SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2024

OR

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _______________ to _______________

Commission File No. 001-41899

NB Bancorp, Inc.
(Exact name of registrant as specified in its charter)

Maryland	**93-2560883**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1063 Great Plain Avenue Needham, Massachusetts	**02492**
(Address of Principal Executive Offices)	(Zip Code)

(781) 444-2100
(Registrant's telephone number)

N/A
(Former name or former address, if changed since last report)

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

Common stock, par value $0.01 per share	**NBBK**	**The NASDAQ Stock Market, LLC**
(Title of each class to be registered)	(Ticker Symbol)	(Name of each exchange on which each class is to be registered)

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

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

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

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

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

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

As of November 8, 2024, 42,705,729 shares of the Registrant's common stock, par value $0.01 per share, were issued and outstanding.

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EXPLANATORY NOTE

NB Bancorp, Inc., a Maryland corporation (the “Company” or the “Registrant”), was formed on June 7, 2023 to serve as the bank holding company for Needham Bank (the “Bank”) as part of the Bank’s mutual-to-stock conversion, which was consummated on December 27, 2023. Financial and other information prior to and including December 27, 2023 included in this Quarterly Report is for the Bank.

Part I. – Financial Information

Item 1. Financial Statements

NB Bancorp, Inc.
Consolidated Balance Sheets
September 30, 2024 (Unaudited) and December 31, 2023
(in thousands except share and per share data)

	September 30, 2024	December 31, 2023
Assets		
Cash and due from banks	$ 148,187	$ 90,485
Federal funds sold	168,862	182,106
Total cash and cash equivalents	317,049	272,591
Available-for-sale securities, at fair value	202,541	189,465
Loans receivable, net of deferred fees	4,249,074	3,889,279
Allowance for credit losses	(37,605)	(32,222)
Net loans	4,211,469	3,857,057
Accrued interest receivable	18,671	17,284
Banking premises and equipment, net	34,802	35,531
Federal Home Loan Bank ("FHLB") stock, at cost	6,848	14,558
Federal Reserve Bank stock, at cost	11,769	10,323
Non-public investments	5,654	13,852
Bank-owned life insurance ("BOLI")	101,736	50,516
Prepaid expenses and other assets	74,550	53,109
Deferred income tax asset, net	17,468	19,126
Total assets	$ 5,002,557	$ 4,533,412
Liabilities and shareholders' equity		
Deposits	$ 4,042,817	$ 3,387,348
Mortgagors' escrow accounts	4,401	4,229
FHLB borrowings	116,335	283,338
Accrued expenses and other liabilities	69,524	81,325
Accrued retirement liabilities	22,031	19,213
Total liabilities	4,255,108	3,775,453
Shareholders' equity:		
Preferred stock, $0.01 par value, 5,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $0.01 par value, 120,000,000 shares authorized; 42,705,729 shares issued and outstanding at September 30, 2024 and December 31, 2023	427	427
Additional paid-in capital	417,013	417,030
Unallocated common shares held by the Employee Stock Ownership Plan ("ESOP")	(45,407)	(13,774)
Retained earnings	382,560	366,173
Accumulated other comprehensive loss	(7,144)	(11,897)
Total shareholders' equity	747,449	757,959
Total liabilities and shareholders' equity	$ 5,002,557	$ 4,533,412

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

NB Bancorp, Inc.
Consolidated Statements of Income
(Unaudited - Dollars in thousands, except per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
INTEREST AND DIVIDEND INCOME				
Interest and fees on loans	$ 70,518	$ 56,702	$ 199,788	$ 150,502
Interest on investment securities	1,768	1,105	4,736	3,612
Interest and dividends on cash equivalents and other	3,717	1,791	10,792	3,749
Total interest and dividend income	76,003	59,598	215,316	157,863
INTEREST EXPENSE				
Interest on deposits	33,612	20,789	93,408	50,549
Interest on borrowings	1,067	5,325	3,230	10,871
Total interest expense	34,679	26,114	96,638	61,420
NET INTEREST INCOME	41,324	33,484	118,678	96,443
PROVISION FOR CREDIT LOSSES				
Provision for credit losses - loans	4,997	1,965	13,316	7,994
Provision for (release of) credit losses - unfunded commitments	(2,374)	—	(2,597)	86
Total provision for credit losses	2,623	1,965	10,719	8,080
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	38,701	31,519	107,959	88,363
NONINTEREST INCOME				
Customer service fees	1,963	1,689	5,717	4,959
Increase in cash surrender value of BOLI	414	374	1,219	1,117
Mortgage banking income	367	101	905	469
Swap contract income	375	950	1,128	2,058
Loss on sale of available-for-sale securities, net	(1,868)	—	(1,868)	—
Employee retention credit income	—	—	—	3,452
Other income	14	24	649	46
Total noninterest income	1,265	3,138	7,750	12,101
NONINTEREST EXPENSE				
Salaries and employee benefits	17,202	14,659	51,509	44,033
Director and professional service fees	1,995	1,609	6,174	4,985
Occupancy and equipment expenses	1,394	1,279	4,192	3,926
Data processing expenses	2,226	2,017	6,547	5,456
Marketing and charitable contribution expenses	842	918	2,680	2,972
FDIC and state insurance assessments	812	1,215	1,806	2,844
General and administrative expenses	115	1,391	3,459	4,243
Total noninterest expense	24,586	23,088	76,367	68,459
INCOME BEFORE TAXES	15,380	11,569	39,342	32,005
INCOME TAXES	6,997	3,102	12,805	8,561
NET INCOME	$ 8,383	$ 8,467	$ 26,537	$ 23,444
Weighted average common shares outstanding, basic	39,289,271	N/A	39,423,214	N/A
Weighted average common shares outstanding, diluted	39,289,271	N/A	39,423,214	N/A
Earnings per share, basic	$ 0.21	$ N/A	$ 0.67	$ N/A
Earnings per share, diluted	$ 0.21	$ N/A	$ 0.67	$ N/A

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

NB Bancorp, Inc.
Consolidated Statements of Comprehensive Income
(Unaudited - Dollars in thousands)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
NET INCOME	$ 8,383	$ 8,467	$ 26,537	$ 23,444
OTHER COMPREHENSIVE INCOME, NET OF TAX:				
Net change in fair value of available-for-sale securities	3,991	286	4,753	548
Net change in fair value of cash flow hedge	—	(25)	—	(238)
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX:	3,991	261	4,753	310
TOTAL COMPREHENSIVE INCOME, NET OF TAX	$ 12,374	$ 8,728	$ 31,290	$ 23,754

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

NB Bancorp, Inc.
Consolidated Statements of Changes in Shareholders' Equity
(Unaudited - Dollars in thousands)

	For the Three Months Ended						
	Shares of Common Stock Outstanding	Common Stock	Additional Paid-In Capital	Unallocated Common Stock Held by ESOP	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, June 30, 2023	—	$ —	$ —	$ —	$371,325	$ (14,352)	$356,973
Net income	—	—	—	—	8,467	—	8,467
Other comprehensive income, net of tax	—	—	—	—	—	261	261
Balance, September 30, 2023	—	$ —	$ —	$ —	$379,792	$ (14,091)	$365,701
Balance, June 30, 2024	42,705,729	$ 427	$ 416,845	$ (46,002)	$374,177	$ (11,135)	$734,312
Net income	—	—	—	—	8,383	—	8,383
Other comprehensive income, net of tax	—	—	—	—	—	3,991	3,991
ESOP shares committed to be released (43,057 shares)	—	—	168	595	—	—	763
Balance, September 30, 2024	42,705,729	$ 427	$ 417,013	$ (45,407)	$382,560	$ (7,144)	$747,449

	For the Nine Months Ended						
	Shares of Common Stock Outstanding	Common Stock	Additional Paid-In Capital	Unallocated Common Stock Held by ESOP	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2022	—	$ —	$ —	$ —	$358,466	$ (14,401)	$344,065
Adoption of ASU 2016-13	—	—	—	—	(2,118)	—	(2,118)
Net income	—	—	—	—	23,444	—	23,444
Other comprehensive income, net of tax	—	—	—	—	—	310	310
Balance, September 30, 2023	—	$ —	$ —	$ —	$379,792	$ (14,091)	$365,701
Balance, December 31, 2023	42,705,729	$ 427	$ 417,030	$ (13,774)	$366,173	$ (11,897)	$757,959
Adoption of ASU 2023-02	—	—	—	—	(10,150)	—	(10,150)
Net income	—	—	—	—	26,537	—	26,537
Other comprehensive income, net of tax	—	—	—	—	—	4,753	4,753
Net costs from stock offering and issuance of common shares	—	—	(225)	—	—	—	(225)
Purchase of common shares by the ESOP (2,416,458 shares)	—	—	—	(33,397)	—	—	(33,397)
ESOP shares committed to be released (127,766 shares)	—	—	208	1,764	—	—	1,972
Balance, September 30, 2024	42,705,729	$ 427	$ 417,013	$ (45,407)	$382,560	$ (7,144)	$747,449

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

NB Bancorp, Inc.
Consolidated Statements of Cash Flows
(Unaudited - Dollars in thousands)

	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 26,537	$ 23,444
Adjustments to reconcile net income to net cash from operating activities:		
Net amortization (accretion) of available-for-sale securities	(257)	(280)
Loss on sale of available-for-sale securities	1,868	—
Amortization of core deposit intangible	112	112
Provision for credit losses	10,719	8,080
Loan hedge fair value adjustments, including amortization	87	122
Change in net deferred loan origination fees	785	3,647
Mortgage loans originated for sale	(13,010)	(1,978)
Proceeds from sale of mortgage loans held for sale	22,707	1,982
Gain on sale of mortgage loans	(282)	(4)
Depreciation and amortization expense	2,109	2,006
Increase in cash surrender values of BOLI	(1,219)	(1,117)
Establishment of solar income tax credit investment basis reduction deferred tax liability	2,503	—
Deferred income tax benefit	(2,533)	(36)
ESOP expense	1,972	—
Changes in operating assets and liabilities:		
Accrued interest receivable	(1,387)	(5,009)
Prepaid expenses and other assets	(21,553)	(4,383)
Accrued expenses and other liabilities	(9,204)	10,601
Accrued retirement liabilities	2,818	2,495
NET CASH PROVIDED BY OPERATING ACTIVITIES	22,772	39,682
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan originations and purchases, net of repayments	(378,273)	(706,502)
Purchases of available-for-sale securities	(98,661)	(28,717)
Proceeds from sales of available-for-sale securities	27,444	—
Proceeds from maturities, calls and paydowns of available-for-sale securities	62,971	78,265
Redemptions (purchases) of Federal Home Loan Bank stock, net	7,710	(4,440)
Purchases of Federal Reserve stock, net	(1,446)	(1,693)
Recoveries of loans previously charged off	258	734
Net change in non-public investments	(1,952)	229
Purchases of BOLI policies	(50,001)	—
Purchases of banking premises and equipment	(1,380)	(2,626)
NET CASH USED IN INVESTING ACTIVITIES	(433,330)	(664,750)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in deposits	655,469	549,916
Net costs from stock offering and issuance of common shares	(225)	—
Purchase of common shares held by ESOP	(33,397)	—
Net change in mortgagors' escrow accounts	172	(111)
Increase (decrease) in FHLB borrowings, net	(167,003)	52,552
NET CASH PROVIDED BY FINANCING ACTIVITIES	455,016	602,357
NET CHANGE IN CASH AND CASH EQUIVALENTS	44,458	(22,711)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	272,591	156,545
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 317,049	$ 133,834
Supplemental disclosure of cash paid during the period for:		
Interest	$ 95,259	$ 58,845
Income taxes	11,902	1,995
Supplemental disclosure of non-cash transactions:		
Cumulative effect adjustment of adoption of ASC 326, net of income taxes	$ —	$ 2,118
Cumulative effect adjustment of adoption of ASU 2023-02, net of income taxes	10,150	—
Unrealized (gains) losses on available-for-sale securities	(8,309)	731
Unrealized holding losses on cash flow hedge	—	(318)
Mortgage loans transferred to loans held for sale	9,415	—

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

NB Bancorp, Inc.
Notes to Unaudited Consolidated Financial Statements

Note 1 – Conversion

Effective December 27, 2023, NB Financial, MHC (the “MHC”), the former mutual holding company of Needham Bank (the “Bank”) and the predecessor to NB Bancorp, Inc. (the “Company”), consummated its mutual to stock conversion and the Company consummated its related stock offering. In the offering, the Company sold 40,997,500 shares of common stock, par value $0.01 per share, at a per share price of $ 10.00 for gross offering proceeds of $410.0 million. Additionally, the Company contributed 1,708,229 shares and $2.0 million in cash to the Needham Bank Charitable Foundation (the “Foundation”). The shares of the Company’s common stock sold in the offering began trading on The Nasdaq Capital Market on December 28, 2023 under the symbol “NBBK.”

In connection with the conversion, liquidation accounts were established by the Company and the Bank in an aggregate amount equal to (i) the MHC’s ownership interest in the shareholders’ equity of NB Financial, Inc. as of the date of the latest statement of financial condition included in the Company’s definitive prospectus dated October 12, 2023, plus (ii) the value of the net assets of the MHC as of the date of the MHC’s latest statement of financial condition before the consummation of the Conversion (excluding the MHC’s ownership interest in NB Financial, Inc.).

Each eligible account holder and supplemental eligible account holder is entitled to a proportionate share of the liquidation accounts in the unlikely event of a liquidation of (i) the Company and the Bank or (ii) the Bank, and only in such events. This share will be reduced if the eligible account holder’s or supplemental account holder’s deposit balance falls below the amounts on the date of record and will cease to exist if the account is closed. The liquidation account will never be increased despite any increase after conversion in the related deposit balance.

The Bank may not pay a dividend on its capital stock if the effect thereof would cause retained earnings to be reduced below the liquidation account amount or regulatory capital requirements.

Note 2 – Basis of Presentation

The Company’s accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The consolidated financial statements of NB Bancorp, Inc. (referred to herein as the “Company," “we,” “us,” or “our”) include the balances and results of operations of the Company and the Bank, its wholly-owned subsidiary, as well as the Bank’s wholly-owned subsidiaries, Needco-op Investment Corporation, Inc., 1892 Investments LLC and Eaton Square Realty LLC. Intercompany transactions and balances are eliminated in consolidation.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the Company's financial position as of September 30, 2024 and the results of operations and cash flows for the interim periods ended September 30, 2024 and 2023. All interim amounts have not been audited, and the results of operations for the interim periods herein are not necessarily indicative of the results of operations to be expected for the fiscal year.

The accompanying unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2023 and accompanying notes thereto included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission.

The Company qualifies as an emerging growth company (“EGC”) under the Jumpstart Our Business Startups Act of 2012 and has elected to defer the adoption of new or revised accounting standards until the nonpublic company effective dates. As such, the Company will adopt standards on the nonpublic company effective dates until such time that we no longer qualify as an EGC.

Relevant standards that were adopted during the nine months ended September 30, 2024:

In March 2023, the FASB issued ASU 2023-02, *Investments–Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method* (“ASU 2023-02”). This update permits 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 (“PAM”) if the following conditions are met:

- It is probable that the income tax credits allocable to the tax equity investor will be available;
- The tax equity investor does not have the ability to exercise significant influence over the operating and financial policies of the underlying project;
- Substantially all of the projected benefits are from income tax credits and other income tax benefits. Projected benefits include income tax credits, other income tax benefits, and other non-income-tax-related benefits. The projected benefits are determined on a discounted basis, using a discount rate that is consistent with the cash flow assumptions used by the tax equity investor in making its decision to invest in the project;
- The tax equity investor’s projected yield based solely on the cash flows from the income tax credits and other income tax benefits is positive; and
- The tax equity investor is a limited liability investor in the limited liability entity for both legal and tax purposes, and the tax equity investor’s liability is limited to its capital investment.

Under existing accounting standards, PAM is allowable only for equity investments in low-income-housing tax credit structures. Under PAM, an entity amortizes the initial cost of the investment in proportion to the income tax credits and other income tax benefits received and recognizes the net amortization and income tax credits and other income tax benefits in the income statement as a component of income tax expense (benefit). Updates made by ASU 2023-02 allow a reporting entity to make an accounting policy election to apply PAM on a tax-credit-program-by-tax-credit-program basis beyond just low-income-housing tax credits. The Company has made an accounting policy election to account for its investments in solar income tax credit investments using PAM. The Company adopted ASU 2023-02 during the quarter ended September 30, 2024, with a modified retrospective adoption reflected as of January 1, 2024, which resulted in a $10.2 million reduction in retained earnings and nonpublic investments.

