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 September 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	**86-3947794**
(State or other jurisdiction of incorporation or organization)	**(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 – 2,552,115 shares outstanding as of November 11, 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)

	September 30, 2024 (Unaudited)	December 31, 2023
Assets		
Cash and due from banks	$ 44,489	$ 18,256
Federal funds sold	10,030	14,182
Cash and cash equivalents	54,519	32,438
Debt securities available-for-sale, at fair value	36,381	68,115
Equity securities, at fair value	827	793
Restricted stocks, at cost	2,252	2,590
Loans receivable, net of allowance for credit losses of $4,430 at September 30, 2024 and $ 4,511 at December 31, 2023	344,123	321,382
Premises and equipment, net	1,952	2,057
Deferred income taxes, net	1,577	1,732
Accrued interest receivable	1,644	1,253
Bank owned life insurance	8,392	8,230
Other assets	1,190	1,158
Total Assets	$ 452,857	$ 439,748
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	$ 354,795	$ 332,966
Borrowings	45,248	55,104
Accrued expenses and other liabilities	5,122	4,689
Total Liabilities	405,165	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 September 30, 2024 and December 31, 2023	—	—
Common Stock, $ 0.01 par value, 40,000,000 shares authorized; 2,552,115 (including 89,468 unvested restricted shares) and 2,679,967 (including 86,493 unvested restricted shares) issued and outstanding at September 30, 2024 and December 31, 2023, respectively	24	26
Additional paid-in capital	22,795	24,115
Retained earnings	27,649	26,558
Unearned ESOP shares, 188,853 shares at September 30, 2024 and December 31, 2023	(2,463)	(2,463)
Accumulated other comprehensive loss	(313)	(1,247)
Total Stockholders' Equity	47,692	46,989
Total Liabilities and Stockholders' Equity	$ 452,857	$ 439,748

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	**2024**	2023
Interest and Dividend Income				
Loans, including fees	**$ 5,070**	$ 4,380	**$ 14,477**	$ 12,533
Securities	**285**	337	**863**	738
Other	**656**	422	**2,216**	1,284
Total Interest and Dividend Income	**6,011**	5,139	**17,556**	14,555
Interest Expense				
Deposits	**2,731**	1,645	**7,897**	3,961
Borrowings	**454**	453	**1,415**	1,286
Total Interest Expense	**3,185**	2,098	**9,312**	5,247
Net interest income	**2,826**	3,041	**8,244**	9,308
Provision for Credit Losses	**34**	140	**(33)**	570
Net interest income after provision for credit losses	**2,792**	2,901	**8,277**	8,738
Noninterest Income				
Service charges on deposit accounts	**49**	39	**146**	130
Gain (loss) on equity securities	**29**	(24)	**17**	(24)
Bank owned life insurance income	**55**	50	**162**	141
Debit card income	**54**	59	**157**	165
Other service charges	**21**	20	**58**	87
Loss on disposal of premises and equipment	**—**	—	**—**	(40)
Other income	**66**	41	**111**	123
Total Noninterest Income	**274**	185	**651**	582
Noninterest Expenses				
Salaries and employee benefits	**1,358**	1,279	**4,040**	3,970
Occupancy and equipment	**153**	180	**486**	521
Data and item processing	**335**	268	**915**	798
Advertising and marketing	**46**	60	**136**	158
Professional fees	**197**	170	**555**	515
Directors' fees	**107**	107	**321**	322
FDIC insurance premiums	**53**	46	**172**	138
Pennsylvania shares tax	**74**	72	**226**	221
Debit card expenses	**39**	44	**119**	118
Other	**189**	206	**566**	629
Total Noninterest Expenses	**2,551**	2,432	**7,536**	7,390
Income before income tax expense	**515**	654	**1,392**	1,930
Income Tax Expense	**111**	141	**301**	420
Net Income	**$ 404**	$ 513	**$ 1,091**	$ 1,510
Earnings per common share - basic	**$ 0.18**	$ 0.21	**$ 0.47**	$ 0.61
Earnings per common share - diluted	**$ 0.18**	$ 0.21	**$ 0.47**	$ 0.60

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 September 30,		Nine Months Ended September 30,	
	2024	2023	**2024**	2023
Net Income	**$ 404**	$ 513	**$ 1,091**	$ 1,510
Other Comprehensive Income (Loss)				
Unrealized gains (losses) on debt securities available-for-sale:				
Unrealized holding gains (losses) arising during period	**971**	(2)	**1,182**	204
Tax effect	**(204)**	1	**(248)**	(43)
Other comprehensive income (loss)	**767**	(1)	**934**	161
Total Comprehensive Income	**$ 1,171**	$ 512	**$ 2,025**	$ 1,671

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

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

	Common Stock	Additional Paid-In Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Loss	Total
Balance, July 1, 2023	$ 27	$ 24,892	$ 25,636	$ (2,608)	$ (1,770)	$ 46,177
Net income	—	—	513	—	—	513
Repurchased common stock, 18,155 shares	(1)	(244)	—	—	—	(245)
Stock based compensation expense	—	138	—	—	—	138
Other comprehensive loss	—	—	—	—	(1)	(1)
Balance, September 30, 2023	$ 26	$ 24,786	$ 26,149	$ (2,608)	$ (1,771)	$ 46,582
Balance, July 1, 2024	**$ 25**	**$ 22,873**	**$ 27,245**	**$ (2,463)**	**$ (1,080)**	**$ 46,600**
Net income	**—**	**—**	**404**	**—**	**—**	**404**
Repurchased common stock, 15,000 shares	**(1)**	**(220)**	**—**	**—**	**—**	**(221)**
Stock based compensation expense	**—**	**142**	**—**	**—**	**—**	**142**
Other comprehensive income	**—**	**—**	**—**	**—**	**767**	**767**
Balance, September 30, 2024	**$ 24**	**$ 22,795**	**$ 27,649**	**$ (2,463)**	**$ (313)**	**$ 47,692**
Balance, January 1, 2023	$ 27	$ 25,721	$ 24,779	$ (2,608)	$ (1,932)	$ 45,987
Net income	—	—	1,510	—	—	1,510
Repurchased common stock, 100,109 shares	(1)	(1,341)	—	—	—	(1,342)
Adoption of CECL	—	—	(140)	—	—	(140)
Stock based compensation expense	—	406	—	—	—	406
Other comprehensive income	—	—	—	—	161	161
Balance, September 30, 2023	$ 26	$ 24,786	$ 26,149	$ (2,608)	$ (1,771)	$ 46,582
Balance, January 1, 2024	**$ 26**	**$ 24,115**	**$ 26,558**	**$ (2,463)**	**$ (1,247)**	**$ 46,989**
Net income	**—**	**—**	**1,091**	**—**	**—**	**1,091**
Repurchased common stock, 130,827 shares	**(2)**	**(1,733)**	**—**	**—**	**—**	**(1,735)**
Stock based compensation expense	**—**	**413**	**—**	**—**	**—**	**413**
Other comprehensive income	**—**	**—**	**—**	**—**	**934**	**934**
Balance, September 30, 2024	**$ 24**	**$ 22,795**	**$ 27,649**	**$ (2,463)**	**$ (313)**	**$ 47,692**

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)

