REFINITIV

DELTA REPORT

10-Q

GLBZ - GLEN BURNIE BANCORP

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	745
CHANGES	308
DELETIONS	216
ADDITIONS	221

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly period ended June 30, 2023 September 30, 2023

OR

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

Commission file number 0-24047

GLEN BURNIE BANCORP

(Exact name of registrant as specified in its charter)

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

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

Inapplicable

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

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

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

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

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

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

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

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

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

The number of shares of the registrant's common stock outstanding as of August 8, 2023 November 7, 2023, was 2,877,084.

Table of Contents

GLEN BURNIE BANCORP AND SUBSIDIARY
TABLE OF CONTENTS

Table of Contents

PART I – FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

GLEN BURNIE BANCORP AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

	June 30, 2023 (unaudited)	December 31, 2022 (audited)	September 30, 2023 (unaudited)	December 31, 2022 (audited)
ASSETS				
Cash and due from banks	$ 1,965	$ 2,035	$ 2,380	$ 2,035
Interest-bearing deposits in other financial institutions	9,783	28,057	12,142	28,057
Cash and Cash Equivalents	11,748	30,092	14,522	30,092
Investment securities available for sale, at fair value	150,820	144,133	142,705	144,133
Restricted equity securities, at cost	403	221	980	221
Loans, net of deferred fees and costs	180,551	186,440	174,796	186,440
Less: Allowance for credit losses	(2,222)	(2,162)	(2,094)	(2,162)
Loans, net	178,329	184,278	172,702	184,278
Premises and equipment, net	3,276	3,277	3,177	3,277
Bank owned life insurance	8,572	8,493	8,614	8,493
Deferred tax assets, net	8,520	8,902	10,187	8,902
Accrued interest receivable	1,139	1,159	1,373	1,159
Accrued taxes receivable	70	—	189	—
Prepaid expenses	382	493	538	493
Other assets	348	388	377	388
Total Assets	**$ 363,607**	**$ 381,436**	**$ 355,364**	**$ 381,436**
LIABILITIES				
Noninterest-bearing deposits	$ 130,430	$ 143,262	$ 126,898	$ 143,262
Interest-bearing deposits	198,794	219,685	187,943	219,685
Total Deposits	329,224	362,947	314,841	362,947

Short-term borrowings	15,000	—	25,000	—
Defined pension liability	320	317	322	317
Accrued Taxes Payable	—	151	—	151
Accrued expenses and other liabilities	1,804	1,967	2,040	1,967
Total Liabilities	346,348	365,382	342,203	365,382
STOCKHOLDERS' EQUITY				
Common stock, par value $1, authorized 15,000,000 shares, issued and outstanding 2,872,834 and 2,865,046 shares as of June 30, 2023 and December 31, 2022, respectively.	2,873	2,865		
Common stock, par value $1, authorized 15,000,000 shares, issued and outstanding 2,877,084 and 2,865,046 shares as of September 30, 2023 and December 31, 2022, respectively.			2,877	2,865
Additional paid-in capital	10,914	10,862	10,940	10,862
Retained earnings	23,716	23,579	23,980	23,579
Accumulated other comprehensive loss	(20,244)	(21,252)	(24,636)	(21,252)
Total Stockholders' Equity	17,259	16,054	13,161	16,054
Total Liabilities and Stockholders' Equity	**$ 363,607**	**$ 381,436**	**$ 355,364**	**$ 381,436**

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

GLEN BURNIE BANCORP AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands, except per share amounts)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
INTEREST INCOME				
Interest and fees on loans	$ 2,135	$ 2,089	$ 4,223	$ 4,256
Interest and dividends on securities	999	794	1,964	1,492
Interest on deposits with banks and federal funds sold	133	147	365	197
Total Interest Income	3,267	3,030	6,552	5,945
INTEREST EXPENSE				
Interest on deposits	115	120	222	244
Interest on short-term borrowings	38	88	38	191
Interest on long-term borrowings	—	19	—	26
Total Interest Expense	153	227	260	461

Net Interest Income	3,114	2,803	6,292	5,484
Provision (release) for credit losses	127	(116)	85	(217)
Net interest income after provision (release)	2,987	2,919	6,207	5,701
NONINTEREST INCOME				
Service charges on deposit accounts	38	40	80	82
Other fees and commissions	161	180	326	355
Gain on securities sold/redeemed	—	1	—	1
Income on life insurance	40	39	79	76
Total Noninterest Income	239	260	485	514
NONINTEREST EXPENSE				
Salary and benefits	1,701	1,516	3,398	3,136
Occupancy and equipment expenses	299	316	627	647
Legal, accounting and other professional fees	235	260	498	585
Data processing and item processing services	281	235	549	461
FDIC insurance costs	37	29	82	54
Advertising and marketing related expenses	23	21	45	43
Loan collection costs	2	20	3	(55)
Telephone costs	34	41	75	85
Other expenses	313	397	593	663
Total Noninterest Expenses	2,925	2,835	5,870	5,619
Income before income taxes	301	344	822	596
Income tax expense	25	35	112	56
NET INCOME	**$ 276**	**$ 309**	**$ 710**	**$ 540**
Basic and diluted net income per share of common stock	**$ 0.10**	**$ 0.11**	**$ 0.25**	**$ 0.19**

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2023	**2022**	**2023**	**2022**
INTEREST INCOME				
Interest and fees on loans	$ 2,145	$ 2,094	$ 6,368	$ 6,351
Interest and dividends on securities	1,101	943	3,065	2,435
Interest on deposits with banks and federal funds sold	104	271	469	468
Total Interest Income	3,350	3,308	9,902	9,254
INTEREST EXPENSE				
Interest on deposits	116	116	337	361
Interest on short-term borrowings	282	147	320	338
Interest on long-term borrowings	—	8	—	34
Total Interest Expense	398	271	657	733
Net Interest Income	2,952	3,037	9,245	8,521
(Release)/provision for credit losses	(92)	39	(7)	(178)
Net interest income after (release)/provision	3,044	2,998	9,252	8,699

NONINTEREST INCOME				
Service charges on deposit accounts	40	37	120	119
Other fees and commissions	233	240	560	596
Gain on securities sold/redeemed	—	—	—	1
Income on life insurance	42	40	120	116
Total Noninterest Income	315	317	800	832
NONINTEREST EXPENSE				
Salary and benefits	1,691	1,647	5,089	4,783
Occupancy and equipment expenses	329	291	955	939
Legal, accounting and other professional fees	194	299	692	884
Data processing and item processing services	206	242	755	703
FDIC insurance costs	40	28	122	83
Advertising and marketing related expenses	26	21	72	64
Loan collection costs	10	4	13	(51)
Telephone costs	38	35	113	119
Other expenses	287	353	880	1,016
Total Noninterest Expenses	2,821	2,920	8,691	8,540
Income before income taxes	538	395	1,361	991
Income tax (benefit) expense	(13)	20	99	76
NET INCOME	**$ 551**	**$ 375**	**$ 1,262**	**$ 915**
Basic and diluted net income per share of common stock	**$ 0.19**	**$ 0.13**	**$ 0.44**	**$ 0.32**

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

GLEN BURNIE BANCORP AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(dollars in thousands)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Net income	**$ 276**	$ 309	**$ 710**	$ 540	**$ 551**	$ 375	**$ 1,262**	$ 915
Other comprehensive income (loss):								

Net unrealized income (loss) on securities available for sale:								
Net unrealized (loss) income on securities during the period	(1,372)	(8,556)	1,392	(20,493)				
Income tax benefit (expense) relating to item above	378	2,355	(384)	5,640				
Net unrealized loss on securities during the period					(6,060)	(9,842)	(4,668)	(30,335)
Income tax benefit relating to item above					1,668	2,709	1,284	8,348
Reclassification adjustment for gain on sales of securities included in net income	—	(1)	—	(1)	—	(1)	—	(1)
Net effect on other comprehensive (loss) income	(994)	(6,202)	1,008	(14,854)				
Net effect on other comprehensive loss					(4,392)	(7,134)	(3,384)	(21,988)
Net unrealized gain on interest rate swaps:								
Net unrealized gain on interest rate swap during the period	-	185	-	522	-	125	-	647
Income tax expense relating to item above	-	(51)	-	(144)	-	(34)	-	(178)
Net effect on other comprehensive income	-	134	-	378	-	91	-	469
Other comprehensive (loss) income	(994)	(6,068)	1,008	(14,476)				
Other comprehensive loss					(4,392)	(7,043)	(3,384)	(21,519)
Comprehensive (loss) income	**$ (718)**	$ (5,759)	**$ 1,718**	$ (13,936)				
Comprehensive loss					**$(3,841)**	$(6,668)	**$(2,122)**	$(20,604)

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

GLEN BURNIE BANCORP AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(dollars in thousands)

(unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2021	**$ 2,854**	**$ 10,759**	**$ 22,977**	**$ (874)**	**$ 35,716**	**$ 2,854**	**$ 10,759**	**$ 22,977**	**$ (874)**	**$ 35,716**

Net income	—	—	540	—	540	—	—	915	—	915
Cash dividends, $0.20 per share	—	—	(571)	—	(571)					
Cash dividends, $0.30 per share						—	—	(857)	—	(857)
Dividends reinvested under dividend reinvestment plan	5	51	—	—	56	8	77	—	—	85
Other comprehensive loss	—	—	—	(14,476)	(14,476)	—	—	—	(21,519)	(21,519)
Balance, June 30, 2022	**$ 2,859**	**$ 10,810**	**$ 22,946**	**$ (15,350)**	**$ 21,265**					
Balance, September 30, 2022						**$ 2,862**	**$ 10,836**	**$ 23,035**	**$ (22,393)**	**$ 14,340**

	Common Stock	**Additional Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive (Loss) Income**	**Total**	**Common Stock**	**Additional Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive (Loss) Income**	**Total**
Balance, December 31, 2022	**$ 2,865**	**$ 10,862**	**$ 23,579**	**$ (21,252)**	**$ 16,054**	**$ 2,865**	**$ 10,862**	**$ 23,579**	**$ (21,252)**	**$16,054**
Net income	—	—	710	—	710	—	—	1,262	—	1,262
Cash dividends, $0.20 per share	—	—	(573)	—	(573)					
Cash dividends, $0.30 per share						—	—	(861)	—	(861)
Dividends reinvested under dividend reinvestment plan	8	52	—	—	60	12	78	—	—	90
Other comprehensive income	—	—	—	1,008	1,008	—	—	—	(3,384)	(3,384)
Balance, June 30, 2023	**$ 2,873**	**$ 10,914**	**$ 23,716**	**$ (20,244)**	**$ 17,259**					
Balance, September 30, 2023						**$ 2,877**	**$ 10,940**	**$ 23,980**	**$ (24,636)**	**$13,161**

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

GLEN BURNIE BANCORP AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

(unaudited)

	Six Months Ended June 30,		**Nine Months Ended September 30,**	
	2023	**2022**	**2023**	**2022**
Cash flows from operating activities:				

Net income	$ 710	$ 540	$ 1,262	$ 915
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation, amortization, and accretion of premises and equipment	216	215	120	318
Amortization, and accretion of investment securities available for sale	71	481	(23)	528
Provision (release) for credit losses	85	(217)	(7)	(178)
Increase in cash surrender value of bank owned life insurance	(79)	(76)	(121)	(116)
Loss on write-down of MFB stock	—	2	—	2
Decrease in ground rents	3	—		
Decrease (increase) in accrued interest receivable	20	(60)	(214)	(167)
Net decrease (increase) in other assets	76	(106)	(224)	(166)
Net decrease in accrued expenses and other liabilities	(251)	(245)	35	(153)
Net cash provided by operating activities	851	534	828	983
Cash flows from investing activities:				
Redemptions and maturities of investment securities available for sale	4,381	8,671	6,530	11,624
Proceeds from sales of available for sale debt securities	—	1	—	1
Purchases of investment securities available for sale	(9,747)	(31,540)	(9,747)	(31,540)
Net purchase of Federal Home Loan Bank stock	(182)	(11)	(758)	(11)
Net decrease in loans	5,864	9,679	11,583	16,295
Purchases of premises and equipment	(275)	(152)	(128)	(231)
Net cash provided by (used in) investing activities	41	(13,352)	7,480	(3,862)
Cash flows from financing activities:				
Net (decrease) increase in deposits	(33,723)	2,518	(48,107)	(4,361)
Increase in short term borrowings	15,000	—	25,000	10,000
Decrease in long term borrowings			—	(10,000)
Cash dividends paid	(573)	(571)	(861)	(857)
Common stock dividends reinvested	60	56	90	85
Net cash (used in) provided by financing activities	(19,236)	2,003	(23,878)	(5,133)
Net decrease in cash and cash equivalents	(18,344)	(10,815)	(15,570)	(8,012)
Cash and cash equivalents at beginning of period	30,092	62,181	30,092	62,181
Cash and cash equivalents at end of period	$ 11,748	$ 51,366	$ 14,522	$ 54,169
Supplemental Disclosures of Cash Flow Information:				
Interest paid on deposits and borrowings	$ 224	$ 440	$ 589	$ 684
Net income taxes paid	330	—	436	—
Net decrease (increase) in unrealized depreciation on available for sale securities	1,392	(20,493)		
Net increase in unrealized depreciation on available for sale securities			(4,668)	(30,335)
Net decrease in unrealized depreciation on swaps	—	521	—	646

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

GLEN BURNIE BANCORP AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATIONAL

Nature of Business

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

NOTE 2 – BASIS OF PRESENTATION

In management’s opinion, the accompanying unaudited consolidated financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim period reporting, reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the financial position at June 30, 2023 September 30, 2023 and December 31, 2022, the results of operations for the three- and six-month nine-month periods ended June 30, 2023 September 30, 2023 and 2022, and the statements of cash flows for the six-month nine-month period ended June 30, 2023 September 30, 2023 and 2022. The operating results for the three- and six-month nine-month period ended June 30, 2023 September 30, 2023, are not necessarily indicative of the results that may be expected for the full year ended December 31, 2023, or any future interim period. The consolidated balance sheet at December 31, 2022 has been derived from the audited financial statements included in the Company’s Annual Report on Form 10-K, as filed with the Securities and Exchange Commission (the “SEC”) on March 29, 2023. The unaudited consolidated financial statements for June 30, 2023 September 30, 2023 and 2022, the consolidated balance sheet at December 31, 2022, and accompanying notes should be read in conjunction with the Company’s audited consolidated financial statements and the accompanying notes thereto that are included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022.

Summary of Significant Accounting Policies

The significant accounting policies used in preparation of the Company's consolidated financial statements are disclosed in its Annual Report on Form 10-K for the year ended December 31, 2022. There have not been any significant changes in the Company's significant accounting policies.