Certain previously reported amounts have been reclassified to conform to the current period’s presentation.

Subsequent events are events or transactions that occur after the balance sheet date but before consolidated financial statements are issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing consolidated financial statements. Non-recognized subsequent events are events that provide evidence about conditions that did not exist at the date of the consolidated balance sheet but arose after that date.

Note 3 – Securities

The Company's available-for-sale securities are carried at fair value. For available-for-sale securities in an unrealized loss position, management will first evaluate whether there is intent to sell, or if it is more likely than not that the Company will be required to sell a security prior to anticipated recovery of its amortized cost basis. If either of these criteria are met, the Company will record a write-down of the security's amortized cost basis to fair value through income. For those available-for-sale securities which do not meet the intent or requirement to sell criteria, management will evaluate whether the decline in fair value is a result of credit related matters or other factors. In performing this assessment, management considers the creditworthiness of the issuer including whether the security is guaranteed by the U.S. Federal Government or other government agency, the extent to which fair value is less than amortized cost, and changes in credit rating during the period, among other factors. If this assessment indicates the existence of credit losses, the security will be written down to fair value, as determined by a discounted cash flow analysis. To the extent the estimated cash flows do not support the amortized cost, the deficiency is considered to be due to credit loss and is recognized in earnings.

Changes in the allowance for credit losses are recorded as a provision for (or reversal of) credit loss expense. Losses are charged against the allowance when the uncollectibility of a security is confirmed, or when either of the aforementioned criteria surrounding intent or requirement to sell have been met.

Securities have been classified on the consolidated balance sheets according to management's intent. The following tables summarize the amortized cost, allowance for credit losses, and fair value of securities and their corresponding amounts of unrealized gains and losses at the dates indicated:

September 30, 2024	Amortized Cost	Unrealized Gain	Unrealized Loss	Allowance for Credit Losses	Fair Value
			(in thousands)		
Available-for-Sale Debt Securities:					
U.S. Treasury securities	$ 54,935	$ 259	$ (328)	$ —	$ 54,866
U.S. Government agencies	6,006	29	—	—	6,035
Agency mortgage-backed securities	32,645	—	(1,598)	—	31,047
Agency collateralized mortgage obligations	11,507	161	(91)	—	11,577
Corporate bonds	95,722	116	(6,655)	—	89,183
Municipal obligations	10,089	—	(256)	—	9,833
Total	$ 210,904	$ 565	$ (8,928)	$ —	$ 202,541

December 31, 2023	Amortized Cost	Unrealized Gain	Unrealized Loss	Allowance for Credit Losses	Fair Value
			(in thousands)		
Available-for-Sale Debt Securities:					
U.S. Treasury securities	$ 66,874	$ 27	$ (2,549)	$ —	$ 64,352
Agency mortgage-backed securities	13,154	5	(1,729)	—	11,430
Agency collateralized mortgage obligations	2,987	—	(569)	—	2,418
Corporate bonds	101,244	5	(9,014)	—	92,235
Municipal obligations	20,010	—	(980)	—	19,030
Total	$ 204,269	$ 37	$ (14,841)	$ —	$ 189,465

The Company did not record a provision for estimated credit losses on any available-for-sale securities for the three and nine months ended September 30, 2024. Excluded from the table above is accrued interest on available-for-sale securities of $1.3 million and $1.2 million at September 30, 2024 and December 31, 2023, respectively, which is included within accrued interest receivable on the consolidated balance sheets. Additionally, the Company did not record any write-offs of accrued interest income on available-for-sale securities for the three and nine months ended September 30, 2024. No securities held by the Company were delinquent on contractual payments at September 30, 2024, nor were any securities placed on non-accrual status for the three and nine months then ended.

The following is a summary of actual maturities of certain available-for-sale securities as of September 30, 2024. The amortized cost and fair values are based on the contractual maturity dates. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty. Agency mortgage-backed securities and collateralized mortgage obligations are presented as separate lines as paydowns are expected to occur before contractual maturity dates.

	Available-for-Sale	
	Amortized Cost	Fair Value
	(in thousands)	
Within one year	$ 54,037	$ 53,936
Over one year to five years	74,722	72,581
Over five years to ten years	37,993	33,400
	166,752	159,917
Agency mortgage-backed securities	32,645	31,047
Agency collateralized mortgage obligations	11,507	11,577
	$ 210,904	$ 202,541

When securities are sold, the adjusted cost of the specific security sold is used to compute the gain or loss on the sale. During the three and nine months ended September 30, 2024, the Company sold $29.3 million of available-for-sale securities and recognized gross realized losses of $1.9 million and gross realized gains of $ 30,000. There were no sales of available-for-sale securities during the three and nine months ended September 30, 2023.

The carrying value of securities pledged to secure borrowings from the Federal Reserve Bank was $ 42.5 million and $49.6 million as of September 30, 2024 and December 31, 2023, respectively.

The following tables present fair value and gross unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of the dates stated.

		Less than 12 Months		12 Months or More		Total	
				(Dollars in thousands)			
September 30, 2024	Number of Securities	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
U. S. Treasuries	3	$ (1)	$ —	$ (327)	$ 6,652	$ (328)	$ 6,652
Agency mortgage-backed securities	13	(264)	21,571	(1,334)	9,476	(1,598)	31,047
Agency collateralized mortgage obligations	3	(87)	8,656	(4)	139	(91)	8,795
Corporate bonds	30	(1,201)	8,799	(5,454)	70,769	(6,655)	79,568
Municipal obligations	7	—	—	(256)	9,833	(256)	9,833
Total	56	$ (1,553)	$39,026	$ (7,375)	$96,869	$ (8,928)	$135,895

		Less than 12 Months		12 Months or More		Total	
				(Dollars in thousands)			
December 31, 2023	Number of Securities	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	15	$ (95)	$ 7,884	$ (2,454)	$ 46,515	$ (2,549)	$ 54,399
Agency mortgage-backed securities	18	—	—	(1,729)	11,124	(1,729)	11,124
Agency collateralized mortgage obligations	5	—	—	(569)	2,418	(569)	2,418
Corporate bonds	33	(1,135)	6,866	(7,879)	78,365	(9,014)	85,231
Municipal obligations	13	(181)	1,819	(799)	17,211	(980)	19,030
Total	84	$ (1,411)	$16,569	$ (13,430)	$155,633	$ (14,841)	$172,202

Management evaluates securities for expected credit losses at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation.

Included in corporate bonds are investments in senior and subordinated debt of banks and bank holding companies, some of which do not have investment ratings.

At September 30, 2024, available-for-sale debt securities had unrealized losses with aggregate depreciation of 7.0% from the Company's amortized cost basis. These unrealized losses relate to changes in market interest rates since acquiring the securities. As management has the intent and ability to hold available-for-sale debt securities until maturity or cost recovery, no allowance for credit losses on securities is deemed necessary as of September 30, 2024.

Note 4 – Loans Receivable, Allowance for Credit Losses and Credit Quality

Loans Receivable

Loans that management has the intent and ability to hold for the foreseeable future or until loan maturity or pay-off are reported as held-for-investment at their outstanding principal balance adjusted for any charge-offs and net of any deferred fees (including purchase accounting adjustments) and origination costs (collectively referred to as “amortized cost”). For originated loans, loan fees and certain direct origination costs are deferred and amortized into interest income over the contractual life of the loan using the level-yield method. When a loan is paid off, the unamortized portion is recognized in interest income. Loans are generally placed into nonaccrual status when they are past due 90 days or more as to either principal or interest or when, in the opinion of management, the collection of principal and/or interest is in doubt. A loan remains in nonaccrual status until the loan is current as to payment of both principal and interest or past due less than 90 days and the borrower demonstrates the ability to pay and remain current. When cash payments are received, they are applied to principal first, then to accrued interest. It is the Company’s policy not to record interest income on nonaccrual loans until principal has become current. In certain instances, accruing loans that are past due 90 days or more as to principal or interest may not go on nonaccrual status if the Company determines that the loans are well-secured and are in the process of collection.

Allowance for Credit Losses

The Allowance for Credit Losses (“ACL”) represents management’s best estimate of credit losses over the remaining life of the loan portfolio. Loans are charged-off against the ACL when management believes the loan balance is no longer collectible. This determination is made based on management's review of specific facts and circumstances of the individual loan, including the expected cash flows to repay the loan, the value of the collateral and the ability and willingness of any guarantors to perform. Subsequent recoveries of previously charged-off amounts are recorded as increases to the ACL. The provision for credit losses on loans is an amount sufficient to bring the ACL to an estimated balance that management considers adequate to absorb lifetime expected losses in the Company’s held-for-investment loan portfolio. The ACL is a valuation account that is deducted from the loans’ amortized cost basis to present the net amount expected to be collected on the loans.

Management’s determination of the adequacy of the ACL under *FASB ASC 326 – Financial Instruments – Credit Losses* is based on an evaluation of the composition of the loan portfolio, current economic conditions, historical loan loss experience, reasonable and supportable forecasts, and other risk factors.

The Company uses a third-party Current Expected Credit Loss (“CECL”) model as part of its estimation of the ACL on a quarterly basis. Loans with similar risk characteristics are collectively assessed within pools (or segments). Loss estimates within the collectively assessed population are based on a combination of pooled assumptions and loan-level characteristics. The Company has determined that using federal call codes is an appropriate loan segmentation methodology, as it is generally based on risk characteristics of a loan’s underlying collateral. Using federal call codes also allows the Company to utilize and assess publicly available external information when developing its estimate of the ACL.

The weighted average remaining maturity (“WARM”) method is the primary credit loss estimation methodology used by the Company and involves estimating future cash flows and expected credit losses for pools of loans using their expected remaining weighted average life.

In applying future economic forecasts, the Company utilizes a forecast period of up to two years. Historical loss rates used in the quantitative model are primarily derived using both the Bank’s data, supplemented with peer bank data obtained from publicly available sources. Management also considers qualitative adjustments when estimating credit losses to take into account the model’s quantitative limitations. Qualitative adjustments to quantitative loss factors, either negative or positive, may include considerations of economic conditions, volume and severity of past due loans, value of underlying collateral, experience, depth, and ability of management, and concentrations of credit.

For those loans that do not share similar risk characteristics, the Company evaluates the ACL needs on an individual (or loan by loan) basis. This population of individually evaluated loans (or loan relationships with the same primary source of repayment) is determined on a quarterly basis and consists of: loans with a risk rating of substandard or worse and a balance exceeding $500,000, or loan terms differing significantly from other pooled loans. In accordance with the Company's policy, non-accrual residential real estate loans that are below $500,000 and well secured (loan-to-value < 60%) are excluded from individually evaluated loans.

Measurement of credit loss is based on the expected future cash flows of an individually evaluated loan, discounted at the loan's effective interest rate, or measured on an observable market value, if one exists, or the estimated market value of the collateral underlying the loan, discounted to consider estimated costs to sell the collateral for collateral-dependent loans. If the net value is less than the loan's amortized cost, a specific reserve in the ACL is recorded, which is charged-off in the period when management believes the loan balance is no longer collectible.

In the ordinary course of business, the Company enters into commitments to extend credit. Such financial instruments are recorded in the consolidated financial statements when they are funded. The credit risk associated with these commitments is evaluated in a manner similar to the ACL on loans. The reserve for unfunded commitments is included in other liabilities on the consolidated balance sheets.

Loans consist of the following as of the dates stated:

	September 30, 2024		December 31, 2023	
	Amount	Percent	Amount	Percent
	(Dollars in thousands)			
One-to-four-family residential	$ 1,123,997	26.42 %	$ 1,097,486	28.18 %
Home equity	109,946	2.58 %	97,270	2.50 %
Total residential real estate	1,233,943	29.00 %	1,194,756	30.68 %
Commercial real estate	1,279,954	30.09 %	1,169,859	30.05 %
Multi-family residential	272,561	6.41 %	209,982	5.39 %
Total commercial real estate	1,552,515	36.50 %	1,379,841	35.44 %
Construction and land development	666,936	15.67 %	622,823	15.99 %
Commercial and industrial	566,934	13.32 %	491,918	12.63 %
Total commercial	2,786,385	65.49 %	2,494,582	64.06 %
Consumer, net of premium/discount	234,461	5.51 %	204,871	5.26 %
Total loans	4,254,789	100.00 %	3,894,209	100.00 %
Deferred fees, net	(5,715)		(4,930)	
Allowance for credit losses	(37,605)		(32,222)	
Net loans	$ 4,211,469		$ 3,857,057	

Included in the above are approximately $458.0 million and $365.9 million in loans to borrowers in the cannabis industry at September 30, 2024 and December 31, 2023, respectively. Of that total, $301.9 million and $207.7 million were direct loans to cannabis companies and were collateralized by real estate at September 30, 2024 and December 31, 2023, respectively. For the reporting period ended December 31, 2023, the Company disclosed loans to borrowers in the cannabis industry of $320.5 million. Based on revised classifications, the amount of loans to borrowers in the cannabis industry at December 31, 2023 was $365.9 million. The reclassification did not have a significant impact on the calculation of the allowance for credit losses.

During the three months ended September 30, 2024 and 2023, the Company purchased approximately $ 13.3 million and $8.7 million of consumer loan pools, respectively. During the nine months ended September 30, 2024 and 2023, the Company purchased approximately $32.9 million and $34.5 million of consumer loan pools, respectively. The loans purchased during the three and nine months ended September 30, 2024 included loan pools collateralized by boats, recreational vehicles and automobiles. The loans purchased during the three and nine months ended September 30, 2023 included loan pools collateralized by boats, recreational vehicles, automobiles and solar panels.

The outstanding balances of these consumer purchased loan pools, shown net of premium (discount) are as follows as of the dates stated:

	September 30, 2024		
	Gross Loan	Premium (Discount)	Net Loan
		(in thousands)	
Student loans	$ 7,445	$ 44	$ 7,489
Boat and RV loans	50,233	1,192	51,425
Automobile loans	41,590	—	41,590
Solar panel loans	56,664	(5,160)	51,504
Home improvement loans	46,373	(19)	46,354
Total	$ 202,305	$ (3,943)	$ 198,362

	December 31, 2023		
	Gross Loan	Premium (Discount)	Net Loan
		(in thousands)	
Student loans	$ 8,989	$ 49	$ 9,038
Boat and RV loans	58,483	1,422	59,905
Automobile loans	14,662	—	14,662
Solar panel loans	61,430	(5,443)	55,987
Home improvement loans	53,220	(26)	53,194
Total	$ 196,784	$ (3,998)	$ 192,786

The carrying value of loans pledged to secure advances from the FHLB were $ 1.25 billion and $1.24 billion as of September 30, 2024 and December 31, 2023, respectively.

The following table presents the aging of the amortized cost of loans receivable by loan category as of the date stated:

	September 30, 2024					
	Current Loans	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due Still Accruing	Nonaccrual	Total Loans
				(in thousands)		
Real estate loans:						
One-to-four-family residential	$ 1,117,869	$ 781	$ 277	$ —	$ 5,070	$ 1,123,997
Home equity	108,450	436	—	—	1,060	109,946
Commercial real estate	1,272,308	4,089	527	—	3,030	1,279,954
Multi-family residential	272,561	—	—	—	—	272,561
Construction and land development	664,543	2,383	—	—	10	666,936
Commercial and industrial	557,705	4,486	—	—	4,743	566,934
Consumer	228,832	2,460	1,070	—	2,099	234,461
Total	$ 4,222,268	$ 14,635	$ 1,874	$ —	$ 16,012	$ 4,254,789

	December 31, 2023					
	Current Loans	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due Still Accruing	Nonaccrual	Total Loans
	(in thousands)					
Real estate loans:						
One-to-four-family residential	$ 1,091,483	$ 1,903	$ —	$ —	$ 4,100	$ 1,097,486
Home equity	96,327	288	65	—	590	97,270
Commercial real estate	1,166,702	2,735	—	—	422	1,169,859
Multi-family residential	209,982	—	—	—	—	209,982
Construction and land development	622,813	—	—	—	10	622,823
Commercial and industrial	487,777	2	1	—	4,138	491,918
Consumer	198,450	3,928	955	—	1,538	204,871
Total	$ 3,873,534	$ 8,856	$ 1,021	$ —	$ 10,798	$ 3,894,209

The following table presents the amortized cost of nonaccrual loans receivable by loan category as of the dates stated:

	September 30, 2024			December 31, 2023		
	Nonaccrual Loans with No ACL	Nonaccrual Loans with an ACL	Total Nonaccrual Loans	Nonaccrual Loans with No ACL	Nonaccrual Loans with an ACL	Total Nonaccrual Loans
	(In thousands)					
Real estate loans:						
One-to-four-family residential	$ 5,070	$ —	$ 5,070	$ 4,100	$ —	$ 4,100
Home equity	1,060	—	1,060	590	—	590
Commercial real estate	3,030	—	3,030	422	—	422
Multi-family residential	—	—	—	—	—	—
Construction and land development	10	—	10	10	—	10
Commercial and industrial	632	4,111	4,743	376	3,762	4,138
Consumer	2,095	4	2,099	1,538	—	1,538
Total	$ 11,897	$ 4,115	$ 16,012	$ 7,036	$ 3,762	$ 10,798

During the three and nine months ended September 30, 2024, the Company reversed $232,000 of interest income for loans that were placed on non-accrual. During the three and nine months ended September 30, 2023, the Company did not reverse any interest income for loans that were placed on non-accrual.