	Nine Months Ended September 30,	
	2024	2023
Cash Flows from Operating Activities		
Net income	$ **1,091**	$ 1,510
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	**(33)**	570
Depreciation and amortization	**262**	242
Loss on disposal of premises and equipment	**—**	40
Net accretion of securities premiums and discounts	**(378)**	(377)
Deferred income tax benefit	**(93)**	(176)
(Gain) loss on equity securities	**(17)**	24
Deferred loan fees, net	**7**	62
Earnings on bank owned life insurance	**(162)**	(141)
Stock-based compensation expense	**413**	406
Increase in accrued interest receivable and other assets	**(476)**	(149)
Increase in accrued expenses and other liabilities	**448**	649
Net Cash Provided by Operating Activities	**1,062**	2,660
Cash Flows from Investing Activities		
Activity in debt securities available-for-sale:		
Purchases	**(16,169)**	(18,584)
Maturities, calls, and principal repayments	**49,463**	30,545
Dividends on equity securities reinvested	**(17)**	(14)
Redemption (purchase) of restricted stocks	**338**	(213)
Purchase of additional Bank Owned Life Insurance (BOLI)	**—**	(550)
Net increase in loans receivable	**(22,773)**	(25,158)
Purchases of premises and equipment	**(61)**	(638)
Net Cash Provided by (Used in) Investing Activities	**10,781**	(14,612)
Cash Flows from Financing Activities		
Net increase in deposits	**21,829**	17,026
Repurchased common stock	**(1,735)**	(1,342)
Advances of borrowings	**—**	13,650
Repayments of borrowings	**(9,856)**	(9,401)
Net Cash Provided by Financing Activities	**10,238**	19,933
Increase in cash and cash equivalents	**22,081**	7,981
Cash and Cash Equivalents, Beginning of Period	**32,438**	17,204
Cash and Cash Equivalents, End of Period	**$ 54,519**	$ 25,185
Supplementary Cash Flows Information		
Interest paid	**$ 9,111**	$ 4,972
Right-of-use lease assets and liabilities	**43**	—
Income taxes paid	**280**	331
Supplementary Non-Cash Flows Information		
Unrealized gain on debt securities available-for-sale	**$ 1,182**	$ 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 nine month periods ended September 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.

In November 2024, the Financial Accounting Standards Board (FASB) issued ASU 2024-03, "Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses." ASU 2024-03 requires public companies to disclose, in the notes to the financial statements, specific information about certain costs and expenses at each interim and annual reporting period. This includes disclosing amounts related to employee compensation, depreciation, and intangible asset amortization. In addition, public companies will need to provide qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively. ASU 2024-03 is effective for public business entities for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Implementation of ASU 2024-03 may be applied prospectively or retrospectively. The Company does not expect the adoption of ASU 2024-03 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):

September 30, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities:				
Agency bonds	$ 21,246	$ —	$ (702)	$ 20,544
Corporate bonds	4,434	393	(21)	4,806
Treasury securities	8,858	85	—	8,943
Mortgage-backed securities	67	2	—	69
Collateralized mortgage obligations	2,172	—	(153)	2,019
Total available-for-sale debt securities	$ 36,777	$ 480	$ (876)	$ 36,381
Equity securities:				
Mutual funds (fixed income)				$ 827

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 September 30, 2024 and December 31, 2023 (in thousands):

September 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	**$ —**	**$ —**	**$ 20,544**	**$ (702)**	**$ 20,544**	**$ (702)**
Corporate bonds	**1,529**	**(21)**			**1,529**	**(21)**
Collateralized mortgage obligations	**—**	**—**	**2,019**	**(153)**	**2,019**	**(153)**
Total	**$ 1,529**	**$ (21)**	**$ 22,563**	**$ (855)**	**$ 24,092**	**$ (876)**

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 September 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 September 30, 2024 and December 31, 2023.

At September 30, 2024, 47 agency bonds, 33 collateralized mortgage obligations and two corporate bonds 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 September 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 September 30, 2024, and therefore, no allowance for credit losses was recorded.

There were no securities sold during the three and nine months ended September 30, 2024 and 2023. The amortized cost and fair value of debt securities available-for-sale at September 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	$ **14,650**	$ **14,422**	**3.59** %
Due one year through five years	**15,454**	**15,065**	**2.46**
Due after five years through ten years	**4,434**	**4,806**	**8.49**
Mortgage-backed securities	**67**	**69**	**5.66**
Collateralized mortgage obligations	**2,172**	**2,019**	**1.95**
Total available-for-sale debt securities	$ **36,777**	$ **36,381**	**2.71** %

At September 30, 2024 and December 31, 2023, the Company had securities with fair values totaling $ 1,941,000 and $ 1,878,000 , respectively, pledged to secure borrowings.

At September 30, 2024 and December 31, 2023, the Company had securities with fair values totaling $ 22,464,000 and $ 15,073,000 , respectively, pledged primarily for public fund depositors.

At September 30, 2024 and December 31, 2023, the Company had accrued interest receivable on available for sale debt securities totaling $ 163,000 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 $ 1.5 million and $ 1.3 million at September 30, 2024 and December 31, 2023, respectively, from the amortized cost basis of loans.

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

	September 30, 2024	December 31, 2023
Real estate:		
One-to four-family residential	$ **105,951**	$ 108,534
Commercial	**205,617**	184,868
Construction	**7,694**	10,805
Commercial and industrial	**19,466**	16,552
Consumer and other	**10,464**	5,836
	349,192	326,595
Deferred loan fees, net	**(639)**	(702)
Allowance for credit losses	**(4,430)**	(4,511)
Total loans receivable, net	$ **344,123**	$ 321,382

The following table summarizes the activity in the allowance for credit losses - loans by loan class for the three months ended September 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	**$ 1,199**	**$ —**	**$ —**	**$ (90)**	**$ 1,109**
Commercial	**2,838**	**(115)**	**—**	**52**	**2,775**
Construction	**69**	**—**	**—**	**(4)**	**65**
Commercial and industrial	**247**	**—**	**2**	**(6)**	**243**
Consumer and other	**105**	**—**	**4**	**9**	**118**
Unallocated	**42**	**—**	**—**	**78**	**120**
	$ 4,500	**$ (115)**	**$ 6**	**$ 39**	**$ 4,430**

The following table summarizes the activity in the allowance for credit losses - loans by loan class for the three months ended September 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	$ 1,233	$ —	$ —	$ 136	$ 1,369
Commercial	2,354	—	—	213	2,567
Construction	138	—	—	(40)	98
Commercial and industrial	209	—	1	21	231
Consumer and other	112	—	—	3	115
Unallocated	268	—	—	(180)	88
	$ 4,314	$ —	$ 1	$ 153	$ 4,468

The following table summarizes the activity in the allowance for credit losses - loans by loan class for the nine months ended September 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**	**$ —**	**$ —**	**$ (158)**	**$ 1,109**
Commercial	**2,637**	**(115)**	**—**	**253**	**2,775**
Construction	**112**	**—**	**—**	**(47)**	**65**
Commercial and industrial	**229**	**—**	**5**	**9**	**243**
Consumer and other	**71**	**(6)**	**10**	**43**	**118**
Unallocated	**195**	**—**	**—**	**(75)**	**120**
Total	**$ 4,511**	**$ (121)**	**$ 15**	**$ 25**	**$ 4,430**

The following table summarizes the activity in the allowance for credit losses - loans by loan class for the nine months ended September 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	$ 153	$ 1,369
Commercial	1,829	75	—	—	663	2,567
Construction	316	(34)	—	—	(184)	98
Commercial and industrial	308	(84)	(144)	3	148	231
Consumer and other	87	3	—	—	25	115
Unallocated	296	(5)	—	—	(203)	88
Total	$ 3,992	$ —	$ (144)	$ 18	$ 602	$ 4,468

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

	Three Months Ended September 30,	
	2024	2023
Provision for credit losses:		
Provision for loans	**$ 39**	$ 153
Recovery for unfunded commitments	**(5)**	(13)
Total provision for credit losses	**$ 34**	$ 140

	Nine Months Ended September 30,	
	2024	2023
Provision for credit losses:		
Provision for loans	**$ 25**	$ 602
Recovery for unfunded commitments	**(58)**	(32)
Total provision for credit losses	**$ (33)**	$ 570

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 September 30, 2024 and December 31, 2023 (in thousands):

	September 30, 2024	
	Nonaccrual	Nonaccrual With No ACL
Real estate:		
One- to four-family residential	$ 105	$ 105
Commercial	1,002	887
Commercial and industrial	163	163
Total	$ 1,270	$ 1,155

	December 31, 2023	
	Nonaccrual	Nonaccrual With No ACL
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 September 30, 2024 (in thousands):

