2024
Annual Report

1st Colonial Bancorp, Inc.

1st Colonial Bancorp, Inc.

March 31, 2025

Dear Fellow Shareholders,

We are pleased to report another successful year for our company. We generated full year net earnings of $8.1 million, which represents the second highest year in the company's history.

Although we faced many challenges during the year, including higher operating costs due to continued inflation, increased interest expense, and lower loan demand due to the higher interest rates, our Team Members remained focused on delivering exceptional products and services to our loyal customer base. In addition, we continue to focus on long range planning and expansion opportunities, while navigating through continued economic uncertainties.

We continue to be focused on building relationships with new clients, as well as expanding and deepening existing relationships through the delivery of value added products and services. Investment in technology continued, so we can remain competitive in delivering the most modern product offering available to the market. The use of artificial intelligence in our business is expected to increase, as we strive to deliver a better customer experience, coupled with improved efficiency and scalability.

Asset growth was tempered during the year, with loan balances remaining stable when compared to 2023. We remained focused on profitability and shareholder returns, delivering a return on average assets of 1.00%, and return on average equity of 11.10%.

Total deposits ended the year at $747.7 million, which represents a 7% increase from the 2023 balance. Our liquidity position remains strong, with ample cash and borrowing capacity to support our future growth.

Our capital levels remain high and above well capitalized under the regulatory framework.

Asset quality metrics continue to be stable, with no pattern of deterioration being identified. It is likely that increased debt and living expenses, along with an anticipated increase in unemployment will have an impact on consumers, which we will continue to closely monitor.

While we believe our foundation is strong, our 2025 plan calls for additional investment in talent and technology, so that we can exceed our clients' expectations and continue to differentiate ourselves from the competition.

We are thankful for your continued support and look forward to a promising and profitable 2025!

Sincerely,

Linda M. Rohrer
Chairman of the Board

Robert B. White
President & Chief Executive Officer

1ST COLONIAL BANCORP, INC. AND SUBSIDIARY

Consolidated Financial Statements

December 31, 2024 and 2023

(With Independent Auditors' Report Thereon)

INDEPENDENT AUDITORS' REPORT

Shareholders and the Board of Directors
1st Colonial Bancorp, Inc. and Subsidiary
Mount Laurel, New Jersey

Opinion

We have audited the consolidated financial statements of 1st Colonial Bancorp, Inc. and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of 1st Colonial Bancorp, Inc. as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 1st Colonial Bancorp, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 1st Colonial Bancorp, Inc.'s ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 1st Colonial Bancorp, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 1st Colonial Bancorp, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Crowe LLP

Crowe LLP

Washington, D.C.
March 28, 2025

1ST COLONIAL BANCORP, INC. AND SUBSIDIARY

Consolidated Balance Sheets

(Dollars in thousands, except share data)	As of December 31, 2024	As of December 31, 2023
Assets		
Cash and due from banks	$ 67,380	$ 52,707
Federal funds sold	19	21
Total cash and cash equivalents	67,399	52,728
Investments held to maturity (fair value of $45,036 as of December 31, 2024 and $37,045 as of December 31, 2023)	45,036	37,045
Investments available for sale ("AFS") (amortized cost of $77,891 as of December 31, 2024 and $76,746 as of December 31, 2023)	73,614	70,532
Investment in restricted bank stock, at cost	1,465	1,457
Loans held for sale	6,273	3,619
Loans	622,455	637,037
Less allowance for credit losses	(8,954)	(9,690)
Net loans	613,501	627,347
Premises and equipment, net	1,450	1,770
Accrued interest receivable	3,434	3,431
Deferred tax assets	3,185	3,714
Bank-owned life insurance	21,502	17,894
Other real estate owned ("OREO")	258	-
Other assets	4,428	6,107
Total assets	$ 841,545	$ 825,644
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits	$ 747,656	$ 687,444
Subordinated debt, net of issuance costs	10,702	10,631
Other borrowings	-	53,600
Accrued interest payable	549	668
Other liabilities	4,420	5,378
Total liabilities	763,327	757,721
Shareholders' equity:		
Preferred stock. Authorized 1,000,000 shares, no shares issued	-	-
Common stock, $0 par value. Authorized 10,000,000 shares; issued 5,301,551 and 5,221,096 shares as of December 31, 2024 and December 31, 2023, respectively, and outstanding of 4,827,934 and 4,747,479 shares as of December 31, 2024 and December 31, 2023, respectively	-	-
Additional paid-in capital	40,106	39,294
Retained earnings	45,483	37,426
Accumulated other comprehensive loss	(3,123)	(4,549)
Treasury stock at cost, 473,617 shares as of December 31, 2024 and December 31, 2023	(4,248)	(4,248)
Total shareholders' equity	78,218	67,923
Total liabilities and shareholders' equity	$ 841,545	$ 825,644

See accompanying notes to consolidated financial statements.