Credit Quality Information

The Company utilizes a nine-grade internal rating system for all loans, except consumer loans, which are not risk rated, as follows:

Loans rated 1-5: Loans in these categories are considered “pass” rated loans with low to average risk.

Loans rated 6: Loans in this category are considered “special mention”. These loans are starting to show signs of potential weakness and are being closely monitored by management.

Loans rated 7: Loans in this category are considered “substandard”. Generally, a loan is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligors and/or the collateral pledged. There is a distinct possibility that the Company will sustain some loss if the weakness is not corrected. Non-accrual residential real estate loans that are well secured (LTV<60%) are not considered to warrant a downgrade to a substandard risk rating. Non-accrual commercial loans are downgraded to a substandard risk rating.

Loans rated 8: Loans in this category are considered “doubtful”. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, highly questionable and improbable.

Loans rated 9: Loans in this category are considered uncollectible (“loss”) and of such little value that their continuance as loans is not warranted.

On an annual basis, or more often if needed, the Company reviews the accuracy of risk ratings for all commercial real estate, construction and land development loans, and commercial and industrial loans based on various ongoing performance characteristics and supporting information that is provided from time to time by commercial borrowers. Annually, the Company engages an independent third-party to review a significant portion of loans within these segments. Management uses the results of these reviews as part of its annual review process.

The following table presents the amortized cost of loans receivable by internal risk grade by year of origination as of September 30, 2024. Also presented are current period gross charge-offs by loan type and vintage year for the three months ended September 30, 2024:

		Term Loans Amortized Cost Basis by Origination Year (in thousands)							
	Risk Rating	2024	2023	2022	2021	2020	Prior	Revolving Loans	Total
One-to-Four-Family Residential									
Grade:									
Pass	1-5	$ 78,267	$ 147,535	$ 265,461	$ 249,731	$ 118,679	$ 232,404	$ 28,806	$ 1,120,883
Special Mention	6	—	—	—	—	—	271	—	271
Substandard	7	—	—	—	—	—	2,769	74	2,843
Doubtful	8	—	—	—	—	—	—	—	—
Loss	9	—	—	—	—	—	—	—	—
Loans not formally risk rated [(1)]		—	—	—	—	—	—	—	—
Total		$ 78,267	$ 147,535	$ 265,461	$ 249,731	$ 118,679	$ 235,444	$ 28,880	$ 1,123,997
Current period gross charge-offs		$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Home Equity									
Grade:									
Pass	1-5	$ —	$ —	$ —	$ —	$ —	$ 64	$ 109,882	$ 109,946
Special Mention	6	—	—	—	—	—	—	—	—
Substandard	7	—	—	—	—	—	—	—	—
Doubtful	8	—	—	—	—	—	—	—	—
Loss	9	—	—	—	—	—	—	—	—
Loans not formally risk rated [(1)]		—	—	—	—	—	—	—	—
Total		$ —	$ —	$ —	$ —	$ —	$ 64	$ 109,882	$ 109,946
Current period gross charge-offs		$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial Real Estate									
Grade:									
Pass	1-5	$ 63,357	$ 398,472	$ 328,913	$ 64,033	$ 98,479	$ 252,376	$ 63,087	$ 1,268,717
Special Mention	6	—	—	1,407	2,682	879	3,239	—	8,207
Substandard	7	—	—	471	—	—	2,559	—	3,030
Doubtful	8	—	—	—	—	—	—	—	—
Loss	9	—	—	—	—	—	—	—	—
Loans not formally risk rated [(1)]		—	—	—	—	—	—	—	—
Total		$ 63,357	$ 398,472	$ 330,791	$ 66,715	$ 99,358	$ 258,174	$ 63,087	$ 1,279,954
Current period gross charge-offs		$ —	$ —	$ —	$ —	$ —	$ 4,000	$ —	$ 4,000
Multi-Family									
Grade:									
Pass	1-5	$ 5,138	$ 7,569	$ 101,949	$ 71,680	$ 36,178	$ 50,047	$ —	$ 272,561
Special Mention	6	—	—	—	—	—	—	—	—
Substandard	7	—	—	—	—	—	—	—	—
Doubtful	8	—	—	—	—	—	—	—	—
Loss	9	—	—	—	—	—	—	—	—
Loans not formally risk rated [(1)]		—	—	—	—	—	—	—	—
Total		$ 5,138	$ 7,569	$ 101,949	$ 71,680	$ 36,178	$ 50,047	$ —	$ 272,561
Current period gross charge-offs		$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

Construction and Land Development									
Grade:									
Pass	1-5	$ 140,080	$ 254,755	$ 233,985	$ 18,320	$ 8,396	$ 3,450	$ 7,940	$ 666,926
Special Mention	6	—	—	—	—	—	—	—	—
Substandard	7	—	—	—	—	—	—	—	—
Doubtful	8	—	—	—	—	—	10	—	10
Loss	9	—	—	—	—	—	—	—	—
Loans not formally risk rated [(1)]		—	—	—	—	—	—	—	—
Total		$ 140,080	$ 254,755	$ 233,985	$ 18,320	$ 8,396	$ 3,460	$ 7,940	$ 666,936
Current period gross charge-offs		$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial and Industrial									
Grade:									
Pass	1-5	$ 36,595	$ 55,102	$ 56,522	$ 39,944	$ 6,965	$ 15,805	$ 342,319	$ 553,252
Special Mention	6	—	—	—	2,891	1,020	—	445	4,356
Substandard	7	—	172	—	—	349	4,219	4,586	9,326
Doubtful	8	—	—	—	—	—	—	—	—
Loss	9	—	—	—	—	—	—	—	—
Loans not formally risk rated [(1)]		—	—	—	—	—	—	—	—
Total		$ 36,595	$ 55,274	$ 56,522	$ 42,835	$ 8,334	$ 20,024	$ 347,350	$ 566,934
Current period gross charge-offs		$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Consumer									
Grade:									
Pass	1-5	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Special Mention	6	—	—	—	—	—	—	—	—
Substandard	7	—	—	—	—	—	—	—	—
Doubtful	8	—	—	—	—	—	—	—	—
Loss	9	—	—	—	—	—	—	—	—
Loans not formally risk rated [(1)]		50,682	33,189	70,439	50,716	9,346	17,960	2,129	234,461
Total		$ 50,682	$ 33,189	$ 70,439	$ 50,716	$ 9,346	$ 17,960	$ 2,129	$ 234,461
Current period gross charge-offs		$ —	$ 58	$ 660	$ 429	$ 69	$ 89	$ —	$ 1,305
Total Loans									
Grade:									
Pass	1-5	$ 323,437	$ 863,433	$ 986,830	$ 443,708	$ 268,697	$ 554,146	$ 552,034	$ 3,992,285
Special Mention	6	—	—	1,407	5,573	1,899	3,510	445	12,834
Substandard	7	—	172	471	—	349	9,547	4,660	15,199
Doubtful	8	—	—	—	—	—	10	—	10
Loss	9	—	—	—	—	—	—	—	—
Loans not formally risk rated [(1)]		50,682	33,189	70,439	50,716	9,346	17,960	2,129	234,461
Total		$ 374,119	$ 896,794	$ 1,059,147	$ 499,997	$ 280,291	$ 585,173	$ 559,268	$ 4,254,789
Current period gross charge-offs		$ —	$ 58	$ 660	$ 429	$ 69	$ 4,089	$ —	$ 5,305

(1) Consumer loans are not formally risk rated and included $2.1 million of loans on non-accrual as of September 30, 2024.

The following table presents the amortized cost of loans receivable by internal risk grade by year of origination as of December 31, 2023. Also presented are current period gross charge-offs by loan type and vintage year for the three months ended December 31, 2023:

		Term Loans Amortized Cost Basis by Origination Year (in thousands)							
	Risk Rating	2023	2022	2021	2020	2019	Prior	Revolving Loans	Total
One-to-Four-Family Residential									
Grade:									
Pass	1-5	$ 152,802	$ 272,447	$ 256,666	$ 128,181	$ 78,739	$ 174,586	$ 33,088	$ 1,096,509
Special Mention	6	—	—	—	—	—	—	—	—
Substandard	7	—	—	—	—	—	898	79	977
Doubtful	8	—	—	—	—	—	—	—	—
Loss	9	—	—	—	—	—	—	—	—
Loans not formally risk rated (1)		—	—	—	—	—	—	—	—
Total		$ 152,802	$ 272,447	$ 256,666	$ 128,181	$ 78,739	$ 175,484	$ 33,167	$ 1,097,486
Current period gross charge-offs		$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Home Equity									
Grade:									
Pass	1-5	$ —	$ —	$ —	$ —	$ —	$ 69	$ 97,201	$ 97,270
Special Mention	6	—	—	—	—	—	—	—	—
Substandard	7	—	—	—	—	—	—	—	—
Doubtful	8	—	—	—	—	—	—	—	—
Loss	9	—	—	—	—	—	—	—	—
Loans not formally risk rated (1)		—	—	—	—	—	—	—	—
Total		$ —	$ —	$ —	$ —	$ —	$ 69	$ 97,201	$ 97,270
Current period gross charge-offs		$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial Real Estate									
Grade:									
Pass	1-5	$ 380,858	$ 319,868	$ 59,555	$ 102,791	$ 99,316	$ 165,670	$ 29,904	$ 1,157,962
Special Mention	6	—	—	—	—	6,183	5,714	—	11,897
Substandard	7	—	—	—	—	—	—	—	—
Doubtful	8	—	—	—	—	—	—	—	—
Loss	9	—	—	—	—	—	—	—	—
Loans not formally risk rated (1)		—	—	—	—	—	—	—	—
Total		$ 380,858	$ 319,868	$ 59,555	$ 102,791	$ 105,499	$ 171,384	$ 29,904	$ 1,169,859
Current period gross charge-offs		$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Multi-Family									
Grade:									
Pass	1-5	$ 7,583	$ 101,550	$ 22,358	$ 21,671	$ 42,776	$ 14,044	$ —	$ 209,982
Special Mention	6	—	—	—	—	—	—	—	—
Substandard	7	—	—	—	—	—	—	—	—
Doubtful	8	—	—	—	—	—	—	—	—
Loss	9	—	—	—	—	—	—	—	—
Loans not formally risk rated (1)		—	—	—	—	—	—	—	—
Total		$ 7,583	$ 101,550	$ 22,358	$ 21,671	$ 42,776	$ 14,044	$ —	$ 209,982
Current period gross charge-offs		$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Construction and Land Development									
Grade:									
Pass	1-5	$ 157,380	$ 305,558	$ 127,720	$ 20,929	$ 10,333	$ —	$ 893	$ 622,813
Special Mention	6	—	—	—	—	—	—	—	—
Substandard	7	—	—	—	—	—	—	—	—
Doubtful	8	—	—	—	—	—	10	—	10
Loss	9	—	—	—	—	—	—	—	—
Loans not formally risk rated (1)		—	—	—	—	—	—	—	—
Total		$ 157,380	$ 305,558	$ 127,720	$ 20,929	$ 10,333	$ 10	$ 893	$ 622,823
Current period gross charge-offs		$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial and Industrial									
Grade:									
Pass	1-5	$ 58,678	$ 88,286	$ 45,960	$ 8,080	$ 3,038	$ 16,178	$ 262,506	$ 482,726
Special Mention	6	—	—	250	—	—	475	—	725
Substandard	7	—	—	—	—	119	3,762	4,586	8,467
Doubtful	8	—	—	—	—	—	—	—	—
Loss	9	—	—	—	—	—	—	—	—
Loans not formally risk rated (1)		—	—	—	—	—	—	—	—
Total		$ 58,678	$ 88,286	$ 46,210	$ 8,080	$ 3,157	$ 20,415	$ 267,092	$ 491,918
Current period gross charge-offs		$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

Consumer									
Grade:									
Pass	1-5	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Special Mention	6	—	—	—	—	—	—	—	—
Substandard	7	—	—	—	—	—	—	—	—
Doubtful	8	—	—	—	—	—	—	—	—
Loss	9	—	—	—	—	—	—	—	—
Loans not formally risk rated [(1)]		36,453	83,720	53,404	9,826	10,896	8,700	1,872	204,871
Total		$ 36,453	$ 83,720	$ 53,404	$ 9,826	$ 10,896	$ 8,700	$ 1,872	$ 204,871
Current period gross charge-offs		$ 42	$ 572	$ 585	$ 228	$ 72	$ 18	$ 1	$ 1,518
Total Loans									
Grade:									
Pass	1-5	$ 757,301	$ 1,087,709	$ 512,259	$ 281,652	$ 234,202	$ 370,547	$ 423,592	$ 3,667,262
Special Mention	6	—	—	250	—	6,183	6,189	—	12,622
Substandard	7	—	—	—	—	119	4,660	4,665	9,444
Doubtful	8	—	—	—	—	—	10	—	10
Loss	9	—	—	—	—	—	—	—	—
Loans not formally risk rated [(1)]		36,453	83,720	53,404	9,826	10,896	8,700	1,872	204,871
Total		$ 793,754	$ 1,171,429	$ 565,913	$ 291,478	$ 251,400	$ 390,106	$ 430,129	$ 3,894,209
Current period gross charge-offs		$ 42	$ 572	$ 585	$ 228	$ 72	$ 18	$ 1	$ 1,518

(1) Consumer loans are not formally risk rated and included $1.5 million of loans on non-accrual as of December 31, 2023.

