessor.

The Company's long-term lease agreements are classified as operating leases. Certain of these leases offer the option to extend the lease term and the Company has included such extensions in its calculation of the lease liabilities to the extent the options are reasonably certain of being exercised. The lease agreements do not provide for residual value guarantees and have no restrictions or covenants that would impact dividends or require incurring additional financial obligations.

The following tables present information about the Company's leases as of June 30, 2024 and December 31, 2023, and for the three and six months ended June 30, 2024 and 2023 (dollars in thousands):

	June 30, 2024	December 31, 2023
Right-of-use assets	**$ 838**	852
Lease liabilities	**$ 803**	814
Weighted average remaining lease term	**12.23 years**	12.31 years
Weighted average discount rate	**4.83 %**	4.73 %

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	**Six Months Ended June 30, 2024**	Six Months Ended June 30, 2023
Operating lease cost	**$ 26**	$ 24	**$ 51**	$ 48
Short-term lease cost	**0**	20	**4**	41
Total lease costs	**$ 26**	$ 44	**$ 55**	$ 89
Cash paid for amounts included in the measurement of lease liabilities	**$ 35**	$ 33	**$ 69**	$ 66

A maturity analysis of operating lease liabilities and reconciliation of the undiscounted cash flows to the total of operating lease liabilities is as follows:

Lease payments due (in thousands):	**As of June 30, 2024**
Six months ending December 31, 2024	**$ 70**
2025	**137**
2026	**85**
2027	**69**
2028	**66**
Thereafter	**647**
Total undiscounted cash flows	**1,074**
Discount	**271**
Lease Liability	**$ 803**

6. Borrowings

The Company has an unsecured line of credit with Atlantic Community Bankers Bank ("ACBB") of up to $ 7,500,000 , expiring on June 30, 2025, which it intends to renew annually. Interest on the line of credit is charged at fed funds rate plus 0.25 %. The Company had no outstanding borrowings under the ACBB line of credit at June 30, 2024 and December 31, 2023. The Company has an unsecured line of credit with SouthState Bank, N.A. of up to $ 5,000,000 . There were no borrowings outstanding under the SouthState Bank, N.A. line of credit at June 30, 2024 and December 31, 2023. The Company also has the ability to borrow up to $ 2,000,000 through the Federal Reserve Bank's discount window. Funds obtained through the discount window are secured by the Company's U.S. Government and agency obligations. There were no borrowings outstanding through the discount window at June 30, 2024 and December 31, 2023.

The Company has an open-ended line of credit (short-term borrowing) of $ 89,200,000 and $ 45,630,000 at June 30, 2024 and December 31, 2023, respectively, to obtain advances from the Federal Home Loan Bank ("FHLB"). Interest on the line of credit is charged at the FHLB's overnight rate of 5.67 % and 5.68 % at June 30, 2024 and December 31, 2023 respectively. The Company had no outstanding borrowings under this line of credit at June 30, 2024 and December 31, 2023.

Maximum borrowing capacity with the FHLB was approximately $ 199,549,000 and $ 178,468,000 at June 30, 2024 and December 31, 2023, respectively. The Company had three unfunded letters of credit with the FHLB totaling $ 10,000,000 at June 30, 2024 and three letters of credit with FHLB that totaled $ 13,850,000 at December 31, 2023 that were pledged to secure public funds.

Borrowings from the FHLB at June 30, 2024 and December 31, 2023 consist of the following (dollars in thousands):

	June 30, 2024		December 31, 2023	
Maturity	Amount	Weighted Rate	Amount	Weighted Rate
2024	**$ 7,500**	**5.19 %**	$ 11,500	5.41 %
2025	**4,500**	**5.30**	4,500	5.30
2026	**2,827**	**3.26**	3,241	3.02
2027	**19,500**	**2.69**	19,500	2.69
2028	**13,650**	**4.00**	13,650	4.00
2032	**2,557**	**1.83**	2,713	1.83
Total borrowings	**$ 50,534**	**3.64 %**	$ 55,104	3.77 %

7. Financial Instruments with Off-Balance Sheet Risk and Concentrations of Credit Risk

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated statements of financial condition. The Company's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

The Company had the following off-balance sheet financial instruments whose contract amounts represent credit risk at June 30, 2024 and December 31, 2023 (in thousands):

	June 30, 2024	December 31, 2023
Commitments to grant loans	**$ 26,226**	$ 31,481
Unfunded commitments under lines of credit	**13,355**	12,186
Standby letters of credit	**4,890**	1,808
Total off-balance sheet financial instruments	**$ 44,471**	$ 45,475

Outstanding loan commitments represent the unused portion of loan commitments available to individuals and companies as long as there is no violation of any condition established in the contract. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Company upon extension of credit is based upon management's credit evaluation of the customer. Various types of collateral may be held, including property and marketable securities. The credit risk involved in these financial instruments is essentially the same as that involved in extending loan facilities to customers.

8. Contingencies

In the normal course of business, the Company is subject to various lawsuits involving matters generally incidental to its business. As of June 30, 2024, management is of the opinion that the ultimate liability, if any, resulting from any pending actions or proceedings will not have a material effect on the consolidated balance sheet or results of operations and cash flows of the Company.

9. Stock-Based Compensation

The Company's stockholders approved the PB Bankshares, Inc. 2022 Equity Incentive Plan (the "2022 Equity Incentive Plan") at the Annual Meeting on September 28, 2022. An aggregate of 388,815 shares of authorized but unissued common stock of the Company was reserved for future grants of incentive and nonqualified stock options and restricted stock awards and restricted stock units under the 2022 Equity Incentive Plan. Of the 388,815 authorized shares, the maximum number of shares of the Company's common stock that may be issued under the 2022 Equity Incentive Plan pursuant to the exercise of stock options is 277,725 shares, and the maximum number of shares of the Company's common stock that may be issued as restricted stock awards or restricted stock units is 111,090 shares.

The product of the number of shares granted and the grant date market price of the Company's common stock determine the fair value of restricted stock under the Company's 2022 Equity Incentive Plan. Management recognizes compensation expense for the fair value of restricted stock on a straight-line basis over the requisite service period for the entire award. As of June 30, 2024 and December 31, 2023, there were - 0 - and 13,628 shares available for future awards under this plan, respectively. The shares available for future award includes - 0 - and 10,653 shares available for incentive and non-qualified stock options as of June 30, 2024 and December 31, 2023, respectively, and - 0 - and 2,975 shares available for restricted stock awards as of those same dates, respectively. The stock options and restricted shares vest over a five-year period.

Stock option expense was $ 67,000 and $ 137,000 for the three and six month periods ended June 30, 2024 and $ 68,000 and $ 137,000 for the same periods ended June 30, 2023, respectively. At June 30, 2024, total unrecognized compensation cost related to stock options was $ 1,161,000 .

A summary of the Company's stock option activity and related information for the three and six month periods ended June 30, 2024 was as follows (dollars in thousands, except per share data):

	Three Months Ended June 30, 2024			
	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding, April 1, 2024	**266,072**	**$ 12.28**	**8.63**	
Granted	**11,653**	**12.20**	**10.00**	
Exercised	**—**	**—**	**—**	
Forfeited	**—**	**—**	**—**	
Outstanding, June 30, 2024	**277,725**	**$ 12.28**	**8.44**	**$ 515**
Exercisable, June 30, 2024	**53,214**	**$ 12.28**	**8.38**	**$ 98**

	Six Months Ended June 30, 2024			
	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding, January 1, 2024	**267,072**	**$ 12.29**	**8.88**	**$**
Granted	**11,653**	**12.20**	**10.00**	
Exercised	**—**	**—**	**—**	
Forfeited	**(1,000)**	**13.80**	**8.80**	
Outstanding, June 30, 2024	**277,725**	**$ 12.28**	**8.44**	**$ 515**
Exercisable, June 30, 2024	**53,214**	**$ 12.28**	**8.38**	**$ 98**

During the second quarter of 2024, we granted 11,653 shares of stock options at an exercise price of $ 12.20 that become exercisable ratably over five years (20.0 % per year). The fair value of stock options granted is estimated at the date of grant using the Black-Scholes option-pricing model. This model requires the input of highly subjective assumptions, changes to which can materially affect the fair value estimate. Additionally, there may be other factors that might otherwise have a significant effect on the value of stock options granted that are not considered by the model. The assumptions used to value options granted in 2024 are as follows: 31.76 % volatility, 7.5 years of expected life, 0.0 % dividend yield and a risk-free rate of 4.66 %.

Restricted stock expense was $ 67,000 and $ 133,000 for the three and six month periods ended June 30, 2024 and $ 66,000 and $ 131,000 for the same periods ended June 30, 2023, respectively. At June 30, 2024, the unrecognized compensation expense relating to non-vested stock outstanding was $ 1,264,000 .

A summary of the Company's restricted stock activity and related information for the three and six month periods ended June 30, 2024 was as follows:

	Three Months Ended June 30, 2024		
	Number of Shares		Weighted-Average Grant Date Fair Value
Non-vested, April 1, 2024	**86,493**	**$**	**12.28**
Granted	**2,975**		**12.20**
Vested	**—**		**—**
Forfeited	**—**		**—**
Non-vested at June 30, 2024	**89,468**	**$**	**12.28**

	Six Months Ended June 30, 2024		
	Number of Shares		Weighted-Average Grant Date Fair Value
Non-vested, January 1, 2024	**86,493**	**$**	**12.28**
Granted	**2,975**		**12.20**
Vested	**—**		**—**
Forfeited	**—**		**—**
Non-vested at June 30, 2024	**89,468**	**$**	**12.28**

10. Regulatory Matters

The Bank is subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of June 30, 2024, the Bank met all capital adequacy requirements to which it was subject.

Prompt corrective action regulations provide five classifications; well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At June 30, 2024, the most recent regulatory notification categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of Common Equity Tier 1 capital to risk-weighted assets above the minimum but below the conservation buffer will face limitations on dividends, stock repurchases and certain discretionary bonus payments to management based on the amount of the shortfall. Under Basel III rules, banks must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios. The required capital conservation buffer is 2.50 %.

On January 1, 2023, the Company adopted ASC 326. Regulatory capital rules permitted the Bank to phase-in the day-one effects of adopting ASC 326 over a three-year transition period. The Bank elected to take the phase-in for the amount of $ 140,000 .

The following tables present actual and required capital ratios as of June 30, 2024 and December 31, 2023 under the Basel III Capital Rules. Bank capital levels required to be considered well capitalized are based upon prompt corrective action regulations.

Actual and required capital amounts (in thousands) and ratios are presented below at quarter-end.

June 30, 2024	Actual		For Capital Adequacy Purposes		For Capital Adequacy Purposes with Capital Buffer		To be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	**$45,178**	**13.96 %**	**$ 25,889**	**8.00 %**	**$ 33,979**	**10.500 %**	**$ 32,361**	**10.00 %**
Tier 1 capital (to risk-weighted assets)	**$41,127**	**12.71 %**	**$ 19,417**	**6.00 %**	**$ 27,507**	**8.500 %**	**$ 25,889**	**8.00 %**
Common equity (to risk-weighted assets)	**$41,127**	**12.71 %**	**$ 14,562**	**4.50 %**	**$ 22,653**	**7.000 %**	**$ 21,035**	**6.50 %**
Tier 1 capital (to average assets)	**$41,127**	**9.20 %**	**$ 17,884**	**4.00 %**	**N/A**	**N/A**	**$ 22,355**	**5.00 %**

December 31, 2023	Actual		For Capital Adequacy Purposes		For Capital Adequacy Purposes with Capital Buffer		To be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$44,168	14.20 %	$ 24,875	8.00 %	$ 32,649	10.500 %	$ 31,094	10.00 %
Tier 1 capital (to risk-weighted assets)	$40,276	12.95 %	$ 18,657	6.00 %	$ 26,430	8.500 %	$ 24,875	8.00 %
Common equity (to risk-weighted assets)	$40,276	12.95 %	$ 13,992	4.50 %	$ 21,766	7.000 %	$ 20,211	6.50 %
Tier 1 capital (to average assets)	$40,276	9.78 %	$ 16,467	4.00 %	N/A	N/A	$ 20,584	5.00 %

11. Earnings Per Common Share

The factors used in the earning per common share computation follow (dollars in thousands, except per share data):

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	**Six Months Ended June 30, 2024**	Six Months Ended June 30, 2023
Net income	**$ 370**	$ 588	**$ 687**	$ 997
Weighted average common shares outstanding	**2,508,297**	2,688,570	**2,538,193**	2,709,793
Less: Average unearned ESOP shares	**(188,853)**	(199,962)	**(188,853)**	(199,962)
Weighted average shares outstanding (basic)	**2,319,444**	2,488,608	**2,349,340**	2,509,831
Dilutive common stock equivalents	**35,884**	14,369	**34,582**	14,951
Weighted average shares outstanding (diluted)	**2,355,328**	2,502,977	**2,383,922**	2,524,782
Basic earnings per common share	**$ 0.16**	$ 0.24	**$ 0.29**	$ 0.40
Diluted earnings per common share	**$ 0.16**	$ 0.23	**$ 0.29**	$ 0.39

12. Fair Value of Financial Instruments

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

Level 1 - Valuation is based on unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

Fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is determined at a reasonable point within the range that is most representative of fair value under current market conditions.

Management uses its best judgment in estimating the fair value of the Company's financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Company could have realized in a sales transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective quarter ends, and have not been reevaluated or updated for purposes of these financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each quarter end.

An asset's or liability's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following methods and assumptions were used by the Company in estimating fair value disclosures for its financial assets and liabilities:

Debt and Equity Securities (Carried at Fair Value)

The fair value of debt and equity securities (carried at fair value) are determined by obtaining quoted market prices on nationally recognized securities exchanges (Level 1), or matrix pricing (Level 2), which is a mathematical technique used widely in the industry to value debt and equity securities without relying exclusively on quoted market prices for the specific debt and equity securities but rather by relying on the securities' relationship to other benchmark quoted prices.

Individually Evaluated Collateral Dependent Loans (Generally Carried at Fair Value)

The estimated fair value of individually evaluated collateral dependent loans is based on the value of the underlying collateral or the value of the underlying collateral, less estimated cost to sell, as appropriate. Collateral is generally real estate; however, collateral may include vehicles, equipment, inventory, accounts receivable, and/or other assets. The value of real estate collateral is generally determined using a market valuation approach based on an appraisal conducted by an independent, licensed appraiser. The value of other assets may also be based on an appraisal, market quotations, aging schedules or other sources. Any fair value adjustments are recorded in the period incurred as a provision for credit losses on the Consolidated Statements of Income. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements. At June 30, 2024, the fair value consisted of the recorded investment in the collateral dependent loans of $ 396,000 , which was net of a valuation allowance of $ 106,000 . At December 31, 2023, there were no individually evaluated collateral dependent loans with a specific reserve. Collateral dependent individually evaluated loans are included in Loans Receivable in the table below, which details the fair value of all the Company's financial instruments.

For assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at June 30, 2024 and December 31, 2023 are as follows (in thousands):

June 30, 2024	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Agency bonds	**$ 20,100**	**$ —**	**$ 20,100**	**$ —**
Treasury securities	**13,795**	**13,795**	**—**	**—**
Mortgage-backed securities	**69**	**—**	**69**	**—**
Collateralized mortgage obligations	**2,104**	**—**	**2,104**	**—**
Mutual funds	**792**	**792**	**—**	**—**
Total assets measured at fair value on a recurring basis	**$ 36,860**	**$ 14,587**	**$ 22,273**	**$ —**

December 31, 2023	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Agency bonds	$ 21,860	$ —	$ 21,860	$ —
Treasury securities	43,782	43,782	—	—
Mortgage-backed securities	85	—	85	—
Collateralized mortgage obligations	2,388	—	2,388	—
Mutual funds	793	793	—	—
Total assets measured at fair value on a recurring basis	$ 68,908	$ 44,575	$ 24,333	$ —

For assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at June 30, 2024 and December 31, 2023 are as follows (in thousands):

June 30, 2024	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Individually evaluated collateral dependent loans	**$ 396**	**$ —**	**$ —**	**$ 396**
Total assets measured at fair value on a nonrecurring basis	**$ 396**	**$ —**	**$ —**	**$ 396**

December 31, 2023	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Individually evaluated collateral dependent loans	**$** —	$ —	$ —	$ —
Total assets measured at fair value on a nonrecurring basis	**$** —	$ —	$ —	$ —

The following tables present additional quantitative information about assets measured at fair value on a nonrecurring basis and for which the Company has utilized Level 3 inputs to measure fair value at June 30, 2024 and December 31, 2023 (dollars in thousands):

June 30, 2024

Asset Description	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Individually evaluated collateral dependent loans	**$ 396**	Appraisal of collateral	Selling expenses and discounts (1)	21.1 % (21.1 %)

December 31, 2023				
Asset Description	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Individually evaluated collateral dependent loans	**$ —**	Appraisal of collateral	Selling expenses and discounts (1)	N/A

(1) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses.

The carrying amounts and fair values of the Company's financial instruments as of the indicated dates are presented in the following table:

	Fair Value	**June 30, 2024**		December 31, 2023	
(In thousands)	Hierarchy Level	Carrying Amounts	Estimated Fair Values	Carrying Amounts	Estimated Fair Values
Financial assets:					
Cash and cash equivalents	1	$ **54,731**	**$ 54,731**	$ 32,438	$ 32,438
Debt securities - available-for-sale	1 & 2	**36,068**	**36,068**	68,115	68,115
Equity securities	1	**792**	**792**	793	793
Restricted stocks	2	**2,515**	**2,515**	2,590	2,590
Loans, net	3	**339,999**	**326,579**	321,382	319,763
Accrued interest receivable	1	**1,632**	**1,632**	1,253	1,253
Bank owned life insurance	2	**8,337**	**8,337**	8,230	8,230
Financial liabilities:					
Demand deposits, savings, and money market	1	**186,929**	**186,929**	187,455	187,455
Certificates of deposit	2	**160,031**	**159,354**	145,511	138,418
Borrowings	2	**50,534**	**49,715**	55,104	54,428
Accrued interest payable	1	**1,127**	**1,127**	914	914

13. Noninterest Revenues

Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and investments. In addition, certain noninterest income streams such as gains on equity investments, income associated with bank owned life insurance, and loan fees are also not in scope of the guidance. Topic 606 is applicable to noninterest revenue streams such as service charges on deposit accounts and gains on sale of other real estate owned. Noninterest revenue streams in-scope of Topic 606 are discussed below.

Service Fees on Deposit Accounts

Service charges on deposit accounts consist of fees on depository accounts, which includes NSF fees, miscellaneous deposit-based service fees, monthly maintenance fees for consumer and commercial, and account analysis and related fees (commercial).

Service charges and fees charged daily are a result of an event or service being provided on the day with the Company recognizing the revenue on the same day. The Company has determined that all performance obligations for daily service charges and fees are met on the same day as the transaction and, therefore, should be recognized as these occur.

Monthly maintenance/service charges and fees are charged on the last day of the month (i.e. the same month as charges are incurred) after the system has completed its processing. The Company has determined that all performance obligations for monthly fees are typically met during the month or the same day as the customer has not met its obligation. As monthly fees are typically incurred by the customer throughout the month, the fees should be recognized upon completion of the month since the performance obligations have been met for those services.

Account analysis service charges and fees are recorded on a monthly basis on the last day of the month. The Company has determined that all performance obligations for account analysis fees are met during the month.

Debit Card Income

Debit card income consists of interchange fees from consumer debit card networks and other card related services. Interchange rates are set by the card networks. Interchange fees are based on purchase volumes and other factors and are recognized as transactions occur.

Gains on Sale of Other Real Estate Owned

The sale of other real estate owned is currently recognized on the closing date of sale when all performance obligations have been met, and control of the asset has been transferred to the buyer. Any gains are included in noninterest expenses in the consolidated statements of income.

For the Company, there are no other material revenue streams within the scope of Topic 606. The following table presents noninterest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the three and six months ended June 30, 2024 and 2023 (in thousands):

	Three Months Ended June 30,		**Six Months Ended June 30,**	
Noninterest income in scope of Topic 606	**2024**	2023	**2024**	2023
Service charges on deposit accounts	**$ 42**	$ 44	**$ 97**	$ 91
Debit card income	**53**	56	**103**	106
Other service charges	**20**	48	**37**	67
Loss on disposal of premises and equipment	**—**	—	**—**	(40)
Other noninterest income	**25**	75	**45**	82
Noninterest income (in scope for Topic 606)	**140**	223	**282**	306
Noninterest income (out of scope for Topic 606)	**50**	36	**95**	91
Total noninterest income	**$ 190**	$ 259	**$ 377**	$ 397

Contract Balances

As of June 30, 2024 and December 31, 2023, the Company did not have any significant contract balances.

Contract Acquisition Costs

As of June 30, 2024 and December 31, 2023, the Company did not have any significant contract acquisition costs.

14. Subsequent Event

On July 25, 2024, the Bank entered into an agreement of sale for the Oxford branch for approximately $ 626,000 . The recorded net book value was approximately $ 134,000 on June 30, 2024.

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

This discussion and analysis reflects our financial statements and other relevant statistical data, and is intended to enhance your understanding of our financial condition and results of operations. The information in this section has been derived from the accompanying financial statements. You should read the information in this section in conjunction with the business and financial information regarding the Company and Bank provided in this Form 10-Q and in the Company’s

Annual Report on Form 10-K for the year ended December 31, 2023 filed with the Securities and Exchange Commission on April 1, 2024.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, which can be identified by the use of words such as “estimate,” “project,” “believe,” “intend,” “anticipate,” “assume,” “plan,” “seek,” “expect,” “will,” “may,” “should,” “indicate,” “would,” “contemplate,” “continue,” “target” and words of similar meaning. These forward-looking statements include, but are not limited to:

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

These forward-looking statements are based on our current beliefs and expectations 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. We are under no duty to and do not take any obligation to update any forward-looking statements after the date of this quarterly report.

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 for credit losses;
- our ability to access cost-effective funding;
- events involving the failure of financial institutions may adversely affect our business, and the market price of our common stock;
- 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 or reduce the fair value of financial instruments;
- the rate of delinquencies and amounts of loans charged-off;
- adverse changes in the securities markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- our ability to capitalize on strategic opportunities;
- our ability to successfully introduce new products and services;

- our ability to successfully integrate into our operations any assets, liabilities, customers, systems and management personnel we may acquire and our ability to realize related revenue synergies and cost savings within expected time frames, and any goodwill charges related thereto;
- our ability to retain our existing customers;
- our ability to prevent or mitigate fraudulent activity;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission or the Public Company Accounting Oversight Board;
- changes in our organization, compensation and benefit plans;
- changes in the quality or composition of our loan or investment portfolios;
- a breach in security of our information systems, including the occurrence of a cyber incident or a deficiency in cyber security;
- political instability or civil unrest;
- acts of war or terrorism;
- acts of public health crises, such as epidemics or pandemics;
- competition and innovation with respect to financial products and services by banks, financial institutions and non-traditional providers, including retail businesses and technology companies;
- the failure to attract and retain skilled people;
- any future FDIC insurance premium increases, or special assessments may adversely affect our earnings;
- the fiscal and monetary policies of the federal government and its agencies; and
- other economic, competitive, governmental, regulatory and operational factors affecting our operations, pricing, products and services described elsewhere in this quarterly report.

Because of these and a wide variety of other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements.

Overview

Our business has traditionally focused on originating fixed-rate one- to four-family residential real estate loans and offering retail deposit accounts. In September 2019, we hired our current president and chief executive officer, Janak M. Amin, and under his leadership team we have developed a commercial lending infrastructure, with a particular focus on expanding our commercial real estate and commercial and industrial loan portfolios to diversify our balance sheet, improve our interest rate risk exposure and increase interest income. Our primary market area now consists of Chester and Lancaster Counties and the surrounding Pennsylvania counties of Cumberland, Dauphin, and Lebanon. Management has also emphasized the importance of attracting commercial deposit accounts from its customers. As a result of these initiatives and the completion of our initial public stock offering on July 14, 2021, we were able to grow and strengthen our balance sheet. There was an increase in our consolidated assets of $9.3 million, or 2.1%, from $439.7 million at December 31, 2023 to $449.0 million at June 30, 2024 and an increase in our deposits of $14.0 million, or 4.2%, from $333.0 million at December 31, 2023 to $347.0 million at June 30, 2024.

Our results of operations depend primarily on our net interest income and, to a lesser extent, noninterest income. Net interest income is the difference between the interest income we earn on our interest- earning assets, consisting primarily of loans, debt securities and other interest-earning assets (primarily cash and cash equivalents), and the interest we pay on our interest-bearing liabilities, consisting primarily of savings accounts, demand accounts, money market accounts, certificates of deposit and borrowings. Noninterest income consists primarily of debit card income, service charges on deposit accounts, earnings on bank owned life insurance, other service charges and other income. Our results of operations also are affected by our provision for credit losses and noninterest expenses. Noninterest expenses consist primarily of salaries and employee benefits, occupancy and equipment, data and item processing costs, advertising and marketing, professional fees, directors' fees, FDIC insurance premiums, Pennsylvania shares tax, debit card expenses, and other expenses. Our results of operations also may be affected significantly by general and local economic and competitive conditions, changes in market interest rates, government policies and actions of regulatory authorities.

For the three months ended June 30, 2024, we reported net income of $370,000 compared to net income of $588,000 for the three months ended June 30, 2023. The period over period decrease in earnings of $218,000 was attributable to decreases in net interest income and noninterest income, partially offset by decreases in provision for credit losses, noninterest expense and income tax expense.

For the six months ended June 30, 2024, we reported net income of $687,000 compared to net income of $997,000 for the six months ended June 30, 2023. The period over period decrease in earnings of $310,000 was attributable to decreases in net interest income and noninterest income, an increase in noninterest expense, partially offset by decreases in provision for credit losses and income tax expense.

Critical Accounting Estimates

The discussion and analysis of the financial condition and results of operations are based on our financial statements, which are prepared in conformity with accounting principles generally accepted 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 estimates 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.

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

Allowance for credit losses on loans. We establish the allowance for credit losses through charges to earnings in the form of a provision for credit losses. Loan losses are charged against the allowance for credit losses for the difference between the carrying value of the loan and the estimated net realizable value or fair value of the collateral, if collateral dependent, when management believes that the collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance.

The allowance for credit losses ("ACL") at June 30, 2024 represents the Company's current estimate of the lifetime credit losses expected from its loan portfolio. Management estimates the ACL by projecting a lifetime loss rate conditional on a forecast of economic parameters and other qualitative adjustments, for the loans' expected remaining term.

Management's judgment in determining the level of the allowance is based on evaluations of historical loan losses, current conditions and reasonable and supportable forecasts relevant to the collectability of loans. In addition, management's estimate of expected credit losses is based on the cash flows over the remaining life of loans held for investment, and changes in expected prepayment behavior may result in changes in the remaining life of loans and expected credit losses.

The allowance may be affected materially by a variety of qualitative factors that the Company considers to reflect its current judgement of various events and risks that are not measured in our statistical procedures. These qualitative risk factors include: (1) lending policies and procedures, including underwriting standards and collection, charge-off, and recovery practices; (2) national, regional, and local economic and business conditions as well as the condition of various market segments, including the value of underlying collateral for collateral dependent loans; (3) nature and volume of the portfolio and terms of loans; (4) volume and severity of past due, classified and nonaccrual loans as well as loan modifications; (5) existence and effect of any concentrations of credit and changes in the level of such concentrations; (6) effect of external factors, such as competition and legal and regulatory requirements; (7) experience, ability, and depth of lending department management and other relevant staff; (8) quality of loan review and board of directors oversight; (9)The effect of other external factors (i.e. competition, legal and regulatory requirements); (10) the level of estimated credit losses change in the inflationary environment; (11) the level of estimated credit losses change in the interest rate environment. This evaluation is inherently subjective because it requires estimates that are susceptible to significant revision as more information becomes available. In evaluating the level of the allowance, we consider a range of possible assumptions and outcomes related to the various factors identified above. The level of the allowance is particularly sensitive to changes in the actual and forecasted probability of default of benchmarked banks and changes in current conditions or reasonably expected future conditions affecting the collectability of loans.

Although we believe that we use the best information available to establish the allowance for credit losses, future adjustments to the allowance may be necessary if economic conditions differ substantially from the assumptions used in making the evaluation. In addition, the FDIC and the PADOB, as an integral part of their examination process, periodically review our allowance for credit losses, and as a result of such reviews, we may have to adjust our allowance for credit losses. However, regulatory agencies are not directly involved in establishing the allowance for credit losses as the process is our responsibility and any increase or decrease in the allowance is the responsibility of management. A large loss could deplete the allowance and require increased provisions to replenish the allowance, which would adversely affect earnings.

Comparison of Financial Condition at June 30, 2024 and December 31, 2023

Total assets**.** Total assets increased $9.3 million to $449.0 million at June 30, 2024 from $439.7 million at December 31, 2023. The increase in assets was primarily due to increases in cash and cash equivalents and net loans receivable, partially offset by a decrease in debt securities available-for-sale. Growth in total assets was funded by the increase in deposits while growth in loans and cash and cash equivalents was primarily the result of maturities of short-term treasury securities that were not reinvested in additional securities and instead used to enhance commercial loan growth and our cash position. Cash and cash equivalents increased $22.3 million to $54.7 million at June 30, 2024 from $32.4 million at December 31, 2023. Gross loans increased $18.5 million, or 5.7%, to $345.1 million at June 30, 2024 from $326.6 million at December 31, 2023, primarily due to growth in the commercial real estate portfolio. Debt securities available-for-sale decreased $32.0 million to $36.1 million at June 30, 2024 from $68.1 million at December 31, 2023, primarily due to the maturity of short-term treasury securities.

Net loans receivable increased $18.6 million, or 5.8%, to $340.0 million at June 30, 2024 from $321.4 million at December 31, 2023 primarily due to the increase in the commercial real estate portfolio. Commercial real estate loans increased $16.1 million, or 8.7%, to $201.0 million at June 30, 2024 from $184.9 million at December 31, 2023. The increase in commercial real estate loans was primarily due to the continued implementation of our strategy to expand our commercial loan portfolio to diversify our balance sheet. Consumer and other loans increased $4.3 million, or 73.9%, to $10.1 million at June 30, 2024 from $5.8 million at December 31, 2023 primarily due to a draw under an existing facility. Commercial and industrial loans increased $2.6 million, or 15.6%, to $19.1 million at June 30, 2024 from $16.6 million at December 31, 2023 primarily due to new loan activity. Construction real estate loans decreased $2.9 million, or 26.9%, to $7.9 million at June 30, 2024 from $10.8 million at December 31, 2023 primarily due to construction completion and conversion to commercial real estate loans. One- to four-family residential loans decreased $1.6 million, or 1.5%, to $107.0 million at June 30, 2024 from $108.5 million at December 31, 2023 primarily due to principal loan payments.