1ST COLONIAL BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Income
For the years ended December 31,

(Dollars in thousands, except share data)	**2024**	**2023**
Interest income:		
Loans	$ 37,751	$ 36,010
Federal funds sold and interest-bearing deposits	1,329	702
Investments:		
Taxable	1,770	1,623
Nontaxable	1,558	986
Total interest income	42,408	39,321
Interest expense:		
Deposits	15,867	11,025
Subordinated debt	824	824
Other borrowings	706	1,122
Total interest expense	17,397	12,971
Net interest income	25,011	26,350
(Release of) provision for credit losses	(244)	270
Net interest income after provision for credit losses	25,255	26,080
Other income:		
Gain on sales of mortgage loans held for sale	1,532	667
Gain on sale of guaranteed portion of SBA loans	345	479
Mortgage fee income	718	510
Bank-owned life insurance income	608	527
Service charges on deposit accounts	106	103
Gain on sales of portfolio loans	35	72
Other income and fees	432	431
Total other income	3,776	2,789
Other expenses:		
Compensation and employee benefits	11,343	11,314
Data processing expense	2,060	2,024
Occupancy and equipment expenses	1,362	1,342
Professional services	862	894
Loan expenses	614	701
FDIC and state assessments	403	511
Marketing expenses	340	388
Other operating expenses	1,842	1,781
Total other expenses	18,826	18,955
Income before income tax expense	10,205	9,914
Income tax expense	2,148	2,483
Net income	$ 8,057	$ 7,431
Earnings per share:		
Basic earnings per share	$ 1.69	$ 1.58
Diluted earnings per share	$ 1.64	$ 1.54
Weighted average number of shares outstanding:		
Basic earnings per share	4,775,006	4,705,189
Diluted earnings per share	4,914,908	4,827,793

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

	For the years ended December 31,					
	2024			2023		
(In thousands)	Before tax amount	Tax expense	Net of tax amount	Before tax amount	Tax expense	Net of tax amount
Net income	$ 10,205	$ 2,148	$ 8,057	$ 9,914	$ 2,483	$ 7,431
Other comprehensive income:						
Net unrealized gain on AFS investment securities:						
Net unrealized holding gain arising during the period	1,937	511	1,426	1,929	588	1,341
Total net unrealized gain on AFS investment securities	1,937	511	1,426	1,929	588	1,341
Other comprehensive income	1,937	511	1,426	1,929	588	1,341
Total comprehensive income	$ 12,142	$ 2,659	$ 9,483	$ 11,843	$ 3,071	$ 8,772

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2024 and 2023

(In thousands)	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total shareholders' equity
Balance at December 31, 2022	$ 38,619	$ 31,149	$ (5,890)	$ (4,240)	$ 59,638
Cumulative change in accounting principle for the adoption of ASC 326*		(1,154)			(1,154)
Balance as of January 1, 2023	38,619	29,995	(5,890)	(4,240)	58,484
Stock issued	306				306
Purchase of treasury stock (640 shares)				(8)	(8)
Net unrealized gain on securities available for sale, net of tax			1,341		1,341
Stock-based compensation	369				369
Net income		7,431			7,431
Balance as of December 31, 2023	39,294	37,426	(4,549)	(4,248)	67,923
Stock issued	321				321
Net unrealized gain on securities available for sale, net of tax			1,426		1,426
Stock-based compensation	491				491
Net income		8,057			8,057
Balance as of December 31, 2024	$ 40,106	$ 45,483	$ (3,123)	$ (4,248)	$ 78,218

*See Note 2 Summary of Significant Accounting Policies

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows
For the years ended December 31, 2024 and 2023