The following table presents an analysis of the change in the ACL by major loan segment for the periods stated:

	For the Three Months Ended September 30, 2024								
	One-to-Four Family Residential	Home Equity	Commercial Real Estate	Multi-Family	Construction and Land Development	Commercial and Industrial	Consumer	Unallocated	Total
	(in thousands)								
Balance at June 30, 2024	$ 1,960	$ 137	$ 7,041	$ 482	$ 6,436	$ 12,457	$ 9,344	$ —	$ 37,857
Provision for (release of) credit losses	(789)	(72)	5,532	(73)	(2,139)	(1,238)	3,776	—	4,997
Charge-offs	—	—	(4,000)	—	—	—	(1,305)	—	(5,305)
Recoveries of loans previously charged-off	—	—	—	—	—	12	44	—	56
Balance at September 30, 2024	$ 1,171	$ 65	$ 8,573	$ 409	$ 4,297	$ 11,231	$ 11,859	$ —	$ 37,605

	For the Nine Months Ended September 30, 2024								
	One-to-Four Family Residential	Home Equity	Commercial Real Estate	Multi-Family	Construction and Land Development	Commercial and Industrial	Consumer	Unallocated	Total
	(in thousands)								
Balance at December 31, 2023	$ 1,835	$ 117	$ 5,698	$ 378	$ 7,630	$ 10,878	$ 5,686	$ —	$ 32,222
Provision for (release of) credit losses	(664)	(52)	6,875	31	(3,333)	684	9,775	—	13,316
Charge-offs	—	—	(4,000)	—	—	(391)	(3,800)	—	(8,191)
Recoveries of loans previously charged-off	—	—	—	—	—	60	198	—	258
Balance at September 30, 2024	$ 1,171	$ 65	$ 8,573	$ 409	$ 4,297	$ 11,231	$ 11,859	$ —	$ 37,605

	For the Three Months Ended September 30, 2023								
	One-to-Four Family Residential	Home Equity	Commercial Real Estate	Multi-Family	Construction and Land Development	Commercial and Industrial	Consumer	Unallocated	Total
	(in thousands)								
Balance at June 30, 2023	$ 3,509	$ 319	$ 8,822	$ 803	$ 3,718	$ 12,327	$ 1,975	$ —	$ 31,473
Provision for (release of) credit losses	392	4	(403)	29	375	917	651	—	1,965
Charge offs	(379)	—	—	—	—	(679)	(699)	—	(1,757)
Recoveries of loans previously charged off	—	—	12	—	—	—	196	—	208
Balance at September 30, 2023	$ 3,522	$ 323	$ 8,431	$ 832	$ 4,093	$ 12,565	$ 2,123	$ —	$ 31,889

	For the Nine Months Ended September 30, 2023								
	One-to-Four Family Residential	Home Equity	Commercial Real Estate	Multi-Family	Construction and Land Development	Commercial and Industrial	Consumer	Unallocated	Total
	(in thousands)								
Balance at December 31, 2022	$ 3,485	$ 258	$ 5,785	$ 753	$ 3,846	$ 8,255	$ 1,403	$ 1,243	$ 25,028
Adjustment to allowance for adoption of ASU 2016-13	266	13	822	—	(246)	932	615	(1,243)	1,159
Provision for (release of) credit losses	150	52	1,788	79	493	4,057	1,375	—	7,994
Charge offs	(379)	—	—	—	—	(679)	(1,968)	—	(3,026)
Recoveries of loans previously charged off	—	—	36	—	—	—	698	—	734
Balance at September 30, 2023	$ 3,522	$ 323	$ 8,431	$ 832	$ 4,093	$ 12,565	$ 2,123	$ —	$ 31,889

The following table presents the amortized cost of collateral-dependent loans as of September 30, 2024 and December 31, 2023:

	As of	
	September 30, 2024	December 31, 2023
	(in thousands)	
One-to-four-family residential	$ 2,843	$ 977
Commercial real estate	2,559	—
Construction and land development	10	10
Commercial and industrial	9,798	8,443
Total	$ 15,210	$ 9,430

The Company closely monitors the performance of borrowers experiencing financial difficulty to understand the effectiveness of its loan modification efforts. During the nine months ended September 30, 2024, the Company modified one participation commercial real estate loan with an amortized cost basis of $6.2 million, or 0.01% of total commercial real estate loans, through an interest rate reduction and maturity extension. The modified loan experienced a $4.0 million charge-off during the three and nine months ended September 30, 2024 resulting from a shortfall in the projected sale price of the underlying real estate collateral. The Company did not modify any loans to borrowers experiencing financial difficulty during the three months ended September 30, 2024 nor the three and nine months ended September 30, 2023.

Note 5 – Employee Benefits

Employee Pension Plan – The Company provided pension benefits through a defined benefit plan maintained with the Co-operative Banks Employees Retirement Association (“CBERA”) (the “Plan”). The Plan was a multi-employer plan whereby the contributions by each bank are not restricted to provide benefits to the employees of the contributing bank; therefore, the Company is not required to recognize the funded status of the plan on its consolidated balance sheet and need only accrue for any quarterly contributions due and payable on demand, or any withdrawal liabilities assessed by CBERA if the Company intended to withdraw from the Plan.

The Company determined to freeze benefit accruals and withdraw from the CBERA Plan as of December 31, 2023.

For the three months ended March 31, 2024, an expense of $ 390,000 was recorded to reflect an increase in the liability related to the withdrawal from the Plan. The increase was primarily driven by final computations for estimated payouts to participants. In March 2024, the final increase to reflect the withdrawal liability was determined to be $390,000. The Company accrued for this amount at March 31, 2024 and withdrew from the Plan in the second quarter of 2024. The Company is in the process of liquidating the Plan.

Director Pension Plan – The Company has a director defined benefit pension plan (“Director Pension Plan”), covering directors who were in service prior to 2023 and have met the plan’s vesting requirements . The Company’s liabilities for the Director Pension Plan are calculated by an independent actuary who uses the “projected unit credit” actuarial method to determine the normal cost and actuarial liability. The liability for the Director Pension Plan amounted to $5.9 million and $5.7 million as of September 30, 2024 and December 31, 2023, respectively, and is recorded on the consolidated balance sheets. The expense under this plan (recorded in salaries and employee benefits in the consolidated statements of income) approximated $181,000 and $283,000 for the three months ended September 30, 2024 and 2023, respectively, and $542,000 and $849,000 for the nine months ended September 30, 2024 and 2023, respectively.

The Company records an estimate of net periodic pension cost for the director pension plan to accrued retirement liabilities on the consolidated balance sheet on a quarterly basis. Equity adjustments, to accumulated other comprehensive loss, in conjunction with the pension plan are recorded by the Company annually upon receipt of the independent actuarial report.

Deferred Compensation Plans – During 2014, the Company put into place an unfunded, defined contribution, Non-qualified Deferred Compensation Plan (“Deferred Comp Plan”) for select employees of the Company.

The Deferred Comp Plan was provided to key management of the Company and results in 5% - 20% of the employee’s then current base salary being credited to the participant’s account annually, subject to increases in annual base compensation and the possibility of additional discretionary contributions.

The employees vest at varying dates in accordance with each individual’s deferred compensation participation agreement; however, all key officers will be fully vested upon the attainment of age 65.

The obligations under these plans are included in accrued retirement liabilities on the Company’s consolidated balance sheets and approximated $2.6 million and $2.4 million as of September 30, 2024 and December 31, 2023, respectively. The expense under these plans (recorded in salaries and employee benefits in the consolidated statements of income) approximated $100,000 and $89,000 for the three months ended September 30, 2024 and 2023, respectively, and $299,000 and $266,000 for the nine months ended September 30, 2024 and 2023, respectively.

Long-Term Incentive Plan – In January 2020, the Company put into place a long-term incentive plan for certain members of its management team where benefits are awarded annually on a discretionary basis and cliff vest after three years. Under this plan, individuals are granted “phantom shares” and benefits are accrued based upon the projected growth of the Bank’s capital. The obligations under this plan are included in accrued retirement liabilities on the Company’s consolidated balance sheets and approximated $13.5 million and $11.1 million as of September 30, 2024 and December 31, 2023, respectively. The expense under this plan (recorded in salaries and employee benefits in the consolidated statements of income) approximated $1.8 million and $1.1 million for the three months ended September 30, 2024 and 2023, respectively, and $5.0 million and $3.4 million for the nine months ended September 30, 2024 and 2023, respectively.

401(k) Plan – The Company has an employee tax deferred incentive plan (the “401(k) plan”) under which the Company makes voluntary contributions within certain limitations. All employees who meet specified age and length of service requirements are eligible to participate in the 401(k) plan.

The amount contributed by the Company to the 401(k) Plan is included in salaries and employee benefits in the consolidated statements of income. The amounts contributed to the 401(k) plan for the three months ended September 30, 2024 and 2023 were $626,000 and $559,000, respectively, and $2.0 million and $1.5 million for the nine months ended September 30, 2024 and 2023, respectively.

Employment and Change in Control Agreements – The Company entered into employment agreements with the Chief Executive Officer and the Chief Operating Officer that renew for one additional year each January 1st. During 2024, the Company entered into Change in Control agreements with certain executive officers, which provide severance payments in the event of the executive’s involuntary or constructive termination of employment, including upon a termination following a change in control as defined in the agreements.

Employee Stock Ownership Plan – As part of the Initial Public Offering ("IPO") completed on December 27, 2023, the Bank established a tax-qualified Employee Stock Ownership Plan ("ESOP") to provide eligible employees the opportunity to own Company shares. The ESOP borrowed $47.2 million from the Company to purchase 3,416,458 common shares on the open market. The loan is payable in annual installments over 20 years at an interest rate of 8.50%. As the loan is repaid to the Company, shares are released and allocated proportionally to eligible participants on the basis of each participant’s proportional share of compensation relative to the compensation of all participants. The unallocated ESOP shares are pledged as collateral on the loan.

The Company accounts for its ESOP in accordance with *FASB ASC 718-40, Compensation – Stock Compensation*. Under this guidance, unreleased shares are deducted from shareholders’ equity as unearned ESOP shares on the accompanying consolidated balance sheets.

The Company recognizes compensation expense equal to the fair value of the ESOP shares during the periods in which they are committed to be released. To the extent that the fair value of the Company's ESOP shares differs from the cost of such shares, the difference will be credited or debited to shareholders' equity.

As the loan is internally leveraged, the loan receivable from the ESOP to the Company is not reported as an asset nor is the debt of the ESOP shown as a liability on the Company's consolidated balance sheets. Total compensation expense recognized in connection with the ESOP was $762,000 and $2.0 million for the three and nine months ended September 30, 2024, respectively. The Company did not recognize any compensation expense related to the ESOP for the three and nine months ended September 30, 2023. The following table presents share information held by the ESOP:

	As of	
	September 30, 2024	December 31, 2023
	(Dollars in thousands)	
Allocated shares	—	—
Shares committed to be released	127,766	—
Unallocated shares	3,288,692	1,000,000
Total shares	3,416,458	1,000,000
Fair value of unallocated shares	$ 61,038	$ 13,400

Note 6 – Fair Value Measurements

ASC 820-10, Fair Value Measurement – Overall ("ASC 820-10") , provides a framework for measuring fair value under U.S. GAAP. This guidance also allows the Company the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on a contract-by-contract basis.

In accordance with *ASC 820-10*, the Company groups its financial assets and financial liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other methodologies, including option pricing models, discounted cash flow models and similar techniques, and are not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all of the Company's financial assets and financial liabilities carried at fair value for September 30, 2024 and December 31, 2023.

Available-for-sale securities – Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds (such as U.S. Treasuries), mortgage products and exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states and political subdivisions, and certain corporate, asset-backed and other securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy.

Derivative arrangements – The fair values of derivative arrangements are estimated by the Company using a third-party derivative valuation expert who relies on Level 2 inputs, namely discounted cash flow models to determine a fair value by calculating a settlement termination value with the counterparty.

Assets measured and reported at estimated fair value on a recurring basis are summarized below:

September 30, 2024	Level 1	Level 2	Level 3	Fair Value
Assets:		(in thousands)		
Available-for-sale debt securities:				
U.S. Treasury securities	$ 54,866	$ —	$ —	$ 54,866
U.S. Government agencies	—	6,035	—	6,035
Agency mortgage-backed securities	—	31,047	—	31,047
Agency collateralized mortgage obligations	—	11,577	—	11,577
Corporate bonds	—	80,227	8,956	89,183
Municipal obligations	—	9,833	—	9,833
Total available-for-sale debt securities	$ 54,866	$ 138,719	$ 8,956	$ 202,541
Derivative assets	$ —	$ 26,912	$ —	$ 26,912
Liabilities:				
Derivative liabilities	$ —	$ 26,922	$ —	$ 26,922

December 31, 2023	Level 1	Level 2	Level 3	Fair Value
Assets:		(in thousands)		
Available-for-sale debt securities:				
U.S. Treasury securities	$ 64,352	$ —	$ —	$ 64,352
Agency mortgage-backed securities	—	11,430	—	11,430
Agency collateralized mortgage obligations	—	2,418	—	2,418
Corporate bonds	—	82,367	9,868	92,235
Municipal obligations	—	19,030	—	19,030
Total available-for-sale debt securities	$ 64,352	$ 115,245	$ 9,868	$ 189,465
Derivative assets	$ —	$ 27,769	$ —	$ 27,769
Liabilities:				
Derivative liabilities	$ —	$ 27,786	$ —	$ 27,786

The Company had no purchases, sales, transfers or changes in fair value of level 3 assets during the three and nine months ended September 30, 2024 and 2023.

The Company may also be required from time to time to measure certain other assets on a non-recurring basis in accordance with U.S. GAAP. Any adjustments to fair value usually result in write-downs of individual assets.

Collateral-Dependent Loans – Collateral-dependent loans with specific reserves are carried at fair value, which equals the estimated market value of the collateral less estimated costs to sell. Collateral may be in the form of real estate or business assets including equipment, inventory, and accounts receivable.

A loan may have multiple types of collateral; however, the majority of the Company's loan collateral is real estate.

The value of real estate collateral is generally determined utilizing a market valuation approach based on an appraisal conducted by an independent, licensed appraiser outside of the Company using observable market data (Level 2). However, if the collateral value is significantly adjusted due to differences in the comparable properties or is discounted by the Company because of lack of marketability, then the fair value is considered Level 3. The value of business equipment is based upon an outside appraisal if deemed significant or the net book value on the applicable borrower's financial statements if not considered significant. Likewise, values for inventory and accounts receivables collateral are based on financial statement balances or aging reports (Level 3). Fair value adjustments are recorded in the period incurred as provision for credit losses in the consolidated statements of income.

Mortgage Servicing Rights – Mortgage servicing rights do not trade in an active market with readily observable market data. As a result, the Company estimates the fair value of mortgage servicing rights by using a discounted cash flow model to calculate the present value of estimated future net servicing income. The assumptions used in the discounted cash flow model are those that market participants would use in estimating future net servicing income. Assumptions in the valuation of mortgage servicing rights may include estimated loan repayment rates, the discount rate, servicing costs, and the timing of cash flows, among other factors. The Company measures the fair value of mortgage servicing rights accounted for using the amortization method as nonrecurring Level 3.

The Company had no liabilities measured at fair value on a non-recurring basis.

The following table summarizes assets measured at fair value on a non-recurring basis:

	September 30, 2024			
	Level 1	Level 2	Level 3	Fair Value
	(in thousands)			
Collateral-dependent loans	$ —	$ —	$ 9,944	$ 9,944
Mortgage servicing rights	$ —	$ —	$ 2,677	$ 2,677

	December 31, 2023			
	Level 1	Level 2	Level 3	Fair Value
	(in thousands)			
Collateral-dependent loans	$ —	$ —	$ 4,432	$ 4,432
Mortgage servicing rights	$ —	$ —	$ 2,640	$ 2,640

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

	Significant Valuation Technique	Significant Observable Inputs	Unobservable Inputs
Collateral-dependent loans	Appraisal Value/ Comparison Sales	Appraisals and/or sales of comparable properties	Appraisals discounted 5 to 20% for sales commission and other holding costs
Mortgage servicing rights	Discounted Cash Flows	Comparable sales	Weighted average discount rate - 12% Constant prepayment rate – 7.81%

ASC Topic 825, Financial Instruments (ASC 825) , requires disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring or non-recurring basis. The methodologies for estimating the fair value of financial assets and financial liabilities that are measured at fair value on a recurring or non-recurring basis are discussed above.

ASC 825, requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes.

The exit price notion is a market-based measurement of fair value that is represented by the price to sell an asset or transfer a liability in the principal market (or most advantageous market in the absence of a principal market) on the measurement date. As of September 30, 2024 and December 31, 2023, fair values of loans are estimated on an exit price basis incorporating discounts for credit, liquidity and marketability factors.

The following tables present the estimated fair values, related carrying amounts, and valuation level of the financial instruments as of the dates stated:

	September 30, 2024				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
			(In thousands)		
Financial Assets:					
Cash and cash equivalents	$ 317,049	$ 317,049	$ 317,049	$ —	$ —
Loans receivable, net	4,211,469	4,137,580	—	—	4,137,580
Accrued interest receivable	18,671	18,671	18,671	—	—
FHLB stock	6,848	6,848	—	6,848	—
Federal Reserve Bank stock	11,769	11,769	—	11,769	—
Non-public investments	5,654	5,654	—	—	5,654
BOLI	101,736	101,736	—	101,736	—
Financial Liabilities:					
Deposits, other than time deposits	$ 2,039,364	$ 2,039,364	$ 2,039,364	$ —	$ —
Time deposits	2,003,453	2,007,576	—	2,007,576	—
FHLB Borrowings	116,335	116,460	—	116,460	—

	December 31, 2023				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
			(In thousands)		
Financial Assets:					
Cash and cash equivalents	$ 272,591	$ 272,591	$ 272,591	$ —	$ —
Loans receivable, net	3,857,057	3,732,361	—	—	3,732,361
Accrued interest receivable	17,284	17,284	17,284	—	—
FHLB stock	14,558	14,558	—	14,558	—
Federal Reserve Bank stock	10,323	10,323	—	10,323	—
Non-public investments	13,852	13,852	—	—	13,852
BOLI	50,516	50,516	—	50,516	—
Financial Liabilities:					
Deposits, other than time deposits	$ 1,890,313	$ 1,890,313	$ 1,890,313	$ —	$ —
Time deposits	1,497,035	1,495,008	—	1,495,008	—
FHLB Borrowings	283,338	283,172	—	283,172	—

Note 7 – Commitments and Contingencies

The Company is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to originate loans, to disburse funds to borrowers on unused construction and land development loans, and to disburse funds on committed but unused lines of credit.