	September 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	$ 307	$ —	$ 307	$ —
Commercial	1,619	—	1,619	217
Construction	—	—	—	—
Commercial and industrial	163	—	163	—
Consumer and other	—	—	—	—
Total	$ 2,089	$ —	$ 2,089	$ 217

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 September 30, 2024 (in thousands); as well as gross charge-offs (in thousands) for the nine months ended September 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	$ 4,099	$ 8,133	$17,004	$17,025	$11,691	$ 36,430	$ 9,952	$ 1,134	$105,468
Special Mention	—	—	—	—	—	176	—	—	176
Substandard	—	—	—	—	—	307	—	—	307
Total real estate: one- to four-family residential	$ 4,099	$ 8,133	$17,004	$17,025	$11,691	$ 36,913	$ 9,952	$ 1,134	$105,951
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Real estate: commercial									
Pass	$27,654	$ 43,129	$38,441	$44,235	$19,891	$ 24,608	$ 5,451	$ —	$203,409
Special Mention	—	—	252	—	337	—	—	—	589
Substandard	—	—	—	—	—	1,619	—	—	1,619
Total real estate: commercial	$27,654	$ 43,129	$38,693	$44,235	$20,228	$ 26,227	$ 5,451	$ —	$205,617
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ (115)	$ —	$ —	$ (115)
Real estate: construction									
Pass	$ 1,078	$ —	$ 2,025	$ 4,125	$ 80	$ —	$ 386	$ —	$ 7,694
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total real estate: construction	$ 1,078	$ —	$ 2,025	$ 4,125	$ 80	$ —	$ 386	$ —	$ 7,694
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial and industrial									
Pass	$ 2,602	$ 548	$ 2,676	$ 2,135	$ 450	$ 233	$ 10,361	$ 58	$ 19,063
Special Mention	—	—	—	—	—	—	240	—	240
Substandard	—	—	—	—	—	163	—	—	163
Total commercial and industrial	$ 2,602	$ 548	$ 2,676	$ 2,135	$ 450	$ 396	$ 10,601	$ 58	$ 19,466
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Consumer and other									
Pass	$ 99	$ —	$ 2,008	$ 2,000	$ 936	$ —	$ 5,043	$ —	$ 10,086
Special Mention	378	—	—	—	—	—	—	—	378
Substandard	—	—	—	—	—	—	—	—	—
Total consumer and other	$ 477	$ —	$ 2,008	$ 2,000	$ 936	$ —	$ 5,043	$ —	$ 10,464
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ (6)	$ —	$ (6)
Total loans, gross									
Pass	$35,532	$ 51,810	$62,154	$69,520	$33,048	$ 61,271	$ 31,193	$ 1,192	$345,720
Special Mention	378	—	252	—	337	176	240	—	1,383
Substandard	—	—	—	—	—	2,089	—	—	2,089
Total loans, gross	$35,910	$ 51,810	$62,406	$69,520	$33,385	$ 63,536	$ 31,433	$ 1,192	$349,192
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ (115)	$ (6)	$ —	$ (121)

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 September 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	**$ —**	**$ —**	**$ 25**	**$ 25**	**$ 105,926**	**$ 105,951**	**$ —**
Commercial	**—**	**888**	**114**	**1,002**	**204,615**	**205,617**	**—**
Construction	**—**	**—**	**—**	**—**	**7,694**	**7,694**	**—**
Commercial and industrial	**109**	**—**	**—**	**109**	**19,357**	**19,466**	—
Consumer and other	**—**	**—**	**—**	**—**	**10,464**	**10,464**	**—**
Total loans, gross	**$ 109**	**$ 888**	**$ 139**	**$ 1,136**	**$ 348,056**	**$ 349,192**	**$ —**

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 nine months ended September 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 nine months ended September 30, 2024 and 2023 of modified loans.

At September 30, 2024 and December 31, 2023, there was no other real estate owned. There was no real estate in process of foreclosure as of September 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 September 30, 2024 and December 31, 2023, and for the three and nine months ended September 30, 2024 and 2023 (dollars in thousands):

	September 30, 2024	December 31, 2023
Right-of-use assets	**$ 799**	852
Lease liabilities	**$ 765**	814
Weighted average remaining lease term	**12.34 years**	12.31 years
Weighted average discount rate	**4.91 %**	4.73 %

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	**Nine Months Ended September 30, 2024**	Nine Months Ended September 30, 2023
Operating lease cost	**$ 26**	$ 24	**$ 77**	$ 73
Short-term lease cost	**0**	20	**4**	61
Total lease costs	**$ 26**	$ 44	**$ 81**	$ 134
Cash paid for amounts included in the measurement of lease liabilities	**$ 34**	$ 33	**$ 103**	$ 99

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 September 30, 2024**
Three months ending December 31, 2024	**$ 32**
2025	**128**
2026	**85**
2027	**69**
2028	**66**
Thereafter	**647**
Total undiscounted cash flows	**1,027**
Discount	**262**
Lease Liability	**$ 765**

6. Borrowings

The Company has an unsecured line of credit with Atlantic Community Bankers Bank ("ACBB") of up to $ 7,500,000 , expiring on September 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 September 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 n o borrowings outstanding under the SouthState Bank, N.A. line of credit at September 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 n o borrowings outstanding through the discount window at September 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 September 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 5.18 % and 5.68 % at September 30, 2024 and December 31, 2023, respectively. The Company had no outstanding borrowings under this line of credit at September 30, 2024 and December 31, 2023.

Maximum borrowing capacity with the FHLB was approximately $ 199,549,000 and $ 178,468,000 at September 30, 2024 and December 31, 2023, respectively. The Company had three unfunded letters of credit with the FHLB totaling $ 9,000,000 at September 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 September 30, 2024 and December 31, 2023 consist of the following (dollars in thousands):

	September 30, 2024		December 31, 2023	
Maturity	Amount	Weighted Rate	Amount	Weighted Rate
2024	**$ 2,500**	**4.42 %**	$ 11,500	5.41 %
2025	**4,500**	**5.30**	4,500	5.30
2026	**2,620**	**3.42**	3,241	3.02
2027	**19,500**	**2.69**	19,500	2.69
2028	**13,650**	**4.00**	13,650	4.00
2032	**2,478**	**1.83**	2,713	1.83
Total borrowings	**$ 45,248**	**3.43 %**	$ 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 September 30, 2024 and December 31, 2023 (in thousands):

	September 30, 2024	December 31, 2023
Commitments to grant loans	$ 26,755	$ 31,481
Unfunded commitments under lines of credit	12,643	12,186
Standby letters of credit	8,344	1,808
Total off-balance sheet financial instruments	$ 47,742	$ 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 September 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 September 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 September 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 $ 73,000 and $ 211,000 for the three and nine month periods ended September 30, 2024 and $ 71,000 and $ 208,000 for the same periods ended September 30, 2023, respectively. At September 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 nine month periods ended September 30, 2024 was as follows (dollars in thousands, except per share data):

	Three Months Ended September 30, 2024			
	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding, July 1, 2024	277,725	$ 12.28	8.19	
Granted	—	—	—	
Exercised	—	—	—	
Forfeited	—	—	—	
Outstanding, September 30, 2024	277,725	$ 12.28	8.19	$ 715
Exercisable, September 30, 2024	53,214	$ 12.28	8.13	$ 169

	Nine Months Ended September 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, September 30, 2024	277,725	$ 12.28	8.19	$ 715
Exercisable, September 30, 2024	53,214	$ 12.28	8.13	$ 169

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 $ 69,000 and $ 202,000 for the three and nine month periods ended September 30, 2024 and $ 67,000 and $ 198,000 for the same periods ended September 30, 2023, respectively. At September 30, 2024, the unrecognized compensation expense relating to non-vested stock outstanding was $ 1,383,000 .

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

	Three Months Ended September 30, 2024	
	Number of Shares	Weighted-Average Grant Date Fair Value
Non-vested, July 1, 2024	**89,468**	**$ 12.28**
Granted	**—**	**—**
Vested	**—**	**—**
Forfeited	**—**	**—**
Non-vested at September 30, 2024	**89,468**	**$ 12.28**

	Nine Months Ended September 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 September 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 September 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 September 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 September 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.