(In thousands)	2024	2023
Cash flows from operating activities:		
Net income	$ 8,057	$ 7,431
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	455	487
Net amortization of premium on investment securities	83	114
Net accretion of deferred fees and costs on loans	(840)	(656)
Amortization of issuance costs on long-term debt	71	72
Stock-based compensation expense	491	369
Gain on sales of mortgage loans held for sale	(1,532)	(667)
Gain on sales of guaranteed portion of SBA loans	(345)	(479)
(Release of) provision for credit losses	(244)	270
Cash disbursed for mortgage banking activities	(102,694)	(58,329)
Cash received for mortgage banking activities	101,572	62,087
Proceeds from sales of portfolio loans	19,665	15,668
Gains on sales of portfolio loans	(35)	(72)
Net gain on disposals of premises and equipment	-	(6)
Increase in cash value of bank-owned life insurance, net	(608)	(527)
(Increase) decrease in deferred income tax benefit	(19)	41
Changes in assets and liabilities:		
Increase in accrued interest receivable	(3)	(652)
Decrease (increase) in other assets	1,716	(2,073)
(Decrease) increase in accrued interest payable	(119)	263
Decrease in other liabilities	(958)	(142)
Total adjustments	16,656	15,768
Net cash provided by operating activities	24,713	23,199
Cash flows from investing activities:		
Proceeds from maturities and calls of AFS investment securities	15,000	15,000
Proceeds from principal repayment of AFS investment securities	6,239	7,300
Proceeds from maturities of securities held to maturity	36,012	36,602
Purchases of securities available for sale	(22,467)	-
Purchases of securities held to maturity	(44,003)	(35,533)
(Purchase) redemption of restricted bank stock	(8)	1,437
Increase in loans receivable, net	(4,613)	(47,952)
Proceeds from the sale of premises and equipment	-	11
Capital expenditures	(135)	(417)
Proceeds from bank owned life insurance policies	-	1,181
Purchase of life insurance policies	(3,000)	(4,000)
Net cash used in investing activities	(16,975)	(26,371)

Consolidated Statements of Cash Flows - Continued
For the years ended December 31, 2024 and 2023

	2024	2023
Cash flows from financing activities:		
Net increase in deposits	60,212	16,391
Net (decrease) increase in short-term borrowings	(53,600)	18,812
Acquisition of treasury stock	-	(8)
Proceeds from exercise of stock options	321	306
Net cash provided by financing activities	6,933	35,501
Net (decrease) increase in cash and cash equivalents	14,671	32,329
Cash and cash equivalents at beginning of year	52,728	20,399
Cash and cash equivalents at end of year	$ 67,399	$ 52,728
Supplemental disclosures:		
Cash paid during the year for:		
Interest	$ 17,516	$ 12,708
Income taxes paid	2,280	3,025
Noncash items:		
Loan transfer to real estate owned	258	-
Transfer from loans held for investment to loans held for sale	19,285	15,117

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1. Nature of Operations

1[st] Colonial Bancorp, Inc. (the "Company", "We" or "Our") is a Pennsylvania corporation headquartered in Mount Laurel, New Jersey, and the parent company of 1[st] Colonial Community Bank (the "Bank"). The Bank opened for business on June 30, 2000 and provides a wide range of business and consumer financial products and services through its two New Jersey branch offices located in Collingswood and Westville and its location in Limerick, Pennsylvania.

The Company was organized as the holding company for the Bank, in connection with the reorganization approved by the Bank's shareholders at the annual meeting on June 12, 2002. As a bank holding company registered under the Bank Holding Company Act of 1956, the Company is subject to the supervision and regulation of the Board of Governors of the Federal Reserve System (the "FRB"). The Bank was a national bank until November 1, 2012 when it was granted a state charter by the New Jersey Department of Banking and Insurance. The Bank's deposits are insured by the Federal Deposit Insurance Corporation ("FDIC"). The Company's operations and those of the Bank are subject to supervision and regulation by FRB, the FDIC, and the New Jersey Department of Banking and Insurance. The principal activity of the Bank is to provide its local communities with general commercial and retail banking services. The Bank is managed as one business segment.

Subsequent Events

The Company has evaluated subsequent events for recognition and disclosure through March 26, 2025, which is the date the financial statements were available to be issued. On January 24, 2025, the Company announced that it has adopted a stock repurchase program, effective January 30, 2025. Under the stock repurchase program, management is authorized to repurchase up to 3% of the Company's outstanding shares of common stock, with a total cost not to exceed $2.0 million.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the parent company, 1[st] Colonial Bancorp, Inc. and its wholly owned subsidiary, 1[st] Colonial Community Bank. The accounting and reporting policies of the Company conform to U.S. generally accepted accounting principles ("GAAP") and, where applicable, to accounting and reporting guidelines prescribed by bank regulatory authorities. Prior period amounts have been reclassified, where necessary, to conform to current year classification.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Significant Concentration of Credit Risk

Credit risk is one of our most significant risks. It is critical for consistent profitability that we effectively manage credit risk. Most of the Company's activities are with customers located within the Mid-Atlantic region of the country. "Note 4 – Investment Securities" to the Consolidated Financial Statements discusses the types of securities in which the Company invests. "Note 5 – Loans Receivable" to the Consolidated Financial Statements discusses the types of lending in which we engage. We do not have any portion of our business dependent on a single or limited number of customers, the loss of which would have a material adverse effect on our business. We have 90% of our investment portfolio in securities issued by government sponsored entities.