Allowance for Credit Losses – Loans Receivable

Effective January 1, 2021, the Company applied ASU 2016-13, Financial Instruments - Credit Losses ("ASC 326"), such that the allowance calculation is based on the current expected credit loss (“CECL”) methodology. Prior to January 1, 2021, the calculation was based on incurred loss methodology. The Company maintains an allowance for credit losses (“ACL”) for the expected credit losses of the loan portfolio as well as unfunded loan commitments. The amount of ACL is based on ongoing, quarterly assessments by management. The CECL methodology requires an estimate of the credit losses expected over the life of an exposure (or pool of exposures) and replaces the incurred loss methodology’s threshold that delayed the recognition of a credit loss until it was probable that a loss event was incurred.

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

Table of Contents

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

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

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

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

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

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

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

Allowance for Credit Losses – Available-for-Sale Debt Securities

The impairment model for available-for-sale ("AFS") debt securities differs from the CECL methodology applied for HTM debt securities because AFS debt securities are measured at fair value rather than amortized cost. Although ASC 326 replaced the legacy other-than-temporary impairment (“OTTI”) model with a credit loss model, it retained the fundamental nature of the legacy OTTI model. For AFS debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell, the security before recovery

Table of Contents

before recovery of its amortized cost basis. If either criteria criterion is met, the security’s amortized cost basis is written down to fair value through income. For AFS debt securities where neither of the criteria are met, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the credit rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited to the amount that the fair value is less than the amortized cost basis. Any remaining discount that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. Under the new guidance, an entity may no longer consider the length of time fair value has been less than amortized cost. Changes in the allowance for credit losses are recorded as a provision (or release) for credit losses. Losses are charged against the allowance when management believes the collectability of an AFS security is considered below the amortized cost basis of the security. As of December 31, 2022 and June 30, 2023 September 30, 2023, the Company determined that the unrealized loss positions in AFS securities were not the result of credit losses, and therefore, an allowance for credit losses was not recorded.

Off-Balance-Sheet Credit Exposures

The only material off-balance-sheet credit exposures are unfunded loan commitments, which had a combined balance of $30.7 $30.6 million on June 30, 2023 September 30, 2023. The reserve for unfunded commitments is recognized as a liability (accrued expenses and other liabilities in the consolidated statements of financial condition), with adjustments to the reserve recognized through provision for credit losses in the consolidated statements of income. The reserve for unfunded commitments represents the expected lifetime credit losses on off-balance sheet obligations such as commitments to extend credit and standby letters of credit. However, a liability is not recognized for commitments that are unconditionally cancellable by the Company. The reserve for unfunded commitments is determined by estimating future draws, including the effects of risk mitigation actions, and applying the expected loss rates on those draws. Loss rates are estimated by utilizing the same loss rates calculated for the allowance for credit losses related to the respective loan portfolio class.

Principles of Consolidation

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

Cash Flow Presentation

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

Reclassifications

Certain items in the fiscal year 2022 consolidated financial statements have been reclassified to conform to the fiscal year 2023 classifications. The reclassifications had no effect on previously reported results of operations or retained earnings.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates. Material estimates that are particularly susceptible to significant change in the near term include the determination of the ACL; the fair value of financial instruments, such as loans and investment securities; benefit plan obligations and expenses; and the valuation of deferred tax assets and liabilities.

Table of Contents

NOTE 3 – EARNINGS PER SHARE

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

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Basic and diluted earnings per share:								
Net income	$ 275,360	$ 309,532	$ 710,381	$ 540,264	$ 551,441	$ 375,009	$1,261,822	$ 915,274
Weighted average common shares outstanding	2,871,026	2,857,616	2,867,039	2,856,441	2,875,329	2,860,352	2,869,631	2,857,759
Basic and dilutive net income per share	$ 0.10	$ 0.11	$ 0.25	$ 0.19	$ 0.19	$ 0.13	$ 0.44	$ 0.32

Diluted earnings per share calculations were not required for the three- and six-month nine-month periods ended June 30, 2023 September 30, 2023 and 2022, as there were no stock options outstanding.

NOTE 4 – INVESTMENT SECURITIES

Investment securities are accounted for according to their purpose and holding period. Trading securities are those that are bought and held principally for the purpose of selling them in the near term. The Company held no trading securities at June 30, 2023 September 30, 2023 or December 31, 2022. Available-for-sale investment securities, comprised of debt and mortgage-backed securities, are those that may be sold before maturity due to changes in the Company's interest rate risk profile or funding needs, and are reported at fair value with unrealized gains and losses, net of taxes, reported as a component of other comprehensive income. Held-to-maturity investment securities are those that management has the positive intent and ability to hold to maturity and are reported at amortized cost. The Company held had no held-to-maturity securities at June 30, 2023 September 30, 2023 or December 31, 2022.

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

The following table summarizes the amortized cost and estimated fair value of the Company's investment securities portfolio at June 30, 2023 September 30, 2023 and December 31, 2022:

(dollars in thousands)	At June 30, 2023 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Collateralized mortgage obligations	$ 16,689	$ 10	$ (2,416)	$ 14,283
Agency mortgage-backed securities	55,320	—	(6,704)	48,616
Municipal securities	43,042	5	(9,949)	33,098
Corporate Securities	1,500	—	(245)	1,255
U.S. Government agency securities	45,453	—	(8,468)	36,985
U.S. Treasury securities	16,745	2	(164)	16,583
Total securities available for sale	$ 178,749	$ 17	$ (27,946)	$ 150,820

(dollars in thousands)	At September 30, 2023 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Collateralized mortgage obligations	$ 16,290	$ 16	$ (2,817)	$ 13,489
Agency mortgage-backed securities	53,576	—	(8,089)	45,487
Municipal securities	43,016	2	(13,040)	29,978
Corporate Securities	1,500	—	(238)	1,262
U.S. Government agency securities	45,436	—	(9,715)	35,721
U.S. Treasury securities	16,877	3	(112)	16,768
Total securities available for sale	$ 176,695	$ 21	$ (34,011)	$ 142,705

Table of Contents

(dollars in thousands)	At December 31, 2022 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Collateralized mortgage obligations	$ 17,596	$ 7	$ (2,348)	$ 15,255
Agency mortgage-backed securities	58,801	—	(6,908)	51,893
Municipal securities	43,092	1	(10,796)	32,297
Corporate Securities	1,500	—	(175)	1,325
U.S. Government agency securities	45,471	—	(8,891)	36,580
U.S. Treasury securities	6,993	—	(210)	6,783

Total securities available for sale	$ 173,453	$ 8	$ (29,328)	$ 144,133

The gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at June 30, 2023 September 30, 2023 and December 31, 2022 are as follows:

June 30, 2023	**Less than 12 months**		**12 months or more**		**Total**							
September 30, 2023							**Less than 12 months**		**12 months or more**		**Total**	
Securities available for sale:	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
	(dollars in thousands)						(dollars in thousands)					
Collateralized mortgage obligations	$ 2,169	$ (31)	$ 10,378	$ (2,385)	$ 12,547	$ (2,416)	$ 240	$ (3)	$ 11,574	$ (2,814)	$ 11,814	$ (2,817)
Agency mortgage-backed securities	9,526	(418)	39,090	(6,286)	48,616	(6,704)	117	—	45,369	(8,089)	45,486	(8,089)
Municipal securities	4,435	(92)	27,048	(9,857)	31,483	(9,949)	4,181	(417)	25,296	(12,623)	29,477	(13,040)
Corporate Securities	—	—	1,255	(245)	1,255	(245)	—	—	1,263	(238)	1,263	(238)
U.S. Government agency securities	269	—	36,716	(8,468)	36,985	(8,468)	251	—	35,470	(9,715)	35,721	(9,715)
U.S. Treasury securities	—	—	6,832	(164)	6,832	(164)	—	—	6,885	(112)	6,885	(112)
	$16,399	$ (541)	$121,319	$(27,405)	$137,718	$(27,946)	$4,789	$ (420)	$125,857	$(33,591)	$130,646	$(34,011)

December 31, 2022	**Less than 12 months**		**12 months or more**		**Total**	
Securities available for sale:	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
	(dollars in thousands)					
Collateralized mortgage obligations	$ 8,315	$ (364)	$ 6,127	$ (1,984)	$ 14,442	$ (2,348)
Agency mortgage-backed securities	20,029	(1,308)	31,865	(5,600)	51,894	(6,908)
Municipal securities	18,456	(5,438)	13,340	(5,358)	31,796	(10,796)
Corporate Securities	—	—	1,325	(175)	1,325	(175)
U.S. Government agency securities	13,526	(474)	22,767	(8,417)	36,293	(8,891)
U.S. Treasury securities	6,783	(210)	—	—	6,783	(210)
	$ 67,109	$ (7,794)	$ 75,424	$ (21,534)	$ 142,533	$ (29,328)

The Company does not believe that the available-for-sale debt securities that were in an unrealized loss position have any credit loss impairment upon adoption of ASC 326 on January 1, 2021 or as of June 30, 2023 September 30, 2023. As of June 30, 2023 September 30, 2023, the Company did not intend to sell the investment securities that were in an unrealized loss position. It is more likely than not that the Company will not be required to sell the investment securities before recovery of their amortized cost basis, which may be at maturity. Available-for-sale debt securities issued by U.S. government agencies or U.S. government sponsored enterprises carry the explicit and/or implicit guarantee of the U.S. government and have a long history of zero credit loss. Municipal bonds are considered to have issuer(s) of high credit quality (rated A or higher) and the decline in fair value is due to changes in interest rates and other market conditions.

Table of Contents

Corporate securities are non-rated investments that are booked as a debt security where rating agencies do not provide a rating. The absence of a rating does not imply substandard quality. Non-rated corporate securities may be purchased from issuers operating in

- 12 -

Table of Contents

and around the Company's operating footprint. The issuer(s) continues to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bond(s) approach maturity.

At June 30, 2023September 30, 2023, the Company recorded unrealized losses in its portfolio of debt securities totaling $27,946,000$34.0 million related to 257248 securities, which resulted from decreases in market value, spread volatility, and other factors that management deems to be temporary. Management does not believe the securities are impaired due to reasons of credit quality. Since management believes that it is more likely than not that the Company will not be required to sell these securities prior to maturity or a full recovery of the amortized cost, the Company does not consider these securities to have a credit loss impairment.

At December 31, 2022, the Company recorded unrealized losses in its portfolio of debt securities totaling $29,328,000$29.3 million related to 256 securities, which resulted from decreases in market interest rates, spread volatility, and other factors that management deems to be temporary. Management does not believe the securities are impaired due to reasons of credit quality. Since management believes that it is more likely than not that the Company will not be required to sell these securities prior to maturity or a full recovery of the amortized cost, the Company does not consider these securities to have a credit loss impairment.

Shown below are contractual maturities of debt securities at June 30, 2023September 30, 2023. Actual maturities may differ from contractual maturities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

	At June 30, 2023			At September 30, 2023		
(dollars in thousands)	Amortized Cost	Fair Value	Yield (1), (2)	Amortized Cost	Fair Value	Yield (1), (2)
Available for sale securities maturing:						
Within one year	$ 25,751	$ 25,357	3.50 %	$ 25,888	$ 25,614	3.53 %
Over one to five years	11,645	10,872	2.14 %	12,492	11,596	2.10 %
Over five to ten years	33,584	29,699	2.11 %	34,320	29,460	2.11 %
Over ten years	107,769	84,892	2.39 %	103,995	76,035	2.39 %
Total debt securities	$ 178,749	$ 150,820		$ 176,695	$ 142,705	

(1) Yields are stated as book yields which are adjusted for amortization and accretion of purchase premiums and discounts, respectively.

(2) Yields on tax-exempt obligations are computed on a tax-equivalent basis.

NOTE 5 – LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

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

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

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

	June 30, 2023		December 31, 2022		September 30, 2023		December 31, 2022	
(dollars in thousands)	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Loans Secured by Real Estate								
Construction and land	$ 5,116	3	$ 4,499	2	$ 4,145	2	$ 4,499	2
Farmland	328	–	333	–	327	–	333	–
Single-family residential	82,337	45	80,251	43	82,998	48	80,251	43
Multi-family	5,236	3	5,304	3	5,201	3	5,304	3
Commercial	42,557	24	42,936	23	41,361	24	42,936	23
Total loans secured by real estate	135,574		133,323		134,032		133,323	
Commercial and Industrial								
Commercial and industrial	10,250	6	8,990	5	10,032	6	8,990	5
SBA guaranty	6,023	3	6,158	3	5,970	3	6,158	3
Total commercial and industrial loans	16,273		15,148		16,002		15,148	
Consumer Loans								
Consumer	1,430	1	1,521	1	1,257	1	1,521	1
Automobile	27,274	15	36,448	20	23,505	13	36,448	20
Total consumer loans	28,704		37,969		24,762		37,969	
Loans, net of deferred fees and costs	180,551	100	186,440	100	174,796	100	186,440	100
Less: Allowance for credit losses	(2,222)		(2,162)		(2,094)		(2,162)	
Loans, net	$ 178,329		$ 184,278		$172,702		$184,278	

The Bank's net loans totaled $178.3 172.7 million on June 30, 2023 September 30, 2023, compared to $184.3 million on December 31, 2022, a decrease of $5.9 million $11.6 million, or 3.23% 6.28%. Construction and land loans increased decreased from $4.5 million on December 31, 2022, to $5.1 million $4.1 million on June 30, 2023 September 30, 2023, an increase a decrease of $0.6 million $0.4 million, or 13.72% 7.87%. Farmland loans were $0.3 million at June 30, 2023 September 30, 2023 and December 31, 2022. Single-family residential loans increased from $80.3 million on December 31, 2022, to $82.3 million $83.0 million on June 30, 2023 September 30, 2023, an increase of $2.1 million $2.7 million, or 2.60% 3.42%. Multi-family residential loans were $5.2 million on June 30, 2023 September 30, 2023, and $5.3 million $5.3 on December 31, 2022, a decrease of $0.1 million, or 1.27 1.94%. Commercial real estate loans decreased $0.4 1.6 million, or 0.88% 3.67%, to $42.6 million on June 30, 2023 $41.4 million at September 30, 2023, compared to $42.9 million on December 31, 2022. Commercial and industrial loans increased by $1.3 1.0 million, or 14.01% 11.59%, to $10.2 10.0 million on June 30, 2023 September 30, 2023, compared to $9.0 million on December 31, 2022. SBA guaranty loans were $6.0 million on June 30, 2023 September 30, 2023, a decrease of $0.2 million, or 2.20% 3.05%, compared to $6.2 million at December 31, 2022. Consumer loans decreased by $0.1 0.3 million, or 5.96% 17.33% to $1.4 million $1.3 million on June 30, 2023 September 30, 2023, compared to $1.5 million on December 31, 2022. Automobile loans decreased from $36.4 million on December 31, 2022, to $27.3 million $23.5 million on June 30, 2023 September 30, 2023, a decrease of $9.2 million $12.9 million or 25.17% 35.51%.