September 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)	**$45,842**	**13.65 %**	**$ 26,864**	**8.00 %**	**$ 35,258**	**10.500 %**	**$ 33,580**	**10.00 %**
Tier 1 capital (to risk-weighted assets)	**$41,642**	**12.40 %**	**$ 20,148**	**6.00 %**	**$ 28,543**	**8.500 %**	**$ 26,864**	**8.00 %**
Common equity (to risk-weighted assets)	**$41,642**	**12.40 %**	**$ 15,111**	**4.50 %**	**$ 23,506**	**7.000 %**	**$ 21,827**	**6.50 %**
Tier 1 capital (to average assets)	**$41,642**	**9.37 %**	**$ 17,777**	**4.00 %**	**N/A**	**N/A**	**$ 22,222**	**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 September 30, 2024	Three Months Ended September 30, 2023	**Nine Months Ended September 30, 2024**	Nine Months Ended September 30, 2023
Net income	**$ 404**	$ 513	**$ 1,091**	$ 1,510
Weighted average common shares outstanding	**2,464,441**	2,643,955	**2,513,430**	2,687,605
Less: Average unearned ESOP shares	**(188,853)**	(199,962)	**(188,853)**	(199,962)
Weighted average shares outstanding (basic)	**2,275,588**	2,443,993	**2,324,577**	2,487,643
Dilutive common stock equivalents	**31,664**	21,875	**19,717**	17,276
Weighted average shares outstanding (diluted)	**2,307,252**	2,465,868	**2,344,294**	2,504,919
Basic earnings per common share	**$ 0.18**	$ 0.21	**$ 0.47**	$ 0.61
Diluted earnings per common share	**$ 0.18**	$ 0.21	**$ 0.47**	$ 0.60

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 on a Recurring Basis)

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 on a Nonrecurring Basis)

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 September 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 $ 217,000 . 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 September 30, 2024 and December 31, 2023 are as follows (in thousands):

September 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	**$ 20,544**	**$ —**	**$ 20,544**	**$ —**
Corporate bonds	**4,806**	**—**	**4,806**	**—**
Treasury securities	**8,943**	**8,943**	**—**	**—**
Mortgage-backed securities	**69**	**—**	**69**	**—**
Collateralized mortgage obligations	**2,019**	**—**	**2,019**	**—**
Mutual funds	**827**	**827**	**—**	**—**
Total assets measured at fair value on a recurring basis	**$ 37,208**	**$ 9,770**	**$ 27,438**	**$ —**

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 September 30, 2024 are as follows (in thousands):

September 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**

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 September 30, 2024 (dollars in thousands):

September 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)	0.0 % - 20.6 % (10.3 %) (2)

(1) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses.
(2) Weighted based on the relative fair value of the instruments.

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

(In thousands)	Fair Value Hierarchy Level	**September 30, 2024** Carrying Amounts	Estimated Fair Values	December 31, 2023 Carrying Amounts	Estimated Fair Values
Financial assets:					
Cash and cash equivalents	1	$ **54,519**	$ **54,519**	$ 32,438	$ 32,438
Debt securities - available-for-sale	1 & 2	**36,381**	**36,381**	68,115	68,115
Equity securities	1	**827**	**827**	793	793
Restricted stocks	2	**2,252**	**2,252**	2,590	2,590
Loans, net	3	**344,123**	**339,521**	321,382	319,763
Accrued interest receivable	1	**1,644**	**1,644**	1,253	1,253
Bank owned life insurance	2	**8,392**	**8,392**	8,230	8,230
Financial liabilities:					
Demand deposits, savings, and money market	1	**184,506**	**184,506**	187,455	187,455
Certificates of deposit	2	**170,289**	**170,411**	145,511	138,418
Borrowings	2	**45,248**	**45,106**	55,104	54,428
Accrued interest payable	1	**1,115**	**1,115**	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 nine months ended September 30, 2024 and 2023 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
Noninterest income in scope of Topic 606	**2024**	2023	**2024**	2023
Service charges on deposit accounts	**$ 49**	$ 39	**$ 146**	$ 130
Debit card income	**54**	59	**157**	165
Other service charges	**21**	20	**58**	87
Loss on disposal of premises and equipment	**—**	—	**—**	(40)
Other noninterest income	**66**	41	**111**	123
Noninterest income (in scope for Topic 606)	**190**	159	**472**	465
Noninterest income (out of scope for Topic 606)	**84**	26	**179**	117
Total noninterest income	**$ 274**	$ 185	**$ 651**	$ 582

Contract Balances

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

Contract Acquisition Costs

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

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 $13.1 million, or 3.0%, from $439.7 million at December 31, 2023 to $452.8 million at September 30, 2024 and an increase in our deposits of $21.8 million, or 6.6%, from $333.0 million at December 31, 2023 to $354.8 million at September 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 September 30, 2024, we reported net income of $404,000 compared to net income of $513,000 for the three months ended September 30, 2023. The period over period decrease in earnings of $109,000 was attributable to a decrease in net interest income and an increase in noninterest expense, partially offset by an increase in noninterest income and decreases in provision for credit losses and income tax expense.

For the nine months ended September 30, 2024, we reported net income of $1.1 million compared to net income of $1.5 million for the nine months ended September 30, 2023. The period over period decrease in earnings of $419,000 was attributable to a decrease in net interest income and an increase in noninterest expense, partially offset by an increase in noninterest income and 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 September 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 September 30, 2024 and December 31, 2023

Total assets**.** Total assets increased $13.1 million to $452.8 million at September 30, 2024 from $439.7 million at December 31, 2023. The increase in assets was primarily due to increases in net loans receivable and cash and cash equivalents, 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 $22.1 million to $54.5 million at September 30, 2024 from $32.4 million at December 31, 2023. Gross loans increased $22.6 million, or 6.9%, to $349.2 million at September 30, 2024 from $326.6 million at December 31, 2023, primarily due to growth in the commercial real estate loan portfolio. Debt securities available-for-sale decreased $31.7 million to $36.4 million at September 30, 2024 from $68.1 million at December 31, 2023, primarily due to the maturity of short-term treasury securities.

Net loans receivable increased $22.7 million, or 7.1%, to $344.1 million at September 30, 2024 from $321.4 million at December 31, 2023 primarily due to the increase in the commercial real estate loan portfolio. Commercial real estate loans increased $20.7 million, or 11.2%, to $205.6 million at September 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 enhance revenue. Consumer and other loans increased $4.6 million, or 79.3%, to $10.5 million at September 30, 2024 from $5.8 million at December 31, 2023 primarily due to a draw under an existing facility. Commercial and industrial loans increased $2.9 million, or 17.6%, to $19.5 million at September 30, 2024 from $16.6 million at December 31, 2023 primarily due to new loan activity. Construction real estate loans decreased $3.1 million, or 28.8%, to $7.7 million at September 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 $2.6 million, or 2.4%, to $106.0 million at September 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 loan portfolio. As of September 30, 2024, approximately 85.5% or $127.6 million of the non-owner occupied commercial real estate loan portfolio was subject to stress testing (loans having exposure under $500,000 are not subject to stress testing). At September 30, 2024, the commercial real estate loan portfolio has an average Loan-to-Value ratio of 62.6% and a Debt Service Coverage ratio of 1.64 times, exclusive of any sponsor or guarantor support. The commercial real estate loan 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 are 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 $9.2 million in non-owner-occupied office space at September 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 71.3% and Debt Service Coverage ratio of 1.50 times, exclusive of any sponsor or guarantor support at September 30, 2024.