No substantial portion of loans is concentrated within a single industry or group of related industries, except a significant majority of loans are secured by real estate. There are numerous risks associated with commercial and consumer lending that could impact the borrower's ability to repay on a timely basis. They include but are not limited to: the owner's business expertise, changes in local, national, and in some cases international economies, competition, government regulation, and the general financial stability of the borrowing entity. Our commercial real estate, construction and land development, and commercial and industrial loans comprised 27%, 5% and 7%, respectively, of the loan portfolio.

We attempt to mitigate these risks through our underwriting policies and procedures which include an analysis of the borrower's business and industry history, its financial position, as well as that of the business owner. We will also require the borrower to provide current financial information on the operation of the business periodically over the life of the loan. In addition, most commercial loans are secured by assets of the business or those of the business owner, which can be liquidated if the borrower defaults, along with the personal surety of the business owner.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash, deposits with other financial institutions with maturities fewer than 90 days, and federal funds sold. Net cash flows are reported for customer loan and deposit transactions, interest bearing deposits in other financial institutions, and federal funds purchased and repurchase agreements.

Investments

Debt securities that management has the positive intent and ability to hold until maturity are classified as held to maturity ("HTM") and are carried at their remaining unpaid principal balance, net of unamortized premiums or unaccreted discounts. Securities not classified as held to maturity are classified as available-for-sale ("AFS") and are stated at fair value, with unrealized gains and losses reported in accumulated other comprehensive income (loss), net of tax.

Premiums are amortized and discounts are accreted to interest income using a level yield method over the estimated remaining term of the underlying security. Gains and losses are determined using the specific identification method and are accounted for on a trade date basis.

On January 1, 2023, we adopted Accounting Standards Update No. 2016-13, "Financial Instruments-Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments" ("CECL") issued by the Financial Accounting Standards Board ("FASB"). Under CECL expected credit losses on both HTM and AFS securities are to be recognized through a valuation allowance to the Allowance for Credit Losses ("ACL), instead of a direct write-down to the amortized cost basis of the security.

HTM securities: Approximately 99% of our HTM securities portfolio is comprised of municipal bond anticipation notes ("BANs") that are payable ultimately from ad valorem taxes to be levied upon all the taxable real property within the municipality issuing the BAN and have a maturity date of one year or less. As of December 31, 2024 and 2023, no HTM debt securities required an ACL.

AFS securities: For AFS debt securities in an unrealized loss position we first assess whether we intend to sell, or it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For AFS debt securities that do not meet the aforementioned criteria, we evaluate whether the decline in fair value has resulted form credit losses or other factors. We will record the portion of the impairment related to credit losses (if any) in the ACL with an offsetting entry to the Provision for credit losses of our Consolidated Statements of Income. Any portion of the impairment not related to credit losses is recorded through other comprehensive income ("OCI").

We evaluate declines in the fair value of securities at least on a quarterly basis. The evaluation is a quantitative and subjective process. Management considers numerous factors, including but not limited to: (1) the extent to which the fair value is less than the amortized cost, (2) our intent to hold or sell the security, (3) the financial condition and results of the issuer including changes in capital, (4) the credit rating of the issuer, (5) industry trends specific to the security, and (6) timing of debt maturity and status of debt payments.

In determining our intent not to sell and whether it is more likely than not that we will be required to sell the investments before recovery of their amortized cost basis, we consider the following factors: current liquidity and availability of other non-pledged assets that permits the investment to be held for an extended period of time but not necessarily until maturity, capital planning, and any specific asset liability committee goals or guidelines related to the disposition of specific investments.

Restricted Bank Stock

The Bank is a member of the Federal Home Loan Bank ("FHLB") system. The Bank is required to acquire and hold shares of capital stock in the FHLB based upon a percentage of the Bank's FHLB borrowings, unused borrowing capacity, and the amount of residential first mortgage loans sold to the FHLB. The FHLB stock is carried at cost and is included in bank stock in the Consolidated Balance Sheets. The Bank evaluates FHLB stock for impairment based on the ultimate recoverability of par value rather than by recognizing temporary declines in value.