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

On January 1, 2021, the Company early adopted ASU 2016-13, Financial Instruments - Credit Losses ("ASC 326") which replaces the "incurred loss approach" for estimating credit losses with an expected loss methodology. The incurred loss model delayed the recognition of credit losses until it was probable that a loss had occurred, while the CECL model requires the immediate recognition of expected credit losses over the contractual term for financial instruments that fall within the scope of CECL at the date of origination or purchase of the financial instrument. The CECL model, which is applicable to the measurement of credit losses on financial assets measured at amortized cost and certain off-balance sheet credit exposures, affects the Company's estimates of the allowance for credit losses for our loan portfolio and the reserve for our off-balance sheet credit exposures related to loan commitments. The allowance for credit losses is established through a provision for credit losses charged to expense. Loans are charged against the allowance for credit losses when management believes that the collectability of the principal is unlikely. The allowance, based on all available information from internal and external sources, relevant to assessing the collectability of loans over their contractual terms, adjusted for expected prepayments when appropriate, is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible. The evaluations are performed for each class of loans and take into consideration factors such as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, value of collateral securing the loans and current economic conditions and trends that may affect the borrowers' ability to pay. For example, delinquencies in unsecured loans and indirect automobile installment loans will be reserved for at significantly higher ratios than loans secured by real estate. Finally, the Company considers forecasts about future economic conditions or changes in collateral values that are reasonable and supportable. Based on that analysis, the Bank deems its allowance for credit losses in proportion to the total nonaccrual loans and past due loans to be sufficient.

Transactions in the allowance for credit losses for the six nine months ended June 30, 2023 September 30, 2023 and the year ended December 31, 2022 were as follows:

	Loans Secured By Real Estate					Commercial and Industrial Loans		Consumer Loans			Loans Secured By Real Estate					Comm
June 30, 2023	Construction		Single-family			Commercial										
September 30, 2023											Construction		Single-family			Com
(dollars in thousands)	and Land	Farmland	Residential	Multi-family	Commercial	and Industrial	SBA Guaranty	Consumer	Automobile	Total	and Land	Farmland	Residential	Multi-family	Commercial	and I
Balance, beginning of year	$ 44	$ 20	$ 1,230	$ 103	$ 221	$ 174	$ 22	$ 23	$ 325	$ 2,162	$ 44	$ 20	$ 1,230	$ 103	$ 221	$
Charge-offs	—	—	—	—	—	—	—	—	(88)	(88)	—	—	—	—	—	
Recoveries	—	—	—	—	—	—	—	—	63	63	—	—	3	—	—	
Release (provision) for credit losses	2	(1)	26	(4)	(2)	143	—	(3)	(76)	85						
(Release) provision for credit losses											(9)	(2)	4	(6)	(18)	
Balance, end of quarter	$ 46	$ 19	$ 1,256	$ 99	$ 219	$ 317	$ 22	$ 20	$ 224	$ 2,222	$ 35	$ 18	$ 1,237	$ 97	$ 203	$
Individually evaluated for impairment:																
Balance in allowance	$ —	$ —	$ 21	$ —	$ 149	$ —	$ —	$ —	$ —	$ 170	$ —	$ —	$ 22	$ —	$ 149	$
Related loan balance	—	—	32	—	299	—	—	—	—	331	—	—	31	—	300	
Collectively evaluated for impairment:																
Balance in allowance	$ 46	$ 19	$ 1,235	$ 99	$ 70	$ 317	$ 22	$ 20	$ 224	$ 2,052	$ 35	$ 18	$ 1,215	$ 97	$ 53	$
Related loan balance	5,116	328	82,305	5,236	42,258	10,250	6,023	1,430	27,274	180,220	4,145	327	82,967	5,201	41,061	

Table of Contents

December 31, 2022	Loans Secured By Real Estate					Commercial and Industrial Loans		Consumer Loans		
	Construction		Single-family			Commercial				
(dollars in thousands)	and Land	Farmland	Residential	Multi-family	Commercial	and Industrial	SBA Guaranty	Consumer	Automobile	Total
Balance, beginning of year	$ 5	$ 11	$ 1,357	$ 105	$ 278	$ 115	$ 30	$ 36	$ 533	$ 2,470
Charge-offs	—	—	—	—	—	(200)	(9)	(14)	(169)	(392)
Recoveries	—	—	—	—	—	—	—	8	188	196
Release (provision) for credit losses	39	9	(127)	(2)	(57)	259	1	(7)	(227)	(112)
Balance, end of the year	$ 44	$ 20	$ 1,230	$ 103	$ 221	$ 174	$ 22	$ 23	$ 325	$ 2,162

Individually evaluated for impairment:										
Balance in allowance	$ —	$ —	$ 20	$ —	$ —	$ 59	$ —	$ —	$ —	$ 79
Related loan balance	—	—	34	—	—	300	—	—	—	334
Collectively evaluated for impairment:										
Balance in allowance	$ 44	$ 20	$ 1,210	$ 103	$ 221	$ 115	$ 22	$ 23	$ 325	$ 2,083
Related loan balance	4,499	333	80,217	5,304	42,936	8,690	6,158	1,521	36,448	186,106

	Loans Secured By Real Estate					Commercial and Industrial Loans		Consumer Loans		
December 31, 2022 (dollars in thousands)	Construction and Land	Farmland	Single-family Residential	Multi-family	Commercial	Commercial and Industrial	SBA Guaranty	Consumer	Automobile	Total
Balance, beginning of year	$ 5	$ 11	$ 1,357	$ 105	$ 278	$ 115	$ 30	$ 36	$ 533	$ 2,470
Charge-offs	—	—	—	—	—	(200)	(9)	(14)	(169)	(392)
Recoveries	—	—	—	—	—	—	—	8	188	196
(Release) provision for credit losses	39	9	(127)	(2)	(57)	259	1	(7)	(227)	(112)
Balance, end of the year	$ 44	$ 20	$ 1,230	$ 103	$ 221	$ 174	$ 22	$ 23	$ 325	$ 2,162
Individually evaluated for impairment:										
Balance in allowance	$ —	$ —	$ 20	$ —	$ —	$ 59	$ —	$ —	$ —	$ 79
Related loan balance	—	—	34	—	—	300	—	—	—	334
Collectively evaluated for impairment:										
Balance in allowance	$ 44	$ 20	$ 1,210	$ 103	$ 221	$ 115	$ 22	$ 23	$ 325	$ 2,083
Related loan balance	4,499	333	80,217	5,304	42,936	8,690	6,158	1,521	36,448	186,106

(dollars in thousands)	June 30, 2023	June 30, 2022	September 30, 2023	September 30, 2022
Average loans	$ 183,240	$ 204,477	$181,234	$ 197,199
Net charge offs to average loans (annualized)	0.03 %	0.01 %	0.05 %	0.00 %

During the six-month nine-month period ended June 30, 2023 September 30, 2023, loans to 5 6 borrowers and related entities totaling approximately $88,000 $136,000 were determined to be uncollectible and were charged off. During the six-month nine-month period ended June 30, 2022 September 30, 2022, loans to 8 14 borrowers and related entities totaling approximately $107,000 $151,000 were determined to be uncollectible and were charged off.

The following table provides current period gross charge-offs by the year of origination as of September 30, 2023:

	Gross Charge-offs							
September 30, 2023	Term Loans by Origination Year							
(dollars in thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans	Total
Consumer Loans								
Consumer	$ —	$ —	$ —	$ —	$ —	$ 79	$ —	$ 79
Automobile			30	19		8		57
Total gross charge-offs this period	$ —	$ —	$ 30	$ 19	$ —	$ 87	$ —	$ 136

Reserve for Unfunded Commitments. Loan commitments and unused lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. The Bank generally requires collateral to support financial instruments with credit risk on the same basis as it does for on-balance sheet instruments. The collateral requirement is based on management's credit evaluation of the counter party. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis.

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

Table of Contents

As of June 30, 2023 September 30, 2023, and 2022, the Bank had outstanding commitments totaling $30.7 million $30.6 million and $30.2 $30.5 million, respectively. The reserve for unfunded commitments represents the expected lifetime credit losses on off-balance sheet obligations such as commitments to extend credit and standby letters of credit. However, a liability is not recognized for commitments that are unconditionally cancellable by the Company. The allowance for credit losses on unfunded commitments is determined by estimating future draws, including the effects of risk mitigation actions, and applying the expected loss rates on those draws. Loss rates are estimated by utilizing the same loss rates calculated for the allowance for credit losses related to the respective loan portfolio class.

Table of Contents

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

	Six Months Ended Ended June 30,		Nine Months Ended Ended September 30,	
(dollars in thousands)	**2023**	**2022**	**2023**	**2022**
Beginning balance	$ 477	$ 371	$ 477	$ 371
Reduction of unfunded reserve	(4)	(17)	(52)	(76)
Provisions charged to operations	23	59	23	174
Ending balance	$ 496	$ 413	$ 448	$ 469

Contractual Obligations and Commitments. No material changes, outside the normal course of business, have been made during the first quarter nine months of 2023.

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

At June 30, 2023			90 Days or							
At September 30, 2023								90 Days or		
(dollars in thousands)		30-89 Days	More and				30-89 Days	More and		
	Current	Past Due	Still Accruing	Nonaccrual	Total	Current	Past Due	Still Accruing	Nonaccrual	Tot
Loans Secured by Real Estate										
Construction and land	$ 5,116	$ —	$ —	$ —	$ 5,116	$ 4,145	$ —	$ —	$ —	$ 4,
Farmland	328	—	—	—	328	327	—	—	—	
Single-family residential	82,121	—	—	216	82,337	82,528	321	—	149	82,
Multi-family	5,236	—	—	—	5,236	5,201	—	—	—	5,
Commercial	42,557	—	—	—	42,557	40,764	597	—	—	41,
Total loans secured by real estate	135,358	—	—	216	135,574	132,965	918	—	149	134,
Commercial and Industrial										
Commercial and industrial	9,954	—	—	296	10,250	9,733	—	—	299	10,
SBA guaranty	6,023	—	—	—	6,023	5,970	—	—	—	5,
Total commercial and industrial loans	15,977	—	—	296	16,273	15,703	—	—	299	16,
Consumer Loans										
Consumer	1,430	—	—	—	1,430	1,256	1	—	—	1,
Automobile	26,912	298	—	64	27,274	23,058	314	—	133	23,
Total consumer loans	28,342	298	—	64	28,704	24,314	315	—	133	24,
	$179,677	$ 298	$ —	$ 576	$180,551	$172,982	$ 1,233	$ —	$ 581	$174,

Table of Contents

At December 31, 2022			90 Days or		
(dollars in thousands)		30-89 Days	More and		
	Current	Past Due	Still Accruing	Nonaccrual	Total
Loans Secured by Real Estate					
Construction and land	$ 4,499	$ —	$ —	$ —	$ 4,499
Farmland	333	—	—	—	333
Single-family residential	79,952	185	10	104	80,251
Multi-family	5,304	—	—	—	5,304
Commercial	42,936	—	—	—	42,936
Total loans secured by real estate	133,024	185	10	104	133,323
Commercial and Industrial					—
Commercial and industrial	8,691	—	—	299	8,990
SBA guaranty	6,158	—	—	—	6,158
Total commercial and industrial loans	14,849	—	—	299	15,148
Consumer Loans					
Consumer	1,521	—	—	—	1,521

Automobile	36,037	326	—	85	36,448
Total consumer loans	37,558	326	—	85	37,969
	$ 185,431	$ 511	$ 10	$ 488	$ 186,440

The balances in the above charts have not been reduced by the allowance for credit losses. For the period ended June 30, 2023 September 30, 2023, the allowance for credit loss is $2.2 2.1 million. For the period ended December 31, 2022, the allowance for credit loss is $2.2 million.

Non-accrual loans with specific reserves at June 30, 2023 September 30, 2023 are comprised of:

Single–family residential – One loan to one borrower that totaled $32,046 $31,051 with specific reserves of $21,337 $21,621 established for the loan. This loan was also a troubled debt restructured loan.

Commercial and industrial – One loan to one borrower that totaled $299,453 $299,453 with specific reserves of $149,453 established for the loan.

Table of Contents

Below is a summary of the recorded investment amount and related allowance for losses of the Bank's impaired loans at June 30, 2023 September 30, 2023 and December 31, 2022.