Management is monitoring the commercial real estate portfolio and concentration, assessing its associated risks. As part of its risk management process, the Bank segments and stress tests its commercial real estate portfolio. As of June 30, 2024, approximately 84.7% or $121.1 million of the non-owner occupied commercial real estate loan portfolio was subject to stress testing (loans having exposure under $500,000 and one- to four- family properties are not subject to stress testing). At June 30, 2024, the commercial real estate portfolio has an average Loan-to-Value ratio of 59.8% and a Debt Service Coverage ratio of 1.47 times, exclusive of any sponsor or guarantor support. The commercial real estate portfolio is diverse with respect to both property type as well as location with concentrations limited. Two segments, office space and hospitality, are the subject of market scrutiny with these segments' exposure and selected credit metrics outlined below.

The Bank has reviewed its loan portfolio for exposure to office space given the uncertainty and potential risks associated with vacancy, future demand, and repricing risk for these assets. The Bank's exposure to this segment is minimal with only $9.3 million in non-owner-occupied office space at June 30, 2024. Notably the five loans comprising the office segment are all medical related, which the Bank believes has not suffered the same decline that the general office market has experienced. The office space loan portfolio has an average Loan-to-Value ratio of 71.9% and Debt Service Coverage ratio of 1.50 times, exclusive of any sponsor or guarantor support at June 30, 2024.

The Bank's hospitality portfolio is also an area of market focus. Loan exposure to this segment totaled $20.5 million (six hotel properties) at June 30, 2024. At June 30, 2024, the average Loan-to-Value ratio of the Bank's hospitality portfolio was 51.2% with Debt Service Coverage ratio of 2.04 times, exclusive of any sponsor or guarantor support. The Bank believes guarantor support for the hospitality sector is strong and loans are supported by experienced hotel operators.

Cash and cash equivalents increased $22.3 million, or 68.7%, to $54.7 million at June 30, 2024 from $32.4 million at December 31, 2023 due to increases in cash and due from banks and fed funds sold. The increase was due to the maturity of $44.7 million of debt securities available-for-sale with $12.0 million that were reinvested and the remainder utilized for liquidity within cash and cash equivalents or to fund loan growth.

Debt securities available-for-sale decreased $32.0 million, or 47.0%, to $36.1 million at June 30, 2024 from $68.1 million at December 31, 2023 due to the maturity of $42.0 million of treasury securities, $2.0 million of agency bonds and $750,000 of mortgage-backed securities, partially offset by purchases of $12.0 million of treasury securities and a $211,000 year to date increase in the fair market value of debt securities available for sale.

Deposits and borrowings. Total deposits increased $14.0 million, or 4.2%, to $347.0 million at June 30, 2024 from $333.0 million at December 31, 2023. The increase in our deposits reflected a $14.5 million increase in certificates of deposit and a $4.1 million increase in noninterest-bearing demand deposits accounts, partially offset by a $1.8 million decrease in interest-bearing demand deposit accounts, a $1.7 million decrease in money market accounts and a $1.2 million decrease in savings accounts, due to customers utilizing their deposits or moving deposits to higher yielding deposit products. Demand deposits increased primarily due to management's continuing focus on increasing the commercial deposit accounts of its customers. The increase in certificates of deposit was due to offering deposit specials to maintain current certificate of deposit customers, partially offset by a decrease in listing service deposits that were not replaced. Uninsured deposits, excluding public deposits, which are secured with pledged investments and FHLB Letters of Credit, were approximately $37.9 million and $43.7 million, or 10.9% and 14.4% of total deposits at June 30, 2024 and December 31, 2023, respectively.

Total borrowings from the FHLB decreased $4.6 million, or 8.3%, to $50.5 million at June 30, 2024 from $55.1 million at December 31, 2023 due to advances that matured during the first quarter of 2024 not being replaced.

Stockholders' Equity. Stockholders' equity decreased $389,000, or 0.8%, to $46.6 million at June 30, 2024 from $47.0 million at December 31, 2023. The decrease was due to the repurchase of 115,827 shares of common stock for $1.5 million, partially offset by net income of $687,000 and other comprehensive income of $167,000.

Comparison of Operating Results for the Three Months Ended June 30, 2024 and June 30, 2023

General. Net income decreased $218,000, or 37.1%, to $370,000 for the three months ended June 30, 2024 from $588,000 for the three months ended June 30, 2023. The $218,000 period over period decrease in earnings was attributable to a $1.3 million increase in interest expense and a $69,000 decrease in noninterest income, partially offset by a $884,000 increase in interest and dividend income, a $230,000 decrease in the provision for credit losses, a $51,000 decrease in income tax expense and a $6,000 decrease in noninterest expense.

Interest and dividend income. Total interest and dividend income increased $884,000, or 17.5%, to $5.9 million for the three months ended June 30, 2024 from $5.0 million for the three months ended June 30, 2023. The increase in interest and dividend income was primarily the result of a $47.1 million increase period over period in the average balance of interest-earning assets, driven by a $26.9 million increase in average loan balances, a $17.9 million increase in the average balance of cash and cash equivalents, a $2.2 million increase in average balance of debt and equity securities available for sale and a $52,000 increase in the average balance of restricted stocks. The increase was also due to a 26 basis points increase in the average yield on interest-earning assets. The average yield on average interest-earning assets increased to 5.41% for the three months ended June 30, 2024 from 5.15% for the three months ended June 30, 2023.

Interest income on loans, including fees, increased $501,000, or 11.5%, to $4.9 million for the three months ended June 30, 2024 as compared to $4.4 million for the three months ended June 30, 2023, reflecting an increase in the average balance of loans to $344.4 million for the three months ended June 30, 2024 from $317.5 million for the three months ended June 30, 2023 and a 17 basis points increase in the average yield on loans to 5.67% for the three months ended June 30, 2024 from 5.50% for the three months ended June 30, 2023. The increase in the average balance of loans was due primarily to an increase in the average balance of commercial real estate loans reflecting our strategy to grow commercial lending. The average yield on loans increased as a result of the higher interest rate environment when new loans were originated and the increase in the variable rate loan yields.

Interest income on securities and restricted stocks increased $49,000, or 22.5%, to $267,000 for the three months ended June 30, 2024 from $218,000 for the three months ended June 30, 2023. The increase in interest income on debt and equity securities of $37,000 for the three months ended June 30, 2024 from the three months ended June 30, 2023 was due to a 30 basis points increase in the average yield on debt and equity securities to 2.38% for the three months ended June 30, 2024 from 2.08% for the three months ended June 30, 2023 and an increase in the average balance of debt and equity securities of $2.2 million, or 6.6%, to $36.2 million for the three months ended June 30, 2024 from $34.0 million for the three months ended June 30, 2023. The increases in the average yield and the average balance of debt and equity securities was primarily due to the purchase of higher yielding short term agency bonds and treasury securities during the three months ended June 30, 2024 as compared to the prior year period. Restricted stock income is also included in the interest income on securities. Restricted stock income increased $12,000 for the three months ended June 30, 2024 from the three months ended June 30, 2023 due to a 184 basis points increase in the average yield on restricted stocks to 8.68% for the three months ended June 30, 2024 from 6.84% for the three months ended June 30, 2023 and due to an increase in the average balance of restricted stocks of $52,000, or 2.2%, to $2.5 million for the three months ended June 30, 2024 from $2.4 million for the three months ended June 30, 2023. The increase in average yield on restricted stock was due to the Federal Home Loan Bank dividend increasing and the average balance in restricted stocks increased due to increases in Federal Home Loan Bank borrowings that requires an increase in our ownership of Federal Home Loan Bank stock.

Interest income on cash and cash equivalents increased $334,000, or 70.5%, to $808,000 for the three months ended June 30, 2024, from $474,000 for the three months ended June 30, 2023. The increase in interest income on cash and cash equivalents was attributable to an increase in the average balance of cash and cash equivalents of $17.9 million, or 44.7%, to $57.8 million for the three months ended June 30, 2024 from $39.9 million for the three months ended June 30, 2023 and an increase in the average yield on cash and cash equivalents of 87 basis points to 5.62% for the three months ended June 30, 2024 from 4.75% for the three months ended June 30, 2023.

Interest expense. Interest expense increased $1.3 million, or 72.3%, to $3.1 million for the three months ended June 30, 2024 20from $1.8 million for the three months ended June 30, 2023 as a result of increases in interest expense on deposits and borrowings in the higher interest rate environment. The increase was due to a 102 basis points increase in the average cost of interest-bearing liabilities from 2.35% for the three months ended June 30, 2023 to 3.37% for the three months ended June 30, 2024 and an increase in the average balance of interest-bearing liabilities of $65.2 million to $375.8 million for the three months ended June 30, 2024 from $310.6 million for the three months ended June 30, 2023.

Interest expense on deposits increased $1.3 million, or 93.1%, to $2.7 million for the three months ended June 30, 2024 from $1.4 million for the three months ended June 30, 2023 as a result of a 118 basis points increase in the average cost of interest-bearing deposits and an increase of $64.9 million in the average balance of our interest-bearing deposits. The increase in the average cost of deposits was primarily due to a 165 basis points increase in the average cost of certificates of deposit, traditionally our higher costing deposits, to 4.47% for the three months ended June 30, 2024 from 2.82% for the three months ended June 30, 2023. The average cost of transaction accounts, traditionally our lower costing deposit accounts, consisting of demand, savings, and money market accounts increased 61 basis points to 2.19% for the three months ended June 30, 2024 from 1.58% for the three months ended June 30, 2023. The increase in rates was due to the higher interest rate environment and increased competition for deposits. An increase of $42.6 million in the average balance of certificates of deposit to $160.8 million for the three months ended June 30, 2024 from $118.2 million for the three months ended June 30, 2023 was due to promotional specials to increase deposits in the higher rate environment. An increase in the average balance of our transaction accounts by $22.3 million to $164.3 million for the three months ended June 30, 2024 from $141.9 million for the three months ended June 30, 2023 was due to continued strategies to grow deposits through relationship banking.

Interest expense on Federal Home Loan Bank borrowings increased $28,000, or 6.4%, to $465,000 for the three months ended June 30, 2024 from $437,000 for the three months ended June 30, 2023. The increase in interest expense on Federal Home Loan Bank borrowings resulted from an increase in the average cost of these funds of 26 basis points to 3.69% for the three months ended June 30, 2024 from 3.43% for the three months ended June 30, 2023 as higher cost Federal Home Loan Bank borrowings were incurred to increase liquidity. There was an increase of $281,000 in the average balance of Federal Home Loan Bank borrowings to $50.7 million for the three months ended June 30, 2024 from $50.4 million for the three months ended June 30, 2023 as a result of using Federal Home Loan Bank borrowings to fund loan growth and increase liquidity.

Net interest income. Net interest income decreased $436,000, or 13.5%, to $2.8 million for the three months ended June 30, 2024 as compared to $3.2 million for the three months ended June 30, 2023. The decrease in net interest income for the three months ended June 30, 2024 compared to the three months ended June 30, 2023 was primarily due to the increases in interest expense on deposits and borrowings, partially offset by increases in interest income on loans, cash and cash equivalents and debt securities available-for-sale. Average net interest-earning assets decreased by $18.1 million to $65.1 million for the three months ended June 30, 2024 from $83.2 million for the three months ended June 30, 2023. Our net interest margin decreased 75 basis points to 2.54% for the three months ended June 30, 2024 from 3.29% for the three months ended June 30, 2023. Our net interest rate spread decreased 76 basis points to 2.04% for the three months ended June 30, 2024 from 2.80% for the three months ended June 30, 2023.

Provision for credit losses. We charge provisions for credit losses to operations in order to maintain our allowance for credit losses on loans and reserve for unfunded commitments at a level that is considered reasonable and necessary to absorb expected credit losses inherent in the loan portfolio and expected losses on commitments to grant loans that are expected to be advanced at the consolidated balance sheet date. In determining the level of the allowance for credit losses, we consider our past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current and forecasted economic conditions, and the levels of non-performing and other classified loans. The amount of the allowance is based on estimates and the ultimate losses may vary from such estimates as more information becomes available or conditions change. We assess the allowance for credit losses on a quarterly basis and make provisions for credit losses in order to maintain the allowance.

Based on our evaluation of the above factors, we recorded a $17,000 provision for credit losses for the three months ended June 30, 2024 compared to $247,000 for the three months ended June 30, 2023. The decrease in provision for credit losses was primarily due to lower qualitative factor allocations within the Company's current expected credit losses methodology and a lower required allowance for unfunded commitments. The allowance for credit losses on loans was $4.5 million, or 1.30%, of loans outstanding at June 30, 2024 and $4.5 million, or 1.38%, of loans outstanding at December 31, 2023.

To the best of our knowledge, we have recorded our best estimate of expected losses in the loan portfolio and for unfunded commitments at June 30, 2024. However, future changes in the factors described above, including, but not limited to, actual loss experience with respect to our loan portfolio, could result in material increases in our provision for credit losses. In addition, the PADOB and the FDIC, as an integral part of their examination process, will periodically review our allowance for credit losses, and as a result of such reviews, we may have to adjust our allowance for credit losses. However, regulatory agencies are not directly involved in establishing the allowance for credit losses as the process is our responsibility and any increase or decrease in the allowance is the responsibility of management.

Noninterest income. Noninterest income information is as follows.

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Change Amount	Change Percent
	(Dollars in thousands)			
Service charges on deposit accounts	**$ 42**	$ 44	$ (2)	(4.5)%
Loss on equity securities	**(4)**	(12)	8	66.7
Bank owned life insurance income	**54**	48	6	12.5
Debit card income	**53**	56	(3)	(5.4)
Other service charges	**20**	48	(28)	(58.3)
Other income	**25**	75	(50)	(66.7)
Total noninterest income	**$ 190**	$ 259	$ (69)	(26.6)%

Noninterest income decreased by $69,000, or 26.6%, to $190,000 for the three months ended June 30, 2024 from $259,000 for the three months ended June 30, 2023. The decrease in noninterest income resulted primarily from the decrease in other income of $50,000 and a decrease in other service charges of $28,000. Other income decreased $50,000 primarily due to loan related fee income of $14,000 and $58,000 for the three months ended June 30, 2024 and 2023, respectively, earned for brokering interest rate swap agreements between the Bank’s customers and counterparties unrelated to the Bank. Other service charges decreased $28,000 primarily due to $31,000 of late fee recoveries on two non-accrual loans that paid off in the second quarter of 2023.

Noninterest Expenses. Noninterest expenses information is as follows.

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Change Amount	Change Percent
	(Dollars in thousands)			
Salaries and employee benefits	**$ 1,326**	$ 1,342	$ (16)	(1.2)%
Occupancy and equipment	**158**	177	(19)	(10.7)
Data and item processing	**300**	263	37	14.1
Advertising and marketing	**39**	73	(34)	(46.6)
Professional fees	**193**	165	28	17.0
Directors’ fees	**107**	108	(1)	(0.9)
FDIC insurance premiums	**70**	52	18	34.6
Pennsylvania shares tax	**73**	72	1	1.4
Debit card expenses	**39**	39	—	—
Other	**182**	202	(20)	(9.9)
Total noninterest expenses	**$ 2,487**	$ 2,493	$ (6)	(0.2)%

Noninterest expenses decreased $6,000, or 0.2%, to remain at $2.5 million for the three months ended June 30, 2024 as compared to the prior year period. The decrease in noninterest expenses was primarily the result of decreases in advertising and marketing expense of $34,000 and decrease in occupancy and equipment of $19,000, partially offset by an increase in data and item processing. Advertising and marketing expense decreased $34,000 primarily due to the timing of community sponsorships. Occupancy and equipment decreased $19,000 primarily due to less rent paid in 2024. Data and item processing increased $37,000 as the Company continues to invest in our information technology infrastructure.