The Bank is required to maintain an investment in Atlantic Community Bankers Bank ("ACBB") stock. The ACBB stock is carried at cost because it does not have a readily determinable fair value. The Bank had $40 thousand in ACBB stock as of December 31, 2024 and 2023, respectively.

Mortgage Loans Held for Sale

We originate and sell residential mortgage loans with servicing released to the secondary market. This activity enables us to fulfill the credit needs of the community while reducing its overall exposure to interest rate and credit risk. These loans are reported at fair market value.

Loans Receivable

Loans receivable are classified as loans held for investment ("LHFI") when management has the intent and ability to hold the loan or lease for the foreseeable future or until maturity or payoff. LHFI are stated at their outstanding unpaid principal balances, net of an allowance for credit losses and any deferred fees or costs. Interest income is accrued on the principal amount outstanding. Loan origination fees and related direct costs are deferred and amortized to interest income over the term of the respective loan as a yield adjustment.

LHFI are segmented into commercial real estate loans, construction and development loans, commercial loans, residential loans, and consumer loans. The commercial real estate loan segment consists of owner-occupied and non-owner occupied commercial real estate loans and multi-family real estate loans. The construction and development loan segment consists of residential and commercial acquisition and development loans. Commercial loans, which are also generally known as commercial and industrial loans, include permanent and short-term working capital and machinery or equipment financing. The residential loan segment consists of primary or secondary home mortgage loans, home equity lines of credit, and home equity loans.

Commercial Real Estate Loans: The commercial real estate loan portfolio consists primarily of loans secured by office buildings, retail and industrial use buildings, strip shopping centers, mixed-use and other properties used for commercial purposes primarily located in our market area. Although terms for commercial real estate and multi-family loans vary, the underwriting standards generally allow for terms up to 10 years with the interest rate being reset in the sixth year and with monthly amortization not greater than 25 years and loan-to-value ratios of not more than 80%. Interest rates are either fixed or adjustable and are predominantly based upon the prime rate or the five-year U.S. Treasury rate plus a margin. Prepayment fees are charged on most loans in the event of early repayment. Generally, the personal guarantees of the principals are obtained as additional collateral for commercial real estate and multi-family real estate loans.

Construction and Development Loans: We originate construction loans to builders and developers predominantly in our market area. Construction and development loans are riskier than other loan types because they are more speculative in nature. Deteriorating economic or environmental conditions can negatively affect a project. Construction loans are also more difficult to evaluate and monitor. In order to mitigate some of the risks inherent in construction lending, limits are placed on the number of units that can be built on a speculative basis based upon the reputation and financial position of the builder, his/her present obligations, the location of the property and prior sales in the development and the surrounding area. Additionally, the construction budget is reviewed prior to loan origination and the properties under construction are inspected. During the construction phase of a real estate project, the loan requires interest payments only.

Commercial: Our commercial business loans generally have been made to small to mid-sized businesses predominantly located in our market area. The commercial business loans are either a revolving line of credit or for a fixed term. Interest rates are adjustable, indexed to a published prime rate of interest, or fixed. Generally, equipment, machinery, real property or other corporate assets secure such loans. Personal guarantees from the business principals are generally obtained as additional collateral.

Residential Loans: We originate residential mortgage loans that we retain in our loan portfolio to diversify credit risk. We have also acquired residential mortgages through pool purchases. The mortgages we originate or acquire are secured primarily by properties located in our primary market and surrounding areas. We originate home equity loans and home equity lines of credit in our market area. The collateral must be the borrower's primary or secondary residence. Home equity lines of credit are variable rate and are indexed to the prime rate. Our home equity loans are either first or second liens and have a fixed rate. We have originated some home equity lines of credit or home equity loans for investment homes. Residential loans also include business loans secured by primary liens on one-to four family real estate collateral.

Consumer Loans: We originate cash-secured and unsecured loans and lines of credit to individuals. Unsecured consumer loans generally have a higher interest rate than residential loans because they have additional credit risk associated with them.