These financial agreements involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The contract amounts of these instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

Commitments to originate loans and disburse additional funds to borrowers on lines of credit are agreements to lend to a customer provided there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the borrower.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for loan commitments, is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. The commitments to originate loans and lines of credit may expire without being funded or drawn upon; therefore, the total commitment amounts do not necessarily represent future cash requirements.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance by a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. As of September 30, 2024 and December 31, 2023, the maximum potential amount of the Company's obligation was $6.5 million and $7.5 million, respectively, for standby letters of credit. The Company's outstanding letters of credit generally have a term of less than one year. If a letter of credit is drawn upon, the Company may seek recourse through the customer's underlying line of credit. If the customer's line of credit is also in default, the Company may take possession of the collateral, if any, securing the line of credit.

Financial instruments whose contract amounts represents off-balance sheet credit risk and are not reflected on the Company's consolidated balance sheets consist of the following at the dates stated:

	As of	
	September 30, 2024	December 31, 2023
	(In thousands)	
Commitments to originate loans	$ 75,784	$ 79,191
Unadvanced funds on lines of credit	477,614	490,847
Unadvanced funds on construction loans	487,462	542,893
Letters of credit	6,517	7,471
	$ 1,047,377	$ 1,120,402

The Bank accrues for credit losses related to off-balance sheet financial instruments. Potential losses on off-balance sheet loan commitments are estimated using the same risk factors used to determine the allowance for credit losses on loans, adjusted for the likelihood that funding will occur. The allowance for off-balance sheet commitments is recorded within other liabilities on the consolidated balance sheets and amounted to $3.4 million and $6.0 million as of September 30, 2024 and December 31, 2023, respectively. For the three months ended September 30, 2024, the Company recorded a release of the allowance for unfunded commitments of $2.4 million. For the three months ended September 30, 2023, the Company did not record a provision for unfunded commitments. For the nine months ended September 30, 2024 and 2023, the Company recorded a release of the allowance for unfunded commitments of $2.6 million and a provision for unfunded commitments of $86,000, respectively.

Note 8 – Derivatives and Hedging Activities

Risk Management Objective of Using Derivatives – The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its assets and liabilities and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates.

The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's assets and liabilities.

Fair Value Hedges of Interest Rate Risk – The Company is exposed to changes in the fair value of certain pools of its pre-payable fixed-rate assets due to changes in benchmark interest rates. The Company uses interest rate swap agreements to manage its exposure to changes in the fair value of these instruments attributable to changes in the designated benchmark interest rate.

Interest rate swap agreements designated as fair value hedges involve the payment of fixed-rate amounts to a counterparty in exchange for the Company receiving variable-rate payments over the life of the agreements without the exchange of the underlying notional amount.

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

The Company had previously entered into two "last of layer hedges" on a significant portion of its fixed rate residential loan pool. These amounts include the amortized cost basis of closed portfolios used to designate hedging relationships in which the hedged item is the last layer expected to remain at the end of the hedging relationship.

During September 2021, the Company terminated these last of layer hedges by paying out $ 2.2 million to the respective third parties. These fees were capitalized into loans receivable and are being amortized against loan income over the contractual lives of the remaining designated residential loans. The unamortized amount of this cost basis adjustment is $949,000 and $1.0 million at September 30, 2024 and December 31, 2023, respectively. During the three months ended September 30, 2024 and 2023, the Company recognized amortization expense related to this cost basis adjustment of $31,000 and $41,000, respectively. During the nine months ended September 30, 2024 and 2023, the Company recognized amortization expense related to this cost basis adjustment of $81,000 and $113,000, respectively.

Non-designated Hedges – Derivatives not designated as hedges are not speculative and are used to manage the Company's exposure to interest rate movements and other identified risks but do not meet the strict hedge accounting requirements and/or the Company has not elected to apply hedge accounting. Changes in the fair value of derivatives not designated in hedging relationships, exclusive of credit valuation adjustments, are recorded directly in earnings.

The Company executes interest rate swaps and cap agreements with commercial banking customers to facilitate its respective risk management strategies. Those interest rate swap and cap agreements are simultaneously hedged by offsetting interest rate swaps and caps that are executed with a third party, such that the Company minimizes its net risk exposure resulting from such transactions. As of September 30, 2024, the Company had 58 interest rate swap agreements with an aggregate notional amount of $383.8 million compared to 52 interest rate swap agreements and one interest rate cap agreement with an aggregate notional amount of $338.6 million related to this program as of December 31, 2023.

Risk Participation Agreements – Risk Participation Agreements ("RPAs") are guarantees issued by the Company to other parties for a fee, whereby the Company agrees to participate in the credit risk of a derivative customer of the other party. Under the terms of these agreements, the "participating bank" receives a fee from the "lead bank" in exchange for the guarantee of reimbursement if the customer defaults on an interest rate swap. The interest rate swap is transacted such that any and all exchanges of interest payments (favorable and unfavorable) are made between the lead bank and the customer. In the event that an early termination of the swap occurs, and the customer is unable to make a required close out payment, the participating bank assumes that obligation and is required to make this payment. RPAs where the Company acts as the lead bank are referred to as "participations-out," in reference to the credit risk associated with the customer derivatives being transferred out of the Company. Participations-out generally occur concurrently with the sale of new customer derivatives. RPAs where the Company acts as the participating bank are referred to as "participations-in," in reference to the credit risk associated with the counterparty's derivatives being assumed by the Company. The Company's maximum credit exposure is based on its proportionate share of the settlement amount of the referenced interest rate swap. Settlement amounts are generally calculated based on the fair value of the swap plus outstanding accrued interest receivable from the customer.

As of September 30, 2024, the Company had 17 RPAs with an aggregate notional amount of $45.0 million related to this program compared to 16 RPAs with an aggregate notional amount of $44.5 million as of December 31, 2023. These RPAs all represent “participations-in” and generally have terms ranging from five to ten years.

The table below presents the fair value of the Company’s derivative financial instruments not designated as hedging instruments, as well as their classification on the consolidated balance sheets as of the dates stated:

	Derivative Assets (1)	Derivative Liabilities (2)
September 30, 2024	(in thousands)	
Derivatives not designated as hedging instruments:		
Interest rate products	$ 26,912	$ 26,912
RPA credit contracts	—	10
Total derivatives not designated as hedging instruments	$ 26,912	$ 26,922
December 31, 2023		
Derivatives not designated as hedging instruments:		
Interest rate products	$ 27,769	$ 27,769
RPA credit contracts	—	17
Total derivatives not designated as hedging instruments	$ 27,769	$ 27,786

(1) Recorded in prepaid expenses and other assets on the consolidated balance sheets.
(2) Recorded in accrued expenses and other liabilities on the consolidated balance sheets.

The table below presents the financial impact of the Company’s derivative financial instruments not designated as hedges in the consolidated statements of income, caused by changes in fair value for the periods indicated:

	Location of Gain or (Loss) Recognized in Income on Derivative	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
		(in thousands)			
Derivatives Not Designated as Hedging Instruments:					
RPA credit contracts-fair value adjustments	Other non-interest income	$ (6)	$ (2)	$ 7	$ 1

Swap contract fees, net of brokerage costs, recognized in earnings on the above noted interest rate products and RPA contracts approximated $375,000 and $950,000 for the three months ended September 30, 2024 and 2023, respectively, and $1.1 million and $2.1 million for the nine months ended September 30, 2024 and 2023, respectively.

The Company has agreements with each of its derivative counterparties that contain a provision where if the Company defaults (or is capable of being declared in default) on any of its indebtedness, then the Company could also be declared in default on its derivative obligations, and it could be required to terminate its derivative positions with the counterparty. The Company also has agreements with certain of its derivative counterparties that contain a provision whereby if the counterparty fails to maintain its status as a well-capitalized institution, then the Company could be required to terminate its derivative positions with the counterparty. In order to mitigate counterparty default risk in conjunction with these interest rate products and RPA credit contracts, the Company was required to maintain $9.1 million of collateral deposit accounts with the counterparties to these agreements as of September 30, 2024 and December 31, 2023.

Note 9 – Other Comprehensive Income (Loss)

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities are reported as a separate component of the shareholders' equity section of the consolidated balance sheets, such items, along with net income, are components of comprehensive income (loss).

The components of other comprehensive income (loss) and related tax effects are as follows for the periods indicated:

	For the Three Months Ended					
	September 30, 2024			September 30, 2023		
	(In thousands)					
	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Change in fair value of available-for-sale securities	$ 7,274	$ (1,957)	$ 5,317	$ 381	$ (95)	$ 286
Less: Reclassification adjustment for realized (losses) gains in net income	(1,868)	542	(1,326)	—	—	—
Net change in fair value of available-for-sale securities	5,406	(1,415)	3,991	381	(95)	286
Change in fair value of cash flow hedge	—	—	—	(33)	8	(25)
Less: Net cash flow hedge gains (losses) reclassified into interest income or interest expense	—	—	—	—	—	—
Net change in fair value of cash flow hedge, net of tax	—	—	—	(33)	8	(25)
Total other comprehensive income (loss)	$ 5,406	$ (1,415)	$ 3,991	$ 348	$ (87)	$ 261

	For the Nine Months Ended					
	September 30, 2024			September 30, 2023		
	(In thousands)					
	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Change in fair value of available-for-sale securities	$ 8,309	$ (2,231)	$ 6,078	$ 731	$ (183)	$ 548
Less: Reclassification adjustment for realized (losses) gains in net income	(1,868)	543	(1,325)	—	—	—
Net change in fair value of available-for-sale securities	6,441	(1,688)	4,753	731	(183)	548
Change in fair value of cash flow hedge	—	—	—	(318)	80	(238)
Less: Net cash flow hedge gains (losses) reclassified into interest income or interest expense	—	—	—	—	—	—
Net change in fair value of cash flow hedge, net of tax	—	—	—	(318)	80	(238)
Total other comprehensive income (loss)	$ 6,441	$ (1,688)	$ 4,753	$ 413	$ (103)	$ 310

The following table presents the components of accumulated other comprehensive loss as of September 30, 2024 and December 31, 2023:

	As of	
	September 30, 2024	December 31, 2023
	(In thousands)	
Net unrealized holding losses on available-for-sale securities, net of tax	$ (6,175)	$ (10,928)
Unrecognized director pension plan benefits, net of tax	(969)	(969)
Total accumulated other comprehensive loss	$ (7,144)	$ (11,897)

Note 10 – Regulatory Capital Requirements

The Company is subject to various regulatory capital requirements administered by the federal banking agencies. 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 consolidated financial statements. Under regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Effective January 1, 2020, the federal banking agencies published a final rule on a Community Bank Leverage Ratio ("CBLR") Framework that provides a simplified measure of capital adequacy for qualified community banking organizations. Management had determined that the Company meets the standards to qualify under the CBLR framework and opted into this framework for FDIC call reporting purposes during 2020. Under the CBLR framework, a bank that maintains a CBLR of 9.0% (defined as Tier 1 capital divided by total average assets) is considered to have satisfied its capital requirements, determined to be well-capitalized, and will no longer be required to calculate risk-based capital ratios. As of December 31, 2023 the Bank met the minimum requirement with a CBLR of 13.6%.

The Company no longer meets the requirement for the CBLR framework due to its unfunded loan commitments being over 25.0% of its capital for more than two consecutive quarters. As a result, the Company operated under the risk-based framework for the three and nine months ended September 30, 2024. Under this framework, quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios of Total Capital, Tier 1 Capital and Common Equity Tier 1 Capital to Risk-Weighted Assets, and Tier 1 Capital to Total Average Assets (as defined in the regulations). Management believes, as of September 30, 2024, that the Company and the Bank meet all capital adequacy requirements to which each is subject.

As of September 30, 2024, the Company and the Bank were categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based, Common Equity Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table below. There are no conditions or events since that notification that management believes have changed the Bank's category. The Bank's actual capital amounts and ratios are presented in the table as of the date indicated:

	Actual		For minimum capital adequacy purposes		To be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
September 30, 2024			(in thousands)			
Total Capital	$ 641,478	13.9%	$ 369,398	8.0%	$ 461,748	10.0%
(to Risk-Weighted Assets)						
Tier 1 Capital	600,456	13.0%	277,049	6.0%	369,398	8.0%
(to Risk-Weighted Assets)						
Common Equity Tier I Capital	600,456	13.0%	207,786	4.5%	300,136	6.5%
(to Risk-Weighted Assets)						
Tier 1 Capital	600,456	12.6%	190,226	4.0%	237,783	5.0%
(to Total Average Assets)						

The Company's actual consolidated capital amounts and ratios are presented in the table as of the date indicated:

	Actual		For minimum capital adequacy purposes		To be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
September 30, 2024			(in thousands)			
Total Capital	$ 794,812	17.1%	$ 371,945	8.0%	$ 464,931	10.0%
(to Risk-Weighted Assets)						
Tier 1 Capital	753,790	16.2%	278,958	6.0%	371,945	8.0%
(to Risk-Weighted Assets)						
Common Equity Tier I Capital	753,790	16.2%	209,219	4.5%	302,205	6.5%
(to Risk-Weighted Assets)						
Tier 1 Capital	753,790	15.4%	196,221	4.0%	245,277	5.0%
(to Total Average Assets)						

Note 11 – Earnings Per Share ("EPS")

Basic EPS represents net income available to common shareholders divided by the weighted-average number of common shares outstanding during the period. Diluted EPS have been calculated in a manner similar to that of basic EPS except that the weighted average number of common shares outstanding is increased to include the number of additional common shares that would have been outstanding if all potentially dilutive common shares (such as those resulting from the exercise of stock options) were issued during the period, computed using the treasury stock method. There were no securities that had a dilutive effect during the three and nine months ended September 30, 2024 and 2023. Unallocated ESOP shares are not deemed outstanding for EPS calculations.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
	(Dollars in thousands, except per share data)			
Net income applicable to common shares	$ 8,383	$ N/A	$ 26,537	$ N/A
Average number of common shares outstanding	42,705,729	N/A	42,705,729	N/A
Less: average unallocated ESOP shares	(3,416,458)	N/A	(3,282,515)	N/A
Average number of common shares outstanding used to calculate basic EPS	39,289,271	N/A	39,423,214	N/A
Common stock equivalents	—	N/A	—	N/A
Average number of common shares outstanding used to calculate diluted EPS	39,289,271	N/A	39,423,214	N/A
Earnings per common share:		N/A		N/A
Basic and diluted	$ 0.21	$ N/A	$ 0.67	$ N/A

For the three and nine months ended September 30, 2024 and 2023, there were no anti-dilutive shares.

Note 12 — Investments in Solar Income Tax Credit Projects

The Company has investments in qualified solar income tax credit projects (“SITCPs”) that provide solar income tax credits (“SITC”) and operating loss benefits over a five-year period. Effective September 30, 2024, with a modified retrospective application to January 1, 2024, the Company adopted ASU No. 2023-02 and began to apply the proportional amortization method of accounting for its SITCPs. Prior to the adoption of ASU No. 2023-02, the Company applied the equity method of accounting for its SITCPs. For the three and nine months ended September 30, 2024, the Company recorded $14.7 million and $17.3 in solar income tax credit, respectively and $ 18.0 million of amortization attributable to the SITCPs within Income Tax Expense in its Consolidated Statements of Income. For the three and nine months ended September 30, 2023, the Company recorded no tax credits within Income Tax Expense in its Consolidated Statements of Income and amortization of $341,000 and $1.0 million, respectively, within Other Noninterest Expense on the Consolidated Statement of Income. At September 30, 2024 and December 31, 2023, the Company’s carrying value of SITCPs was $731,000 and $10.2 million, respectively, recorded in Non-Public Investments on the Consolidated Balance Sheets. Remaining funding obligations related to these SITCPs recorded in Accrued Expenses and Other Liabilities on the Consolidated Balance Sheets amounted to $5.6 million and $0 at September 30, 2024 and December 31, 2023, respectively. For the remaining funding obligations at September 30, 2024, 100% are expected to be funded during 2025. For more information on the adoption of ASU 2023-02, refer to Note 2 — Basis of Presentation.