Income tax expense. Income tax expense decreased $51,000, or 33.3%, to $102,000 for the three months ended June 30, 2024 from $153,000 for the three months ended June 30, 2023. The effective tax rates were 21.6% and 20.6% for the three month periods ended June 30, 2024 and 2023, respectively. The decrease in income tax expense for the three months ended June 30, 2024 as compared to the three months ended June 30, 2023 was primarily due to a decrease in income before income taxes and relatively consistent levels of income not subject to taxes.

Average balances and yields. The following table sets forth average balance sheets, average yields and costs, and certain other information 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. Nonaccrual loans were included in the computation of average balances. The yields set forth below include the effect of deferred fees, discounts and premiums that are amortized or accreted to interest income or interest expense.

	For the Three Months Ended June 30,					
	2024			2023		
	Average Outstanding Balance	Interest	Average Yield/Rate (4)	Average Outstanding Balance	Interest	Average Yield/Rate (4)
	(Dollars in thousands)					
Interest-earning assets:						
Loans	**$ 344,387**	**$ 4,856**	**5.67 %**	$ 317,454	$ 4,355	5.50 %
Debt and equity securities	**36,238**	**214**	**2.38 %**	34,004	177	2.08 %
Restricted stocks	**2,457**	**53**	**8.68 %**	2,405	41	6.84 %
Cash and cash equivalents	**57,782**	**808**	**5.62 %**	39,922	474	4.75 %
Total interest-earning assets	**440,864**	**5,931**	**5.41 %**	393,785	5,047	5.15 %
Noninterest-earning assets	**10,218**			13,799		
Total assets	**$ 451,082**			$ 407,584		
Interest-bearing liabilities:						
Interest-bearing demand deposits	**$ 100,461**	**527**	**2.11 %**	$ 77,965	312	1.61 %
Savings deposits	**12,654**	**8**	**0.25 %**	18,834	34	0.72 %
Money market deposits	**51,165**	**360**	**2.83 %**	45,143	211	1.87 %
Certificates of deposit	**160,782**	**1,785**	**4.47 %**	118,181	831	2.82 %
Total interest-bearing deposits	**325,062**	**2,680**	**3.32 %**	260,123	1,388	2.14 %
Long-term borrowings	**50,715**	**465**	**3.69 %**	50,434	437	3.43 %
Total interest-bearing liabilities	**375,777**	**3,145**	**3.37 %**	310,557	1,825	2.35 %
Noninterest-bearing demand deposits	**23,925**			43,097		
Other noninterest-bearing liabilities	**4,527**			3,428		
Total liabilities	**404,229**			357,082		
Stockholders' equity	**46,853**			50,502		
Total liabilities and stockholders' equity	**$ 451,082**			$ 407,584		
Net interest income		**$ 2,786**			$ 3,222	
Net interest rate spread (1)			**2.04 %**			2.80 %
Net interest-earning assets (2)	**$ 65,087**			$ 83,228		
Net interest margin (3)			**2.54 %**			3.29 %
Average interest-earning assets to interest-bearing liabilities	**117.32 %**			126.80 %		

(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) Annualized.

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 increase (decrease) 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. There were no out-of-period items or adjustments required to be excluded from the table below.

	Three Months Ended June 30, 2024 vs. 2023		
	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate	
	(In thousands)		
Interest-earning assets:			
Loans	$ 368	$ 133	$ 501
Debt and equity securities	12	25	37
Restricted stocks	1	11	12
Cash and cash equivalents	211	123	334
Total interest-earning assets	592	292	884
Interest-bearing liabilities:			
Interest-bearing demand deposits	90	125	215
Savings deposits	(11)	(15)	(26)
Money market deposits	28	121	149
Certificates of deposit	299	655	954
Total deposits	406	886	1,292
Borrowings	2	26	28
Total interest-bearing liabilities	408	912	1,320
Change in net interest income	$ 184	$ (620)	$ (436)

Comparison of Operating Results for the Six Months Ended June 30, 2024 and June 30, 2023

General. Net income decreased $310,000, or 31.1%, to $687,000 for the six months ended June 30, 2024 from $997,000 for the six months ended June 30, 2023. The $310,000 period over period decrease in earnings was attributable to a $3.0 million increase in interest expense, a $27,000 increase in noninterest expense and a $20,000 decrease in noninterest income, partially offset by a $2.1 million increase in interest and dividend income, a $497,000 decrease in the provision for credit losses and a $89,000 decrease in income tax expense.

Interest and dividend income. Total interest and dividend income increased $2.1 million, or 22.6%, to $11.5 million for the six months ended June 30, 2024 from $9.4 million for the six months ended June 30, 2023. The increase in interest and dividend income was primarily the result of a $50.7 million increase period over period in the average balance of interest-earning assets, driven by a $26.8 million increase in average loan balances, a $20.4 million increase in the average balance of cash and cash equivalents, a $3.3 million increase in average balance of debt and equity securities available for sale and a $172,000 increase in the average balance of restricted stocks. The increase was also the result of a 40 basis points increase in the average yield on interest-earning assets. The average yield on average interest-earning assets increased to 5.31% for the six months ended June 30, 2024 from 4.91% for the six months ended June 30, 2023.

Interest income on loans, including fees, increased $1.3 million, or 15.4%, to $9.4 million for the six months ended June 30, 2024 as compared to $8.2 million for the six months ended June 30, 2023, reflecting an increase in the average balance of loans to $337.7 million for the six months ended June 30, 2024 from $311.0 million for the six months ended June 30, 2023 and a 32 basis points increase in the average yield on loans to 5.60% for the six months ended June 30, 2024 from 5.28% for the six months ended June 30, 2023. The increase in the average balance of loans was due primarily to an increase in the average balance of commercial real estate loans reflecting our strategy to grow commercial lending. The average yield on loans increased as a result of the higher interest rate environment when new loans were originated and the increase in the variable rate loan yields.

Interest income on securities and restricted stocks increased $177,000, or 44.1%, to $578,000 for the six months ended June 30, 2024 from $401,000 for the six months ended June 30, 2023. The increase in interest income on debt and equity securities of $155,000 for the six months ended June 30, 2024 from the six months ended June 30, 2023 was due to a 67 basis points increase in the average yield on debt and equity securities to 2.52% for the six months ended June 30, 2024 from 1.85% for the six months ended June 30, 2023 and an increase in the average balance of debt and equity securities of $3.3 million, or 9.7%, to $37.7 million for the six months ended June 30, 2024 from $34.4 million for the six months ended June 30, 2023. The increases in the average yield and the average balance of debt and equity securities was primarily due to the purchase of higher yielding short term agency bonds and treasury securities during the six months ended June 30, 2024 as compared to the prior year period. Restricted stock income is also included in the interest income on securities. Restricted stock income increased $22,000 for the six months ended June 30, 2024 from the six months ended June 30, 2023 due to a 130 basis points increase in the average yield on restricted stocks to 8.48% for the six months ended June 30, 2024 from 7.18% for the six months ended June 30, 2023 and due to an increase in the average balance of restricted stocks of $172,000, or 7.4%, to $2.5 million for the six months ended June 30, 2024 from $2.3 million for the six months ended June 30, 2023. The increase in average yield on restricted stock was due to the Federal Home Loan Bank dividend increasing and the average balance in restricted stocks increased due to increases in Federal Home Loan Bank borrowings that requires an increase in our ownership of Federal Home Loan Bank stock.

Interest income on cash and cash equivalents increased $698,000, or 81.0%, to $1.6 million for the six months ended June 30, 2024, from $862,000 for the six months ended June 30, 2023. The increase in interest income on cash and cash equivalents was attributable to an increase in the average balance of cash and cash equivalents of $20.4 million, or 52.2%, to $59.5 million for the six months ended June 30, 2024 from $39.1 million for the six months ended June 30, 2023 and an increase in the average yield on cash and cash equivalents of 87 basis points to 5.28% for the six months ended June 30, 2024 from 4.41% for the six months ended June 30, 2023.

Interest expense. Interest expense increased $3.0 million, or 94.6%, to $6.1 million for the six months ended June 30, 2024 20from $3.1 million for the six months ended June 30, 2023 as a result of increases in interest expense on deposits and borrowings in the higher interest rate environment. The increase was due to a 127 basis points increase in the average cost of interest-bearing liabilities from 2.03% for the six months ended June 30, 2023 to 3.30% for the six months ended June 30, 2024 and an increase in the average balance of interest-bearing liabilities of $62.1 million to $373.1 million for the six months ended June 30, 2024 from $311.0 million for the six months ended June 30, 2023.

Interest expense on deposits increased $2.9 million, or 123.1%, to $5.2 million for the six months ended June 30, 2024 from $2.3 million for the six months ended June 30, 2023 as a result of a 145 basis points increase in the average cost of interest-bearing deposits and an increase of $59.5 million in the average balance of our interest-bearing deposits. The increase in the average cost of deposits was primarily due to a 183 basis points increase in the average cost of certificates of deposit, traditionally our higher costing deposits, to 4.36% for the six months ended June 30, 2024 from 2.53% for the six months ended June 30, 2023. The average cost of transaction accounts, traditionally our lower costing deposit accounts, consisting of demand, savings, and money market accounts increased 96 basis points to 2.16% for the six months ended June 30, 2024 from 1.20% for the six months ended June 30, 2023. The increase in rates was due to the higher interest rate environment and increased competition for deposits. An increase of $41.7 million in the average balance of certificates of deposit to $157.0 million for the six months ended June 30, 2024 from $115.3 million for the six months ended June 30, 2023 was due to promotional specials to increase deposits in the higher rate environment. An increase in the average balance of our transaction accounts by $17.8 million to $164.2 million for the six months ended June 30, 2024 from $146.4 million for the six months ended June 30, 2023 was due to continued strategies to grow deposits through relationship banking.

Interest expense on Federal Home Loan Bank borrowings increased $128,000, or 15.4%, to $961,000 for the six months ended June 30, 2024 from $833,000 for the six months ended June 30, 2023. The increase in interest expense on Federal Home Loan Bank borrowings resulted from an increase in the average cost of these funds of 36 basis points to 3.72% for the six months ended June 30, 2024 from 3.36% for the six months ended June 30, 2023 as higher cost Federal Home Loan Bank borrowings were incurred to increase liquidity. There was an increase of $2.5 million in the average balance of Federal Home Loan Bank borrowings to $51.9 million for the six months ended June 30, 2024 from $49.4 million for the six months ended June 30, 2023 as a result of using Federal Home Loan Bank borrowings to fund loan growth and increase liquidity.

Net interest income. Net interest income decreased $849,000, or 13.5%, to $5.4 million for the six months ended June 30, 2024 as compared to $6.3 million for the six months ended June 30, 2023. The decrease in net interest income for the six months ended June 30, 2024 compared to the six months ended June 30, 2023 was primarily due to the increases in interest expense on deposits and borrowings, partially offset by increases in interest income on loans, cash and cash equivalents and debt securities available-for-sale. Average net interest-earning assets decreased by $11.4 million to $64.3 million for the six months ended June 30, 2024 from $75.7 million for the six months ended June 30, 2023. Our net interest margin decreased 79 basis points to 2.49% for the six months ended June 30, 2024 from 3.28% for the six months ended June 30, 2023. Our net interest rate spread decreased 87 basis points to 2.01% for the six months ended June 30, 2024 from 2.88% for the six months ended June 30, 2023.

Provision for credit losses. We charge provisions for credit losses to operations in order to maintain our allowance for credit losses on loans and reserve for unfunded commitments at a level that is considered reasonable and necessary to absorb expected credit losses inherent in the loan portfolio and expected losses on commitments to grant loans that are expected to be advanced at the consolidated balance sheet date. In determining the level of the allowance for credit losses, we consider our past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current and forecasted economic conditions, and the levels of non-performing and other classified loans. The amount of the allowance is based on estimates and the ultimate losses may vary from such estimates as more information becomes available or conditions change. We assess the allowance for credit losses on a quarterly basis and make provisions for credit losses in order to maintain the allowance.

Based on our evaluation of the above factors, we recorded a $67,000 reversal of the provision for credit losses for the six months ended June 30, 2024 compared to a $430,000 provision for credit losses for the six months ended June 30, 2023. The reversal of provision for credit losses was primarily due to lower qualitative factor allocations within the Company's current expected credit losses methodology and a lower required allowance for unfunded commitments. The allowance for credit losses on loans was $4.5 million, or 1.30%, of loans outstanding at June 30, 2024 and $4.5 million, or 1.38%, of loans outstanding at December 31, 2023.

To the best of our knowledge, we have recorded our best estimate of expected losses in the loan portfolio and for unfunded commitments at June 30, 2024. However, future changes in the factors described above, including, but not limited to, actual loss experience with respect to our loan portfolio, could result in material increases in our provision for credit losses. In addition, the PADOB and the FDIC, as an integral part of their examination process, will periodically review our allowance for credit losses, and as a result of such reviews, we may have to adjust our allowance for credit losses. However, regulatory agencies are not directly involved in establishing the allowance for credit losses as the process is our responsibility and any increase or decrease in the allowance is the responsibility of management.

Noninterest income. Noninterest income information is as follows.

	Six Months Ended June 30,		Change	
	2024	**2023**	**Amount**	**Percent**
	(Dollars in thousands)			
Service charges on deposit accounts	**$ 97**	$ 91	$ 6	6.6 %
Loss on equity securities	**(12)**	—	(12)	(100.0)
Bank owned life insurance income	**107**	91	16	17.6
Debit card income	**103**	106	(3)	(2.8)
Other service charges	**37**	67	(30)	(44.8)
Loss on disposal of premises and equipment	**—**	(40)	40	100.0
Other income	**45**	82	(37)	(45.1)
Total noninterest income	**$ 377**	$ 397	$ (20)	(5.0)%

Noninterest income decreased by $20,000, or 5.0%, to $377,000 for the six months ended June 30, 2024 from $397,000 for the six months ended June 30, 2023. The decrease in noninterest income resulted primarily from the decrease in other income of $37,000 and a decrease in other service charges of $30,000, partially offset by no loss on disposal of premises and equipment for the 2024 period compared to a loss of $40,000 for the 2023 period. Other income decreased $37,000 primarily due to loan related fee income of $24,000 and $58,000 for the six months ended June 30, 2024 and 2023, respectively, earned for brokering interest rate swap agreements between the Bank's customers and counterparties unrelated to the Bank. Other service charges decreased $30,000 primarily due to $31,000 of late fee recoveries on two non-accrual loans that paid off in the second quarter of 2023.

Noninterest Expenses. Noninterest expenses information is as follows.