Loans are reported as nonaccrual if they are past due as to principal or interest payments for a period of 90 days or more. Exceptions may be made if a loan is deemed by management to be well collateralized and in the process of collection. Loans that are on a current payment status may also be classified as nonaccrual if there is serious doubt as to the borrower's ability to continue interest or principal payments. All nonaccrual loans are considered nonperforming loans. When a loan is placed on non-accrual all unpaid interest is reversed from interest income. Interest payments received on nonaccrual loans are normally applied against principal. Excess proceeds received over the principal amounts due on non-accrual loans are recognized as income on a cash basis. We recognize income under the accrual basis when the principal payments on the loans become current and the collateral on the loan is sufficient to cover the outstanding obligation to the Company. If these factors do not exist, we do not recognize income. Generally, loans are restored to accrual status when the loan is brought current, has performed in accordance with the contractual terms for a reasonable period of time (generally six months) and the ultimate collectability of the total contractual principal and interest is no longer in doubt. The past due status of all classes of loans receivable is determined based on contractual due dates for loan payments.

Allowance for Credit Losses

CECL Adoption

On January 1, 2023, we adopted ASU 2016-13, Financial Instruments - Credit Losses ("ASC Topic 326"): Measurement of Credit Losses on Financial Instruments, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The measurement of expected credit losses under CECL is applicable to financial assets measured at amortized cost, including loan receivables and HTM debt securities. It also applies to off-balance sheet ("OBS") credit exposures, such as loan commitments, standby letters of credit, financial guarantees, and other similar instruments.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost basis and OBS credit exposures. We recorded a net increase of $1.6 million to the ACL on January 1, 2023 as result of the adoption of CECL. Retained earnings decreased $1.2 and deferred tax assets increased by $434 thousand. Included in the $1.6 million increase to the ACL was $436 thousand for certain OBS credit exposures.

The following table illustrates the impact of ASC 326.

(In thousands)	January 1, 2023 As reported Under ASC 326	Pre-ASC 326 Adoption	Impact of ASC 326 Adoption
Assets			
Loans:			
Commercial real estate	$ (1,961)	$ (3,403)	$ 1,442
Construction and land development	(1,011)	(957)	(54)
Commercial	(1,824)	(1,369)	(455)
Residential real estate	(4,657)	(2,594)	(2,063)
Consumer	(30)	(8)	(22)
Allowance for credit losses on loans	(9,483)	(8,331)	(1,152)
Deferred tax assets, net	4,259	3,825	434
Liabilities		-	
Allowance for credit losses on OBS commitments	$ 993	$ 557	$ 436
Shareholders' Equity			
Retained Earnings	29,995	31,149	(1,154)

Management estimates the ACL using relevant available information from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of credit losses. We have incorporated the use of peer institution data to inform regression analysis designed to quantify the impact of reasonable and supportable forecasts in our models.

Adjustments to historical loss information are made to address various risk characteristics of our loan portfolio such as changes in lending policies and procedures, trends in delinquencies and other non-performing loans, changes in economic conditions and collateral values, changes in growth trends or concentrations of loan segments, and other external factors such as regulatory environment.

Loans are either evaluated on a collective (pool) basis or on an individual basis for expected credit losses.

The ACL is measured on a collective pool basis when similar characteristics exist. The Company has identified five portfolio segments based on the Federal Call Code segmentation and measures the allowance for ACL using discounted cash flow. All periods during the reasonable and supportable forecast period utilize a forecasted loss rate. We have elected to forecast the first four quarters of the credit loss estimate and revert to a long-run average of each considered economic factor as permitted under CECL. The reversion period is four quarters.

We will evaluate loans individually when they do not share similar risk characteristics with loans evaluated on a pool basis. Loans can be identified for individual evaluation based on nonaccrual status, delinquency, risk rating or modification. Loans individually evaluated are excluded from the pool evaluation. We have elected to exclude accrued interest receivable from the measurement of its ACL. When a loan is placed on non-accrual status, any outstanding accrued interest is reversed against interest income.

The estimated fair values of substantially all of our individually evaluated loans are measured based on the estimated fair value of the loan's collateral. We obtain third-party appraisals or valuations to establish the fair value of real estate collateral. Appraised values are discounted to arrive at the estimated selling price of the collateral, which is considered to be the estimated fair value less estimated costs to sell the property. For commercial and industrial loans secured by non-real estate collateral, such as accounts receivable, inventory and equipment, estimated fair values are determined based on the borrower's financial statements, inventory reports, accounts receivable aging or equipment appraisals or invoices. Indications of value from these sources are generally discounted based on the age of the financial information or the quality of the assets. When the fair value of the loan is less than the carrying value, a specific reserve is established in the ACL for the difference.