The Bank's hospitality portfolio is also an area of market focus. Loan exposure to this segment totaled $25.6 million (seven hotel properties) at September 30, 2024. At September 30, 2024, the average Loan-to-Value ratio of the Bank's hospitality portfolio was 73.2% with Debt Service Coverage ratio of 2.74 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 $22.1 million, or 68.1%, to $54.5 million at September 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 maturities and paydowns of $49.5 million of debt securities available-for-sale with $16.2 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 $31.7 million, or 46.6%, to $36.4 million at September 30, 2024 from $68.1 million at December 31, 2023 due to the maturity and paydowns of $49.5 million of securities, primarily short term treasury securities and $378,000 of accretion on the debt securities available for sale, partially offset by purchases of $16.2 million of treasury securities and corporate bonds and a $1.2 million year to date increase in the fair market value of debt securities available for sale.

Deposits and borrowings. Total deposits increased $21.8 million, or 6.6%, to $354.8 million at September 30, 2024 from $333.0 million at December 31, 2023. The increase in our deposits reflected a $24.8 million increase in certificates of deposit, a $4.8 million increase in noninterest-bearing demand deposits accounts and a $160,000 increase in money market accounts, partially offset by a $7.2 million decrease in interest-bearing demand deposit accounts and a $733,000 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 and utilization of brokered deposits. Uninsured deposits, excluding public deposits, which are secured with pledged investments and FHLB Letters of Credit, were approximately $38.1 million and $43.7 million, or 11.0% and 14.4% of total deposits at September 30, 2024 and December 31, 2023, respectively.

Total borrowings from the FHLB decreased $9.9 million, or 17.9%, to $45.2 million at September 30, 2024 from $55.1 million at December 31, 2023 due to advances that matured during 2024 that were not replaced.

Stockholders' Equity. Stockholders' equity increased $703,000, or 1.5%, to $47.7 million at September 30, 2024 from $47.0 million at December 31, 2023. The increase was due to net income of $1.1 million and the reduction in accumulated other comprehensive loss of $934,000, partially offset by the repurchase of 130,827 shares of common stock for $1.7 million.

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

General. Net income decreased $109,000, or 21.2%, to $404,000 for the three months ended September 30, 2024 from $513,000 for the three months ended September 30, 2023. The $109,000 period over period decrease in earnings was attributable to a $1.1 million increase in interest expense and a $119,000 increase in noninterest expense, partially offset by an $872,000 increase in interest and dividend income, a $106,000 decrease in the provision for credit losses, an $89,000 increase in noninterest income and a $30,000 decrease in income tax expense.

Interest and dividend income. Total interest and dividend income increased $872,000, or 17.0%, to $6.0 million for the three months ended September 30, 2024 from $5.1 million for the three months ended September 30, 2023. The increase in interest and dividend income was primarily the result of a $34.6 million increase period over period in the average balance of interest-earning assets, driven by a $23.0 million increase in average loan balances and a $16.6 million increase in the average balance of cash and cash equivalents, partially offset by a $4.9 million decrease in average balance of debt and equity securities available for sale and a $47,000 decrease in the average balance of restricted stocks. The increase was also due to a 39 basis points increase in the average yield on interest-earning assets. The average yield on average interest-earning assets increased to 5.46% for the three months ended September 30, 2024 from 5.07% for the three months ended September 30, 2023.

Interest income on loans, including fees, increased $690,000, or 15.8%, to $5.1 million for the three months ended September 30, 2024 as compared to $4.4 million for the three months ended September 30, 2023, reflecting a 45 basis points increase in the average yield on loans to 5.80% for the three months ended September 30, 2024 from 5.35% for the three months ended September 30, 2023 and an increase in the average balance of loans to $347.9 million for the three months ended September 30, 2024 from $324.9 million for the three months ended September 30, 2023. The average yield on loans increased as a result of the higher interest rate environment as new loans were originated at higher rates and the increase in the variable rate loan yields. 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.

Interest income on securities and restricted stocks decreased $52,000, or 15.4%, to $285,000 for the three months ended September 30, 2024 from $337,000 for the three months ended September 30, 2023. The decrease in interest income on debt and equity securities of $58,000 for the three months ended September 30, 2024 from the three months ended September 30, 2023 was due to a decrease in the average balance of debt and equity securities of $4.9 million, or 12.0%, to $36.1 million for the three months ended September 30, 2024 from $41.0 million for the three months ended September 30, 2023 and a 26 basis points decrease in the average yield on debt and equity securities to 2.58% for the three months ended September 30, 2024 from 2.84% for the three months ended September 30, 2023. The decreases in the average balance and average yields of debt and equity securities was primarily due to the purchase of higher yielding treasury securities during the three months ended September 30, 2023 as compared to the current year period. Restricted stock income is also included in the interest income on securities. Restricted stock income increased $6,000 for the three months ended September 30, 2024 from the three months ended September 30, 2023 due to a 117 basis points increase in the average yield on restricted stocks to 8.54% for the three months ended September 30, 2024 from 7.37% for the three months ended September 30, 2023, partially offset by a decrease in the average balance of restricted stocks of $47,000, or 1.9%, to $2.4 million for the three months ended September 30, 2024 as compared to the three months ended September 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 decreased due to decreases in Federal Home Loan Bank borrowings that requires a decrease in our ownership of Federal Home Loan Bank stock.

Interest income on cash and cash equivalents increased $234,000, or 55.5%, to $656,000 for the three months ended September 30, 2024, from $422,000 for the three months ended September 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 $16.6 million, or 47.8%, to $51.4 million for the three months ended September 30, 2024 from $34.8 million for the three months ended September 30, 2023 and an increase in the average yield on cash and cash equivalents of 23 basis points to 5.08% for the three months ended September 30, 2024 from 4.85% for the three months ended September 30, 2023, as a result of the higher interest rate environment.

Interest expense. Interest expense increased $1.1 million, or 51.8%, to $3.2 million for the three months ended September 30, 2024 20from $2.1 million for the three months ended September 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 76 basis points increase in the average cost of interest-bearing liabilities from 2.66% for the three months ended September 30, 2023 to 3.42% for the three months ended September 30, 2024 and an increase in the average balance of interest-bearing liabilities of $58.4 million to $370.3 million for the three months ended September 30, 2024 from $312.0 million for the three months ended September 30, 2023.

Interest expense on deposits increased $1.1 million, or 66.0%, to $2.7 million for the three months ended September 30, 2024 from $1.6 million for the three months ended September 30, 2023 as a result of an 89 basis points increase in the average cost of interest-bearing deposits and an increase of $59.6 million in the average balance of our interest-bearing deposits. The increase in the average cost of deposits was primarily due to a 142 basis points increase in the average cost of certificates of deposit, traditionally our higher costing deposits, to 4.58% for the three months ended September 30, 2024 from 3.16% for the three months ended September 30, 2023. The average cost of transaction accounts, traditionally our lower costing deposit accounts, consisting of demand, savings, and money market accounts increased 25 basis points to 2.18% for the three months ended September 30, 2024 from 1.93% for the three months ended September 30, 2023. The increase in rates was due to the higher interest rate environment and increased competition for deposits. An increase of $39.4 million in the average balance of certificates of deposit to $160.9 million for the three months ended September 30, 2024 from $121.5 million for the three months ended September 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 $20.2 million to $160.0 million for the three months ended

September 30, 2024 from $139.8 million for the three months ended September 30, 2023 was due to continued strategies to grow deposits through relationship banking.

Interest expense on Federal Home Loan Bank borrowings increased $1,000, or 0.2%, to $454,000 for the three months ended September 30, 2024 from $453,000 for the three months ended September 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 16 basis points to 3.66% for the three months ended September 30, 2024 from 3.50% for the three months ended September 30, 2023 as higher cost Federal Home Loan Bank borrowings were incurred to increase liquidity. There was a decrease of $1.2 million in the average balance of Federal Home Loan Bank borrowings to $49.4 million for the three months ended September 30, 2024 from $50.6 million for the three months ended September 30, 2023 as a result of maturing Federal Home Loan Bank borrowings that were not replaced.