	Six Months Ended June 30,		Change	
	2024	**2023**	**Amount**	**Percent**
		(Dollars in thousands)		
Salaries and employee benefits	**$ 2,682**	$ 2,691	$ (9)	(0.3)%
Occupancy and equipment	**333**	341	(8)	(2.3)
Data and item processing	**580**	530	50	9.4
Advertising and marketing	**90**	98	(8)	(8.2)
Professional fees	**358**	345	13	3.8
Directors' fees	**214**	215	(1)	(0.5)
FDIC insurance premiums	**119**	92	27	29.3
Pennsylvania shares tax	**152**	149	3	2.0
Debit card expenses	**80**	74	6	8.1
Other	**377**	423	(46)	(10.9)
Total noninterest expenses	**$ 4,985**	$ 4,958	$ 27	0.5 %

Noninterest expenses increased $27,000, or 0.5%, to remain at $5.0 million for the six months ended June 30, 2024 as compared to the prior year period. The increase in noninterest expenses was primarily the result of an increase in data and item processing expense of $50,000, partially offset by a decrease in other expenses of $46,000. Data and item processing expense increased $50,000 as the Company continues to invest in our information technology infrastructure. Other expenses decreased by $46,000 primarily as the result of a decrease in dues and subscriptions expenses.

Income tax expense. Income tax expense decreased $89,000, or 31.9%, to $190,000 for the six months ended June 30, 2024 from $279,000 for the six months ended June 30, 2023. The effective tax rates were 21.7% and 21.9% for the six month periods ended June 30, 2024 and 2023, respectively. The decrease in income tax expense for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023 was primarily due to a decrease in income before income taxes and relatively consistent levels of income not subject to taxes.

Average balances and yields. The following table sets forth average balance sheets, average yields and costs, and certain other information 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. Nonaccrual loans were included in the computation of average balances. The yields set forth below include the effect of deferred fees, discounts and premiums that are amortized or accreted to interest income or interest expense.

	For the Six Months Ended June 30,					
	2024			2023		
	Average Outstanding Balance	Interest	Average Yield/Rate (4)	Average Outstanding Balance	Interest	Average Yield/Rate (4)
	(Dollars in thousands)					
Interest-earning assets:						
Loans	**$ 337,728**	**$ 9,407**	**5.60 %**	$ 310,961	$ 8,153	5.28 %
Debt and equity securities	**37,731**	**473**	**2.52 %**	34,393	318	1.85 %
Restricted stocks	**2,490**	**105**	**8.48 %**	2,318	83	7.18 %
Cash and cash equivalents	**59,450**	**1,560**	**5.28 %**	39,069	862	4.41 %
Total interest-earning assets	**437,399**	**11,545**	**5.31 %**	386,741	9,416	4.91 %
Noninterest-earning assets	**10,095**			9,631		
Total assets	**$ 447,494**			$ 396,372		
Interest-bearing liabilities:						
Interest-bearing demand deposits	**$ 100,882**	**1,050**	**2.09 %**	$ 77,775	423	1.10 %
Savings deposits	**13,005**	**17**	**0.26 %**	20,035	52	0.53 %
Money market deposits	**50,304**	**696**	**2.78 %**	48,548	397	1.65 %
Certificates of deposit	**156,987**	**3,403**	**4.36 %**	115,278	1,444	2.53 %
Total interest-bearing deposits	**321,178**	**5,166**	**3.23 %**	261,636	2,316	1.78 %
Borrowings	**51,934**	**961**	**3.72 %**	49,385	833	3.36 %
Total interest-bearing liabilities	**373,112**	**6,127**	**3.30 %**	311,021	3,149	2.03 %
Noninterest-bearing demand deposits	**22,977**			35,479		
Other noninterest-bearing liabilities	**4,456**			3,224		
Total liabilities	**400,545**			349,724		
Stockholders' equity	**46,949**			46,648		
Total liabilities and stockholders' equity	**$ 447,494**			$ 396,372		
Net interest income		**$ 5,418**			$ 6,267	
Net interest rate spread (1)			**2.01 %**			2.88 %
Net interest-earning assets (2)	**$ 64,287**			$ 75,720		
Net interest margin (3)			**2.49 %**			3.28 %
Average interest-earning assets to interest-bearing liabilities	**117.23 %**			124.35 %		

(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) Annualized.

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 increase (decrease) 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. There were no out-of-period items or adjustments required to be excluded from the table below.

	Six Months Ended June 30, 2024 vs. 2023		
	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate	
	(In thousands)		
Interest-earning assets:			
Loans	$ 703	$ 551	$ 1,254
Debt and equity securities	31	124	155
Restricted stocks	6	16	22
Cash and cash equivalents	447	251	698
Total interest-earning assets	1,187	942	2,129
Interest-bearing liabilities:			
Interest-bearing demand deposits	126	501	627
Savings deposits	(19)	(16)	(35)
Money market deposits	14	285	299
Certificates of deposit	525	1,434	1,959
Total deposits	646	2,204	2,850
Borrowings	43	85	128
Total interest-bearing liabilities	689	2,289	2,978
Change in net interest income	$ 498	$ (1,347)	$ (849)

Non-Performing Assets and Allowance for Credit Losses

Non-performing loans. Non-performing loans are reviewed on a weekly basis by management and again by our credit committee on a monthly basis. Nonaccrual loans are loans for which collectability is questionable and, therefore, interest on such loans will no longer be recognized on an accrual basis. All loans that become 90 days or more delinquent are placed on nonaccrual status unless the loan is well secured and in the process of collection. When loans are placed on nonaccrual status, unpaid accrued interest is fully reversed, and further income is recognized only to the extent received on a cash basis or cost recovery method.

Real estate owned. When we acquire real estate as a result of foreclosure, the real estate is classified as real estate owned. The real estate owned is recorded at the lower of carrying amount or fair value, less estimated costs to sell. Soon after acquisition, we order a new appraisal to determine the current market value of the property. Any excess of the recorded value of the loan satisfied over the market value of the property is charged against the allowance for credit losses. After acquisition, all costs incurred in maintaining the property are expensed. Costs relating to the development and improvement of the property, however, are capitalized to the extent of estimated fair value less estimated costs to sell. We had no real estate owned at June 30, 2024 or as of December 31, 2023.

Non-Performing Assets. The following table sets forth information regarding our non-performing assets.

	June 30, 2024	December 31, 2023
	(Dollars in thousands)	
Nonaccrual loans:		
Real estate:		
One- to four-family residential	**$ 116**	$ 149
Commercial	**981**	1,065
Construction	**—**	—
Commercial and industrial	**175**	207
Consumer and other	**—**	—
Total nonaccrual loans	**1,272**	1,421
Accruing loans past due 90 days or more		
Real estate:		
One- to four-family residential	**—**	—
Commercial	**—**	—
Construction	**—**	—
Commercial and industrial	**—**	—
Consumer and other	**—**	—
Total accruing loans past due 90 days or more	**—**	—
Total non-performing loans	**$ 1,272**	$ 1,421
Foreclosed assets	**—**	—
Total non-performing assets	**$ 1,272**	$ 1,421
Total non-performing loans to total loans	**0.37 %**	0.44 %
Total nonaccrual loans to total loans	**0.37 %**	0.44 %
Total non-performing assets to total assets	**0.28 %**	0.32 %

Non-performing loans were $1.3 million, or 0.37% of total loans, at June 30, 2024 and $1.4 million, or 0.44% of total loans, at December 31, 2023. During the six months ended June 30, 2024, payments on nonaccrual loans resulted in the decrease in nonaccrual loans.

Allowance for credit losses. The following table sets forth activity in our allowance for credit losses for the periods indicated.

	At or For the Three Months Ended June 30,		At or For the Six Months Ended June 30,	
	2024	2023	2024	2023
	(Dollars in thousands)		(Dollars in thousands)	
Allowance for credit losses at beginning of year	**$ 4,465**	$ 4,090	**$ 4,511**	$ 3,992
Provision for credit losses	**30**	292	**(14)**	449
Charge-offs:				
Real estate:				
One- to four-family residential	**—**	—	**—**	—
Commercial	**—**	—	**—**	—
Construction	**—**	—	**—**	—
Commercial and industrial	**—**	(69)	**—**	(144)
Consumer and other	**—**	—	**(6)**	—
Total charge-offs	**—**	(69)	**(6)**	(144)
Recoveries:				
Real estate:				
One- to four-family residential	**—**	—	**—**	15
Commercial	**—**	—	**—**	—
Construction	**—**	—	**—**	—
Commercial and industrial	**1**	1	**3**	2
Consumer and other	**4**	—	**6**	—
Total recoveries	**5**	1	**9**	17
Net recoveries (charge-offs)	**5**	(68)	**3**	(127)
Allowance for credit losses at end of period	**$ 4,500**	$ 4,314	**$ 4,500**	$ 4,314
Allowance to nonaccrual loans	**353.77 %**	507.53 %	**353.77 %**	507.53 %
Allowance to total loans outstanding at the end of the period	**1.30 %**	1.34 %	**1.30 %**	1.34 %
Net charge-offs to average loans outstanding during the period (annualized)	**— %**	0.09 %	**— %**	0.08 %

The provision for credit losses decreased $230,000, or 93.1%, to $17,000 for the three months ended June 30, 2024 from a provision of $247,000 for the three months ended June 30, 2023. The provision for credit losses decreased $497,000, or 115.6%, to ($67,000) for the six months ended June 30, 2024 from a provision of $430,000 for the six months ended June 30, 2023. The decrease in the provision for credit losses for both periods was primarily due to lower qualitative factor allocations within the Company's current expected credit losses methodology and a lower required allowance for unfunded commitments. An additional partial charge-off of a previously written down commercial and industrial loan for $69,000 and $144,000 was taken in the three and six months ended June 30, 2023, respectively. Delinquencies remain benign, reserve levels are deemed to be adequate and the allowance coverage ratio has remained strong at June 30, 2024. The allowance to total loans outstanding was 1.30% at June 30, 2024, decreasing from 1.38% at December 31, 2023.

Liquidity and Capital Resources

Liquidity management. 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. Our primary sources of funds are deposits, principal and interest payments on loans and securities, and proceeds from sales, maturities and calls of securities. We also have the ability to borrow from the Federal Home Loan Bank of Pittsburgh. At June 30, 2024, we had the ability to borrow approximately $199.5 million from the Federal Home Loan Bank of Pittsburgh, of which $50.5 million had been advanced in addition to $10.0 million held in reserve to secure three letters of credit to collateralize municipal deposits. Additionally, at June 30, 2024, we had the ability to borrow $7.5 million from the Atlantic Community Bankers Bank, $5.0 million from SouthState Bank, N.A. and we also maintained a line of credit of $2.0 million with the Federal Reserve Bank of Philadelphia. We did not borrow against the credit line with the Atlantic Community Bankers Bank, SouthState Bank, N.A., or the Federal Reserve Bank of Philadelphia during the six months ended June 30, 2024.

The board of directors is responsible for establishing and monitoring our liquidity targets and strategies in order to ensure that sufficient liquidity exists for meeting the borrowing needs and deposit withdrawals of our customers as well as unanticipated contingencies. We seek to maintain a liquidity ratio of 5.0% or greater. For the six months ended June 30, 2024 and 2023, our liquidity ratio averaged 16.7% and 13.1%, respectively. We believe that we had enough sources of liquidity to satisfy our short and long-term liquidity needs as of June 30, 2024.

We monitor and adjust our investments in liquid assets based upon our assessment of: (1) expected loan demand; (2) expected deposit flows; (3) yields available on cash and cash equivalents and securities; and (4) the objectives of our asset/liability management program. Excess liquid assets are invested generally in cash and cash equivalents and short- and intermediate-term securities.

While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions, and competition. Our most liquid assets are cash and cash equivalents, which include federal funds sold. The levels of these assets are dependent on our operating, financing, lending and investing activities during any given period. At June 30, 2024, cash and cash equivalents totaled $54.7 million. Unpledged debt securities classified as available-for-sale, which provide additional sources of liquidity, totaled $12.2 million at June 30, 2024.

We are committed to maintaining a strong liquidity position. We monitor our liquidity position on a daily basis. We anticipate that we will have sufficient funds to meet our current funding commitments. Certificates of deposit due within one year of June 30, 2024, totaled $139.9 million, or 87.4% of our certificates of deposit, and 40.3% of total deposits. If these deposits do not remain with us, we will be required to seek other sources of funds, including other deposits and Federal Home Loan Bank advances. Depending on market conditions, we may be required to pay higher rates on such deposits or borrowings than we currently pay. We believe, however, based on past experience that a significant portion of such deposits will remain with us. We have the ability to attract and retain deposits by adjusting the interest rates offered.

Capital management. At June 30, 2024, Presence Bank exceeded all regulatory capital requirements and was considered “well capitalized” under regulatory guidelines. See Note 10 of the Notes to the Financial Statements for more information regarding our capital resources.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Commitments. As a financial services provider, we routinely are a party to various financial instruments with off-balance-sheet risks, such as commitments to extend credit and unused lines of credit. While these contractual obligations represent our future cash requirements, a significant portion of commitments to extend credit may expire without being drawn upon. Such commitments are subject to the same credit policies and approval process accorded to loans we make. At June 30, 2024, we had outstanding commitments to originate loans of $26.2 million, unused lines of credit totaling $13.4 million and $4.9 million in stand-by letters of credit outstanding. We anticipate that we will have sufficient funds available to meet our current lending commitments. Certificates of deposit that are scheduled to mature in less than one year from June 30, 2024 totaled $139.9 million. Management expects that a substantial portion of the maturing certificates of deposit will be renewed. However, if a substantial portion of these deposits is not retained, we may utilize Federal Home Loan Bank advances or raise interest rates on deposits to attract new deposits, which may result in higher levels of interest expense.

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

Impact of Inflation and Changing Prices

The financial statements and related data presented herein have been prepared in accordance with generally accepted accounting principles in the United States of America, which require the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. The primary impact of inflation on our operations is reflected in increased operating costs. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates generally have a more significant impact on a financial institution's performance than does inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services**.** Higher inflation and its impacts, nationally or in the markets that the Company serves could adversely affect, among other things, real estate valuations, unemployment levels, the ability of businesses to remain viable, and consumer and business confidence, which could lead to decreases in demand for loans and deposits and increases in loan delinquencies and defaults.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

A smaller reporting company is not required to provide the information related to this item.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures.

As of the end of the period covered by this Form 10-Q, the Company carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply judgment in evaluating its controls and procedures. Based on their evaluation of the Company's disclosure controls and procedures as of June 30, 2024, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act")) are designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and regulations are operating in an effective manner.

Internal control over financial reporting.

There were no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the three months ended June 30, 2024 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

As of June 30, 2024, the Company is not currently a named party in a legal proceeding, the outcome of which would have a material effect on the financial condition or results of operations of the Company.

Item 1A. Risk Factors

A smaller reporting company is not required to provide the information related to this item.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities

There were no sales of unregistered securities during the quarter ended June 30, 2024.

The following table reports information regarding repurchases by the Company of its common stock in each month of the quarter ended June 30, 2024:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under Plans or Programs (1)
April 1 through April 30, 2024	20,707	$ 12.49	276,105	1,620
May 1 through May 31, 2024	31,620	12.79	307,725	100,382
June 1 through June 30, 2024	13,500	13.47	321,225	86,882
Total	65,827	$ 13.35	321,225	86,882

(1) On August 5, 2023, the Company announced it adopted a stock repurchase program. The stock repurchase program authorizes the Company to repurchase up to an aggregate of 277,725 shares, or approximately 10% of its then outstanding shares. The repurchase program was extended by the Board of Directors on August 28, 2023 and completed in May 2024. On May 6, 2024, the Company announced it has adopted a second stock repurchase program for up to approximately 5% of its outstanding stock, or 130,382 shares of its common stock. The repurchase programs permit shares to be repurchased in open market or private transactions, through block trades, and pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities and Exchange Commission.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the second quarter of 2024, none of our directors or officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any " non-Rule 10b5-1 trading arrangement," as that term is used in SEC regulations .