OBS Commitments: The ACL on OBS commitments is a liability for credit losses on commitments to originate or fund loans. It is included in "Other liabilities" on the Consolidated Balance Sheets. Expected credit losses are estimated over the contractual period in which the Company is exposed to credit risk via a commitment that cannot be unconditionally canceled. In addition, the estimate of the liability considers the likelihood that funding will occur. The ACL on unfunded commitments is adjusted through provision for credit losses on Consolidated Statements of Income. Because the business processes and risks associated with unfunded commitments are essentially the same as loans, the Company uses the same process to estimate the liability.

Premises and Equipment

Premises and equipment are recorded at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the expected useful lives of the assets. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the useful lives or the remaining lease term. Software costs, furniture, and equipment have depreciable lives of 3 to 10 years. Building and improvements have estimated useful lives of 5 to 35 years. The costs of maintenance and repairs are expensed as they are incurred, and renewals and betterments are capitalized.

Leases

Our leases are operating leases and are predominantly related to real estate. As a lessee we record, for all leases with a lease term of more than 12 months, an asset representing our right to use the underlying asset and a liability to make lease payments. The right-of-use ("ROU") asset is included in other assets and the lease liability is included in other liabilities on the Consolidated Balance Sheets. The amortization of operating lease ROU assets and the accretion of operating lease liabilities are reported together as fixed lease expense and are included in occupancy and equipment expense within other expense. The fixed lease expense is recognized on a straight-line basis over the life of the lease. The Company has elected to exclude leases with original terms of less than one year from the operating lease ROU assets and lease liabilities.

Other Real Estate Owned

Other real estate owned ("OREO") is comprised of properties acquired through foreclosure proceedings or acceptance of a deed in lieu of foreclosure. Real estate owned is recorded at the lower of the carrying value of the loan or the fair value of the property, net of estimated selling costs. Costs relating to the development or improvement of properties are capitalized, while expenses related to the operation and maintenance of properties are expensed as incurred. Gains or losses upon dispositions are reflected in earnings as realized. The Bank had one OREO property valued at $258 thousand as of December 31, 2024. The Bank had no OREO properties as of December 31, 2023.

Bank-Owned Life Insurance

We have bank-owned life insurance ("BOLI") policies on certain officers and key employees. These policies are reflected on the Consolidated Balance Sheets at their cash surrender value, or the amount that can be realized. Income from these policies and changes in the cash surrender value are recorded in non-interest income. During 2024 we purchased a new $3 million BOLI policy. During 2023, we surrendered a $1.0 million policy due to a significantly below market yield. We paid a $28 thousand tax penalty upon the redemption and reinvested the proceeds in a new BOLI policy.

Earnings Per Share

Basic earnings per share is calculated as net income divided by the weighted average number of shares outstanding, net of treasury stock, during the period. Dilutive earnings per share include dilutive common stock equivalents as computed under the treasury stock method using average common stock prices.

Mortgage Banking Derivatives

Commitments to fund mortgage loans (interest rate lock commitments) to be sold in the secondary market and forward commitments for the future delivery of these mortgage loans are accounted for as freestanding derivatives. The fair value of the interest rate lock is recorded at the time the commitment to fund the mortgage loan is executed and is adjusted for the expected exercise of the commitment before the loan is funded. In order to hedge the change in interest rates resulting from its commitment to fund the loans, we enter into forward commitments for the future delivery of mortgage loans when interest rate locks are entered into. We utilize a third-party model to determine the fair value of rate lock commitments or forward sale contracts. This model uses investor bids and the probability that the rate lock commitments will close. Net derivative assets and liabilities are recorded within other assets or other liabilities, respectively, on the Consolidated Balance Sheets, with changes in fair value during the period recorded within net change in the fair value of derivative instruments on the Consolidated Statements of Income.

Income Taxes

The Company and the Bank file a consolidated federal income tax return and a consolidated New Jersey income tax return. The Company and the Bank file separate Pennsylvania tax returns. Income taxes are allocated to the Company and the Bank based on the contribution of their income or use of their loss in the consolidated return. As of December 31, 2024, tax years 2021 through 2023 are subject to federal examination by the IRS and years 2020 through 2023 are subject to state examination by various state taxing authorities. Tax regulations are subject to interpretation of the related tax laws and regulations and require significant judgment to apply.

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, as well as operating loss carry forwards. 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. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established against deferred tax assets when, in the judgment of management, it is more likely than not that such deferred tax assets will not become available.

We account for income taxes in accordance with FASB ASC Topic 740-10, “Accounting for Uncertainty in Income Taxes”, (“ASC 740”) which includes guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. We had no unrecognized tax benefits or accrued interest and penalties as of December 31, 2024 and 2023. We classify interest and penalties as an element of tax expense.