(dollars in thousands)	June 30, 2023 Recorded Investment	Unpaid Principal Balance	Interest Income Recognized	Specific Reserve	Average Recorded Investment	September 30, 2023 Recorded Investment	Unpaid Principal Balance	Interest Income Recognized	Specific Reserve	Average Recorded Investment
Impaired loans with specific reserves:										
Loans Secured by Real Estate										
Construction and land	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Farmland	—	—	—	—	—	—	—	—	—	—
Single-family residential	11	32	2	21	48	9	31	3	22	48
Multi-family	—	—	—	—	—	—	—	—	—	—
Commercial	—	—	—	—	—	—	—	—	—	—
Total loans secured by real estate	11	32	2	21	48	9	31	3	22	48
Commercial and Industrial										
Commercial and industrial	150	299	—	149	499	151	300	—	149	499
SBA guaranty	—	—	—	—	—	—	—	—	—	—
Total commercial and industrial loans	150	299	—	149	499	151	300	—	149	499
Consumer Loans										
Consumer	—	—	—	—	—	—	—	—	—	—
Automobile	—	—	—	—	—	—	—	—	—	—
Total consumer loans	—	—	—	—	—	—	—	—	—	—
Total impaired loans with specific reserves	**$ 161**	**$ 331**	**$ 2**	**$ 170**	**$ 547**	**$ 160**	**$ 331**	**$ 3**	**$ 171**	**$ 547**
Impaired loans with no specific reserve:										

Loans Secured by Real Estate										
Construction and land	$ —	$ —	$ —	$ n/a	$ —	$ —	$ —	$ —	$ n/a	$ —
Farmland	—	—	—	n/a	—	—	—	—	n/a	—
Single-family residential	184	184	2	n/a	195	118	118	5	n/a	131
Multi-family	—	—	—	n/a	—	—	—	—	n/a	—
Commercial	—	—	—	n/a	—	—	—	—	n/a	—
Total loans secured by real estate	184	184	2	—	195	118	118	5	—	131
Commercial and Industrial										
Commercial and industrial	—	—	—	n/a	—	—	—	—	n/a	—
SBA guaranty	—	—	—	n/a	—	—	—	—	n/a	—
Total commercial and industrial loans	—	—	—	—	—	—	—	—	—	—
Consumer Loans										
Consumer	—	—	—	n/a	—	—	—	—	n/a	—
Automobile	167	167	2	n/a	72	135	135	6	n/a	162
Total consumer loans	167	167	2	n/a	72	135	135	6	n/a	162
Total impaired loans with no specific reserve	$ **351**	$ **351**	$ **4**	$ **—**	$ **267**	$ **253**	$ **253**	$ **11**	$ **—**	$ **293**

Table of Contents

December 31, 2022 (dollars in thousands)	**Recorded Investment**	**Unpaid Principal Balance**	**Interest Income Recognized**	**Specific Reserve**	**Average Recorded Investment**
Impaired loans with specific reserves:					
Loans Secured by Real Estate					
Construction and land	$ —	$ —	$ —	$ —	$ —
Farmland	—	—	—	—	—
Single-family residential	14	34	2	20	48
Multi-family	—	—	—	—	—
Commercial	—	—	—	—	—
Total loans secured by real estate	14	34	2	20	48
Commercial and Industrial					
Commercial and industrial	240	299	19	59	499
SBA guaranty	—	—	—	—	—
Total commercial and industrial loans	240	299	19	59	499
Consumer Loans					
Consumer	—	—	—	—	—
Automobile	—	—	—	—	—
Total consumer loans	—	—	—	—	—
Total impaired loans with specific reserves	$ **254**	$ **333**	$ **21**	$ **79**	$ **547**
Impaired loans with no specific reserve:					
Loans Secured by Real Estate					
Construction and land	$ —	$ —	$ —	$ n/a	$ —
Farmland	—	—	—	n/a	—
Single-family residential	70	70	2	n/a	79
Multi-family	—	—	—	n/a	—

Commercial	—	—	—	n/a	—
Total loans secured by real estate	70	70	2	—	79
Commercial and Industrial					
Commercial and industrial	—	—	—	n/a	—
SBA guaranty	—	—	—	n/a	—
Total commercial and industrial loans	—	—	—	—	—
Consumer Loans					
Consumer	—	—	—	n/a	—
Automobile	85	85	6	n/a	107
Total consumer loans	85	85	6	n/a	107
Total impaired loans with no specific reserve	$ **155**	$ **155**	$ **8**	$ **—**	$ **186**

(dollars in thousands)	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Troubled debt restructured loans	$ 41	$ 34	$ 8	$ 34
Non-accrual and 90+ days past due and still accruing loans to average loans	0.31 %	0.25 %	0.32 %	0.25 %
Allowance for credit losses to nonaccrual & 90+ days past due and still accruing loans	385.8 %	433.9 %	359.4 %	433.9 %

At June 30, 2023September 30, 2023, there were twowas one troubled debt restructured loansloan consisting of a single-family residential loansloan in the amount of $40,876$7,930. These loans areThis loan is in a nonaccrual status.

Table of Contents

The following table shows the activity for non-accrual loans for the sixnine months ended June 30, 2023September 30, 2023 and 2022.

(dollars in thousands)	Loans Secured By Real Estate		Commercial and Industrial Loans		Consumer Loans			Loans Secured By Real Estate		Commercial and Industrial Loans		Consumer I	
	Single-family Residential	Commercial	Commercial and Industrial	SBA Guaranty	Consumer	Automobile	Total	Single-family Residential	Commercial	Commercial and Industrial	SBA Guaranty	Consumer	Au
December 31, 2021	$ **123**	$ **—**	$ **—**	$ **71**	$ **—**	$ **144**	$ **338**	$ **123**	$ **—**	$ **—**	$ **71**	$ **—**	$
Transfers into nonaccrual	31	—	—	—	11	131	173	31	—	—	—	11	
Loans paid down/payoffs	(44)	—	—	(61)	(11)	(63)	(179)	(46)	—	—	(61)	(11)	
Loans returned to accrual status	—	—	—	—	—	(29)	(29)	—	—	—	—	—	

Loans charged off	—	—	—	(10)	—	(73)	(83)	—	—	—	(10)	—	
June 30, 2022	$ 110	$ —	$ —	$ —	$ —	$ 110	$ 220						
September 30, 2022								$ 108	$ —	$ —	$ —	$ —	$
December 31, 2022	$ 104	$ —	$ 299	$ —	$ —	$ 85	$ 488	$ 104	$ —	$ 299	$ —	$ —	$
Transfers into nonaccrual	307	—	—	—	—	3	310	307	—	—	—	—	
Loans paid down/payoffs	(195)	—	—	—	—	(19)	(214)	(262)	—	—	—	—	
Loans returned to accrual status	—	—	—	—	—	—	—	—	—	—	—	—	
Loans charged off	—	—	(3)	—	—	(5)	(8)	—	—	—	—	—	
June 30, 2023	$ 216	$ —	$ 296	$ —	$ —	$ 64	$ 576						
September 30, 2023								$ 149	$ —	$ 299	$ —	$ —	$

Other Real Estate Owned. The Company had no real estate acquired in partial or total satisfaction of debt at June 30, 2023 September 30, 2023, and December 31, 2022. All such properties are initially recorded at the a lower of cost or fair value (net realizable value) at the date acquired and carried on the balance sheet as other real estate owned. Losses arising at the date of acquisition are charged against the allowance for credit losses. Subsequent write-downs that may be required and the expense of operation are included in noninterest expense. Gains and losses realized from the sale of other real estate owned were included in noninterest income.

Credit Quality Information

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

The Bank’s internal risk ratings are as follows:

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

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

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

7 (Doubtful) - A doubtful credit has all the weaknesses inherent in a substandard asset with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions,

Table of Contents

7 (Doubtful) - A doubtful credit has all the weaknesses inherent in a substandard asset with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors that may work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens on additional collateral, and refinancing plans. Doubtful classification for an entire credit should be avoided when collection of a specific portion appears highly probable with the adequately secured portion graded Substandard. The following tables provides information with respect to the Company's credit quality indicators by loan portfolio segment on June 30, 2023 September 30, 2023, and December 31, 2022:

	Loans Secured By Real Estate					Commercial and Industrial Loans		Consumer Loans			Loans Secured By Real Estate					Commercial and Industrial	
June 30, 2023	Construction		Single-family			Commercial											
September 30, 2023											Construction		Single-family			Commercial	
(dollars in thousands)	and Land	Farmland	Residential	Multi-family	Commercial	and Industrial	SBA Guaranty	Consumer	Automobile	Total	and Land	Farmland	Residential	Multi-family	Commercial	and Industrial	SBA Gua
Pass	$ 5,116	$ 328	$ 82,121	$ 5,236	$ 42,557	$ 9,951	$ 6,023	$ 1,430	$ 27,107	$179,869	$ 4,145	$ 327	$ 82,849	$ 5,201	$ 41,361	$ 9,733	$
Special mention	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Substandard	—	—	216	—	—	299	—	—	167	682	—	—	149	—	—	299	
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	$ 5,116	$ 328	$ 82,337	$ 5,236	$ 42,557	$ 10,250	$ 6,023	$ 1,430	$ 27,274	$180,551	$ 4,145	$ 327	$ 82,998	$ 5,201	$ 41,361	$ 10,032	$
Nonaccrual	$ —	$ —	$ 216	$ —	$ —	$ 296	$ —	$ —	$ 64	$ 576	$ —	$ —	$ 149	$ —	$ —	$ 299	$
Troubled debt restructures	$ —	$ —	$ 41	$ —	$ —	$ —	$ —	$ —	$ —	$ 41	$ —	$ —	$ 8	$ —	$ —	$ —	$
Number of TDRs accounts	—	—	2	—	—	—	—	—	—	2	—	—	1	—	—	—	
Non-performing TDRs	$ —	$ —	$ 41	$ —	$ —	$ —	$ —	$ —	$ —	$ 41	$ —	$ —	$ 8	$ —	$ —	$ —	$
Number of non-performing TDR accounts	—	—	2	—	—	—	—	—	—	2	—	—	1	—	—	—	

December 31, 2022 (dollars in thousands)	Loans Secured By Real Estate					Commercial and Industrial Loans		Consumer Loans		
	Construction and Land	Farmland	Single-family Residential	Multi-family	Commercial	Commercial and Industrial	SBA Guaranty	Consumer	Automobile	Total
Pass	$ 4,499	$ 333	$ 80,147	$ 5,304	$ 42,936	$ 8,691	$ 6,158	$ 1,521	$ 36,363	$185,982
Special mention	—	—	—	—	—	—	—	—	—	—
Substandard	—	—	104	—	—	299	—	—	80	483
Doubtful	—	—	—	—	—	—	—	—	5	5
Loss	—	—	—	—	—	—	—	—	—	—
	$ 4,499	$ 333	$ 80,251	$ 5,304	$ 42,936	$ 8,990	$ 6,158	$ 1,521	$ 36,448	$186,440
Nonaccrual	$ —	$ —	$ 104	$ —	$ —	$ 299	$ —	$ —	$ 85	$ 488
Troubled debt restructures	$ —	$ —	$ 34	$ —	$ —	$ —	$ —	$ —	$ —	$ 34
Number of TDRs accounts	—	—	1	—	—	—	—	—	—	1
Non-performing TDRs	$ —	$ —	$ 34	$ —	$ —	$ —	$ —	$ —	$ —	$ 34
Number of non-performing TDR accounts	—	—	1	—	—	—	—	—	—	1

	Loans Secured By Real Estate					Commercial and Industrial Loa	
	Construction and Land	Farmland	Single-family Residential	Multi-family	Commercial	Commercial and Industrial	SBA Guaran
Pass	$ 4,499	$ 333	$ 80,147	$ 5,304	$ 42,936	$ 8,691	$ 6,15
Special mention	—	—	—	—	—	—	—
Substandard	—	—	104	—	—	299	—
Doubtful	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—
	$ 4,499	$ 333	$ 80,251	$ 5,304	$ 42,936	$ 8,990	$ 6,15
Nonaccrual	$ —	$ —	$ 104	$ —	$ —	$ 299	$ —
Troubled debt restructures	$ —	$ —	$ 34	$ —	$ —	$ —	$ —
Number of TDRs accounts	—	—	1	—	—	—	—
Non-performing TDRs	$ —	$ —	$ 34	$ —	$ —	$ —	$ —
Number of non-performing TDR accounts	—	—	1	—	—	—	—

NOTE 6 – FAIR VALUE

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

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

Table of Contents

The Fair Value Hierarchy

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

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.
- Level 2 – Other significant observable inputs (including quoted prices in active markets for similar securities).
- Level 3 – Significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments).

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

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

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

Loans. Impaired loans totaled $682,485 583,917 with $170,790 $171,074 of specific reserves as of June 30, 2023 September 30, 2023. These assets included single-family residential, commercial, and industrial, and automobile loans. They have been classified as impaired and include nonaccrual, past due 90 days or more and still accruing, and a homogeneous pool of indirect loans all considered to be impaired loans, which are valued under Level 3 inputs. Foreclosed real estate assets are primarily valued on a nonrecurring basis at the fair values of the underlying real estate collateral. The Company is predominantly a cash flow lender with real estate serving as collateral on a majority of loans. On a quarterly basis, the Company determines such fair values through a variety of data points and mostly relies on appraisals from independent appraisers. We obtain an appraisal on of properties when they become impaired and conduct new appraisals at least every year. Typically, these appraisals do not include an inside inspection of the property as our loan documents do not require the borrower to allow access to the property. Therefore, the most significant unobservable inputs are the details of the amenities included within the property and the condition of the property. Further, we cannot always accurately assess the amount of time it takes to gain ownership of our collateral through the foreclosure process and the damage, as well as potential looting, of the property further decreasing our value. Thus, in determining the fair values we discount the current independent appraisals, within a range of 0% to 16%, based on individual circumstances.

Table of Contents

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

(dollars in thousands)	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3	Fair Value
June 30, 2023								
September 30, 2023								
Recurring:								
Securities available for sale								
Collateralized mortgage obligations	$ —	$ 14,283	$ —	$ 14,283	$ —	$ 13,489	$ —	$ 13,489
Agency mortgage-backed securities	—	48,616	—	48,616	—	45,487	—	45,487

Municipal securities	—	33,098	—	33,098	—	29,978	—	29,978
Corporate securities	—	1,255	—	1,255	—	1,262	—	1,262
U.S. Government agency securities	—	36,985	—	36,985	—	35,721	—	35,721
U.S. Treasury securities	—	16,583	—	16,583	—	16,768	—	16,768
Non-recurring:								
Impaired loans	—	—	512	512	—	—	413	413
	$ —	$ 150,820	$ 512	$ 151,332	$ —	$142,705	$ 413	$143,118
December 31, 2022								
Recurring:								
Securities available for sale								
Collateralized mortgage obligations	$ —	$ 15,255	$ —	$ 15,255	$ —	$ 15,255	$ —	$ 15,255
Agency mortgage-backed securities	—	51,893	—	51,893	—	51,893	—	51,893
Municipal securities	—	32,297	—	32,297	—	32,297	—	32,297
Corporate securities	—	1,325	—	1,325	—	1,325	—	1,325
U.S. Government agency securities	—	36,580	—	36,580	—	36,580	—	36,580
U.S. Treasury securities	—	6,783	—	6,783	—	6,783	—	6,783
Non-recurring:								
Impaired loans	—	—	330	330	—	—	330	330
	$ —	$ 144,133	$ 330	$ 144,463	$ —	$144,133	$ 330	$144,463

The estimated fair values of the Company's financial instruments at June 30, 2023 September 30, 2023 and December 31, 2022 are summarized in the following table. The fair values of a significant portion of these financial instruments are estimates derived using present value techniques and may not be indicative of the net realizable or liquidation values. Also, the calculation of estimated fair values is based on market conditions at a specific point in time and may not reflect current or future fair values.