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

General

Management’s discussion and analysis of the financial condition and results of operations at and for the three and nine months ended September 30, 2024 and 2023 is intended to assist in understanding the financial condition and results of operations of the Company. The information contained in this section should be read in conjunction with the unaudited financial statements and the notes thereto, appearing on Part I, Item 1 of this quarterly report on Form 10-Q.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements, which can be identified by the use of words such as “estimate,” “project,” “believe,” “intend,” “anticipate,” “assume,” “plan,” “seek,” “expect,” “will,” “may,” “should,” “indicate,” “would,” “contemplate,” “continue,” “target” and words of similar meaning. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;

- statements regarding the quality of our loan portfolio; and
- estimates of our risks and future costs and benefits.

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

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

- weakening in the United States economy in general and the regional and local economies within the Company's market area;
- the effects of inflationary pressures, labor market shortages and/or supply chain issues;
- the instability or volatility in financial markets and unfavorable general business conditions, globally, nationally or regionally, whether caused by geopolitical concerns, recent disruptions in the banking industry, or other factors;
- unanticipated loan delinquencies, loss of collateral, decreased service revenues, and other potential negative effects on our business caused by severe weather, pandemics or other external events;
- changes in the interest rate environment that reduce our margins and yields, our mortgage banking revenues, the fair value of financial instruments, including our mortgage servicing rights asset, or our level of loan originations, or increase the level of defaults, losses and prepayments on loans we have made and make;
- changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for credit losses on loans;
- the effect of any change in federal government enforcement of federal laws affecting the cannabis industry;
- changes in liquidity, including the size and composition of our deposit portfolio, including the percentage of uninsured deposits in the portfolio;
- our ability to access cost-effective funding;
- fluctuations in real estate values and both residential and commercial real estate market conditions;
- demand for loans and deposits in our market area;
- our ability to implement and change our business strategies;
- competition among depository and other financial institutions;
- adverse changes in the securities or secondary mortgage markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees, capital requirements and insurance premiums;
- changes in the quality or composition of our loan or investment portfolios;
- technological changes that may be more difficult or expensive than expected;

- the inability of third-party providers to perform as expected;
- a failure or breach of our operational or security systems or infrastructure, including cyberattacks;
- our ability to manage market risk, interest rate risk, credit risk, compliance risk, and operational risk;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission or the Public Company Accounting Oversight Board;
- our ability to attract and retain key employees; and
- changes in the financial condition, results of operations or future prospects of issuers of securities that we own.

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

Critical Accounting Policies

There are no material changes to the critical accounting policies disclosed in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 28, 2024.

Allowance for Credit Losses

The Company estimates the allowance for credit losses in accordance with the CECL methodology for loans measured at amortized cost. The allowance for credit losses is established based upon the Company's current estimate of expected lifetime credit losses. Arriving at an appropriate amount of allowance for credit losses involves a high degree of judgment.

The Company estimates credit losses on a collective basis for loans sharing similar risk characteristics using a quantitative model combined with an assessment of certain qualitative factors designed to address forecast risk and model risk inherent in the quantitative model output. Management's judgement is required for the selection and application of these factors which are derived from historical loss experience as well as assumptions surrounding expected future losses and economic forecasts.

Loans that no longer share similar risk characteristics with any pools of assets are subject to individual assessment and are removed from the collectively assessed pools to avoid double counting.

For the loans that are individually assessed, the Company uses either a discounted cash flow (“DCF”) approach or a fair value of collateral approach. The latter approach is used for loans deemed to be collateral dependent or when foreclosure is probable. Changes in these judgements and assumptions could be due to a number of circumstances which may have a direct impact on the provision for credit losses and may result in changes to the amount of allowance. The allowance for credit losses is increased by the provision for credit losses and by recoveries of loans previously charged off. Credit losses are charged against the allowance when management's assessments confirm that the Company will not collect the full amortized cost basis of a loan.

Income Taxes

We use the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion of the deferred tax asset will not be realized. We exercise significant judgment in evaluating the amount and timing of recognition of the resulting tax liabilities and assets. These judgments may require us to make projections of future taxable income and/or to carryback to taxable income in prior years. The judgments and estimates we make in determining our deferred tax assets and liabilities, which are inherently subjective, are reviewed on a continual basis as regulatory and business factors change. Any reduction in estimated future taxable income may require us to record a valuation allowance against our deferred tax assets.

Securities Valuation

We classify our debt securities as available-for-sale, which are carried at fair value. We obtain our fair values from one or more third-party services. These services' fair value calculations are based on quoted market prices when such prices are available.

If quoted market prices are not available, estimates of fair value are computed using a variety of techniques, including extrapolation from the quoted prices of similar instruments or recent trades for thinly traded securities, fundamental analysis, or through obtaining purchase quotes. Due to the subjective nature of the valuation process, it is possible that the actual fair values of these investments could differ from the estimated amounts, thereby affecting our financial position, results of operations and cash flows.

For any available-for-sale debt security with a fair value less than its amortized cost basis, we will determine whether we have the intent to sell the available-for-sale debt security or whether it is more likely than not we will be required to sell the available-for-sale debt security before the recovery of its amortized cost basis. If either condition is met, the Company will recognize a full impairment charge to earnings. For all other available-for-sale debt securities that don't meet either condition and that have expected credit losses, the credit loss will be recognized in earnings. Any non-credit related loss impairment related to all other factors will be recorded in other comprehensive income (loss). Management also assesses the nature of the unrealized losses taking into consideration factors such as changes in risk-free interest rates, general credit spread changes, market supply and demand, creditworthiness of the issuer, and quality of the underlying collateral.

Non-GAAP Financial Measures

In addition to results presented in accordance with U.S. GAAP, this quarterly report on Form 10-Q contains certain non-GAAP financial measures, including operating net income, operating noninterest expense, operating noninterest income, operating earnings per share, basic, operating earnings per share, diluted, operating return on average assets, operating return on average shareholders' equity, operating efficiency ratio, tangible shareholders' equity, tangible assets, tangible book value per share, and efficiency ratio. The Company's management believes that the supplemental non-GAAP information is utilized by regulators and market analysts to evaluate a Company's financial condition and therefore, such information is useful to investors. These disclosures should not be viewed as a substitute for financial results determined in accordance with U.S. GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names.

NB BANCORP, INC.
NON-GAAP RECONCILIATION
(Unaudited)
(Dollars in thousands)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Net income (GAAP)	$ 8,383	$ 8,467	$ 26,537	$ 23,444
Add (Subtract):				
Adjustments to net income:				
Losses on sales of securities available for sale, net	1,868	-	1,868	-
Income tax expense on solar tax credit investment basis reduction	2,503	-	2,503	-
BOLI surrender tax and managed endowment contract penalty	1,552	-	1,552	-
Adjustment for adoption of ASU 2023-02	(913)	-	(913)	-
Total adjustments to net income	$ 5,010	$ -	$ 5,010	$ -
Less net tax benefit associated with losses on sales of securities available for sale, net and reversal of previously taken amortization of solar tax credit investments	277	-	277	-
Non-GAAP adjustments, net of tax	4,733	-	4,733	-
Operating net income (non-GAAP)	$ 13,116	$ 8,467	$ 31,270	$ 23,444
Weighted average common shares outstanding, basic	39,289,271	N/A	39,423,214	N/A
Weighted average common shares outstanding, diluted	39,289,271	N/A	39,423,214	N/A
Operating earnings per share, basic (non-GAAP)	0.33	N/A	0.79	N/A
Operating earnings per share, diluted (non-GAAP)	0.33	N/A	0.79	N/A

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Noninterest expense (GAAP)	$ 24,586	$ 23,088	$ 76,367	$ 68,459
Subtract (Add):				
Noninterest expense components:				
Adjustment for adoption of ASU 2023-02	(913)	-	(913)	-
Total impact of non-GAAP noninterest expense adjustments	$ (913)	$ -	$ (913)	$ -
Noninterest expense on an operating basis (non-GAAP)	$ 25,499	$ 23,088	$ 77,280	$ 68,459

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Noninterest income (GAAP)	$ 1,265	$ 3,138	$ 7,750	$ 12,101
Subtract (Add):				
Noninterest income components:				
Losses on sales of securities available for sale, net	(1,868)	-	(1,868)	-
Total impact of non-GAAP noninterest income adjustments	$ (1,868)	$ -	$ (1,868)	$ -
Noninterest income on an operating basis (non-GAAP)	$ 3,133	$ 3,138	$ 9,618	$ 12,101

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Operating net income (non-GAAP)	$ 13,116	$ 8,467	$ 31,270	$ 23,444
Average assets	4,890,204	4,133,146	4,697,200	3,854,877
Operating return on average assets (non-GAAP)	1.07%	0.81%	0.89%	0.81%
Average shareholders' equity	754,609	363,469	743,251	355,751
Operating return on average shareholders' equity (non-GAAP)	6.91%	9.24%	5.62%	8.81%

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Total shareholders' equity (GAAP)	$ 747,449	$ 365,701	$ 747,449	$ 365,701
Subtract:				
Intangible assets (core deposit intangible)	1,116	1,265	1,116	1,265
Total tangible shareholders' equity (non-GAAP)	746,333	364,436	746,333	364,436
Total assets (GAAP)	5,002,557	4,231,792	5,002,557	4,231,792
Subtract:				
Intangible assets (core deposit intangible)	1,116	1,265	1,116	1,265
Total tangible assets (non-GAAP)	$ 5,001,441	$ 4,230,527	$ 5,001,441	$ 4,230,527
Tangible shareholders' equity / tangible assets (non-GAAP)	14.92%	8.61%	14.92%	8.61%
Total common shares outstanding	42,705,729	N/A	42,705,729	N/A
Tangible book value per share (non-GAAP)	$ 17.48	$ N/A	$ 17.48	$ N/A

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Noninterest expense on an operating basis (non-GAAP)	$ 25,499	$ 23,088	$ 77,280	$ 68,459
Total revenue (net interest income plus total noninterest income) (non-GAAP)	44,457	36,622	128,296	108,544
Operating efficiency ratio (non-GAAP)	57.36%	63.04%	60.24%	63.07%

Comparison of Financial Condition as of September 30, 2024 and December 31, 2023

Total Assets. Total assets increased $469.1 million, or 10.3%, to $5.00 billion as of September 30, 2024 from $4.53 billion as of December 31, 2023. The increase was primarily driven by increases in net loans, BOLI, cash and cash equivalents and available-for-sale securities.

Cash and Cash Equivalents. Cash and cash equivalents increased $44.5 million, or 16.3%, to $317.0 million as of September 30, 2024 from $272.6 million as of December 31, 2023. The increase in cash and cash equivalents was due to deposit growth outpacing loan and investment growth, offset partially by paydowns of FHLB borrowings, purchases of BOLI policies and increases in prepaid and other assets.

Securities Available for Sale. Securities available for sale increased $13.1 million, or 6.9%, to $202.5 million as of September 30, 2024 from $189.5 million as of December 31, 2023 due to purchases of U.S. treasuries, government agency and corporate bond debt securities. The Company sold $29.3 million in available-for-sale debt securities during the three and nine months ended September 30, 2024 with the proceeds reinvested into higher-yielding available-for-sale debt securities, which were restructured to mitigate portfolio risk and increase yield.

Loans. Net loans increased $354.4 million, or 9.2%, to $4.21 billion as of September 30, 2024 from $3.86 billion as of December 31, 2023. The increase resulted primarily from increases in: commercial real estate loans, which increased $110.1 million, or 9.4%; commercial and industrial loans, which increased $75.0 million, or 15.3%; multi-family residential loans, which increased $62.6 million, or 29.8%; construction and development loans which increased $44.1 million, or 7.1%; consumer loans, which increased $29.6 million, or 14.4%; and one-to-four family residential loans, which increased $26.5 million, or 2.4%. The increase in our loan portfolio reflects our strategy to prudently grow the balance sheet by continuing to diversify into these higher-yielding loans to improve net margins and manage interest rate risk.

The Company had approximately $458.0 million and $365.9 million in loans to borrowers in the cannabis industry at September 30, 2024 and December 31, 2023, respectively. Of that total, $301.9 million and $207.7 million were direct loans to cannabis companies and were collateralized by real estate at September 30, 2024 and December 31, 2023, respectively.

FHLB Stock. The FHLB is a cooperative bank that provides services to its member financial institutions. The primary reason for our membership in the FHLB is to gain access to a reliable source of wholesale funding and as a tool to manage interest rate risk. We held an investment in FHLB stock of $6.8 million and $14.6 million as of September 30, 2024 and December 31, 2023, respectively.

The amount of stock we are required to purchase is in proportion to our FHLB borrowings and level of total assets. Accordingly, the decrease in the FHLB stock from December 31, 2023 to September 30, 2024 is due to the decrease in FHLB borrowings.

BOLI. During the three and nine months ended September 30, 2024, the Company surrendered $46.7 million of existing BOLI policies that were earning an annualized yield of 3.08%. Prior to the surrender of the policies, the Company purchased an additional $50.0 million of BOLI policies, which are currently yielding 4.81%. As a result of the surrender of the BOLI policies, the Company incurred $1.6 million of income tax and penalty, which the Company expects to earn back in less than two years. The insurance carriers have six months to pay out the proceeds from the surrendered policies, and as a result, the Company expects BOLI to be at higher balances and to continue earning income related to the increase in cash surrender value until the proceeds are received, which will further shorten the earn-back period on the income tax and penalty amount.

Prepaid Expenses and Other Assets. Prepaid expenses and other assets consist primarily of right of use assets related to our long-term leases, income taxes receivables and derivatives with a positive fair value. These assets increased $21.4 million, or 40.4%, to $74.6 million as of September 30, 2024 from $53.1 million as of December 31, 2023. The increase resulted primarily from an $18.9 million increase in income taxes receivables as a result of earned solar income tax credits and a $2.4 million increase in right of use assets resulting from a lease extension.

Deposits. Deposits increased $655.5 million, or 19.4%, to $4.04 billion as of September 30, 2024 from $3.39 billion as of December 31, 2023. Core deposits (which we define as all deposits including certificates of deposit, other than brokered deposits) increased $509.1 million, or 15.9%, to $3.71 billion as of September 30, 2024 from $3.20 billion as of December 31, 2023. The increase in deposits was the result of growth in customer deposits, primarily certificates of deposit, which increased $360.1 million, or 27.4%, from December 31, 2023, along with money market accounts and noninterest-bearing demand deposit accounts, which increased $147.4 million, or 16.6%, and $32.4 million, or 6.1%, respectively, from December 31, 2023. Additionally, brokered deposits increased $146.3 million, or 79.7%, from December 31, 2023, as a result of lower rates versus alternative funding sources and to support overall liquidity.

The Company had $302.3 million and $277.5 million in deposits from the cannabis industry as of September 30, 2024 and December 31, 2023, respectively.

FHLB Borrowings. FHLB borrowings decreased $167.0 million, or 58.9%, to $116.3 million as of September 30, 2024 from $283.3 million as of December 31, 2023. The decrease in FHLB borrowings was the result of overall deposit growth and growth in brokered deposits due to lower rates.

Accrued expenses and other liabilities. Accrued expenses and other liabilities decreased $11.8 million, or 14.5%, to $69.5 million as of September 30, 2024 from $81.3 million as of December 31, 2023. The decrease resulted from $15.8 million in IPO-related and other accrued expenses, $5.6 million reduction in accrued incentive bonuses resulting from bonuses being paid partially offset by current period accruals, and a $2.6 million reduction in allowance for credit losses on unfunded commitments; offset partially by a $5.6 million increase in deferred solar tax credit investments resulting from a future expected capital call, a $2.6 million increase in deferred tax liabilities related to a basis reduction on solar tax credits, a $2.5 million increase in lease liabilities resulting from a lease extension and a $1.7 million increase in accrued interest on brokered deposits resulting from increased utilization of brokered deposits.