Item 6. Exhibits

See Exhibit Index.

EXHIBIT INDEX

Exhibit No.	Description
10.1†	Agreement for the Sale of Commercial Real Estate between Campbell Broth3rs Enterprises LLC and Presence Bank
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 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2†	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS†	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH†	XBRL Taxonomy Extension Schema Document
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB†	XBRL Taxonomy Extension Label Linkbase Document
101.PRE†	XBRL Taxonomy Extension Presentation Linkbase Document
104†	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

† Filed herewith.

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, duly authorized.

Date: August 14, 2024

PB BANKSHARES, INC.

By:	/s/ Janak M. Amin
Name:	Janak M. Amin
Title:	President and Chief Executive Officer (Principal Executive Officer)
By:	/s/ Lindsay S. Bixler
Name:	Lindsay S. Bixler
Title:	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

AGREEMENT FOR THE SALE OF COMMERCIAL REAL ESTATE

Exhibit 10.1

This form recommended and approved for, but not restricted to use by, the members of the Pennsylvania Association of Realtors® (PAR).

PARTIES

BUYER(S): Campbell Broth3rs Enterprises LLC	SELLER(S): Coatesville Savings Bank AKA Presence Bank
Buyer is Licensed PA Realtor	
402 Bayard Rd Suite 100 Kennett Square, PA 19348	

PROPERTY

PROPERTY ADDRESS 126 S 3rd St Oxford PA

ZIP 19363,

in the municipality of Oxford Boro,

County of Chester, in the Commonwealth of Pennsylvania.

Identification (e.g., Parcel #; Lot, Block; Deed Book, Page, Recording Date):

Tax ID #(s): 06-04-0229

BUYER'S RELATIONSHIP WITH PA LICENSED BROKER

☐ **No Business Relationship (Buyer is not represented by a broker)**

Broker (Company)	Licensee(s) (Name)
Company Address	Direct Phone(s)
Company Phone	Cell Phone(s)
Company Fax	Fax
	Email
Broker is (check only one): ☐ Buyer Agent (Broker represents Buyer only) ☐ Dual Agent (See Dual and/or Designated Agent box below)	Licensee(s) is (check only one): ☐ Buyer Agent (all company licensees represent Buyer) ☐ Buyer Agent with Designated Agency (only Licensee(s) named above represent Buyer ☐ Dual Agent (See Dual and/or Designated Agent box below)

☐ Transaction Licensee (Broker and Licensee(s) provide real estate services but do not represent Buyer)

SELLER'S RELATIONSHIP WITH PA LICENSED BROKER

☐ **No Business Relationship (Seller is not represented by a broker)**

Broker (Company)	Licensee(s) (Name)
Company Address	Direct Phone(s)
	Cell Phone(s)
Company Phone	Fax
Company Fax	Email
Broker is (check only one): ☐ Seller Agent (Broker represents Seller only) ☐ Dual Agent (See Dual and/or Designated Agent box below)	Licensee(s) is (check only one): ☐ Seller Agent (all company licensees represent Seller) ☐ Seller Agent with Designated Agency (only Licensee(s) named above represent Seller ☐ Dual Agent (See Dual and/or Designated Agent box below)

☐ Transaction Licensee (Broker and Licensee(s) provide real estate services but do not represent Seller)

DUAL AND/OR DESIGNATED AGENCY

A Broker is a Dual Agent when a Broker represents both Buyer and Seller in the same transaction. A Licensee is a Dual Agent when a Licensee represents Buyer and Seller in the same transaction. All of Broker's licensees are also Dual Agents UNLESS there are separate Designated Agents for Buyer and Seller. If the same Licensee is designated for Buyer and Seller, the Licensee is a Dual Agent.

By signing this Agreement, Buyer and Seller each acknowledge having been previously informed of, and consented to, dual agency, if applicable.

1. **By this Agreement, dated July 19,2024, Seller hereby agrees to sell and convey to Buyer, who agrees to purchase, the identified Property.**
2. **PURCHASE PRICE AND DEPOSITS (3-15)**
   (A) Purchase Price $ **625,788.00**
   (**Six Hundred Twenty-Five Thousand, Seven Hundred Eighty-Eight** U.S. Dollars), to be paid as follows:
   1. Initial Deposit, within ______ days (5 if not specified) of Execution Date, if not included with this Agreement: $ **60,000.00**
   2. Additional Deposit within ______ days of the Execution Date: $ ______
   3. ______ $ ______

   Remaining balance will be paid at settlement.

   (B) **All funds paid by Buyer, including deposits, will be paid by check, cashier's check or wired funds. All funds paid by Buyer within 30 DAYS of settlement, including funds paid at settlement, will be by cashier's check or wired funds, but not by personal check.**

   (C) Deposits, regardless of the form of payment and the person designated as payee, will be paid in U.S. Dollars to Broker for Seller (unless otherwise stated here: **Deposit will be held by Anvil Land Transfer Company**), who will retain deposits in an escrow account in conformity with all applicable laws and regulations until consummation or termination of this Agreement. Only real estate brokers are required to hold deposits in accordance with the rules and regulations of the State Real Estate Commission. Checks tendered as deposit monies may be held uncashed pending the execution of this Agreement.
3. **SETTLEMENT AND POSSESSION (6-13)**
   (A) Settlement Date is **Estimated settlement date on or around 12/1/2024**, or before if Buyer and Seller agree.

   (B) Settlement will occur in the county where the Property is located or in an adjacent county, during normal business hours, unless Buyer and Seller agree otherwise.

   (C) At time of settlement, the following will be pro-rated on a daily basis between Buyer and Seller, reimbursing where applicable: current taxes; rents; interest on mortgage assumptions; condominium fees and homeowner association fees; water and/or sewer fees, together with any other lienable municipal service fees. All charges will be pro-rated for the period(s) covered. Seller will pay up to and including the date of settlement and Buyer will pay for all days following settlement, unless otherwise stated here: ______

   (D) For purposes of prorating real estate taxes, the "periods covered" are as follows:
   1. Municipal tax bills for all counties and municipalities in Pennsylvania are for the period from January 1 to December 31.
   2. School tax bills for the Philadelphia, Pittsburgh and Scranton School Districts are for the period from January 1 to December 31. School tax bills for all other school districts are for the period from July 1 to June 30.

   (E) Conveyance from Seller will be by fee simple deed of special warranty unless otherwise stated here: ______

   (F) Payment of transfer taxes will be divided equally between Buyer and Seller unless otherwise stated here: ______

   (G) Possession is to be delivered by deed, existing keys and physical possession to a vacant Property free of debris, with all structures broom-clean, at day and time of settlement, unless Seller, before signing this Agreement, has identified in writing that the Property is subject to a lease.

   (H) If Seller has identified in writing that the Property is subject to a lease, possession is to be delivered by deed, existing keys and assignment of existing leases for the Property, together with security deposits and interest, if any, at day and time of settlement. Seller will not enter into any new leases, nor extend existing leases, for the Property without the written consent of Buyer. Buyer will acknowledge existing lease(s) by initialing the lease(s) at the execution of this Agreement, unless otherwise stated in this Agreement.
   ☐ **Tenant-Occupied Property Addendum (PAR Form TOP) is attached and made part of this Agreement.**
4. **DATES/TIME IS OF THE ESSENCE (3-15)**
   (A) Written acceptance of all parties will be on or before: **August 1, 2024**

   (B) The Settlement Date and all other dates and times identified for the performance of any obligations of this Agreement are of the essence and are binding.

   (C) The Execution Date of this Agreement is the date when Buyer and Seller have indicated full acceptance of this Agreement by signing and/or initialing it. For purposes of this Agreement, the number of days will be counted from the Execution Date, excluding the day this Agreement was executed and including the last day of the time period. **All changes to this Agreement should be initialed and dated.**

   (D) The Settlement Date is not extended by any other provision of this Agreement and may only be extended by mutual written agreement of the parties.

   (E) Certain terms and time periods are pre-printed in this Agreement as a convenience to the Buyer and Seller. All pre-printed terms and time periods are negotiable and may be changed by striking out the pre-printed text and inserting different terms acceptable to all parties, except where restricted by law.
5. **FIXTURES AND PERSONAL PROPERTY (6-20)**
   (A) It is possible for certain items of personal property to be so integrated into the Property that they become fixtures and will be regarded as part of the Property and therefore included in a sale. Buyer and Seller are encouraged to be specific when negotiating what items will be included or excluded in this sale.

(B) INCLUDED in this sale are all existing items permanently installed in the Property, free of liens, including plumbing; heating; HVAC equipment; lighting fixtures (including chandeliers and ceiling fans); and water treatment systems, unless otherwise stated below; any remaining heating, cooking and other fuels stored on the Property at the time of settlement. Also included: ________

(C) The following items are not owned by Seller and may be subject to a lease or other financing agreement: ________

(D) EXCLUDED fixtures and items: ________

6. **ZONING (4-14)**

Failure of this Agreement to contain the zoning classification (except in cases where the property {and each parcel thereof, if subdividable} is zoned solely or primarily to permit single-family dwellings) will render this Agreement voidable at Buyer's option, and, if voided, any deposits tendered by the Buyer will be returned to the Buyer without any requirement for court action.

Zoning Classification, as set forth in the local zoning ordinance: C10

7. **BUYER FINANCING (7-22)**

(A) Buyer may elect to make this Agreement contingent upon obtaining financing for the purchase of the Property. Regardless of any contingency in this Agreement, if Buyer chooses to obtain financing, the following apply:

1. **Should Buyer furnish false or incomplete information to Seller, Broker(s) or the lender(s) concerning Buyer's legal or financial status, or fail to cooperate in good faith in processing the financing application, which results in the lender(s) refusing to approve a financing commitment, Buyer will be in default of this agreement.**
2. Within ____ days (10 if not specified) from the Execution Date of this Agreement, Buyer will make a completed, written application for the financing terms stated above to a responsible lender(s) of Buyer's choice. **Broker for Buyer, if any, otherwise Broker for Seller, is authorized to communicate with the lender(s) to assist in the financing process.**
3. Seller will provide access to insurers' representatives and, as may be required by the lender(s), to surveyors, municipal officials, appraisers, and inspectors.

(B) **Financing Contingency**

☒ WAIVED. This sale is NOT contingent on financing, although Buyer may obtain financing and/or the parties may include an appraisal contingency. **Buyer and Seller understand that the waiver of this contingency does not restrict Buyer's right to obtain financing for the Property.**

☐ ELECTED. This sale is contingent upon Buyer obtaining financing according to the terms outlined below. Upon receipt of a financing commitment, Buyer will promptly deliver a copy of the commitment to Seller, but in any case no later than ________ (Commitment Date).

First Loan on the Property	Second Loan on the Property
Loan Amount $________	Loan Amount $________
Minimum Term________years	Minimum Term________years
Type of Loan________	Type of Loan________
Interest rate______%; however, **Buyer agrees to accept the interest rate as may be committed by the lender,** not to exceed a maximum interest rate of______%.	Interest rate______%; however, **Buyer agrees to accept the interest rate as may be committed by the lender,** not to exceed a maximum interest rate of______%.

1. Unless otherwise agreed to in writing by Buyer and Seller, if a written commitment is not received by Seller by the above date, this Agreement may be terminated by Buyer or Seller, with all deposit monies returned to Buyer according to the terms of Paragraph 24.
2. Buyer will be responsible for any premiums for mechanics' lien insurance and/or title search, or fee for cancellation of same, if any; AND/OR any premiums for flood insurance and/or fire insurance with extended coverage, insurance binder charges or cancellation fee; if any; AND/OR any appraisal fees and charges paid in advance to lender.

8. **CHANGE IN BUYER'S FINANCIAL STATUS (6-20)**

If a change in Buyer's financial status affects Buyer's ability to purchase, Buyer will, within______ days (5 if not specified) of said change notify Seller and lender(s) to whom the Buyer submitted loan application, if any, in writing. A change in financial status includes, but is not limited to, loss or a change in income; Buyer's having incurred a new financial obligation; entry of a judgment against Buyer. **Buyer understands that applying for and/or incurring an additional financial obligation may affect Buyer's ability to purchase.**

9. **SELLER REPRESENTATIONS (1-20)**

(A) **Status of Water**

Seller represents that the Property is served by:

☒ Public Water ☐ Community Water ☐ On-site Water ☐ None ☐ ______________________

(B) **Status of Sewer**

1. Seller represents that the Property is served by:

☒ Public Sewer ☐ Community Sewage Disposal System ☐ Ten-Acre Permit Exemption (see Sewage Notice 2)
☐ Individual On-lot Sewage Disposal System (see Sewage Notice 1) ☐ Holding Tank (see Sewage Notice 3)
☐ Individual On-lot Sewage Disposal System in Proximity to Well (see Sewage Notice 1; see Sewage Notice 4, if applicable)
☐ None (see Sewage Notice 1) ☐ None Available/Permit Limitations in Effect (see Sewage Notice 5)
☐ ______________________

2. **Notices Pursuant to the Pennsylvania Sewage Facilities Act**

Notice 1: There is no currently existing community sewage system available for the subject property. Section 7 of the Pennsylvania Sewage Facilities Act provides that no person shall install, construct, request bid proposals for construction, alter, repair or occupy any building or structure for which an individual sewage system is to be installed, without first obtaining a permit. Buyer is advised by this notice that, before signing this Agreement, Buyer should contact the local agency charged with administering the Act to determine the procedure and requirements for obtaining a permit for an individual sewage system. The local agency charged with administering the Act will be the municipality where the Property is located or that municipality working cooperatively with others.

Notice 2: This Property is serviced by an individual sewage system installed under the ten-acre permit exemption provisions of Section 7 of the Pennsylvania Sewage Facilities Act. (Section 7 provides that a permit may not be required before installing, constructing, awarding a contract for construction, altering, repairing or connecting to an individual sewage system where a ten-acre parcel or lot is subdivided from a parent tract after January 10, 1987). Buyer is advised that soils and site testing were not conducted and that, should the system malfunction, the owner of the Property or properties serviced by the system at the time of a malfunction may be held liable for any contamination, pollution, public health hazard or nuisance which occurs as a result.

Notice 3: This Property is serviced by a holding tank (permanent or temporary) to which sewage is conveyed by a water carrying system and which is designed and constructed to facilitate ultimate disposal of the sewage at another site. Pursuant to the Pennsylvania Sewage Facilities Act, Seller must provide a history of the annual cost of maintaining the tank from the date of its installation or December 14, 1995, whichever is later.

Notice 4: An individual sewage system has been installed at an isolation distance from a well that is less than the distance specified by regulation. The regulations at 25 Pa. Code §73.13 pertaining to minimum horizontal isolation distances provide guidance. Subsection (b) of §73.13 states that the minimum horizontal isolation distance between an individual water supply or water supply system suction line and treatment tanks shall be 50 feet. Subsection (c) of §73.13 states that the horizontal isolation distance between the individual water supply or water supply system suction line and the perimeter of the absorption area shall be 100 feet.

Notice 5: This lot is within an area in which permit limitations are in effect and is subject to those limitations. Sewage facilities are not available for this lot and construction of a structure to be served by sewage facilities may not begin until the municipality completes a major planning requirement pursuant to the Pennsylvania Sewage Facilities Act and regulations promulgated thereunder.