Table of Contents

(dollars in thousands)	June 30, 2023		December 31, 2022		September 30, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:								
Cash and due from banks	$ 1,965	$ 1,965	$ 2,035	$ 2,035	$ 2,380	$ 2,380	$ 2,035	$ 2,035
Interest-bearing deposits in other financial institutions	9,458	9,458	22,680	22,680	11,970	11,970	22,680	22,680
Federal funds sold	325	325	5,377	5,377	172	172	5,377	5,377
Investment securities available for sale	150,820	150,820	144,133	144,133	142,705	142,705	144,133	144,133
Investments in restricted stock	403	403	221	221	980	980	221	221
Ground rents	128	128	131	131	130	130	131	131
Loans, less allowance for credit losses	178,329	167,999	184,278	177,254	172,702	160,294	184,278	177,254
Accrued interest receivable	1,139	1,139	1,159	1,159	1,373	1,373	1,159	1,159
Cash value of life insurance	8,572	8,572	8,493	8,493	8,614	8,614	8,493	8,493
Financial liabilities:								

Deposits	329,224	272,655	362,947	299,773	314,841	256,126	362,947	299,773
Short-term borrowings	15,000	15,000	—	—	25,000	24,988	—	—
Accrued interest payable	17	17	9	9	225	225	9	9
Unrecognized financial instruments:								
Commitments to extend credit	30,610	30,610	30,718	30,718	30,536	30,536	30,718	30,718
Standby letters of credit	45	45	45	45	45	45	45	45

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

(dollars in thousands)	**Carrying**	**Fair**				**Carrying**	**Fair**			
June 30, 2023	**Amount**	**Value**	**Level 1**	**Level 2**	**Level 3**					
September 30, 2023						**Amount**	**Value**	**Level 1**	**Level 2**	**Level 3**
Financial instruments - Assets										
Cash and cash equivalents	$ 11,748	$ 11,748	$ 11,748	$ —	$ —	$ 14,522	$ 14,522	$14,522	$ —	$ —
Loans receivable, net	178,329	167,999	—	—	167,999	172,702	160,294	—	—	160,294
Cash value of life insurance	8,572	8,572	—	8,572	—	8,614	8,614	—	8,614	—
Financial instruments - Liabilities										
Deposits	329,224	272,655	—	272,655	—	314,841	256,126	—	256,126	—
Short-term debt	15,000	15,000	—	15,000	—	25,000	24,988	—	24,988	—

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

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

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

NOTE 7 – RECENT ACCOUNTING PRONOUNCEMENTS

New accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") with required effective dates. The following accounting pronouncements should be read in conjunction with "Critical Accounting Policies" of Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's 2022 Form 10-K.

ASU No. 2022-01, "Derivative and Hedging (Topic 815): Fair Value Hedging – Portfolio Layer Method." The ASU clarifies the guidance in ASC 815 on fair value hedge accounting of interest rate risk for portfolios of financial assets. The ASU amends the guidance in ASU 2017-12 (released on August 28, 2017) that, among other things, established the "last-of-layer" method for making the fair value hedge accounting for these portfolios more accessible. The ASU renames that method the "portfolio layer" method and addresses feedback from stakeholders regarding its application. The objective of the ASU is to better align the Company's financial reporting with the results of its risk management strategy, and to improve the hedge accounting model by simplifying it. The ASU is effective for the Company for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The adoption of this guidance did not have a material impact upon the Company's financial position and results of operations.

ASU No. 2022-02, "Financial Instruments – Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures." The ASU eliminates the accounting guidance for troubled debt restructurings ("TDRs") in ASC 310-40, "Receivables - Troubled Debt Restructurings by Creditors" for entities that have adopted the current expected credit loss ("CECL") model introduced by ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments". It also requires that public business entities disclose current-period gross charge-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, "Financial Instruments—Credit Losses—Measured at Amortized Cost". The ASU is effective for the Company for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, with early adoption permitted. The adoption of this guidance did not have a material impact upon the Company's financial position and results of operations.

ASU No. 2023-01. Leases (Topic 842), "Common Control Arrangements." The ASU is an amendment to Topic 842. The amendments in this Update clarify the accounting for leasehold improvements associated with common control leases. This Update has been issued in order to address current diversity in practice associated with the accounting for leasehold improvements associated with a lease between entities under common control. The amendments in this Update apply to all lessees that are a party to a lease between entities under common control in which there are leasehold improvements. The amendments in this Update are effective for interim and annual periods beginning after December 15, 2023. The Company is evaluating the impact of adopting the new guidance on the consolidated financial statements.

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

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

Table of Contents

NOTE 8 – SUBSEQUENT EVENTS

None.

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

FORWARD-LOOKING STATEMENTS

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

Table of Contents

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

OVERVIEW

Glen Burnie Bancorp, a Maryland corporation (the "Company"), through its subsidiary, The Bank of Glen Burnie, a Maryland banking corporation (the "Bank"), operates a commercial bank with eight offices in Anne Arundel County Maryland. Net income for the three- and nine-month periods ended September 30, 2023, totaled $551,000 and $1.3 million, respectively, and compared favorably to net income of $375,000 and $915,000 for the three- and nine-month periods ended September 30, 2022, respectively. Total interest income increased $607,000 $648,000 to $6.6 million $9.9 million for the six-month nine-month period ended June 30, 2023 September 30, 2023, as compared to the same period in 2022. This resulted primarily from a $472,000 $630,000 increase in interest income on securities and a $168,000 increase in interest on deposits with banks and federal funds sold, consistent with the rising interest rate environment. The increase in interest income was driven by the repricing impact on earning asset yields of the change in asset mix from loans to investment securities. Total assets decreased to $355.4 million on September 30, 2023, a decrease of $26.1 million from December 31, 2022. Interest-bearing deposits in other financial institutions decreased by $18.3 million $15.9 million or 65.13% 56.72%, during the first six nine months of 2023. The Bank's loan portfolio decreased by $5.9 million $11.6 million or 3.23% 6.28% during the first six nine months of 2023. The Company's allowance for credit losses was $2.22 million $2.09 million as of June 30, 2023 September 30, 2023, compared to $2.16 million at December 31, 2022, an increase a decrease of $60,000 $68,000 or 2.78% 3.15%. Total deposits decreased $33.7 million $48.1 million, or 9.29% 13.25%, during the first six nine months of 2023. 2023 and was funded primarily by a combination of increased short-term borrowings and by the cash generated from amortization and pay downs of loans. Shareholder's equity was $17.3 million $13.2 million on June 30, 2023 September 30, 2023, a $1.2 million $2.9 million or 7.50% increase, 18.02% decrease, as compared to $16.1 million on December 31, 2022. The increase decrease was primarily due to unrealized losses, net of taxes, on securities available for sale amounting to $20.2 million $24.6 million on June 30, 2023 September 30, 2023, compared to $21.3 million at December 31, 2022. The Company has strong liquidity and capital positions that provide ample capacity for future growth. The Bank's total regulatory capital to risk weighted assets were 17.88% 18.10% on June 30, 2023 September 30, 2023, as compared to 17.28% on December 31, 2022.

Return on average assets for the three- and six-month nine-month periods ended June 30, 2023 September 30, 2023, were 0.31% 0.61% and 0.39% 0.46% compared to 0.29% 0.35% and 0.25% 0.28% for the three- and six-month nine-month periods ended June 30, 2022 September 30, 2022. Lower Higher net income and a lower average asset balance primarily drove the higher return on average assets for the three-month period three- and nine-month periods ended June 30, 2023 September 30, 2023, when compared to 2022, and higher net income partially offset by a lower average asset balance primarily drove the higher return on average assets for the six-months ended June 30, 2023, when compared to same periods in 2022. Return on average equity for the three- and six-month nine-month periods ended June 30, 2023 September 30, 2023, was 5.88% 12.47% and 7.82% 9.34% compared to 4.99% 6.76% and 3.69% 4.53% for the three- and six-month nine-month periods ended June 30, 2022 September 30, 2022. Lower Higher net income and a lower average equity balance primarily drove the higher return on average equity for the three-month period three- and nine-month periods ended June 30, 2023 September 30, 2023, compared to 2022, and higher net income and a lower average equity balance primarily drove the higher return on average equity for the six-month period ended June 30, 2023, compared to same periods in 2022.

Table of Contents

The book value per share of Bancorp's common stock was $6.01 $4.57 on June 30, 2023 September 30, 2023, as compared to $7.44 $5.01 per share on June 30, 2022 September 30, 2022. The decrease primarily resulted from the unrealized losses on the Company's available for sale securities and the continued rise in interest rates in 2023.

At June 30, 2023 September 30, 2023, the Bank remained above all "well-capitalized" regulatory requirement levels. The Bank's estimated tier 1 risk-based capital ratio was 16.83% 17.12% at June 30, 2023 September 30, 2023, compared to 16.45% at December 31, 2022.

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

- 27 -

Table of Contents

RESULTS OF OPERATIONS

Net income attributable to common stockholders for the three-month period ended June 30, 2023 September 30, 2023, was $276,000, $551,000, or $0.10 $0.19 per basic and diluted common share compared to $309,000, $375,000, or $0.11 $0.13 per basic and diluted common share for the same period of 2022. The results for the three-month period ended June 30, 2023 September 30, 2023, were lower higher than the same period of 2022 resulting primarily from a $90,000 increase $99,000 decrease in non-interest expense, offset by a $68,000 $46,000 increase in net interest income after provision for loan losses and a $33,000 decrease in income tax expense when compared to the same period of 2022. Net income attributable to common stockholders for the six-month nine-month period ended June 30, 2023 September 30, 2023, was $710,000, $1,262,000, or $0.25 $0.44 per basic and diluted common share compared to $540,000, $915,000, or $0.19 $0.32 per basic and diluted common share for the same period of 2022. The results recorded for the six-month nine-month period ended June 30, 2023 September 30, 2023, were higher than the same period of 2022 resulting primarily from a $0.5 million $553,000 higher net interest income after provision for loan losses, partially offset by $29,000 an increase in noninterest expenses of $151,000, lower non-interest income by $32,000 and $0.3 million $23,000 higher non-interest expenses income tax expense when compared to the same period of 2022.

Net Interest Income. The Company's net interest income for the three-month period ended June 30, 2023 September 30, 2023 was $3.1 million $2.95 million, as compared to $2.8 million $3.04 million for the same period in 2022, a decrease of $85,000, or 2.79%. The decrease in net interest income was due to the $42,000 higher interest income that was more than offset by $127,000 of higher interest expense. The Company's net interest income for the nine-month period ended September 30, 2023, was $9.2 million, compared to $8.5 million for the same period in 2022, an increase of $311,000, $724,000, or 11.09% 8.50%. The increase in net interest income was due to higher interest income in the amount of $3.3 million and lower interest expense in the amount of $153,000. The Company's net interest income for the six-month period ended June 30, 2023, was $6.3 million, compared to $5.5 million for the same period in 2022, an increase of $808,000, or

14.73%. The increase in net interest income was due to $606,000 $648,000 higher interest income, and $202,000 $76,000 lower interest expense on interest-bearing deposits and borrowings.

Total interest income for the second third quarter of 2023 increased $237,000, $42,000, or 7.81% 1.26% when compared to the same period in 2022, from $3.0 million $3.31 million in 2022 to $3.3 million $3.35 million in 2023. The primary driver of the increase was a $205,000 $159,000 increase in interest and dividends on investment securities, and by a $46,000 $51,000 increase in interest and fees on loans that were partially offset by a $14,000 $168,000 decrease in interest on deposits with banks and federal funds sold due to higher interest rates and lower average balances. balances in 2023 compared to 2022. Total interest income increased $607,000 $648,000 for the six-month nine-month period ended June 30, 2023 September 30, 2023, when compared to the same period in 2022 from $5.9 million $9.3 million in 2022 to $6.6 million $9.9 million, an increase of 10.20% 7.00%. The primary driver of the increase in total interest income was an increase of $472,000 $630,000 on interest and dividends on securities, and a $168,000 $17,000 increase in interest and fees on loans and a $1,000 increase on deposits with banks and federal funds sold due to lower average balances and higher interest rates, offset by a decrease of $33,000 in interest on fees and loans attributed to lower average loan portfolio balances and a higher interest rate environment. rates.

Interest expense for the second third quarter 2023 decreased $74,000 increased $127,000 from $227,000 $271,000 for the same period in 2022 to $153,000, a decrease $398,000, an increase of 32.60% 46.86%. The primary driver for the decrease increase was a $69,000 net decrease $127,000 increase in interest expense on borrowings and a $5,000 decrease in expense on interest-bearing deposits. borrowings. The decrease increase in interest on borrowings for the three-month period ended June 30, 2023 September 30, 2023 is attributed to higher interest rates in effect during the payoff of short- and long-term borrowings in the fourth third quarter of 2023 compared to the same period in 2022. Interest expense decreased $201,000 $76,000 for the six-month nine-month period ended June 30, 2023 September 30, 2023, from $461,000 $733,000 for the same period in 2022 to $260,000 $657,000 in 2023, a decrease of 43.57% 10.39%. The decrease was primarily due to a $22,000 $24,000 decrease in the cost of interest on deposits, and a $179,000 $52,000 decrease in the cost of borrowings. The decreases decrease for the three-and six-month periods nine-month period ended June 30, 2023 September 30, 2023, are is attributed to decreases in deposit balances and the payoff of short- and long-term borrowings after the second third quarter of 2022 which resulted in a lower average balance of borrowings for the nine-month period ended September 30, 2023 compared to the same period in 2022.

Table of Contents

Net interest margin for the three-month period ended June 30, 2023 September 30, 2023 was 3.44% 3.21% compared to 2.61% 2.83% for the three-month period ended June 30, 2022 September 30, 2022. Higher average yields and lower average balances on interest-earning assets combined with lower average interest-bearing funds, lower average noninterest-bearing funds, and lower higher cost of funds were the primary drivers of year-over-year results. The yield on interest earning assets increased by 0.78% 0.55% from 2.82% 3.09% for the three-month period ended June 30, 2022 September 30, 2022, to 3.60% 3.64% from the same period of 2023. The cost of funds was 0.18% 0.46% for the three-month period ended June 30, 2023 September 30, 2023, compared to 0.22% 0.27% for the three-month period ended June 30, 2022 September 30, 2022. The decrease increase in interest expense is related to a $16.2 million decrease higher interest rates that were only partially offset by lower average balances of interest-bearing funds for the quarter ended September 30, 2023 compared to the same quarter in the average balance of borrowed funds and the resulting positive impact on the Company's funding mix. 2022. Net interest margins for the six-month nine-month period ended June 30, 2023 September 30, 2023, were 3.42% 3.35% compared to 2.57% 2.66% for the six-month nine-month period ended June 30, 2022 September 30, 2022. The yield on interest earning assets increased by 0.77% 0.70% from 2.79% 2.89% for the six-month nine-month period ended June 30, 2022 September 30, 2022, to 3.56% 3.59% for the six-month nine-month period ended June 30, 2023 September 30, 2023. The cost of funds decreased 0.08% increased 0.01% from 0.23% 0.24% for the six-month nine-month period ended June 30, 2022 September 30, 2022, to 0.15%

- 28 -

0.25% for the same period of 2023. The decrease in interest expense is related to an $18.1 million a $28.4 million decrease in the average balance of interest-bearing deposits and a $12.1 million decrease in the average balance of borrowed funds and the resulting positive impact on the Company's funding mix.