Shareholders' Equity. Total shareholders' equity decreased $10.5 million, or 1.4%, to $747.4 million as of September 30, 2024 from $758.0 million as of December 31, 2023, due to the $31.6 million increase in the unallocated common shares held by the ESOP resulting from the purchase of shares on the open market to fund the ESOP as a result of the conversion, along with the impact of the adoption of ASU 2023-02 of $10.2 million , offset partially by $26.5 million in net income during the nine months ended September 30, 2024.

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

Net Income. Net income was $8.4 million for the quarter ended September 30, 2024, compared to net income of $8.5 million for the quarter ended September 30, 2023, a decrease of approximately $84,000, or 1.0%.

An increase of $7.8 million, or 23.4%, in net interest income was offset by a $3.9 million, or 125.6% increase in income tax expense, a $1.9 million, or 59.7% decrease in noninterest income and a $1.5 million, or 6.5%, increase in noninterest expense.

Operating net income, excluding one-time charges, amounted to $13.1 million, or $0.33 per diluted share for the quarter ended September 30, 2024 compared to net income of $8.5 million for the quarter ended September 30, 2023, an increase of $4.6 million, or 54.9%. The material one-time charges were:

- Loss on the sale of available-for sale securities amounting to $1.9 million;
- Tax expense and a managed endowment contract penalty related to the surrender of BOLI policies of $1.6 million, and;
- Tax expense related to a basis write-down of solar income tax credits of $2.5 million, partially offset by;
- Reversal of previously recognized amortization related to solar income tax credit investments during the first six months of the year, amounting to $913 thousand.

Interest and Dividend Income. Interest and dividend income increased $16.4 million, or 27.5%, to $76.0 million for the quarter ended September 30, 2024 from $59.6 million for the quarter ended September 30, 2023, primarily due to a $13.8 million, or 24.4%, increase in interest and fees on loans and a $2.5 million, or 245.6%, increase in interest on short-term investments. The increase in interest and fees on loans was primarily due to an increase of $564.7 million, or 15.6%, in the average balance of the loan portfolio to $4.19 billion for the quarter ended September 30, 2024 from $3.62 billion for the quarter ended September 30, 2023 and an increase of 49 basis points in the weighted average yield for the loan portfolio to 6.70% for the quarter ended September 30, 2024 from 6.21% for the quarter ended September 30, 2023, reflecting the growth of our commercial and consumer loan portfolios. The increase in interest income on short-term investments was primarily due to an increase of $183.0 million, or 224.9%, in the average balance of short-term investments to $264.4 million for the quarter ended September 30, 2024 from $81.4 million for the quarter ended September 30, 2023.

Average interest-earning assets increased $738.9 million, to $4.69 billion for the quarter ended September 30, 2024 from $3.95 billion for the quarter ended September 30, 2023. The yield on interest-earning assets increased 46 basis points to 6.45% for the quarter ended September 30, 2024 from 5.99% for the quarter ended September 30, 2023.

Interest Expense. Total interest expense increased $8.6 million, or 32.8%, to $34.7 million for the quarter ended September 30, 2024 from $26.1 million for the quarter ended September 30, 2023. Interest expense on deposit accounts increased $12.8 million, or 61.7%, to $33.6 million for the quarter ended September 30, 2024 from $20.8 million for the quarter ended September 30, 2023. The increase was due to an increase in the average balance of certificates of deposit of $495.3 million to $1.94 billion for the quarter ended September 30, 2024 from $1.45 billion for the quarter ended September 30, 2023, an increase in the weighted average rate on certificates of deposit of 91 basis points to 5.02% for the quarter ended September 30, 2024 from 4.11% for the quarter ended September 30, 2023, and an increase in the weighted average rate on money market accounts of 129 basis points to 4.06% for the quarter ended September 30, 2024 from 2.77% for the quarter ended September 30, 2023.

Interest expense on FHLB borrowings decreased $4.3 million, or 80.0%, to $1.1 million for the quarter ended September 30, 2024 from $5.3 million for the quarter ended September 30, 2023. The average balance of FHLB borrowings decreased $298.4 million, or 77.8%, to $85.2 million for the quarter ended September 30, 2024 from $383.5 million for the quarter ended September 30, 2023. The decrease in the average balance of FHLB borrowings was the result of growth in brokered deposits due to lower rates, as well as, overall deposit growth.

Net Interest Income. Net interest income increased $7.8 million, or 23.4%, to $41.3 million for the quarter ended September 30, 2024 from $33.5 million for the quarter ended September 30, 2023, primarily due to an $738.9 million, or 18.7%, increase in the average balance of interest-earning assets to $4.69 billion for the quarter ended September 30, 2024 from $3.95 billion for the quarter ended September 30, 2023 and an increase in the weighted average yield on interest-earning assets of 46 basis points to 6.45% September 30, 2024 from 5.99% September 30, 2023.

These increases were offset partially by an increase in the weighted average rate on interest-bearing liabilities of 80 basis points to 4.13% for the quarter ended September 30, 2024 from 3.33% September 30, 2023 and an increase in the average balance of interest-bearing liabilities of $233.1 million, or 7.5%, to $3.34 billion September 30, 2024 from $3.11 billion September 30, 2023.

Provision for Credit Losses. Based on management's analysis of the adequacy of the allowance for credit losses, a provision of $2.6 million was recorded for the quarter ended September 30, 2024, of which $5.0 million related to the provision for credit losses on loans, compared to a provision of $2.0 million for the quarter ended September 30, 2023. The provision for credit losses on unfunded commitments decreased $2.4 million during the three months ended September 30, 2024 as a result of a reduction in qualitative factors on construction commitments, as well as, the reduction in the balance of unfunded commitments. The increase of $3.0 million, or 154.3%, in the total provision for credit losses was primarily due to the overall increase in the size of the loan portfolio and increases in the qualitative factors on loans collateralized by purchased consumer loans.

Noninterest Income. Noninterest income decreased $1.9 million, or 59.7%, to $1.3 million for the quarter ended September 30, 2024 from $3.1 million for the quarter ended September 30, 2023. The decrease resulted primarily from losses of sale on available-for-sale debt securities of $1.9 million during the three months ended September 30, 2024. The table below sets forth our noninterest income for the quarters ended September 30, 2024 and 2023:

	Three Months Ended September 30,		Change	
	2024	2023	Amount	Percent
	(Dollars in thousands)			
Customer service fees	$ 1,963	$ 1,689	$ 274	16.22%
Loss on sale of available-for-sale securities, net	(1,868)	—	(1,868)	(100.00)%
Increase in cash surrender value of BOLI	414	374	40	10.70%
Mortgage banking income	367	101	266	263.37%
Swap contract income	375	950	(575)	(60.53)%
Other income	14	24	(10)	(41.67)%
Total noninterest income	$ 1,265	$ 3,138	$ (1,873)	(59.69)%

Noninterest Expense. Noninterest expense increased $1.5 million, or 6.5%, to $24.6 million for the quarter ended September 30, 2024 from $23.1 million for the quarter ended September 30, 2023. Salaries and employee benefit expenses increased $2.5 million, or 17.3%, resulting primarily from the hiring of additional employees consistent with our business strategy to grow the Bank, annual salary raises, $762,000 in ESOP compensation expenses and a $667,000 increase in long-term incentive plan expenses during the quarter ended September 30, 2024. The increases in salaries and employee benefit expenses were offset partially by general and administrative expenses decreasing $1.3 million, or 91.7%, as a result of the adoption of ASU 2023-02, resulting in a $1.4 million decrease in solar income tax credit amortization during the three months ended September 30, 2024 compared to the three months ended September 30, 2023. The table below sets forth our noninterest expense for the quarters ended September 30, 2024 and 2023:

	Three Months Ended September 30,		Change	
	2024	2023	Amount	Percent
	(Dollars in thousands)			
Salaries and employee benefits	$ 17,202	$ 14,659	$ 2,543	17.35%
Director and professional service fees	1,995	1,609	386	23.99%
Occupancy and equipment expenses	1,394	1,279	115	8.99%
Data processing expenses	2,226	2,017	209	10.36%
Marketing and charitable contribution expenses	842	918	(76)	(8.28)%
FDIC and state insurance assessments	812	1,215	(403)	(33.17)%
General and administrative expenses	115	1,391	(1,276)	(91.73)%
Total noninterest expense	$ 24,586	$ 23,088	$ 1,498	6.49%

Income Tax Expense. Income tax expense increased $3.9, or 125.6%, to $7.0 million for the quarter ended September 30, 2024 from $3.1 million for the quarter ended September 30, 2023. The effective tax rate was 45.5% and 26.8% for the quarter ended September 30, 2024 and 2023, respectively. The increase in the effective tax rate was a result of the $2.5 million tax effect of the basis reduction on solar income tax credits earned and the $1.6 million income tax and penalty on the surrender of BOLI policies during the three months ended September 30, 2024. Excluding these one-time income tax expenses, the effective tax rate for the three months ended September 30, 2024 would have been 19.1%.

Average Balances and Yields. The following table sets forth average balance sheets, average yields and costs, and certain other information for the periods indicated. No tax-equivalent yield adjustments have been made, as the effects would be immaterial. Non-accrual loans were included in the computation of average balances. All average balances are daily average balances. The yields set forth below include the effect of deferred fees, discounts, and premiums that are amortized or accreted to interest income or interest expense; such fees, discounts and premiums were not material for the periods presented.

	Three Months Ended					
	September 30, 2024			September 30, 2023		
	Average Outstanding Balance	Interest	Average Yield/Rate [4]	Average Outstanding Balance	Interest	Average Yield/Rate [4]
Interest-earning assets:						
Loans	$ 4,188,504	$ 70,518	6.70 %	$ 3,623,804	$ 56,702	6.21 %
Securities	204,273	1,768	3.44 %	204,074	1,105	2.15 %
Other investments [5]	30,707	223	2.89 %	39,696	780	7.80 %
Short-term investments [5]	264,394	3,494	5.26 %	81,380	1,011	4.93 %
Total interest-earning assets	4,687,878	76,003	6.45 %	3,948,954	59,598	5.99 %
Non-interest-earning assets	240,821			216,254		
Allowance for credit losses	(38,495)			(32,062)		
Total assets	$ 4,890,204			$ 4,133,146		
Interest-bearing liabilities:						
Savings accounts	$ 112,632	15	0.05 %	$ 136,241	17	0.05 %
NOW accounts	327,484	180	0.22 %	337,799	158	0.19 %
Money market accounts	876,933	8,943	4.06 %	806,815	5,623	2.77 %
Certificates of deposit and individual retirement accounts	1,941,143	24,474	5.02 %	1,445,885	14,991	4.11 %
Total interest-bearing deposits	3,258,192	33,612	4.10 %	2,726,740	20,789	3.02 %
FHLB advances	85,156	1,067	4.98 %	383,549	5,325	5.51 %
Total interest-bearing liabilities	3,343,348	34,679	4.13 %	3,110,289	26,114	3.33 %
Non-interest-bearing deposits	713,566			582,507		
Other non-interest-bearing liabilities	78,681			76,881		
Total liabilities	4,135,595			3,769,677		
Shareholders' equity	754,609			363,469		
Total liabilities and shareholders' equity	$ 4,890,204			$ 4,133,146		
Net interest income		$ 41,324			$ 33,484	
Net interest rate spread [1]			2.32 %			2.66 %
Net interest-earning assets [2]	$ 1,344,530			$ 838,665		
Net interest margin [3]			3.51 %			3.36 %
Average interest-earning assets to interest-bearing liabilities	140.22 %			126.96 %		

(1) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate of interest-bearing liabilities.

(2) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.

(3) Net interest margin represents net interest income divided by average total interest-earning assets.

(4) Annualized.

(5) Other investments are comprised of FRB stock, FHLB stock and swap collateral accounts. Short-term investments are comprised of cash and cash equivalents

Rate/Volume Analysis. The following table presents the effects of changing rates and volumes on our net interest income for the periods indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The total column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately based on the changes due to rate and the changes due to volume. There were no out-of-period items or adjustments required to be excluded from the table below.

	Three Months Ended September 30, 2024 vs. 2023		
	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate	
	(In thousands)		
Interest-earning assets:			
Loans	$ 9,287	$ 4,529	$ 13,816
Securities	1	662	663
Other	(147)	(410)	(557)
Short-term investments	2,415	68	2,483
Total interest-earning assets	11,556	4,849	16,405
Interest-bearing liabilities:			
Savings accounts	(3)	1	(2)
NOW accounts	(5)	27	22
Money market accounts	524	2,796	3,320
Certificates of deposit and individual retirement accounts	5,815	3,668	9,483
Total interest-bearing deposits	6,332	6,491	12,823
Federal Home Loan Bank advances	(3,784)	(474)	(4,258)
Total interest-bearing liabilities	2,548	6,017	8,565
Change in net interest income	$ 9,008	$ (1,168)	$ 7,840

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

Net Income. Net income was $26.5 million for the nine months ended September 30, 2024, compared to net income of $23.4 million the nine months ended September 30, 2023, an increase of approximately $3.1 million, or 13.2%. The increase was primarily due to a $22.2 million, or 23.1%, increase in net interest income, partially offset by a $7.9 million, or 11.6%, increase in noninterest expense, a $4.4 million, or 36.0%, decrease in non-interest income, a $4.2 million, or 49.6%, increase in income tax expense and a $2.6 million, or 32.7%, increase in the provision for credit losses.

Operating net income, excluding one-time charges, amounted to $31.3 million, or $0.79 per diluted share for the nine months ended September 30, 2024 compared to net income of $23.4 million for the nine months ended September 30, 2023, an increase of $7.8 million, or 33.4%. The material one-time charges were:

- Loss on the sale of available-for sale securities amounting to $1.9 million;
- Tax expense and a managed endowment contract penalty related to the surrender of bank-owned life insurance BOLI policies of $1.6 million, and;
- Tax expense related to a basis write-down of solar income tax credits of $2.5 million.

Interest and Dividend Income. Interest and dividend income increased $57.5 million, or 36.4%, to $215.3 million for the nine months ended September 30, 2024 from $157.9 million for the nine months ended September 30, 2023, primarily due to a $49.3 million, or 32.7%, increase in interest and fees on loans, and a $7.8 million, or 382.0%, increase in interest on short-term investments.

The increase in interest and fees on loans was primarily due to an increase of $670.0 million, or 20.0%, in the average balance of the loan portfolio to $4.03 billion for the nine months ended September 30, 2024 from $3.36 billion for the nine months ended September 30, 2023 and an increase of 64 basis points in the weighted average yield for the loan portfolio to 6.63% for the nine months ended September 30, 2024 from 5.99% for the nine months ended September 30, 2023, reflecting the growth of our commercial and consumer loan portfolios. The increase in interest on short-term investments was primarily due to an increase of $181.9 million, or 313.1%, in the average balance of short-term investments to $239.9 million for the nine months ended September 30, 2024 from $58.1 million for the nine months ended September 30, 2023.

Average interest-earning assets increased $822.4 million, or 22.4%, to $4.50 billion for the nine months ended September 30, 2024 from $3.67 billion for the nine months ended September 30, 2023. The yield on interest-earning assets increased 66 basis points to 6.40% for the nine months ended September 30, 2024 from 5.74% for the nine months ended September 30, 2023.

Interest Expense. Total interest expense increased $35.2 million, or 57.3%, to $96.6 million for the nine months ended September 30, 2024 from $61.4 million for the nine months ended September 30, 2023. Interest expense on deposit accounts increased $42.9 million, or 84.8%, to $93.4 million for the nine months ended September 30, 2024 from $50.5 million for the nine months ended September 30, 2023. The increase was due to an increase in the weighted average rate on certificates of deposit of 139 basis points to 4.98% for the nine months ended September 30, 2024 from 3.59% for the nine months ended September 30, 2023, an increase in the average balance of certificates of deposit of $451.5 million, or 33.1%, to $1.82 billion for the nine months ended September 30, 2024 from $1.36 billion for the nine months ended September 30, 2023, an increase in the weighted average rate on money market accounts of 154 basis points to 3.92% for the nine months ended September 30, 2024 from 2.38% for the nine months ended September 30, 2023 and an increase in the average balance of money market accounts of $95.0 million, or 12.5% to $855.0 million for the nine months ended September 30, 2024 from $760.0 million for the nine months ended September 30, 2023.

Interest expense on FHLB borrowings decreased $7.7 million, or 71.2%, to $3.2 million for the nine months ended September 30, 2024 from $10.9 million for the nine months ended September 30, 2023. The average balance of FHLB advances decreased $190.6 million, or 69.9%, to $82.0 million for the nine months ended September 30, 2024 from $272.6 million for the nine months ended September 30, 2023. The decrease in the average balance of FHLB advances was the result of growth in brokered deposits due to lower rates, as well as, overall deposit growth.