Net interest income. Net interest income decreased $215,000, or 7.1%, to $2.8 million for the three months ended September 30, 2024 as compared to $3.0 million for the three months ended September 30, 2023. The decrease in net interest income for the three months ended September 30, 2024 compared to the three months ended September 30, 2023 was primarily due to the increases in interest expense on deposits and borrowings and a decrease in interest income on debt securities available-for-sale, partially offset by increases in interest income on loans and cash and cash equivalents. Average net interest-earning assets decreased by $23.7 million to $67.4 million for the three months ended September 30, 2024 from $91.1 million for the three months ended September 30, 2023. Our net interest margin decreased 43 basis points to 2.57% for the three months ended September 30, 2024 from 3.00% for the three months ended September 30, 2023. Our net interest rate spread decreased 37 basis points to 2.04% for the three months ended September 30, 2024 from 2.41% for the three months ended September 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 $34,000 provision for credit losses for the three months ended September 30, 2024 compared to $140,000 for the three months ended September 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 $4.4 million, or 1.27%, of loans outstanding at September 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 September 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 September 30, 2024	Three Months Ended September 30, 2023	Change Amount	Change Percent
	(Dollars in thousands)			
Service charges on deposit accounts	**$ 49**	$ 39	$ 10	25.6 %
Gain (loss) on equity securities	**29**	(24)	53	220.8
Bank owned life insurance income	**55**	50	5	10.0
Debit card income	**54**	59	(5)	(8.5)
Other service charges	**21**	20	1	5.0
Other income	**66**	41	25	61.0
Total noninterest income	**$ 274**	$ 185	$ 89	48.1 %

Noninterest income increased by $89,000, or 48.1%, to $274,000 for the three months ended September 30, 2024 from $185,000 for the three months ended September 30, 2023. The increase in noninterest income resulted primarily from the increases in gain (loss) on equity securities of $53,000 and an increase in other income of $25,000. The gain (loss) on equity securities increased $53,000 due to $29,000 of gain in the third quarter of 2024, compared to $24,000 of loss in the third quarter of 2023. Other income increased $25,000 primarily due to loan related fee income of $57,000 and $22,000 for the three months ended September 30, 2024 and 2023, respectively, earned for brokering interest rate swap agreements between the Bank's customers and counterparties unrelated to the Bank.

Noninterest Expenses. Noninterest expenses information is as follows.

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Change Amount	Change Percent
	(Dollars in thousands)			
Salaries and employee benefits	**$ 1,358**	$ 1,279	$ 79	6.2 %
Occupancy and equipment	**153**	180	(27)	(15.0)
Data and item processing	**335**	268	67	25.0
Advertising and marketing	**46**	60	(14)	(23.3)
Professional fees	**197**	170	27	15.9
Directors' fees	**107**	107	—	—
FDIC insurance premiums	**53**	46	7	15.2
Pennsylvania shares tax	**74**	72	2	2.8
Debit card expenses	**39**	44	(5)	(11.4)
Other	**189**	206	(17)	(8.3)
Total noninterest expenses	**$ 2,551**	$ 2,432	$ 119	4.9 %

Noninterest expenses increased $119,000, or 4.9%, to $2.6 million for the three months ended September 30, 2024 from $2.4 million for the three months ended September 30, 2023. The increase in noninterest expenses was primarily the result of increases in salaries and employee benefits of $79,000 and an increase in data and item processing of $67,000. Salaries and employee benefits increased $79,000 primarily due to the hiring of additional full-time equivalent employees and annual salary increases. Data and item processing increased $67,000 as the Company continues to invest in our information technology infrastructure.

Income tax expense. Income tax expense decreased $30,000, or 21.3%, to $111,000 for the three months ended September 30, 2024 from $141,000 for the three months ended September 30, 2023. The effective tax rates were 21.6% for both the three month periods ended September 30, 2024 and 2023. The decrease in income tax expense for the three months ended September 30, 2024 as compared to the three months ended September 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 September 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	$ 347,868	$ 5,070	5.80 %	$ 324,867	$ 4,380	5.35 %
Debt and equity securities	36,112	234	2.58 %	41,052	292	2.84 %
Restricted stocks	2,375	51	8.54 %	2,422	45	7.37 %
Cash and cash equivalents	51,371	656	5.08 %	34,761	422	4.85 %
Total interest-earning assets	437,726	6,011	5.46 %	403,102	5,139	5.07 %
Noninterest-earning assets	10,069			14,757		
Total assets	$ 447,795			$ 417,859		
Interest-bearing liabilities:						
Interest-bearing demand deposits	$ 96,612	494	2.03 %	$ 77,833	413	2.11 %
Savings deposits	12,351	8	0.26 %	14,821	12	0.31 %
Money market deposits	51,045	375	2.92 %	47,169	252	2.12 %
Certificates of deposit	160,919	1,854	4.58 %	121,506	968	3.16 %
Total interest-bearing deposits	320,927	2,731	3.39 %	261,329	1,645	2.50 %
Long-term borrowings	49,399	454	3.66 %	50,633	453	3.50 %
Total interest-bearing liabilities	370,326	3,185	3.42 %	311,962	2,098	2.66 %
Noninterest-bearing demand deposits	25,481			50,978		
Other noninterest-bearing liabilities	4,886			3,970		
Total liabilities	400,693			366,910		
Stockholders' equity	47,102			50,949		
Total liabilities and stockholders' equity	$ 447,795			$ 417,859		
Net interest income		$ 2,826			$ 3,041	
Net interest rate spread (1)			2.04 %			2.41 %
Net interest-earning assets (2)	$ 67,400			$ 91,140		
Net interest margin (3)			2.57 %			3.00 %
Average interest-earning assets to interest-bearing liabilities	118.20 %			129.22 %		

(3) 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.
(4) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.
(5) Net interest margin represents net interest income divided by average total interest-earning assets.
(6) 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 September 30, 2024 vs. 2023		
	Increase (Decrease) Due to		Total
	Volume	Rate	Increase (Decrease)
		(In thousands)	
Interest-earning assets:			
Loans	$ 309	$ 381	$ 690
Debt and equity securities	(35)	(23)	(58)
Restricted stocks	(1)	7	6
Cash and cash equivalents	202	32	234
Total interest-earning assets	475	397	872
Interest-bearing liabilities:			
Interest-bearing demand deposits	100	(19)	81
Savings deposits	(2)	(2)	(4)
Money market deposits	21	102	123
Certificates of deposit	313	573	886
Total deposits	432	654	1,086
Borrowings	(11)	12	1
Total interest-bearing liabilities	421	666	1,087
Change in net interest income	$ 54	$ (269)	$ (215)

Comparison of Operating Results for the Nine Months Ended September 30, 2024 and September 30, 2023

General. Net income decreased $419,000, or 27.7%, to $1.1 million for the nine months ended September 30, 2024 from $1.5 million for the nine months ended September 30, 2023. The $419,000 period over period decrease in earnings was attributable to a $4.1 million increase in interest expense and a $146,000 increase in noninterest expense, partially offset by a $3.0 million increase in interest and dividend income, a $603,000 decrease in the provision for credit losses, a $119,000 decrease in income tax expense and a $69,000 increase in noninterest income.

Interest and dividend income. Total interest and dividend income increased $3.0 million, or 20.6%, to $17.6 million for the nine months ended September 30, 2024 from $14.6 million for the nine months ended September 30, 2023. The increase in interest and dividend income was primarily the result of a $45.3 million increase period over period in the average balance of interest-earning assets, driven by a $25.5 million increase in average loan balances, a $19.1 million increase in the average balance of cash and cash equivalents, a $550,000 increase in average balance of debt and equity securities available for sale and a $99,000 increase in the average balance of restricted stocks. The increase was also the result of a 39 basis points increase in the average yield on interest-earning assets. The average yield on average interest-earning assets increased to 5.36% for the nine months ended September 30, 2024 from 4.97% for the nine months ended September 30, 2023.

Interest income on loans, including fees, increased $1.9 million, or 15.5%, to $14.5 million for the nine months ended September 30, 2024 as compared to $12.5 million for the nine months ended September 30, 2023, reflecting an increase in the average balance of loans to $341.1 million for the nine months ended September 30, 2024 from $315.6 million for the nine months ended September 30, 2023 and a 37 basis points increase in the average yield on loans to 5.67% for the nine months ended September 30, 2024 from 5.30% for the nine months ended September 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 as new loans were originated at higher rates and the increase in the variable rate loan yields.