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

Table of Contents

	Three Months Ended June 30,					
	2023			2022		
(dollars in thousands)	Average Balance	Interest	Yield/ Cost	Average Balance	Interest	Yield/ Cost
ASSETS:						
Interest-earning assets:						
Interest-bearing deposits w/ banks & fed funds	$ 10,925	$ 138	5.02 %	$ 61,172	$ 123	0.81 %
Investment securities available for sale	170,653	985	2.31	167,651	808	1.93
Restricted equity securities	314	9	11.32	1,072	10	3.59
Total interest-bearing deposits/investments	181,892	1,132	2.49	229,895	941	1.64
Loans Secured by Real Estate						
Construction and land	4,574	44	3.87	3,613	25	2.77
Farmland	330	4	5.04	339	4	5.04
Single-family residential	80,779	908	4.50	77,996	796	4.08
Multi-family	4,946	66	5.31	4,898	68	5.53
Commercial	43,174	609	5.66	46,836	613	5.25
Total loans secured by real estate	133,803	1,631	4.89	133,682	1,506	4.52
Commercial and Industrial						
Commercial and industrial	10,717	116	4.32	9,167	74	3.25
SBA guaranty	6,003	122	8.16	6,039	78	5.15

Comm SBA PPP	—	—	—	530	1	1.00
Total commercial and industrial loans	16,720	238	5.70	15,736	153	3.90
Consumer Loans						
Consumer	2,049	8	1.65	2,215	6	1.03
Automobile	29,121	258	3.52	50,000	424	3.39
Total consumer loans	31,170	266	3.43	52,215	430	3.30
Total loans	181,693	2,135	4.71	201,633	2,089	4.16
Total interest-earning assets	363,585	3,267	3.60	431,528	3,030	2.82
Cash	2,020			2,031		
Allowance for credit losses	(2,196)			(2,277)		
Market valuation	(26,879)			(17,231)		
Other assets	22,952			20,246		
Total non-earning assets	(4,103)			2,769		
Total assets	$ 359,482			$ 434,297		
LIABILITIES AND STOCKHOLDER'S EQUITY:						
Interest-bearing deposits:						
Interest-bearing checking and savings	$ 143,312	28	0.08 %	$ 150,539	18	0.05 %
Money market	16,238	2	0.05	23,950	3	0.05
Certificates of deposit	44,023	85	0.80	59,255	99	0.67
Total interest-bearing deposits	203,573	115	0.23	233,744	120	0.21
Borrowed Funds:						
Federal Funds Purchased	1	—	—	—	—	—
Bank Term Funding Program	889	—	—			
FHLB advances	2,903	38	5.29	20,000	107	2.15
Total borrowed funds	3,793	38	4.05	20,000	107	2.15
Total interest-bearing liabilities	207,366	153	0.30	253,744	227	0.36
Non-interest-bearing deposits	131,458			153,614		
Total cost of funds	338,824	153	0.18	407,358	227	0.22
Other liabilities and accrued expenses	1,861			2,036		
Total liabilities	340,685			409,394		
Stockholder's equity	18,797			24,903		
Total liabilities and equity	$ 359,482			$ 434,297		
Net interest income		$ 3,114			$ 2,803	
Yield on earning assets			3.60 %			2.82 %
Cost of interest-bearing liabilities			0.30 %			0.36 %
Net interest spread			3.31 %			2.46 %
Net interest margin			3.44 %			2.61 %

	Three Months Ended September 30,					
	2023			2022		
(dollars in thousands)	Average Balance	Interest	Yield/ Cost	Average Balance	Interest	Yield/ Cost
ASSETS:						
Interest-earning assets:						
Interest-bearing deposits w/ banks & fed funds	$ 9,698	$ 104	4.25 %	$ 49,176	$ 241	1.94 %

Investment securities available for sale	177,856	1,101	2.48	177,824	956	2.15
Restricted equity securities	675	—	—	1,071	17	6.31
Total interest-bearing deposits/investments	188,229	1,205	2.56	228,071	1,214	2.13
Loans Secured by Real Estate						
Construction and land	4,670	55	4.67	4,855	39	3.19
Farmland	329	4	4.82	337	4	5.04
Single-family residential	82,317	950	4.62	79,896	823	4.12
Multi-family	5,219	65	4.98	4,889	68	5.56
Commercial	41,971	612	5.79	45,208	588	5.16
Total loans secured by real estate	134,506	1,686	4.97	135,185	1,522	4.47
Commercial and Industrial						
Commercial and industrial	9,847	113	4.59	8,921	82	3.63
SBA guaranty	5,957	123	8.19	6,016	96	6.30
Comm SBA PPP	—	—	—	274	—	—
Total commercial and industrial loans	15,804	236	5.92	15,211	178	4.63
Consumer Loans						
Consumer	1,517	8	2.09	1,907	7	1.47
Automobile	25,396	215	3.36	44,896	387	3.41
Total consumer loans	26,913	223	3.29	46,803	394	3.34
Total loans	177,223	2,145	4.80	197,199	2,094	4.21
Total interest-earning assets	365,452	3,350	3.64	425,270	3,308	3.09
Cash	2,305			2,345		
Allowance for credit losses	(2,138)			(2,221)		
Market valuation	(28,744)			(21,370)		
Other assets	23,892			21,846		
Total non-earning assets	(4,685)			600		
Total assets	$ 360,767			$ 425,870		
LIABILITIES AND STOCKHOLDER'S EQUITY:						
Interest-bearing deposits:						
Interest-bearing checking and savings	$ 137,192	28	0.08 %	$ 151,153	18	0.05 %
Money market	15,184	—	—	24,534	3	0.05
Certificates of deposit	40,597	88	0.88	56,586	95	0.66
Total interest-bearing deposits	192,973	116	0.24	232,273	116	0.20
Borrowed Funds:						
Bank Term Funding Program	10,000	148	5.87	—	—	—
FHLB advances	9,946	134	5.35	20,000	155	3.07
Total borrowed funds	19,946	282	5.61	20,000	155	3.07
Total interest-bearing liabilities	212,919	398	0.74	252,273	271	0.43
Non-interest-bearing deposits	128,345			149,561		
Total cost of funds	341,264	398	0.46	401,834	271	0.27
Other liabilities and accrued expenses	1,955			1,995		
Total liabilities	343,219			403,829		
Stockholder's equity	17,548			22,041		
Total liabilities and equity	$ 360,767			$ 425,870		

Net interest income	$ 2,952		$ 3,037	
Yield on earning assets		3.64 %		3.09 %
Cost of interest-bearing liabilities		0.74 %		0.43 %
Net interest spread		2.90 %		2.66 %
Net interest margin		3.21 %		2.83 %

Table of Contents

	Six Months Ended June 30,						Nine Months Ended September 30,					
	2023			2022			2023			2022		
(dollars in thousands)	Average Balance	Interest	Yield/ Cost	Average Balance	Interest	Yield/ Cost	Average Balance	Interest	Yield/ Cost	Average Balance	Interest	Yield/ Cost
ASSETS:												
Interest-earning assets:												
Interest-bearing deposits w/ banks & fed funds	$ 15,812	$ 352	4.49 %	$ 63,004	$ 149	0.48 %	$ 13,774	$ 456	4.43 %	$ 58,395	$ 389	0.89 %
Investment securities available for sale	171,586	1,964	2.29	161,625	1,520	1.88	173,676	3,065	2.35	167,025	2,477	1.98
Restricted equity securities	265	13	9.85	1,068	20	3.74	401	13	4.33	1,069	37	4.59
Total interest-bearing deposits/investments	187,663	2,329	2.48	225,697	1,689	1.50	187,851	3,534	2.52	226,489	2,903	1.70
Loans Secured by Real Estate												
Construction and land	4,481	83	3.74	3,656	58	3.19	4,544	138	4.06	4,056	97	3.19
Farmland	331	8	5.05	340	9	5.04	331	13	5.25	339	13	5.04
Single-family residential	80,474	1,778	4.42	77,890	1,852	4.06	81,089	2,727	4.48	78,558	2,404	4.08
Multi-family	4,887	131	5.36	4,930	135	5.48	4,998	197	5.27	4,916	203	5.47
Commercial	43,331	1,200	5.59	47,819	1,237	5.22	42,877	1,813	5.65	46,949	1,825	5.20
Total loans secured by real estate	133,504	3,200	4.83	134,635	3,021	4.52	133,839	4,888	4.88	134,818	4,542	4.50
Commercial and Industrial												
Commercial and industrial	10,273	218	4.29	9,528	150	3.17	10,131	330	4.36	9,326	232	3.32
SBA guaranty	6,037	237	7.91	6,172	170	5.56	6,010	360	8.01	6,120	266	5.80
Comm SBA PPP	—	—	—	673	3	1.00	—	—	—	540	4	0.92
Total commercial and industrial loans	16,310	455	5.63	16,373	323	3.98	16,141	690	5.72	15,986	502	4.20
Consumer Loans												
Consumer	1,831	17	1.83	2,295	11	0.95	1,726	25	1.94	2,165	18	1.10
Automobile	31,595	551	3.49	51,174	901	3.52	29,529	765	3.45	49,082	1,289	3.50
Total consumer loans	33,426	568	3.43	53,469	912	3.44	31,255	790	3.38	51,247	1,307	3.41
Total loans	183,240	4,223	4.65	204,477	4,256	4.20	181,235	6,368	4.70	202,051	6,351	4.20
Total interest-earning assets	370,903	6,552	3.56	430,174	5,945	2.79	369,086	9,902	3.59	428,540	9,254	2.89
Cash	2,043			2,020			2,131			2,128		
Allowance for credit losses	(2,151)			(2,356)			(2,147)			(2,311)		
Market valuation	(27,491)			(10,635)			(27,909)			(14,214)		

Other assets	23,232			18,681			23,452			19,736		
Total non-earning assets	(4,367)			7,710			(4,473)			5,339		
Total assets	$ 366,536			$ 437,884			$364,613			$433,879		
LIABILITIES AND STOCKHOLDER'S EQUITY:												
Interest-bearing deposits:												
Interest-bearing checking and savings	$ 146,538	53	0.07 %	$ 147,925	34	0.05 %	$143,423	79	0.07 %	$149,001	52	0.05 %
Money market	16,269	4	0.05	23,680	6	0.05	15,907	6	0.05	23,965	9	0.05
Certificates of deposit	45,618	165	0.73	59,761	204	0.69	43,944	252	0.77	58,702	300	0.68
Total interest-bearing deposits	208,425	222	0.21	231,366	244	0.21	203,274	337	0.22	231,668	361	0.21
Borrowed Funds:												
PPPLF Term Funding	2	—	—	—	—	—	—	—	—	—	—	—
Federal Funds Purchased	—	—	—	1	—	—	1	—	—	1	—	—
Bank Term Funding Program	444	—	—				3,676	148	5.38	—	—	—
FHLB advances	1,452	38	5.32	20,001	217	2.19	4,238	172	5.43	20,000	372	2.48
Total borrowed funds	1,898	38	4.07	20,002	217	2.19	7,915	320	5.41	20,001	372	2.48
Total interest-bearing liabilities	210,323	260	0.25	251,368	461	0.37	211,189	657	0.42	251,669	733	0.39
Non-interest-bearing deposits	136,021			154,700			133,462			152,987		
Total cost of funds	346,344	260	0.15	406,068	461	0.23	344,651	657	0.25	404,656	733	0.24
Other liabilities and accrued expenses	1,883			2,305			1,907			2,232		
Total liabilities	348,227			408,373			346,558			406,888		
Stockholder's equity	18,309			29,511			18,055			26,991		
Total liabilities and equity	$ 366,536			$ 437,884			$364,613			$433,879		
Net interest income		$ 6,292			$ 5,484			$ 9,245			$ 8,521	
Yield on earning assets			3.56 %			2.79 %			3.59 %			2.89 %
Cost of interest-bearing liabilities			0.25 %			0.37 %			0.42 %			0.39 %
Net interest spread			3.31 %			2.42 %			3.17 %			2.50 %
Net interest margin			3.42 %			2.57 %			3.35 %			2.66 %

Table of Contents

Provision for Credit Losses on Loans. The Company recognized a release of $92,000 of credit losses and a provision of for credit losses on loans in the amount of $127,000 and a release of credit losses in the amount of $116,000 $39,000 for the three-month periods ended June 30, 2023 September 30, 2023, and 2022, respectively. The increase decrease in the provision for the three-month period ended June 30, 2023 September 30, 2023, when compared to the three-month period ended June 30, 2022 September 30, 2022, primarily reflects a $19.4 million an $18.2 million decrease in the reservable balance of the loan portfolio (excluding PPP loans) and a 0.12% 0.02% increase in the current expected credit loss percentage. The Company recognized a provision of allowance for credit losses on loans in the amount of $85,000 and a release of credit losses in the amount of $217,000 $7,000 and $178,000 for the six-month nine-month periods ended June 30, 2023 September 30, 2023, and 2022, respectively. The $302,000 increase $171,000 decrease in the provision amount released in 2023, compared to 2022, primarily reflects a $19.4 million an $18.2 million decrease in the reservable balance of the loan portfolio (excluding PPP loans) and a 0.11% 0.02% increase in the current expected credit loss percentage. As a result, the allowance for credit loss on loans was $2.22 million $2.09 million on June 30, 2023 September 30, 2023, representing 1.23% 1.20% of total loans, compared to $2.24 million $2.28 million, or 1.12% 1.17% of total loans on June 30, 2022 September 30, 2022.

Noninterest Income. Noninterest income decreased to $239,000 $315,000 for the three-month period ended June 30, 2023 September 30, 2023, from $260,000 $317,000 for the corresponding period in 2022, a decrease of $21,000, $2,000, or 8.08% 0.63%. The decrease was primarily due to decreases in other fees and commissions. Noninterest income decreased $32,000 or 3.85% to $29,000 to $485,000 $800,000 for the six-month nine-month period ended June 30, 2023 September 30, 2023, from $514,000 $832,000 for the corresponding period in 2022. The decrease was primarily due to decreases in other fees and commissions.