(C) Seller represents and warrants that Seller has no knowledge except as noted in this Agreement that: (1) The premises have been contaminated by any substance in any manner which requires remediation; (2) The Property contains wetlands, flood plains, or any other environmentally sensitive areas, development of which is limited or precluded by law; (3) The Property contains asbestos, polychlorinated biphenyls, lead-based paint or any other substance, the removal or disposal of which is subject to any law or regulation; and (4) Any law has been violated in the handling or disposing of any material or waste or the discharge of any material into the soil, air, surface water, or ground water.

(D) Seller agrees to indemnify and to hold Broker harmless from and against all claims, demands, or liabilities, including attorneys fees and court costs, which arise from or are related to the environmental condition or suitability of the Property prior to, during, or after Seller's occupation of the Property including without limitation any condition listed in Paragraph 9(C).

(E) Seller is not aware of historic preservation restrictions regarding the Property unless otherwise stated here: ______________________

(F) Seller represents that, as of the date Seller signed this Agreement, no public improvement, condominium or homeowner association assessments have been made against the Property which remain unpaid, and that no notice by any government or public authority has been served upon Seller or anyone on Seller's behalf, including notices relating to violations of zoning, housing, building, safety or fire ordinances that remain uncorrected, and that Seller knows of no condition that would constitute a violation of any such ordinances that remain uncorrected, unless otherwise specified here: ______________________

(G) Seller knows of no other potential notices (including violations) and/or assessments except as follows: ______________________

(H) Access to a public road may require issuance of a highway occupancy permit from the Department of Transportation.

(I) **Internet of Things (IoT) Devices**

1. The presence of smart and green devices that are capable of connecting to the Internet, directly or indirectly, and the data stored on those devices make up a digital ecosystem in the Property sometimes referred to as the "Internet of Things (IoT)." Buyer and Seller acknowledge that IoT devices may transmit data to third parties outside of the control of their owner.
2. On or before settlement, Seller will make a reasonable effort to clear all data stored on all IoT devices located on the Property and included in the sale. Seller further acknowledges that all personal devices owned by Seller (including but not limited to cellular telephones, personal computers and tablets) having connectivity to any IoT device(s) located on the Property will be disconnected and cleared of relevant data prior to settlement. Further, no attempts will be made after settlement by Seller or anyone on Seller's behalf to access any IoT devices remaining on the Property.
3. Following settlement, Buyer will make a reasonable effort to clear all stored data from any IoT device(s) remaining on the Property and to restrict access to said devices by Seller, Seller's agents or any third party to whom Seller may have previously provided access. This includes, but is not limited to, restoring IoT devices to original settings, changing passwords or codes, updating network settings and submitting change of ownership and contact information to device manufacturers and service providers.
4. This paragraph will survive settlement.

10. WAIVER OF CONTINGENCIES (9-05)

If this Agreement is contingent on Buyer's right to inspect and/or repair the Property, or to verify insurability, environmental conditions, boundaries, certifications, zoning classification or use, or any other information regarding the Property, Buyer's failure to exercise any of Buyer's options within the times set forth in this Agreement is a WAIVER of that contingency and Buyer accepts the Property and agrees to the RELEASE in Paragraph 26 of this Agreement.

11. BUYER'S DUE DILIGENCE (3-15)

☐ **WAIVED**. This sale is NOT contingent upon the results of any inspection(s), although Buyer may inspect the Property (including fixtures and any personal property specifically listed herein). Buyer agrees to purchase the Property **IN ITS PRESENT CONDITION**, regardless of the results of any inspection(s) or findings that Buyer may learn of after the Execution Date of this Agreement.

☐ **ELECTED**. This sale IS contingent upon the results of inspection(s). It is Buyer's responsibility to determine that the condition and permitted use of the property is satisfactory. Buyer may, within_______days (30 if not specified) from the Execution Date of this Agreement, conduct due diligence (Due Diligence Period), which includes, but is not limited to, verifying that the condition, permitted use, insurability, environmental conditions, boundaries, certifications, deed restrictions, zoning classifications and any other features of the Property are satisfactory. Buyer may request that the property be inspected, at Buyer's expense, by qualified professionals to determine the physical, structural, mechanical and environmental condition of the land, improvements or their components, or for the suitability of the property for Buyer's needs. If, as the result of Buyer's due diligence, Buyer determines that the Property is not suitable for Buyer's needs, Buyer may, prior to the expiration of the Due Diligence Period, terminate this Agreement by written notice to Seller, with all deposit monies returned to Buyer according to the terms of Paragraph 24 of this Agreement. In the event that Buyer has not provided Seller with written notice of Buyer's intent to terminate this Agreement prior to the end of the Due Diligence Period, this Agreement shall remain in full force and effect in accordance with the terms and conditions as more fully set forth in this Agreement.

(A) **Buyer has been given the opportunity to inspect the Property** (including fixtures and any personal property specifically listed herein) **and, subject to the Due Diligence contingency if elected, agrees to purchase the Property IN ITS PRESENT CONDITION unless the parties agree otherwise in writing. Buyer's decision to purchase the Property is a result of Buyer's own inspections and determinations and not because of or in reliance on any representations made by Seller or any other party**. Buyer acknowledges that Brokers, their licensees, employees, officers or partners have not made an independent examination or determination of the structural soundness of the Property, the age or condition of the components, environmental conditions, the permitted uses, nor of conditions existing in the locale where the Property is situated; nor have they made a mechanical inspection of any of the systems contained therein.

(B) Any repairs required by this Agreement will be completed in a workmanlike manner.

(C) Revised flood maps and changes to Federal law may substantially increase future flood insurance premiums or require insurance for formerly exempt properties. Buyer should consult with one or more insurance agents regarding the need for flood insurance and possible premium increases.

12. NOTICES, ASSESSMENTS AND MUNICIPAL REQUIREMENTS (4-14)

(A) In Pennsylvania, taxing authorities (school districts and municipalities) and property owners may appeal the assessed value of a property at the time of sale, or at any time thereafter. A successful appeal by a taxing authority may result in a higher assessed value for the property and an increase in property taxes. Also, periodic county-wide property reassessments may change the assessed value of the property and result in a change in property tax.

(B) With the exception of county-wide reassessments, assessment appeal notices, notices of change in millage rates or increases in rates, in the event any other notices, including violations, and/or assessments are received after Seller has signed this Agreement and before settlement, Seller will within days (10 if not specified) of receiving the notices and/or assessments provide a copy of the notices and/or assessments to Buyer and will notify Buyer in writing that Seller will:

1. Fully comply with the notices and/or assessments, at Seller's expense, before settlement. If Seller fully complies with the notices and/or assessments, Buyer accepts the Property and agrees to the RELEASE in Paragraph 26 of this Agreement, OR
2. Not comply with the notices and/or assessments. If Seller chooses not to comply with the notices and/or assessments, or **fails within the stated time to notify Buyer whether Seller will comply,** Buyer will notify Seller in writing within________days (10 if not specified) that Buyer will:
   a. Comply with the notices and/or assessments at Buyer's expense, accept the Property, and agree to the RELEASE in Paragraph 26 of this Agreement, OR
   b. Terminate this Agreement by written notice to Seller, with all deposit monies returned to Buyer according to the terms of Paragraph 24 of this Agreement.

If Buyer fails to respond within the time stated in Paragraph 12(B)(2) **or fails to terminate** this Agreement by written notice to Seller within that time, **Buyer will accept the Property** and agree to the RELEASE in Paragraph 26 of this Agreement.

(C) If required by law, within 30 DAYS from the Execution Date of this Agreement, but in no case later than 15 DAYS prior to Settlement Date, Seller will order at Seller's expense a certification from the appropriate municipal department(s) disclosing notice of any uncorrected violations of zoning, housing, building, safety or fire ordinances and/or a certificate permitting occupancy of the Property. If Buyer receives a notice of any required repairs/improvements, Buyer will promptly deliver a copy of the notice to Seller.

(D) Seller has no knowledge of any current or pending condemnation or eminent domain proceedings that would affect the Property. If any portion of the Property should be subject to condemnation or eminent domain proceedings after the signing of this Agreement, Seller shall immediately advise Buyer, in writing, of such proceedings. Buyer will have the option to terminate this Agreement by written notice to Seller within__________days (15 days if not specified) after Buyer learns of the filing of such proceedings, with all deposit monies returned to Buyer according to the terms of Paragraph 24 of this Agreement. **Buyer's failure to provide notice of termination within the time stated will constitute a WAIVER of this contingency and all other terms of this Agreement remain in full force and effect.**

13. TAX DEFERRED EXCHANGE (4-14)

(A) If Seller notifies Buyer that it wishes to enter into a tax deferred exchange for the Property pursuant to the Internal Revenue Code, Buyer agrees to cooperate with Seller in connection with such exchange, including the execution of such documents as may be reasonably necessary to conduct the exchange, provided that there shall be no delay in the agreed-to settlement date, and that any additional costs associated with the exchange are paid solely by Seller. Buyer is aware that Seller anticipates assigning Seller's interest in this Agreement to a third party under an Exchange Agreement and consents to such assignment. Buyer shall not

be required to execute any note, contract, deed or other document providing any liability which would survive the exchange, nor shall Buyer be obligated to take title to any property other than the Property described in this Agreement. Seller shall indemnify and hold harmless Buyer against any liability which arises or is claimed to have arisen from any aspect of the exchange transaction.

(B) If Buyer notifies Seller that it wishes to enter into a tax deferred exchange for the Property pursuant to the Internal Revenue Code, Seller agrees to cooperate with Buyer in connection with such exchange, including the execution of such documents as may be reasonably necessary to conduct the exchange, provided that there shall be no delay in the agreed-to settlement date, and that any additional costs associated with the exchange are paid solely by Buyer. Seller is aware that Buyer has assigned Buyer's interest in this Agreement to a third party under an Exchange Agreement and consents to such assignment. Seller shall not be required to execute any note, contract, deed or other document providing any liability which would survive the exchange. Buyer shall indemnify and hold harmless Seller against any liability which arises or is claimed to have arisen from any aspect of the exchange transaction.

14. COMMERCIAL CONDOMINIUM (10-01)

☒ NOT APPLICABLE.

☐ APPLICABLE. Buyer acknowledges that the condominium unit to be transferred by this Agreement is intended for nonresidential use, and that Buyer may agree to modify or waive the applicability of certain provisions of the Uniform Condominium Act of Pennsylvania (68 Pa.C.S. §3101 *et seq.*).

15. TITLES, SURVEYS AND COSTS (6-20)

(A) The Property will be conveyed with good and marketable title that is insurable by a reputable title insurance company at the regular rates, free and clear of all liens, encumbrances, and easements, **excepting however** the following: existing deed restrictions; historic preservation restrictions or ordinances; building restrictions; ordinances; easements of roads; easements visible upon the ground; easements of record; and privileges or rights of public service companies, if any.

(B) Buyer will pay for the following: (1) Title search, title insurance and/or mechanics' lien insurance, or any fee for cancellation; (2) Flood insurance, fire insurance, hazard insurance, mine subsidence insurance, or any fee for cancellation; (3) Appraisal fees and charges paid in advance to mortgage lender; (4) Buyer's customary settlement costs and accruals.

(C) Any survey or surveys required by the title insurance company or the abstracting company for preparing an adequate legal description of the Property (or the correction thereof) will be obtained and paid for by Seller. Any survey or surveys desired by Buyer or required by the mortgage lender will be obtained and paid for by Buyer.

(D) If a change in Seller's financial status affects Seller's ability to convey title to the Property as set forth in this Agreement on or before the Settlement Date, or any extension thereof, Seller shall, within_______days (5 if not specified) notify Buyer, in writing. A change in financial status includes, but is not limited to, Seller filing bankruptcy; filing of a foreclosure law suit against the Property; entry of a monetary judgment against Seller; notice of public tax sale affecting the Property; and Seller learning that the sale price of the Property is no longer sufficient to satisfy all liens and encumbrances against the Property. In the event of the death of Seller, the representative of the estate, or a surviving Seller shall immediately notify Buyer

(E) If Seller is unable to give good and marketable title that is insurable by a reputable title insurance company at the regular rates, as specified in Paragraph 15(A), Buyer may terminate this Agreement by written notice to Seller, or take such title as Seller can convey. If the title condition precludes Seller from conveying title, Buyer's sole remedy shall be to terminate this Agreement. Upon termination, all deposit monies shall be returned to Buyer according to the terms of Paragraph 24 of this Agreement and Seller will reimburse Buyer for any costs incurred by Buyer for any inspections or certifications obtained according to the terms of this Agreement, and for those items specified in Paragraph 15(B) items (1), (2), (3) and in Paragraph 15(C).

(F) Oil, gas, mineral, or other rights of this Property may have been previously conveyed or leased, and Sellers make no representation about the status of those rights unless indicated elsewhere in this Agreement.

☐ **Oil, Gas and Mineral Rights Addendum (PAR Form OGM) is attached and made part of this Agreement.**

(G) **COAL NOTICE (Where Applicable)**

this document may not sell, convey, transfer, include or insure the title to the coal and rights of support underneath the surface land described or referred to herein, and the owner or owners of such coal may have the complete legal right to remove all such coal and in that connection, damage may result to the surface of the land and any house, building or other structure on or in such land. (This notice is set forth in the manner provided in Section 1 of the Act of July 17, 1957, P.L. 984.) "Buyer acknowledges that he may not be obtaining the right of protection against subsidence resulting from coal mining operations, and that the property described herein may be protected from damage due to mine subsidence by a private contract with the owners of the economic interests in the coal. This acknowledgment is made for the purpose of complying with the provisions of Section 14 of the Bituminous Mine Subsidence and the Land Conservation Act of April 27, 1966." Buyer agrees to sign the deed from Seller which deed will contain the aforesaid provision.

(H) The Property is not a "recreational cabin" as defined in the Pennsylvania Construction Code Act unless otherwise stated here :______

(I) 1. This property is not subject to a Private Transfer Fee Obligation unless otherwise stated here :______

☐ **Private Transfer Fee Addendum (PAR Form PTF) is attached and made part of this Agreement.**

2. **Notice Regarding Private Transfer Fees:** In Pennsylvania, Private Transfer Fees are defined and regulated in the Private Transfer Fee Obligation Act (Act 1 of 2011; 68 Pa.C.S. §§ 8101, et. seq.), which defines a Private Transfer Fee as "a fee that is payable upon the transfer of an interest in real property, or payable for the right to make or accept the transfer, if the obligation to pay the fee or charge runs with title to the property or otherwise binds subsequent owners of property, regardless of whether the fee or charge is a fixed amount or is determined as a percentage of the value of the property, the purchase price or other consideration given for the transfer." A Private Transfer Fee must be properly recorded to be binding, and sellers mustdisclose the existence of the fees to prospective buyers. Where a Private Transfer Fee is not properly recorded or disclosed, the Act gives certain rights and protections to buyers.

16. MAINTENANCE AND RISK OF LOSS (10-06)

(A) Seller will maintain the Property, grounds, fixtures and personal property specifically listed in this Agreement in its present condition, normal wear and tear excepted.

(B) Seller will promptly notify the Buyer if, at any time prior to the time of settlement, all or any portion of the Property is destroyed, or damaged as a result of any cause whatsoever.