Interest income on securities and restricted stocks increased $125,000, or 16.9%, to $863,000 for the nine months ended September 30, 2024 from $738,000 for the nine months ended September 30, 2023. The increase in interest income on debt and equity securities of $97,000 for the nine months ended September 30, 2024 from the nine months ended September 30, 2023 was due to a 32 basis points increase in the average yield on debt and equity securities to 2.54% for the nine months ended September 30, 2024 from 2.22% for the nine months ended September 30, 2023 and an increase in the average balance of debt and equity securities of $550,000, or 1.5%, to $37.2 million for the nine months ended September 30, 2024 from $36.6 million for the nine months ended September 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, corporate bonds and treasury securities during the nine months ended September 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 $28,000 for the nine months ended September 30, 2024 from the nine months ended September 30, 2023 due to a 123 basis points increase in the average yield on restricted stocks to 8.50% for the nine months ended September 30, 2024 from 7.27% for the nine months ended September 30, 2023 and due to an increase in the average balance of restricted stocks of $99,000, or 4.2%, to $2.5 million for the nine months ended September 30, 2024 from $2.4 million for the nine months ended September 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 average 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 $932,000, or 72.6%, to $2.2 million for the nine months ended September 30, 2024, from $1.3 million for the nine months ended September 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 $19.1 million, or 50.8%, to $56.7 million for the nine months ended September 30, 2024 from $37.6 million for the nine months ended September 30, 2023 and an increase in the average yield on cash and cash equivalents of 67 basis points to 5.22% for the nine months ended September 30, 2024 from 4.55% for the nine months ended September 30, 2023 as a result of the higher interest rate environment.

Interest expense. Interest expense increased $4.1 million, or 77.5%, to $9.3 million for the nine months ended September 30, 2024 20from $5.2 million for the nine months ended September 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 109 basis points increase in the average cost of interest-bearing liabilities from 2.25% for the nine months ended September 30, 2023 to 3.34% for the nine months ended September 30, 2024 and an increase in the average balance of interest-bearing liabilities of $60.8 million to $372.2 million for the nine months ended September 30, 2024 from $311.3 million for the nine months ended September 30, 2023.

Interest expense on deposits increased $3.9 million, or 99.4%, to $7.9 million for the nine months ended September 30, 2024 from $4.0 million for the nine months ended September 30, 2023 as a result of a 127 basis points increase in the average cost of interest-bearing deposits and an increase of $59.6 million in the average balance of our interest-bearing deposits. The increase in the average cost of deposits was primarily due to a 169 basis points increase in the average cost of certificates of deposit, traditionally our higher costing deposits, to 4.44% for the nine months ended September 30, 2024 from 2.75% for the nine months ended September 30, 2023. The average cost of transaction accounts, traditionally our lower costing deposit accounts, consisting of demand, savings, and money market accounts increased 73 basis points to 2.17% for the nine months ended September 30, 2024 from 1.44% for the nine months ended September 30, 2023. The increase in rates was due to the higher interest rate environment and an increased competition for deposits. An increase of $40.9 million in the average balance of certificates of deposit to $158.3 million for the nine months ended September 30, 2024 from $117.4 million for the nine months ended September 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 $18.6 million to $162.8 million for the nine months ended September 30, 2024 from $144.2 million for the nine months ended September 30, 2023 was due to continued strategies to grow deposits through relationship banking.

Interest expense on Federal Home Loan Bank borrowings increased $129,000, or 10.0%, to $1.4 million for the nine months ended September 30, 2024 from $1.3 million for the nine months ended September 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 29 basis points to 3.70% for the nine months ended September 30, 2024 from 3.41% for the nine months ended September 30, 2023 as higher cost Federal Home Loan Bank borrowings were incurred to increase liquidity. There was an increase of $1.3 million in the average balance of Federal Home Loan Bank borrowings to $51.1 million for the nine months ended September 30, 2024 from $49.8 million for the nine months ended September 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 $1.1 million, or 11.4%, to $8.2 million for the nine months ended September 30, 2024 as compared to $9.3 million for the nine months ended September 30, 2023. The decrease in net interest income for the nine months ended September 30, 2024 compared to the nine months ended September 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 $15.6 million to $65.3 million for the nine months ended September 30, 2024 from $80.9 million for the nine months ended September 30, 2023. Our net interest margin decreased 66 basis points to 2.52% for the nine months ended September 30, 2024 from 3.18% for the nine months ended September 30, 2023. Our net interest rate spread decreased 70 basis points to 2.02% for the nine months ended September 30, 2024 from 2.72% for the nine months ended September 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 $33,000 reversal of the provision for credit losses for the nine months ended September 30, 2024 compared to a $570,000 provision for credit losses for the nine months ended September 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 $4.4 million, or 1.27%, of loans outstanding at September 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 September 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.

	Nine Months Ended September 30,		Change	
	2024	**2023**	**Amount**	**Percent**
	(Dollars in thousands)			
Service charges on deposit accounts	**$ 146**	$ 130	$ 16	12.3 %
Gain (loss) on equity securities	**17**	(24)	41	170.8
Bank owned life insurance income	**162**	141	21	14.9
Debit card income	**157**	165	(8)	(4.8)
Other service charges	**58**	87	(29)	(33.3)
Loss on disposal of premises and equipment	**—**	(40)	40	100.0
Other income	**111**	123	(12)	(9.8)
Total noninterest income	**$ 651**	$ 582	$ 69	11.9 %

Noninterest income increased by $69,000, or 11.9%, to $651,000 for the nine months ended September 30, 2024 from $582,000 for the nine months ended September 30, 2023. The increase in noninterest income resulted primarily from the increase in gain (loss) on equity securities of $41,000 and by no loss on disposal of premises and equipment for the 2024 period compared to a loss of $40,000 for the 2023 period from replacing the non-depository ATMs with full functioning ATMs, partially offset by a decrease in other service charges of $29,000. The gain (loss) on equity securities increased $41,000 due to $17,000 of gain for the nine months ended September 30, 2024, compared to $24,000 of loss for the nine months ended September 30, 2023. Other service charges decreased $29,000 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.

	Nine Months Ended September 30,		Change	
	2024	2023	Amount	Percent
	(Dollars in thousands)			
Salaries and employee benefits	**$ 4,040**	$ 3,970	$ 70	1.8 %
Occupancy and equipment	**486**	521	(35)	(6.7)
Data and item processing	**915**	798	117	14.7
Advertising and marketing	**136**	158	(22)	(13.9)
Professional fees	**555**	515	40	7.8
Directors' fees	**321**	322	(1)	(0.3)
FDIC insurance premiums	**172**	138	34	24.6
Pennsylvania shares tax	**226**	221	5	2.3
Debit card expenses	**119**	118	1	0.8
Other	**566**	629	(63)	(10.0)
Total noninterest expenses	**$ 7,536**	$ 7,390	$ 146	2.0 %

Noninterest expenses increased $146,000, or 2.0%, to $7.5 million for the nine months ended September 30, 2024 as compared to $7.4 million for the same prior year period. The increase in noninterest expenses was primarily the result of an increase in data and item processing expense of $117,000 and an increase in salaries and employee benefits of $70,000, partially offset by a decrease in other expenses of $63,000. Data and item processing expense increased $117,000 as the Company continues to invest in our information technology infrastructure. Salaries and employee benefits increased $70,000 primarily due to the hiring of additional full-time equivalent employees and annual salary increases. Other expenses decreased by $63,000 primarily as the result of a decrease in dues and subscriptions expenses.