Noninterest Expenses. Noninterest expenses for the three-month period ended June 30, 2023 September 30, 2023 and 2022 were $2.9 million $2.8 million and $2.8 million $2.9 million, respectively, a decrease of $99,000, or 3.40%. The decrease was driven by decreases in legal, accounting, and other professional fees, data processing and item processing services, and other expenses which were partially offset by increases in salary and employee benefits, occupancy and equipment expenses, FDIC insurance costs and loan collection costs. Noninterest expenses increased from $8.5 million for the nine-month period ended September 30, 2022, to $8.7 million for the corresponding period in 2023, an increase of $90,000 $151,000, or 3.16% 1.77%. The increase was driven by increases in salary and employee benefits and data processing and item processing services, offset by decreases in costs, occupancy and equipment expenses, legal, accounting, and other professional fees, loan collection costs and other expenses. Noninterest expenses increased from $5.6 million for the six-month period ended June 30, 2022, to $5.9 million for the corresponding period in 2023, an increase of $251,000. The increase was driven by increases in salary and employee benefits costs, data processing and item processing services, FDIC insurance costs, advertising and marketing related expenses and loan collection costs and were partially offset by decreases in, occupancy and equipment expenses, legal, accounting, and other professional fees, telephone costs and other expenses.

Income Taxes. During the three-month period ended June 30, 2023 September 30, 2023, the Company recorded an income tax benefit of $13,000 compared to expense of $20,000 for the same period in 2022, a $33,000, or 165.00% decrease. The resulting effective tax rate was -2.41% for the third quarter of 2023 compared to an effective tax rate of 5.06% for the third quarter of 2022. The decrease in the current year's effective tax rate is the result of pre-tax income containing a lower proportion of taxable income compared to the prior year period. During the nine-month period ended September 30, 2023, the Company recorded income tax expense of $25,000 $99,000 compared to $35,000 for the same period in 2022, a $10,000, or 28.57%, decrease. During the six-month period ended June 30, 2023, the Company recorded income tax expense of $112,000 compared to $56,000 $76,000 expense for the same period in 2022, a $56,000, $23,000, or 100.00% 30.26%, increase. The Company's annualized effective tax rate at June 30, 2023 for the nine months ended September 30, 2023 was 14.75% 7.27% compared to 11.11% 7.67% for the prior year. The increase decrease in the current year's effective tax rate is the result of pre-tax income tax expense was due to higher containing a lower proportion of taxable income before taxes at June 30, 2023, compared to June 30, 2022. the prior year period.

Comprehensive Income (Loss). In accordance with regulatory requirements, the Company reports comprehensive income (loss) in its financial statements. Comprehensive income (loss) consists of the Company's net income, adjusted for unrealized gains and losses on the Bank's portfolio of investment securities and interest rate swap contracts. For the second third quarter of 2023, the comprehensive losses, loss, net of tax, totaled $0.7 million $3.8 million compared to a loss in the amount of $5.8 million $6.7 million for the same period in 2022. The increase decrease in comprehensive income loss was due to lower unrealized losses on securities and lower gains on interest rate swaps and lower losses on securities for the period ended June 30, 2023 September 30, 2023. For the six nine months ended June 30, 2023 September 30, 2023, comprehensive income, loss, net of tax, totaled $1.7 million $2.1 million compared to a loss, net of tax, in the amount of $13.9 million $20.6 million for the same period in 2022. The increase decrease in comprehensive income loss was due to lower unrealized losses on securities and lower gains on interest rate swaps and lower losses on securities during the period ended June 30, 2023. September 30, 2023 compared to the prior year.

FINANCIAL CONDITION

General. The Company's assets decreased to $363.6 million $355.4 million at June 30, 2023 September 30, 2023 from $381.4 million at December 31, 2022, a decrease of $17.8 million $26.1 million or 4.67% 6.84%, primarily due to an $18.3 million $15.6 million decrease in cash and cash equivalents, a $6.7 million increase $1.4 million decrease in investment securities available for sale, and a $5.9 million $11.6 million decrease in loans, net.

Loans, net totaled $178.3 million $172.7 million at June 30, 2023 September 30, 2023, a decrease of $5.9 $11.6 million or 3.23% 6.28%, from $184.3 million at December 31, 2022. The decrease was primarily attributable to a decrease in consumer and automobile loans and commercial real estate loans, which were partially offset by increases in loans secured by real estate, single-family residential and commercial and industrial loans. Investment securities available for sale as of June 30, 2023 September 30, 2023, totaled $150.8 $142.7 million, an increase a decrease of $6.7 million $1.4 million, or 4.64% 0.99% from $144.1 million on December 31, 2022. Cash and cash

equivalents as of June 30, 2023 September 30, 2023, totaled $11.7 $14.5 million, a decrease of $18.3 million $15.6 million, or 60.96% 51.74% from $30.1 million on December 31, 2022.

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

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

At June 30, 2023 September 30, 2023, impaired loans totaled $0.5 million $0.4 million, net of specific reserves. Included in the impaired loans total were was $0.6 million in loans classified as nonaccrual loans. At June 30, 2023 September 30, 2023, troubled debt restructurings included in impaired loans totaled $41,000. included restructured loans to borrowers with financial difficulty totaling $8,000. Borrowers under all other restructured loans are paying in accordance with the terms of the modified loan agreement and have been placed on accrual status after a period of performance with the restructured terms.

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

(dollars in thousands)	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Nonaccrual loans	$ 576	$ 488	$ 581	$ 488
TDR loans excluding those in nonaccrual loans	-	-	-	-
Accruing loans past due 90+ days	-	10	-	10
Total nonperforming loans	576	498	581	498
Total nonperforming assets	$ 576	$ 498	$ 581	$ 498
Nonperforming assets to total assets	0.16 %	0.13 %	0.16 %	0.13 %

Deposits as of June 30, 2023 September 30, 2023, totaled $329.2 million $314.8 million, a decrease of $33.7 million $48.1 million, or 9.29% 13.25% from $362.9 million on December 31, 2022. Demand deposits as of June 30, 2023 September 30, 2023 totaled $130.4 million $126.9 million, a decrease of $12.8 million $16.4 million, or 8.96% 11.42% from $143.3 million at December 31, 2022. Interest-bearing checking accounts as of June 30, 2023 September 30, 2023 totaled $36.4 million $32.2 million, a decrease of $3.7 million $7.9 million, or 9.12% 19.61% from $40.1 million at December 31, 2022. Savings accounts as of June 30, 2023 September 30, 2023 totaled $104.5 million $101.5 million, a decrease of $8.6 million $11.6 million, or 7.60% 10.24%, from $113.1 million at December 31, 2022. Money market accounts as of June 30, 2023 September 30, 2023 totaled $15.5 million $15.3 million, a decrease of $0.3 million $0.5 million, or 2.02% 3.19%, from $15.8 million at December 31, 2022. Time deposits under $100,000 totaled $26.3 million $24.1 million on June 30, 2023 September 30, 2023, a $4.4 million $6.6 million or a 14.35% 21.60% decrease from $30.7 million at December 31, 2022. Time deposits over $100,000 totaled $16.1 million on June 30, 2023, a $3.9 million, or 19.60% decrease from $20.0 million at December 31, 2022.

Table of Contents

$100,000 totaled $14.8 million on September 30, 2023, a $5.2 million, or 25.82% decrease from $20.0 million at December 31, 2022.

Deposits on June 30, 2023 September 30, 2023, and December 31, 2022, were as follows:

	June 30, 2023		December 31, 2022		2023 vs 2022		September 30, 2023		December 31, 2022		2023 vs 2022	
(dollars in thousands)	Amount	% of Total	Amount	% of Total	$ Change	% Change	Amount	% of Total	Amount	% of Total	$ Change	% Change
Noninterest-bearing deposits	$130,430	39.6 %	$143,262	39.5 %	$(12,832)	(9.0)%	$126,898	40.3 %	$143,262	39.5 %	$(16,364)	(11.42)%
Interest-bearing deposits:												
Checking	36,432	11.1 %	40,086	10.9 %	(3,654)	(9.1)%	32,226	10.2 %	40,086	10.9 %	(7,860)	(19.61)%
Savings	104,508	31.7 %	113,101	31.2 %	(8,593)	(7.6)%	101,520	32.2 %	113,101	31.2 %	(11,581)	(10.24)%
Money market	15,473	4.7 %	15,791	4.4 %	(318)	(2.0)%	15,287	4.9 %	15,791	4.4 %	(504)	(3.19)%
Total interest-bearing checking, savings and money market deposits	156,413	47.5 %	168,978	46.5 %	(12,565)	(7.4)%	149,033	47.3 %	168,978	46.5 %	(19,945)	(11.80)%
Time deposits under $100,000	26,302	8.0 %	30,708	8.5 %	(4,406)	(14.3)%	24,076	7.7 %	30,708	8.5 %	(6,632)	(21.60)%
Time deposits of $100,000 or more	16,079	4.9 %	19,999	5.5 %	(3,920)	(19.6)%	14,834	4.7 %	19,999	5.5 %	(5,165)	(25.82)%
Total time deposits	42,381	12.9 %	50,707	14.0 %	(8,326)	(16.4)%	38,910	12.4 %	50,707	14.0 %	(11,797)	(23.26)%
Total interest-bearing deposits	198,794	60.4 %	219,685	60.5 %	(20,891)	(9.5)%	187,943	59.7 %	219,685	60.5 %	(31,742)	(14.45)%
Total Deposits	$329,224	100.0 %	$362,947	100.0 %	$(33,723)	(9.3)%	$314,841	100.0 %	$362,947	100.0 %	$(48,106)	(13.25)%

Lease Commitments. The Financial Accounting Standards Board ("FASB") issued guidance, *Leases*, which requires an entity to recognize both assets and liabilities arising from financing and operating leases, along with additional qualitative and quantitative disclosures. The Bank adopted this guidance on January 1, 2019. It was applied using a modified retrospective approach which allows entities to either apply the new lease standard to the beginning of the earliest period presented or only to the current period consolidated financial statements. For leases where the Bank is the lessee, operating leases are included in premises and equipment, net, and accrued expenses and other liabilities on the Consolidated Balance Sheet. The Bank currently does not have any finance leases. The initial adoption of this guidance had no material effect on the Bank and there was no cumulative-effect adjustment to beginning retained earnings. Management evaluates the effects of the lease guidance on a quarterly basis.

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

Future minimum payments of the Bank's operating leases as of June 30, 2023 September 30, 2023 are as follows:

Year ending December 31,	**Amount (dollars in thousands)**
2023	$ 98
2024	192
2025	10
2026	8
2027	5
Thereafter	—
Total	$ 313

Year ending December 31,	**Amount (dollars in thousands)**
2023	$ 49
2024	192
2025	9
2026	9
2027	6
Thereafter	—
Total	$ 265

Pension and Profit Sharing Plans. The Bank has a defined contribution retirement plan qualifying under Section 401(k) of the Internal Revenue Code that is funded through a profit sharing agreement and voluntary employee

contributions. The plan provides for discretionary employer matching contributions to be determined annually by the Board of Directors. The plan covers substantially all employees.

For the six nine months ended June 30, 2023 September 30, 2023, the Bank accrued $252,000 $361,000 for its projected 401(k) match contribution as well as other profit sharing benefits.

MARKET RISK AND INTEREST RATE SENSITIVITY

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

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

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

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

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

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

Table of Contents

At June 30, 2023 September 30, 2023, the simulation analysis indicated that the Bank is in an asset sensitive position. Management strives to manage optimize the level of higher costing fixed rate funding instruments, while seeking to increase assets that are more fluid in their repricing. An asset sensitive position, theoretically, is favorable in a rising rate

Table of Contents

environment since more assets than liabilities will re-price in a given time frame as interest rates rise. Similarly, a liability sensitive position, theoretically, is favorable in a declining interest rate environment since more liabilities than assets will re-price in a given time frame as interest rates decline. Management works to maintain a consistent spread between yields on assets and costs of deposits and borrowings, regardless of the direction of interest rates.

The foregoing analysis assumes that the Company's assets and liabilities move with rates at their earliest repricing opportunities based on final maturity. Mortgage-backed securities are assumed to mature during the period in which they are estimated to prepay, and it is assumed that loans and other securities are not called prior to maturity. Certificates of deposit and IRA accounts are presumed to reprice be repriced at maturity. NOW savings accounts are assumed to reprice be reprised within three months although it is the Company's experience that such accounts may be less sensitive to changes in market rates.

	Static Balance Sheet/Immediate Change in Rates				Static Balance Sheet/Immediate Change in Rates			
Estimated Changes in Net Interest Income	**-200 bp**	**-100 bp**	**+100 bp**	**+200 bp**	**-200 bp**	**-100 bp**	**+100 bp**	**+200 bp**
Policy Limit	(15)%	(10)%	(10)%	(15)%	(15)%	(10)%	(10)%	(15)%
June 30, 2023	**(7)%**	**(3)%**	**— %**	**— %**				
June 30, 2022	(14)%	(7)%	6 %	13 %				
September 30, 2023					**(6)%**	**(3)%**	**— %**	**(1)%**
September 30, 2022					(14)%	(7)%	2 %	5 %

The following table sets forth the Company's interest-rate sensitivity at June 30, 2023 September 30, 2023.

	0-3 Months	Over 3 to 12 Months	Over 1 Through 5 Years	Over 5 Years	Total	0-3 Months	Over 3 to 12 Months	Over 1 Through 5 Years	Over 5 Years	Total
	(dollars in thousands)					(dollars in thousands)				
Assets:										
Cash and due from banks	$ —	$ —	$ —	$ —	$ 1,965	$ —	$ —	$ —	$ —	$ 2,380
Federal funds and overnight deposits	9,783	—	—	—	9,783	12,142	—	—	—	12,142
Securities	—	25,357	10,872	114,591	150,820	—	25,614	11,596	105,496	142,705
Loans	727	4,355	35,235	138,012	178,329	727	4,355	35,235	132,385	172,702
Fixed assets	—	—	—	—	3,276	—	—	—	—	3,177
Other assets	—	—	—	—	19,434	—	—	—	—	22,258
Total assets	$ 10,510	$ 29,712	$ 46,107	$252,603	$363,607	$ 12,869	$ 29,969	$ 46,831	$237,881	$355,364
Liabilities:										
Demand deposit accounts	$ —	$ —	$ —	$ —	$130,430	$ —	$ —	$ —	$ —	$126,898
NOW accounts	36,432	—	—	—	36,432	32,226	—	—	—	32,226
Money market deposit accounts	15,473	—	—	—	15,473	15,287	—	—	—	15,287
Savings accounts	104,509	—	—	—	104,509	101,520	—	—	—	101,520
IRA accounts	1,285	6,788	8,579	—	16,652	2,430	5,687	8,688	277	17,082

Certificates of deposit	4,669	13,215	7,843	—	25,727	6,194	10,138	5,465	31	21,828
Long-term borrowings	—	—	—	—	—	—	—	—	—	—
Short-term borrowings	—	15,000	—	—	15,000	—	25,000	—	—	25,000
Other liabilities	—	—	—	—	2,125	—	—	—	—	2,362
Stockholders' equity:	—	—	—	—	17,259	—	—	—	—	13,161
Total liabilities and stockholders' equity	$ 162,368	$ 35,003	$ 16,422	$ —	$363,607	$ 157,657	$ 40,825	$ 14,153	$ 308	$355,364
GAP	$(151,858)	$ (5,291)	$ 29,685	$252,603		$(144,788)	$ (10,856)	$ 32,678	$237,573	
Cumulative GAP	$(151,858)	$(157,149)	$(127,464)	$125,139		$(144,788)	$(155,644)	$(122,966)	$114,607	
Cumulative GAP as a % of total assets	(41.76)%	(43.22)%	(35.06)%	34.42 %		(40.74)%	(43.80)%	(34.60)%	32.25 %	

Table of Contents

As shown above, measures of net interest income at risk were more favorable in down-rate scenarios and less favorable in up-rate scenarios on June 30, 2023 September 30, 2023 than on June 30, 2022 September 30, 2022 over a 12-month modeling period. All measures remained within prescribed policy limits in the up and down interest rate scenarios.