(C) Seller bears the risk of loss from fire or other casualties until settlement. If any property included in this sale is destroyed and not replaced, Buyer will:

1. Accept the Property in its then current condition together with the proceeds of any insurance recovery obtainable by Seller, OR
2. Terminate this Agreement by written notice to Seller, with all deposit monies returned to Buyer according to the terms of Paragraph 24 of this Agreement.

17. RECORDING (9-05)

This Agreement will not be recorded in the Office of the Recorder of Deeds or in any other office or place of public record. If Buyer causes or permits this Agreement to be recorded, Seller may elect to treat such act as a default of this Agreement.

18. ASSIGNMENT (1-10)

This Agreement is binding upon the parties, their heirs, personal representatives, guardians and successors, and to the extent assignable, on the assigns of the parties hereto. Buyer will not transfer or assign this Agreement without the written consent of Seller unless otherwise stated in this Agreement. Assignment of this Agreement may result in additional transfer taxes.

19. GOVERNING LAW, VENUE AND PERSONAL JURISDICTION (9-05)

(A) The validity and construction of this Agreement, and the rights and duties of the parties, will be governed in accordance with the laws of the Commonwealth of Pennsylvania.

(B) The parties agree that any dispute, controversy or claim arising under or in connection with this Agreement or its performance by either party submitted to a court shall be filed exclusively by and in the state or federal courts sitting in the Commonwealth of Pennsylvania. Seller understands that any documentation provided under this provision may be disclosed to the Internal Revenue Service by Buyer, and that any false statements contained therein could result in punishment by fine, imprisonment, or both.

20. NOTICE REGARDING CONVICTED SEX OFFENDERS (MEGAN'S LAW) (6-13)

The Pennsylvania General Assembly has passed legislation (often referred to as "Megan's Law," 42 Pa.C.S. § 9791 et seq.) providing for community notification of the presence of certain convicted sex offenders. **Buyers are encouraged to contact the municipal police department or the Pennsylvania State Police** for information relating to the presence of sex offenders near a particular property, or to check the information on the Pennsylvania State Police Web site at www.pameganslaw.state.pa.us.

21. CERTIFICATION OF NON-FOREIGN INTEREST (10-01)

☐ Seller **IS** a foreign person, foreign corporation, foreign partnership, foreign trust, or foreign estate subject to Section 1445 of the Internal Revenue Code, which provides that a transferee (Buyer) of a U.S. real property interest must withhold tax if the transferor (Seller) is a foreign person.

☒ Seller is **NOT** a foreign person, foreign corporation, foreign partnership, foreign trust, or a foreign estate as defined by the Internal Revenue Code, or is otherwise not subject to the tax withholding requirements of Section 1445 of the Internal Revenue Code. To inform Buyer that the withholding of tax is not required upon the sale/disposition of the Property by Seller, Seller hereby agrees to furnish Buyer, at or before closing, with the following:

☒ An affidavit stating, under penalty of perjury, the Seller's U.S. taxpayer identification number and that the Seller is not a foreign person.

☒ A "qualifying statement," as defined by statute, that tax withholding is not required by Buyer.

☐ Other: ______________________________

22. REPRESENTATIONS (1-10)

(A) All representations, claims, advertising, promotional activities, brochures or plans of any kind made by Seller, Brokers, their licensees, employees, officers or partners are not a part of this Agreement unless expressly incorporated or stated in this Agreement. This Agreement contains the whole agreement between Seller and Buyer, and there are no other terms, obligations, covenants, representations, statements or conditions, oral or otherwise, of any kind whatsoever concerning this sale. This Agreement will not be altered, amended, changed or modified except in writing executed by the parties.

(B) Broker(s) have provided or may provide services to assist unrepresented parties in complying with this Agreement.

23. BROKER INDEMNIFICATION (6-13)

(A) Buyer and Seller represent that the only Brokers involved in this transaction are: NONE ______________________________

______________________________.

and that the transaction has not been brought about through the efforts of anyone other than said Brokers. It is agreed that if any claims for brokerage commissions or fees are ever made against Buyer or Seller in connection with this transaction, each party shall pay its own legal fees and costs in connection with such claims. It is further agreed that Buyer and Seller agree to indemnify and hold harmless each other and the above-listed Brokers from and against the non-performance of this Agreement by either party, and from any claim of loss or claim for brokerage commissions, including all legal fees and costs, that may be made by any person or entity. This paragraph shall survive settlement.

(B) Seller and Buyer acknowledge that any Broker identified in this Agreement: (1) Is a licensed real estate broker; (2) Is not an expert in construction, engineering, code or regulatory compliance or environmental matters and was not engaged to provide advice or guidance in such matters, unless otherwise stated in writing; and (3) Has not made and will not make any representations or warranties nor conduct investigations of the environmental condition or suitability of the Property or any adjacent property, including but not limited to those conditions listed in Paragraph 9(C).

24. DEFAULT, TERMINATION AND RETURN OF DEPOSITS (1-18)

(A) Where Buyer terminates this Agreement pursuant to any right granted by this Agreement, Buyer will be entitled to a return of all deposit monies paid on account of Purchase Price pursuant to the terms of Paragraph 24(B), and this Agreement will be VOID. Termination of this Agreement may occur for other reasons giving rise to claims by Buyer and/or Seller for the deposit monies.

(B) Regardless of the apparent entitlement to deposit monies, Pennsylvania law does not allow a Broker holding deposit monies to determine who is entitled to the deposit monies when settlement does not occur. Broker can only release the deposit monies:

1. If this Agreement is terminated prior to settlement and there is no dispute over entitlement to the deposit monies. A written agreement signed by both parties is evidence that there is no dispute regarding deposit monies.
2. If, after Broker has received deposit monies, Broker receives a written agreement that is signed by Buyer and Seller, directing Broker how to distribute some or all of the deposit monies.
3. According to the terms of a final order of court.
4. According to the terms of a prior written agreement between Buyer and Seller that directs the Broker how to distribute the deposit monies if there is a dispute between the parties that is not resolved. (See Paragraph 24(C))

(C) Buyer and Seller agree that if there is a dispute over the entitlement to deposit monies that is unresolved________days (180 if not specified) days after the Settlement Date stated in Paragraph 3(A) (or any written extensions thereof) or following date of termination of the Agreement, whichever is earlier, then the Broker holding the deposit monies will, within 30 days of receipt of Buyer's written request, distribute the deposit monies to Buyer unless the Broker is in receipt of verifiable written notice that the dispute is the subject of litigation or mediation. If Broker has received verifiable written notice of litigation or mediation prior to the receipt of Buyer's request for distribution, Broker will continue to hold the deposit monies until receipt of a written distribution agreement between Buyer and Seller or a final court order. Buyer and Seller are advised to initiate litigation or mediation for any portion of the deposit monies prior to any distribution made by Broker pursuant to this paragraph. Buyer and Seller agree that the distribution of deposit monies based upon the passage of time does not legally determine entitlement to deposit monies, and that the parties maintain their legal rights to pursue litigation even after a distribution is made.

(D) Buyer and Seller agree that Broker who holds or distributes deposit monies pursuant to the terms of Paragraph 24 or Pennsylvania law will not be liable. Buyer and Seller agree that if any Broker or affiliated licensee is named in litigation regarding deposit monies, the attorneys' fees and costs of the Broker(s) and licensee(s) will be paid by the party naming them in litigation.

(E) Seller has the option of retaining all sums paid by Buyer, including the deposit monies, should Buyer:

1. Fail to make any additional payments as specified in Paragraph 2, OR
2. Furnish false or incomplete information to Seller, Broker(s), or any other party identified in this Agreement concerning Buyer's legal or financial status, OR
3. Violate or fail to fulfill and perform any other terms or conditions of this Agreement.

(F) **Unless otherwise checked in Paragraph 24(G),** Seller may elect to retain those sums paid by Buyer, including deposit monies:

1. On account of purchase price, OR
2. As monies to be applied to Seller's damages, OR
3. As liquidated damages for such default.

(G) [x] **SELLER IS LIMITED TO RETAINING SUMS PAID BY BUYER, INCLUDING DEPOSIT MONIES, AS LIQUIDATED DAMAGES.**

(H) If Seller receives all sums paid and/or owed by Buyer, including deposit monies, as liquidated damages pursuant to Paragraph 24(F) or (G), Buyer and Seller are released from further liability or obligation and this Agreement is VOID.

(I) Brokers and licensees are not responsible for unpaid deposits.

25. ARBITRATION OF DISPUTES (1-00)

Buyer and Seller agree to arbitrate any dispute between them that cannot be amicably resolved. After written demand for arbitration by either Buyer or Seller, each party will select a competent and disinterested arbitrator. The two so selected will select a third. If selection of the third arbitrator cannot be agreed upon within 30 days, either party may request that selection be made by a judge of a court of record in the county in which arbitration is pending. Each party will pay its chosen arbitrator, and bear equally expenses for the third and all other expenses of arbitration. Arbitration will be conducted in accordance with the provisions of Pennsylvania Common Law Arbitration 42 Pa. C.S.A. §7341 *et seq.* This agreement to arbitrate disputes arising from this Agreement will survive settlement.

26. RELEASE (9-05)

Buyer releases, quit claims and forever discharges SELLER, ALL BROKERS, their LICENSEES, EMPLOYEES and any OFFICER or PARTNER of any one of them and any other PERSON, FIRM or CORPORATION who may be liable by or through them, from any and all claims, losses or demands, including, but not limited to, personal injury and property damage and all of the consequences thereof, whether known or not, which may arise from the presence of termites or other wood-boring insects, radon, lead-based paint hazards, mold, fungi or indoor air quality, environmental hazards, any defects in the individual on-lot sewage disposal system or deficiencies in the on-site water service system, or any defects or conditions on the Property. Should Seller be in default under the terms of this Agreement or in violation of any Seller disclosure law or regulation, this release does not deprive Buyer of any right to pursue any remedies that may be available under law or equity. This release will survive settlement.

27. REAL ESTATE RECOVERY FUND (1-18)
A Real Estate Recovery Fund exists to reimburse any persons who have obtained a final civil judgment against a Pennsylvania real estate licensee (or a licensee's affiliates) owing to fraud, misrepresentation, or deceit in a real estate transaction and who have been unable to collect the judgment after exhausting all legal and equitable remedies. For complete details about the Fund, call (717) 783-3658.

28. COMMUNICATIONS WITH BUYER AND/OR SELLER (6-13)
Wherever this Agreement contains a provision that requires or allows communication/delivery to a Buyer, that provision shall be satisfied by communication/delivery to the Broker for Buyer, if any, except where required by law. If there is no Broker for Buyer, those provisions may be satisfied only by communication/delivery being made directly to the Buyer, unless otherwise agreed to by the parties. Wherever this Agreement contains a provision that requires or allows communication/delivery to a Seller, that provision shall be satisfied by communication/delivery to the Broker for Seller, if any. If there is no Broker for Seller, those provisions may be satisfied only by communication/delivery being made directly to the Seller, unless otherwise agreed to by the parties.

29. NOTICE BEFORE SIGNING (4-14)
Unless otherwise stated in writing, Buyer and Seller acknowledge that Brokers are not experts in legal or tax matters and that Brokers have not made, nor will they make, any representations or warranties nor conduct research of the legal or tax ramifications of this Agreement. Buyer and Seller acknowledge that Brokers have advised them to consult and retain experts concerning the legal and tax effects of this Agreement and the completion of the sale, as well as the condition and/or legality of the Property, including, but not limited to, the Property's improvements, equipment, soil, tenancies, title and environmental aspects. Buyer and Seller acknowledge receipt of a copy of this Agreement at the time of signing. **This Agreement may be executed in one or more counterparts**, each of which shall be deemed to be an original and which counterparts together shall constitute one and the same Agreement of the Parties. **WHEN SIGNED, THIS AGREEMENT IS A BINDING CONTRACT.** Return of this Agreement, and any addenda and amendments, including **return by electronic transmission**, bearing the signatures of all parties, constitutes acceptance by the parties.

30. SPECIAL CLAUSES (4-14)
(A) **The following are part of this Agreement if checked:**

- ☐ Appraisal Contingency Addendum to Agreement of Sale (PAR Form ACA)
- ☐ Short Sale Addendum to Agreement of Sale (PAR Form SHS)
- ☐ Zoning Change Addendum to Agreement of Sale (PAR Form ZCA)
- ☐ ______________________________
- ☐ ______________________________
- ☐ ______________________________

(B) **Additional Terms: Agreement is contingent upon seller entering into a lease agreement with Campbell Broth3rs Enterprises LLC pursuant to lease agreement attached. (Exhibit A)**

__________ Buyer has received the Consumer Notice, where applicable, as adopted by the State Real Estate Commission at 49 Pa. Code §35.336.

__________ Buyer has received a statement of Buyer's estimated closing costs before signing this Agreement.

__________ Buyer has received the Deposit Money Notice (for cooperative sales when Broker for Seller is holding deposit money) before signing this Agreement.

BUYER /s/ Brian Campbell **DATE** 7/25/2024

Mailing Address ______________________________

Phone(s)__________ Fax __________ Email__________

BUYER ______________________________ **DATE** __________

Mailing Address ______________________________
Phone(s)__________ Fax __________ Email__________

BUYER ______________________________ **DATE** __________

Mailing Address ______________________________
Phone(s)__________ Fax __________ Email__________

AUTHORIZED REPRESENTATIVE Brian Campbell
Title Owner
COMPANY Campbell Broth3rs Enterprises LLC

Seller has received the Consumer Notice, where applicable, as adopted by the State Real Estate Commission at 49 Pa. Code § 35.336.
Seller has received a statement of Seller's estimated closing costs before signing this Agreement.

VOLUNTARY TRANSFER OF CORPORATE ASSETS (if applicable): The undersigned acknowledges that he/she is authorized by the Board of Directors to sign this Agreement on behalf of the Seller corporation and that this sale does not constitute a sale, lease, or exchange of all or substantially all the property and assets of the corporation, such as would require the authorization or consent of the shareholders pursuant to 15 P.S. §1311.

SELLER Presence Bank /s/ Janak M. Amin **DATE** July 25, 2024

Mailing Address ______
Phone(s)______ Fax ______ Email______

SELLER ______ **DATE** ______

Mailing Address ______

Phone(s)______ Fax ______ Email______

SELLER ______ **DATE** ______

Mailing Address ______

Phone(s)______ Fax ______ Email______

AUTHORIZED REPRESENTATIVE Janak M. Amin
Title President & CEO

COMPANY Coatesville Savings Bank AKA Presence Bank

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Janak M. Amin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PB Bankshares, 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 period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: August 14, 2024

By: /s/ Janak M. Amin
Name: Janak M. Amin
Title: President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Lindsay S. Bixler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PB Bankshares, 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 period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: August 14, 2024

By: /s/ Lindsay S. Bixler
Name: Lindsay S. Bixler
Title: Executive Vice President and Chief Financial Officer

Exhibit 32.1

Certification of CEO Pursuant to 18 U.S.C. Section 1350,

As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of PB Bankshares, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2024 (the “Report”), as filed with the Securities and Exchange Commission on the date hereof, I, the undersigned, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or Section 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 the Company.

Date: August 14, 2024

By:	/s/ Janak M. Amin
Name:	Janak M. Amin
Title:	President & Chief Executive Officer

Exhibit 32.2

Certification of CFO Pursuant to 18 U.S.C. Section 1350,

As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of PB Bankshares, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2024 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, the undersigned, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or Section 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 the Company.

Date: August 14, 2024

By: /s/ Lindsay S. Bixler
Name: Lindsay S. Bixler
Title: Executive Vice President and Chief Financial Officer