Income tax expense. Income tax expense decreased $119,000, or 28.3%, to $301,000 for the nine months ended September 30, 2024 from $420,000 for the nine months ended September 30, 2023. The effective tax rates were 21.6% and 21.8% for the nine month periods ended September 30, 2024 and 2023, respectively. The decrease in income tax expense for the nine months ended September 30, 2024 as compared to the nine months ended September 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 Nine Months Ended September 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	**$ 341,132**	**$ 14,477**	**5.67 %**	$ 315,647	$ 12,533	5.30 %
Debt and equity securities	**37,187**	**707**	**2.54 %**	36,637	610	2.22 %
Restricted stocks	**2,452**	**156**	**8.50 %**	2,353	128	7.27 %
Cash and cash equivalents	**56,738**	**2,216**	**5.22 %**	37,617	1,284	4.55 %
Total interest-earning assets	**437,509**	**17,556**	**5.36 %**	392,254	14,555	4.97 %
Noninterest-earning assets	**10,086**			9,893		
Total assets	**$ 447,595**			$ 402,147		
Interest-bearing liabilities:						
Interest-bearing demand deposits	**$ 99,448**	**1,545**	**2.08 %**	$ 77,795	836	1.44 %
Savings deposits	**12,785**	**24**	**0.25 %**	18,278	64	0.47 %
Money market deposits	**50,553**	**1,071**	**2.83 %**	48,083	649	1.80 %
Certificates of deposit	**158,307**	**5,257**	**4.44 %**	117,377	2,412	2.75 %
Total interest-bearing deposits	**321,093**	**7,897**	**3.29 %**	261,533	3,961	2.02 %
Borrowings	**51,083**	**1,415**	**3.70 %**	49,806	1,286	3.41 %
Total interest-bearing liabilities	**372,176**	**9,312**	**3.34 %**	311,339	5,247	2.25 %
Noninterest-bearing demand deposits	**23,818**			40,702		
Other noninterest-bearing liabilities	**4,601**			3,475		
Total liabilities	**400,595**			355,516		
Stockholders' equity	**47,000**			46,631		
Total liabilities and stockholders' equity	**$ 447,595**			$ 402,147		
Net interest income		**$ 8,244**			$ 9,308	
Net interest rate spread (1)			**2.02 %**			2.72 %
Net interest-earning assets (2)	**$ 65,333**			$ 80,915		
Net interest margin (3)			**2.52 %**			3.18 %
Average interest-earning assets to interest-bearing liabilities	**117.55 %**			125.99 %		

(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.

	Nine Months Ended September 30, 2024 vs. 2023		
	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate	
		(In thousands)	
Interest-earning assets:			
Loans	$ 1,011	$ 933	$ 1,944
Debt and equity securities	9	88	97
Restricted stocks	5	23	28
Cash and cash equivalents	651	281	932
Total interest-earning assets	1,676	1,325	3,001
Interest-bearing liabilities:			
Interest-bearing demand deposits	233	476	709
Savings deposits	(19)	(21)	(40)
Money market deposits	33	389	422
Certificates of deposit	843	2,002	2,845
Total deposits	1,090	2,846	3,936
Borrowings	33	96	129
Total interest-bearing liabilities	1,123	2,942	4,065
Change in net interest income	$ 553	$ (1,617)	$ (1,064)

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 September 30, 2024 or as of December 31, 2023.

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

	September 30, 2024	December 31, 2023
	(Dollars in thousands)	
Nonaccrual loans:		
Real estate:		
One- to four-family residential	**$ 105**	$ 149
Commercial	**1,002**	1,065
Construction	**—**	—
Commercial and industrial	**163**	207
Consumer and other	**—**	—
Total nonaccrual loans	**1,270**	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	**$ 1,270**	$ 1,421
Foreclosed assets	**—**	—
Total non-performing assets	**$ 1,270**	$ 1,421
Total non-performing loans to total loans	**0.36 %**	0.44 %
Total nonaccrual loans to total loans	**0.36 %**	0.44 %
Total non-performing assets to total assets	**0.28 %**	0.32 %

Non-performing loans were $1.3 million, or 0.36% of total loans, at September 30, 2024 and $1.4 million, or 0.44% of total loans, at December 31, 2023. During the nine months ended September 30, 2024, two commercial real estate loans for $655,000 at December 31, 2023 returned to accrual status and one commercial real estate loan for $499,000 at September 30, 2024 was placed on non-accrual status. In addition, payments on nonaccrual loans resulted in the decrease in overall nonaccrual loans.

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

	At or For the Three Months Ended September 30,		At or For the Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
	(Dollars in thousands)		(Dollars in thousands)	
Allowance for credit losses at beginning of year	**$ 4,500**	$ 4,314	**$ 4,511**	$ 3,992
Provision for credit losses - on loans	**39**	153	**25**	602
Charge-offs:				
Real estate:				
One- to four-family residential	**—**	—	**—**	—
Commercial	**(115)**	—	**(115)**	—
Construction	**—**	—	**—**	—
Commercial and industrial	**—**	—	**—**	(144)
Consumer and other	**—**	—	**(6)**	—
Total charge-offs	**(115)**	—	**(121)**	(144)
Recoveries:				
Real estate:				
One- to four-family residential	**—**	—	**—**	15
Commercial	**—**	—	**—**	—
Construction	**—**	—	**—**	—
Commercial and industrial	**2**	1	**5**	3
Consumer and other	**4**	—	**10**	—
Total recoveries	**6**	1	**15**	18
Net recoveries (charge-offs)	**(109)**	1	**(106)**	(126)
Allowance for credit losses at end of period	**$ 4,430**	$ 4,468	**$ 4,430**	$ 4,468
Allowance to nonaccrual loans	**348.82 %**	548.89 %	**348.82 %**	548.89 %
Allowance to total loans outstanding at the end of the period	**1.27 %**	1.35 %	**1.27 %**	1.35 %
Net charge-offs to average loans outstanding during the period (annualized)	**0.12 %**	— %	**0.04 %**	0.05 %

The provision for credit losses decreased $106,000, or 75.7%, to $34,000 for the three months ended September 30, 2024 from a provision of $140,000 for the three months ended September 30, 2023. The provision for credit losses decreased $603,000, or 105.8%, to ($33,000) for the nine months ended September 30, 2024 from a provision of $570,000 for the nine months ended September 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. Charge-offs of $115,000 and $121,000 was taken in the three and nine months ended September 30, 2024, respectively, compared to $-0- and $144,000 for the same periods in 2023, respectively. Delinquencies remain benign, reserve levels are deemed to be adequate and the allowance coverage ratio has remained strong at September 30, 2024. The allowance to total loans outstanding was 1.27% at September 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 September 30, 2024, we had the ability to borrow approximately $199.5 million from the Federal Home Loan Bank of Pittsburgh, of which $45.2 million had been advanced in addition to $9.0 million held in reserve to secure three letters of credit to collateralize municipal deposits. Additionally, at September 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 nine months ended September 30, 2024 except to do our annual testing on the lines.

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 nine months ended September 30, 2024 and 2023, our liquidity ratio averaged 15.7% and 13.1%, respectively. We believe that we had enough sources of liquidity to satisfy our short and long-term liquidity needs as of September 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 September 30, 2024, cash and cash equivalents totaled $54.5 million. Unpledged debt securities classified as available-for-sale, which provide additional sources of liquidity, totaled $12.2 million at September 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 September 30, 2024, totaled $147.0 million, or 86.3% of our certificates of deposit, and 41.4% 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 September 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 September

30, 2024, we had outstanding commitments to originate loans of $26.8 million, unused lines of credit totaling $12.6 million and $8.3 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 September 30, 2024 totaled $147.0 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 September 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 September 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 September 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 September 30, 2024.

The following table reports information regarding repurchases by the Company of its common stock in each month of the quarter ended September 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)
July 1 through July 31, 2024	15,000	$ 14.72	15,000	71,882
August 1 through August 31, 2024	—	—	—	71,882
September 1 through September 30, 2024	—	—	—	71,882
Total	15,000	$ 14.72	15,000	71,882

(1) 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 third 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
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: November 13, 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)

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: November 13, 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: November 13, 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 September 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: November 13, 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 September 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: November 13, 2024

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