Net Interest Income. Net interest income increased $22.2 million, or 23.1%, to $118.7 million for the nine months ended September 30, 2024 from $96.4 million for the nine months ended September 30, 2023, primarily due to a $822.4 million, or 22.4%, increase in the average balance of interest-earning assets to $4.50 billion for the nine months ended September 30, 2024 from $3.67 billion for the nine months ended September 30, 2023 and an increase in the weighted average yield on interest-earning assets of 66 basis points to 6.40% for the nine months ended September 30, 2024 from 5.74% for the nine months ended September 30, 2023.

These increases were offset partially by an increase in the weighted average rate on interest-bearing liabilities of 121 basis points to 4.04% for the nine months ended September 30, 2024 from 2.83% for the nine months ended September 30, 2023 and an increase in the average balance of interest-bearing liabilities of $296.7 million, or 10.2%, to $3.20 billion for the nine months ended September 30, 2024 from $2.90 billion for the nine months ended September 30, 2023.

Provision for Credit Losses. Based on management's analysis of the adequacy of the allowance for credit losses, a provision of $10.7 million was recorded for the nine months ended September 30, 2024, of which $13.3 million related to the provision for credit losses on loans, compared to a provision of $8.1 million for the nine months ended September 30, 2023. The provision for credit losses on unfunded commitments decreased $2.7 million during the nine months ended September 30, 2024 as a result of a reduction in qualitative factors on construction commitments, as well as, the reduction in the balance of unfunded commitments. The increase of $2.6 million, or 32.7%, in the total provision for credit losses was primarily due to the overall increase in the size of the loan portfolio and increases in the qualitative factors on loans collateralized by purchased consumer loans.

Noninterest Income. Noninterest income decreased $4.4 million, or 36.0%, to $7.8 million for the nine months ended September 30, 2024 from $12.1 million for the nine months ended September 30, 2023. The decrease resulted primarily from one-time employee retention credit income of $3.5 million during the nine months ended September 30, 2023, losses of sale on available-for-sale debt securities of $1.9 million during the nine months ended September 30, 2024 and a $930,000 decrease in swap contract income resulting from lower swap transaction volume; offset partially by an increase in other income resulting from a one-time debit and credit card branding signing bonus of $610,000 and increased customer service fees of $758,000 during the nine months ended September 30, 2024.

The table below sets forth our noninterest income for the nine months ended September 30, 2024 and 2023:

	Nine Months Ended September 30,		Change	
	2024	2023	Amount	Percent
	(Dollars in thousands)			
Customer service fees	$ 5,717	$ 4,959	$ 758	15.29%
Loss on sale of available-for-sale securities, net	(1,868)	—	(1,868)	(100.00)%
Increase in cash surrender value of BOLI	1,219	1,117	102	9.13%
Mortgage banking income	905	469	436	92.96%
Swap contract income	1,128	2,058	(930)	(45.19)%
Employee retention credit income	-	3,452	(3,452)	(100.00)%
Other income	649	46	603	1310.87%
Total noninterest income	$ 7,750	$ 12,101	$ (4,351)	(35.96)%

Noninterest Expense. Noninterest expense increased $7.9 million, or 11.6%, to $76.4 million for the nine months ended September 30, 2024 from $68.5 million for the nine months ended September 30, 2023. Salaries and employee benefit expenses increased $7.5 million, or 17.0%, primarily from the hiring of additional employees consistent with our business strategy to grow the Bank, annual salary increases, a $2.0 million increase in ESOP compensation expenses, a $1.6 million increase in long term incentive plan expenses, a $627,000 increase in medical and dental benefits, a $477,000 in 401(k) match expenses and a $309,000 increase in federal payroll taxes; offset partially by a $1.2 million decrease in pension expense during the nine months ended September 30, 2024. Director and professional service fees increased $1.2 million, or 23.9%, during the nine months ended September 30, 2024, primarily the result of higher legal fees, lending services, appraisal fee and external audit costs. Data processing expenses increased $1.1 million, or 20.0%, during the nine months ended September 30, 2024, primarily the result of higher electronic banking, information technology and system costs. The above increases were partially offset by decreased FDIC and state insurance assessments of $1.0 million, or 36.5%, and general and administrative expenses of $783,000, or 18.45%, as a result of the adoption of ASU 2023-02, which resulted in a $1.2 million decrease in amortization of solar income tax credits during the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. The table below sets forth our noninterest expense for the nine months ended September 30, 2024 and 2023:

	Nine Months Ended September 30,		Change	
	2024	2023	Amount	Percent
	(Dollars in thousands)			
Salaries and employee benefits	$ 51,509	$ 44,033	$ 7,476	16.98%
Director and professional service fees	6,174	4,985	1,189	23.85%
Occupancy and equipment expenses	4,192	3,926	266	6.78%
Data processing expenses	6,547	5,456	1,091	20.00%
Marketing and charitable contribution expenses	2,680	2,972	(292)	(9.83)%
FDIC and state insurance assessments	1,806	2,844	(1,038)	(36.50)%
General and administrative expenses	3,459	4,243	(784)	(18.48)%
Total noninterest expense	$ 76,367	$ 68,459	$ 7,908	11.55%

Income Tax Expense. Income tax expense increased $4.2 million, or 49.6%, to $12.8 million for the nine months ended September 30, 2024 from $8.6 million for the nine months ended September 30, 2023. The effective tax rate was 32.5% and 26.7% for the nine months ended September 30, 2024 and 2023, respectively. The increase in the effective tax rate was a result of the $2.5 million tax effect of the basis reduction on solar income tax credits earned and the $1.6 million income tax and penalty on the surrender of BOLI policies during the nine months ended September 30, 2024. Excluding these one-time income tax expenses, the effective tax rate for the nine months ended September 30, 2024 would have been 22.2%.

Average Balances and Yields. The following table sets forth average balance sheets, average yields and costs, and certain other information for the periods indicated. No tax-equivalent yield adjustments have been made, as the effects would be immaterial. Non-accrual loans were included in the computation of average balances. All average balances are daily average balances. The yields set forth below include the effect of deferred fees, discounts, and premiums that are amortized or accreted to interest income or interest expense; such fees, discounts and premiums were not material for the periods presented.

	Nine Months Ended					
	September 30, 2024			September 30, 2023		
	Average Outstanding Balance	Interest	Average Yield/Rate [4]	Average Outstanding Balance	Interest	Average Yield/Rate [4]
Interest-earning assets:						
Loans	$ 4,026,925	$ 199,788	6.63 %	$ 3,356,963	$ 150,502	5.99 %
Securities	200,648	4,736	3.15 %	225,267	3,612	2.14 %
Other investments [5]	29,321	939	4.28 %	34,099	1,705	6.69 %
Short-term investments [5]	239,946	9,853	5.49 %	58,090	2,044	4.70 %
Total interest-earning assets	4,496,840	215,316	6.40 %	3,674,419	157,863	5.74 %
Non-interest-earning assets	235,696			209,624		
Allowance for credit losses	(35,336)			(29,166)		
Total assets	$ 4,697,200			$ 3,854,877		
Interest-bearing liabilities:						
Savings accounts	$ 119,249	46	0.05 %	$ 145,464	55	0.05 %
NOW accounts	325,364	521	0.21 %	358,380	334	0.12 %
Money market accounts	855,003	25,100	3.92 %	759,991	13,557	2.38 %
Certificates of deposit and individual retirement accounts	1,815,498	67,741	4.98 %	1,363,955	36,603	3.59 %
Total interest-bearing deposits	3,115,114	93,408	4.01 %	2,627,790	50,549	2.57 %
FHLB advances	82,015	3,230	5.26 %	272,622	10,871	5.33 %
Total interest-bearing liabilities	3,197,129	96,638	4.04 %	2,900,412	61,420	2.83 %
Non-interest-bearing deposits	673,327			530,834		
Other non-interest-bearing liabilities	83,493			67,880		
Total liabilities	3,953,949			3,499,126		
Shareholders' equity	743,251			355,751		
Total liabilities and shareholders' equity	$ 4,697,200			$ 3,854,877		
Net interest income		$ 118,678			$ 96,443	
Net interest rate spread [1]			2.36 %			2.91 %
Net interest-earning assets [2]	$ 1,299,711			$ 774,007		
Net interest margin [3]			3.53 %			3.51 %
Average interest-earning assets to interest-bearing liabilities	140.65 %			126.69 %		

(1) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate of interest-bearing liabilities.

(2) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.

(3) Net interest margin represents net interest income divided by average total interest-earning assets.

(4) Annualized.

(5) Other investments are comprised of FRB stock, FHLB stock and swap collateral accounts. Short-term investments are comprised of cash and cash equivalents

Rate/Volume Analysis. The following table presents the effects of changing rates and volumes on our net interest income for the periods indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The total column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately based on the changes due to rate and the changes due to volume. There were no out-of-period items or adjustments required to be excluded from the table below.

	Nine Months Ended September 30, 2024 vs. 2023		
	Increase (Decrease) Due to		Total
	Volume	Rate	Increase (Decrease)
		(In thousands)	
Interest-earning assets:			
Loans	$ 32,124	$ 17,162	$ 49,286
Securities	(339)	1,463	1,124
Other	(215)	(551)	(766)
Short-term investments	7,414	395	7,809
Total interest-earning assets	38,984	18,469	57,453
Interest-bearing liabilities:			
Savings accounts	(10)	1	(9)
NOW accounts	(28)	215	187
Money market accounts	1,872	9,671	11,543
Certificates of deposit and individual retirement accounts	14,288	16,850	31,138
Total interest-bearing deposits	16,122	26,737	42,859
Federal Home Loan Bank advances	(7,508)	(133)	(7,641)
Total interest-bearing liabilities	8,614	26,604	35,218
Change in net interest income	$ 30,370	$ (8,135)	$ 22,235

Liquidity and Capital Resources

Liquidity describes our ability to meet the financial obligations that arise in the ordinary course of business. Liquidity is primarily needed to meet the borrowing and deposit withdrawal requirements of our customers and to fund current and planned expenditures. Our primary sources of funds are deposits, principal and interest payments on loans and securities, and proceeds from maturities of securities. We are also able to borrow from the FHLB and the Discount Window at the Federal Reserve Bank of Boston ("FRB"). As of September 30, 2024, we had outstanding advances of $116.3 million from the FHLB. As of September 30, 2024, we had unused borrowing capacity of $730.7 million with the FHLB and $36.6 million available with the FRB. Subsequent to September 30, 2024, the Bank received approval from the FRB under its Borrower in Custody ("BIC") program, which allowed us to pledge commercial real estate and multi-family loans to the FRB, which provided the Bank with additional borrowing capacity of $531.6 million. Additionally, as of September 30, 2024, we had $329.9 million of brokered deposits and pursuant to our internal liquidity policy, which allows us to utilize brokered deposits up to 25.0% of our total assets, we had an additional capacity of up to approximately $920.7 million of brokered deposits.

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

Our cash flows are comprised of three primary classifications: cash flows from operating activities, investing activities, and financing activities.

At September 30, 2024, we had $75.8 million in commitments to originate loans outstanding. In addition, we had $477.6 million in unused lines of credit to borrowers, $487.5 million in unadvanced construction loans and $6.5 million in letters of credit outstanding.

Non-brokered certificates of deposit due within one year of September 30, 2024 totaled $1.65 billion, or 40.9%, of total deposits. If these deposits do not remain with us, we may be required to seek other sources of funds, including brokered deposits, FHLB advances and FRB borrowings. Depending on market conditions, we may be required to pay higher rates on such deposits or other borrowings than we currently pay on the non-brokered certificates of deposit due on or before September 30, 2025, or on our other interest-bearing deposit accounts. We believe, however, based on historical experience and current market interest rates that we will retain upon maturity a large portion of our certificates of deposit with maturities of one year or less as of September 30, 2024.

Our primary investing activity is originating loans. During the nine months ended September 30, 2024, we originated $345.4 million of loans, net of repayments.

Financing activities consist primarily of activity in deposit accounts and FHLB advances. We experienced net increases in deposits of $655.5 million for the nine months ended September 30, 2024. At September 30, 2024 and December 31, 2023, the level of brokered time deposits was $329.9 million and $183.6 million, respectively. Deposit flows are affected primarily by the overall level of interest rates and the interest rates and products offered by us and our competitors. FHLB advances decreased $167.0 million during the nine months ended September 30, 2024.

For additional information, see the consolidated statements of cash flows for the nine months ended September 30, 2024 and 2023 included as part of the consolidated financial statements appearing elsewhere in this Form 10-Q.

We are committed to maintaining a strong liquidity position. We continuously monitor our liquidity position and adjustments are made to the balance between sources and uses of funds as deemed appropriate by management. Liquidity risk management is an important element in our asset/liability management process. We regularly model liquidity stress scenarios to assess potential liquidity outflows or funding problems resulting from economic disruptions, volatility in the financial markets, unexpected credit events or other significant occurrences deemed problematic by management. These scenarios are incorporated into our contingency funding planning process, which provides the basis for the identification of our liquidity needs. We anticipate that we will have sufficient funds to meet our current funding commitments. In addition, based on our deposit retention experience and current pricing strategy, we anticipate that a significant portion of maturing time deposits will be retained.

As of September 30, 2024, Needham Bank and NB Bancorp, Inc. exceeded all of their regulatory capital requirements, and were categorized as well-capitalized at that date. Management is not aware of any conditions or events since the most recent notification of well-capitalized status that would change our category. See Note 10 of the notes to consolidated financial statements.

Impact of Inflation and Changing Prices

The consolidated financial statements and related data presented in this Form 10-Q have been prepared in accordance with U.S. GAAP, which requires the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. The primary impact of inflation on our operations is reflected in increased operating costs. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates, generally, have a more significant impact on a financial institution's performance than does inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable, as the Registrant is an emerging growth company.

Item 4. Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of September 30, 2024. Based on that evaluation, the Company's management, including the Chief Executive Officer and the Chief Financial Officer, concluded that the Registrant's disclosure controls and procedures were effective.

During the quarter ended September 30, 2024, there have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II – Other Information

Item 1. Legal Proceedings

The Company is subject to various legal actions arising in the normal course of business. In the opinion of management, the resolution of these legal actions is not expected to have a material adverse effect on the Company's or the Bank's financial condition or results of operations.

Item 1A. Risk Factors

There have been no material changes in risk factors applicable to the Company from those disclosed in "Risk Factors" in Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

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

(a) There were no sales of unregistered securities during the period covered by this Report.

(b) Not applicable.

(c) There were no issuer repurchases of securities during the period covered by this Report.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
Exhibit 104	Cover Page Interactive Data File - The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

SIGNATURES

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

NB BANCORP, INC.

Date: November 8, 2024	/s/ Joseph Campanelli Joseph Campanelli Chairman, President and Chief Executive Officer
Date: November 8, 2024	/s/ Jean-Pierre Lapointe Jean-Pierre Lapointe Executive Vice President and Chief Financial Officer

Exhibit 31.1

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

I, Joseph Campanelli, certify that:

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

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

3. Based on my knowledge, the consolidated 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)) 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) 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

   c) 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

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

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

Date: November 8, 2024

/s/ Joseph Campanelli
Joseph Campanelli
Chairman, President and Chief Executive Officer

Exhibit 31.2

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

I, Jean-Pierre Lapointe, certify that:

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

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

3. Based on my knowledge, the consolidated 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)) 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) 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

    c) 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

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

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

Date: November 8, 2024

/s/ Jean-Pierre Lapointe
Jean-Pierre Lapointe
Executive Vice President and Chief Financial Officer

Exhibit 32

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

Joseph Campanelli, Chairman, President and Chief Executive Officer of NB Bancorp, Inc., (the “Company”) and Jean-Pierre Lapointe, Executive Vice President and Chief Financial Officer of the Company, each certify in their capacity as an officer of the Company that they have reviewed the quarterly report on Form 10-Q for the quarter ended September 30, 2024 (the “Report”) and that to the best of their knowledge:

1. the Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2024

/s/ Joseph Campanelli
Joseph Campanelli
Chairman, President and Chief Executive Officer

Date: November 8, 2024

/s/ Jean-Pierre Lapointe
Jean-Pierre Lapointe
Executive Vice President and Chief Financial Officer

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