Table of Contents

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

	Static Balance Sheet/Immediate Change in Rates				Static Balance Sheet/Immediate Change in Rates			
Estimated Changes in Economic Value of Equity (EVE)	**-200 bp**	**-100 bp**	**+100 bp**	**+200 bp**	**-200 bp**	**-100 bp**	**+100 bp**	**+200 bp**
Policy Limit	(15)%	(10)%	(10)%	(15)%	(15)%	(10)%	(10)%	(15)%
June 30, 2023	**6 %**	**4 %**	**(7)%**	**(15)%**				
June 30, 2022	(19)%	(7)%	5 %	8 %				
September 30, 2023					**9 %**	**5 %**	**(8)%**	**(15)%**

September 30, 2022	2 %	2 %	(5)%	(11)%

Inasmuch as a large portion of the Company's deposits are non-interest bearing, in an increasing interest rate environment the Company's interest income increases at a proportionally greater rate than its total interest expense, thereby resulting in higher net interest income. Conversely, in a declining interest rate environment the decreases in the Company's interest income will be greater than decreases in its already low interest expense, thereby resulting in lower net interest income. In a rising interest rate environment, the Company is positioned to generate less economic value of equity as asset values fall faster than funding sources because the liabilities reprice much slower than our assets, especially considering our interest earning assets are much greater than our interest bearing interest-bearing liabilities. The Company's economic value of equity worsens improves in declining interest rate environments as the majority of our liabilities cannot continue to decrease much from their current low levels thus the economic value of liabilities and assets both worsen.

LIQUIDITY AND CAPITAL RESOURCES

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

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

The Bank's most liquid assets are cash and cash equivalents, which are cash on hand, amounts due from financial institutions, federal funds sold, certificates of deposit with other financial institutions that have an original maturity of nine months or less and money market mutual funds. The levels of such assets are dependent on the Bank's operating, financing, and investment activities at any given time. The variations in levels of cash and cash equivalents are influenced by deposit flows and anticipated future deposit flows. The Bank's cash and cash equivalents (cash due from banks, interest-bearing deposits in other financial institutions, and federal funds sold), as of June 30, 2023 September 30, 2023, totaled $11.7 million $14.5 million, a decrease of $18.3 million $15.6 million, or 60.96% 51.74% from $30.1 million at December 31, 2022.

As of June 30, 2023 September 30, 2023, the Bank was permitted to draw on a $85.8 million $90.9 million line of credit from the FHLB of Atlanta. Borrowings under the line are secured by a floating lien on the Bank's residential mortgage loans and investment securities. As of June 30, 2023 September 30, 2023, the Bank was permitted to draw on a $3.0 million $13.2 million line of credit from the Federal Reserve Bank under the Bank Term Funding Program ("BTFP"). Borrowings under the line are secured by investment securities. At December 31, 2022, there were no short-term or long-term borrowings from FHLB or the Federal Reserve Bank. As of June 30, 2023 September 30, 2023, there was one were three short-term borrowing at FHLB in the amount of $5.0 million each and one short-term borrowing at the Federal Reserve Bank in the amount of $10.0 million. In addition, the Bank has two unsecured federal funds lines of credit in the amount of $9.0 million and $8.0 million, of which $0 was outstanding as of June 30, 2023 September 30, 2023.

The Company's stockholders' equity decreased $2.9 million, or 18.02% during the nine-month period ended September 30, 2023. The decrease was primarily due to an increase in the after-tax net unrealized holding loss on

Table of Contents

The Company's stockholders' equity increased $1.2 million, or 7.50% during the six-month period ended June 30, 2023. The increase was primarily due to a decrease in the after-tax net unrealized holding loss on securities available for sale in the amount of $20.2 million $3.4 million which was only partially mitigated by the year-to-date September 30, 2023, net income of $1.3 million.

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

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

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

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

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

Table of Contents

The regulations impose two several sets of capital adequacy requirements: minimum leverage rules, which require bank holding companies and banks to maintain a specified minimum ratio of capital to total assets, and risk-based capital rules, which require the maintenance of specified minimum ratios of capital to "risk-weighted" assets. In addition, there are requirements to maintain a capital conservation buffer which raised the minimum required common equity Tier 1 capital ratio to 7.00%, the Tier 1 capital ratio to 8.50% and the total capital ratio to 10.50%. At June 30, 2023 September 30, 2023, the Bank was in full compliance with these guidelines with a Tier 1 leverage ratio of 10.51% 10.56%, a Tier 1 risk-based capital ratio of 16.83% 17.12%, a common equity Tier 1 risk-based capital ratio of 16.83% 17.12%, and a total risk-based capital ratio of 17.88% 18.10%. The Company's capital amounts and ratios at June 30, 2023 September 30, 2023 and December 31, 2022 were as follows:

Table of Contents

	Actual		To Be Considered Adequately Capitalized		To Be Well Capitalized Under Prompt Corrective Action Provisions		Actual		To Be Considered Adequately Capitalized		To Be Well Capitalized Under Prompt Corrective Action Provisions	
June 30, 2023	Amount	Ratio	Amount	Ratio	Amount	Ratio						
September 30, 2023							Amount	Ratio	Amount	Ratio	Amount	Ratio
	(dollars in thousands)						(dollars in thousands)					
Common equity tier 1	$37,755	16.83 %	$ 10,093	4.50 %	$ 14,579	6.50 %	$38,053	17.12 %	$ 10,004	4.50 %	$ 14,450	6.50 %
Total capital	$40,105	17.88 %	$ 17,944	8.00 %	$ 22,430	10.00 %	$40,227	18.10 %	$ 17,785	8.00 %	$ 22,231	10.00 %
Tier 1 capital	$37,755	16.83 %	$ 13,458	6.00 %	$ 17,944	8.00 %	$38,053	17.12 %	$ 13,338	6.00 %	$ 17,785	8.00 %
Tier 1 leverage	$37,755	10.51 %	$ 14,369	4.00 %	$ 17,961	5.00 %	$38,053	10.56 %	$ 14,420	4.00 %	$ 18,026	5.00 %

December 31, 2022	Actual		To Be Considered Adequately Capitalized		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(dollars in thousands)					
Common equity tier 1	$ 37,963	16.45 %	$ 10,383	4.50 %	$ 14,998	6.50 %
Total capital	$ 39,866	17.28 %	$ 18,459	8.00 %	$ 23,074	10.00 %
Tier 1 capital	$ 37,963	16.45 %	$ 13,845	6.00 %	$ 18,459	8.00 %
Tier 1 leverage	$ 37,963	9.53 %	$ 15,938	4.00 %	$ 19,922	5.00 %

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's accounting policies are fully described in its Annual Report on Form 10-K for the fiscal year ended December 31, 2022 and are essential to understanding Management's Discussion and Analysis of Financial Condition and Results of Operations. As discussed there, the preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Since future events and their effects cannot be determined with absolute certainty, the determination of estimates requires the exercise of judgment. Management has used the best information available to make the estimations necessary to value the related assets and liabilities based on historical experience and on various assumptions which are believed to be reasonable under the circumstances. Actual results could differ from those estimates, and such differences may be material to the financial statements. The Company reevaluates these variables as facts and circumstances change. Historically, actual results have not differed significantly from the Company's estimates. The following is a summary of the more judgmental accounting estimates and principles involved in the preparation of the Company's financial statements, including the identification of the variables most important in the estimation process:

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

Table of Contents

The Company early adopted ASC 326 during the first fiscal quarter 2021 and based on the application of the modified retrospective method it became effective on January 1, 2021 for all financial assets measured at amortized cost primarily loans receivable and off-balance-sheet credit exposures. Results for reporting periods beginning after January 1, 2021 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company recorded a decrease to retained earnings of $1,472,000 as of January 1, 2021 for the cumulative effect of adopting ASC 326.

As a result of our adoption of ASC 326, our methodology for estimating the ACL changed significantly from December 31, 2020. The standard replaced the "incurred loss" approach with an "expected loss" approach known as current expected credit loss ("CECL"). The CECL methodology requires an estimate of the credit losses expected over

Table of Contents

the life of an exposure (or pool of exposures) and it removes the incurred loss methodology's threshold that delayed the recognition of a credit loss until it was "probable" a loss event was deemed to be "incurred."

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

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

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

Valuation of the Securities Portfolio. The Company early adopted ASC 326 during the first fiscal quarter 2021 and based on the application of the modified retrospective method it became effective on January 1, 2021 for all financial assets measured at amortized cost. Under ASC 326, the Company is required to use an allowance approach when recognizing credit loss for its Available-For-Sale ("AFS") debt securities. This is measured as the difference between the investment security's amortized cost basis and the amount expected to be collected over the investment security's lifetime. Specifically, the length of time the security has been in an unrealized loss position will no longer be used to determine whether a credit loss exists. Impairment must be evaluated at the individual security level during each reporting period, through a comparison of the present value of expected cash flows from the security with the amortized cost basis of the security.

The Company conducts its assessment at the individual security level. When an AFS investment security is considered impaired, the Company determines whether the decline is credit loss related or due to other factors. To evaluate the nature of the impairment, the Company compares, at the reporting date, the present value of future cash flows expected to be received to the amortized cost basis. An impairment more than the calculated allowance related to credit losses is then recorded through other comprehensive income in equity, net of applicable taxes.

AFS investment securities issued by U.S. government agencies or U.S. government sponsored enterprises carry the explicit and/or implicit guarantee of the U.S. government and have a long history of zero credit loss. Municipal bonds are considered to have issuer(s) of high credit quality (rated A or higher) and the decline in fair value is due to changes in interest rates and other market conditions.

Corporate securities are non-rated investments that are booked as a debt security where rating agencies do not provide a rating. The absence of a rating does not imply substandard quality. Non-rated corporate securities may be purchased from issuers operating in and around the Company's operating footprint.

Accrued Taxes. Management estimates income tax expense based on the amount it expects to owe various tax authorities. Accrued taxes represent the net estimated amount due or to be received from taxing authorities. In estimating accrued taxes, management assesses the relative merits and risks of the appropriate tax treatment of transactions taking into account statutory, judicial and regulatory guidance in the context of the Company's tax position.

Deferred Income Taxes. Deferred income taxes are recognized for temporary differences between the financial reporting basis and income tax basis of assets and liabilities based on enacted tax rates expected to be in effect when

such amounts are realized or settled. Deferred tax assets are recognized only to the extent that it is more likely than not that such an amount will be realized based on consideration of available evidence.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. To the extent that current available evidence about the future raises doubt about the likelihood of a deferred tax asset being realized, a valuation allowance is established. We recognize a tax position as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination presumed to occur. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The judgment about the level of future taxable income is inherently subjective and is reviewed on a continual basis as regulatory and business factors change.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

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

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

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

None.

Table of Contents

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

- 41 -

Table of Contents

ITEM 6. EXHIBITS

Exhibit No.	
3.1	Articles of Incorporation (incorporated by reference to Exhibit 3.1 to Amendment No. 1 to the Registrant's Form 8-A filed December 27, 1999, File No. 0-24047)
3.2	Articles of Amendment, dated October 8, 2003 (incorporated by reference to Exhibit 3.2 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2003, File No. 0-24047)
3.3	Articles Supplementary, dated November 16, 1999 (incorporated by reference to Exhibit 3.3 to the Registrant's Current Report on Form 8-K filed December 8, 1999, File No. 0-24047)
3.4	By-Laws (incorporated by reference to Exhibit 3.4 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2003, File No. 0-24047)
10.1	Glen Burnie Bancorp Director Stock Purchase Plan (incorporated by reference to Exhibit 99.1 to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-8, File No.33-62280)
10.2	The Bank of Glen Burnie Employee Stock Purchase Plan (incorporated by reference to Exhibit 99.1 to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-8, File No. 333-46943)

10.3	Amended and Restated Change-in-Control Severance Plan (incorporated by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2001, File No. 0-24047)
31.1	Rule 15d-14(a) Certification of Chief Executive Officer (filed herewith)
31.2	Rule 15d-14(a) Certification of Chief Financial Officer (filed herewith)
32	Section 1350 Certifications: Certification by the Principal Executive Officer and Principal Accounting Officer of the periodic financial reports, required by Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
101.INS	Inline XBRL Instance Document (filed herewith)
101.SCH	Inline XBRL Taxonomy Extension Schema Document (filed herewith)
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith)
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document (filed herewith)

Table of Contents

101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document (filed herewith)
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith)
104	
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

Table of Contents

SIGNATURES

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

GLEN BURNIE BANCORP
(Registrant)

Date: August 10, 2023 November 13, 2023

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

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

EXHIBIT 31.1

CERTIFICATION

I, John D. Long, Mark C. Hanna, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 10, 2023 November 13, 2023

/s/ John D. Long Mark C. Hanna

John D. Long Mark C. Hanna
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Jeffrey D. Harris, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 10, 2023 November 13, 2023

/s/ Jeffrey D. Harris

Jeffrey D. Harris
Chief Financial Officer

EXHIBIT 32

SECTION 1350 CERTIFICATIONS

In connection with the Quarterly Report of Glen Burnie Bancorp (the "Company") on Form 10-Q for the period ending June 30, 2023 September 30, 2023, as filed with the Securities and Exchange Commission and to which this Certification is an exhibit (the "Report"), the undersigned hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: August 10, 2023 November 13, 2023

/s/ John D. Long Mark C. Hanna

John D. Long Mark C. Hanna
President, Chief Executive Officer

/s/ Jeffrey D. Harris

Jeffrey D. Harris
Chief Financial Officer

DISCLAIMER

REFINITIV