Share-Based Compensation

The Company accounts for all share-based payments to be recognized as compensation expense in the consolidated financial statements based on their fair values at the grant date. That expense will be recognized on a straight-line basis over the period during which services are provided in exchange for the award, known as the requisite service period (usually, the vesting period).

Operating Segments

The Company’s reportable operating segments are determined by the Chief Financial Officer, who is the designated chief operating decision maker, based upon information provided about the Company’s products and services. While our senior executives monitor the revenue streams of the various products and services, operations are managed, and financial performance is evaluated on a company-wide basis. Operating segments are aggregated into one as operating results for all segments are similar. Accordingly, all of the financial service operations are considered by management to be aggregated into one reportable operating segment.

Recent Accounting Pronouncements

In 2023, FASB issued Accounting Standards Update No. 2023-09, "Income Taxes (Topic 740) Improvements to Tax Disclosures" ("ASU 2023-09"). The amendments in ASU 2023-09 enhance the transparency and decision usefulness of income tax disclosures. ASU 2023-09 requires that public business entities disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. All entities will be required to disclose 1) the amount of income taxes paid (net of refunds received) disaggregated by federal and state taxes; 2) the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than five percent of total income taxes paid (net of refunds received).

The amendments in ASU 2023-09 also require entities to disclose income tax expense (or benefit) from continuing operations disaggregated by federal and state. For business entities, the amendments in this update are effective for annual periods beginning after December 15, 2024. For all other entities, the amendments are effective for annual periods beginning after December 15, 2025. Early adoption is permitted for annual financial statements that have not been issued or made available for issuance. ASU 2023-09 should be applied on a prospective basis, but retrospective application is permitted. The Company does not expect the adoption of ASU 2023-09 to have a material impact on its consolidated financial statements.

Note 3. Cash and Due from Banks

The Bank was required to maintain $50 thousand in cash reserves at its correspondent banks as of December 31, 2024 and 2023.

Note 4. Investment Securities

A comparison of amortized cost and fair value of investment securities held to maturity and securities available for sale as of December 31, 2024 and 2023 is as follows:

As of December 31, 2024

(In thousands)	Amortized cost	Gross unrecognized gains	Gross unrecognized losses	Fair value	Allowance for credit losses
Investments HTM:					
Municipal securities	$ 44,536	$ -	$ -	$ 44,536	$ -
Corporate bonds	500	-	-	500	-
Total HTM	$ 45,036	$ -	$ -	$ 45,036	$ -

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Allowance for credit losses	Fair value
Investments AFS:					
U.S. Treasuries	$ -	$ -	$ -	$ -	$ -
U.S. government securities	$ 38,000	$ 8	$ (1,011)	$ -	$ 36,997
Agency mortgage-backed securities	28,441	29	(2,862)	-	25,608
Corporate bonds	11,450	-	(441)	-	11,009
Total AFS	$ 77,891	$ 37	$ (4,314)	$ -	$ 73,614

As of December 31, 2023

(In thousands)	Amortized cost	Gross unrecognized gains	Gross unrecognized losses	Fair value	Allowance for credit losses
Investments HTM:					
Municipal securities	$ 36,545	$ -	$ -	$ 36,545	$ -
Corporate bonds	500	-	-	500	-
Total HTM	$ 37,045	$ -	$ -	$ 37,045	$ -

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Allowance for credit losses	Fair value
Investments AFS:					
U.S. Treasuries	$ 4,999	$ -	$ (45)	$ -	$ 4,954
U.S. government securities	25,500	-	(1,754)	-	23,746
Agency mortgage-backed securities	34,804	6	(3,208)	-	31,602
Corporate bonds	11,443	-	(1,213)	-	10,230
Total AFS	$ 76,746	$ 6	$ (6,220)	$ -	$ 70,532

There was no allowance for credit losses on debt securities as of December 31, 2024 and 2023.

The scheduled maturities of investment securities held to maturity and securities available for sale as of December 31, 2024 are as follows:

	HTM Investments		AFS Investmemts	
(In thousands)	Amortized Cost	Fair value	Amortized Cost	Fair value
Due in one year or less	$ 44,501	$ 44,501	$ 10,000	$ 9,867
Due after one year up to five years	35	35	29,493	28,571
Due after five years up to ten years	500	500	8,981	8,756
Due after ten years	-	-	976	812
Subtotal	45,036	45,036	49,450	48,006
Agency mortgage-backed securities	-	-	28,441	25,608
Total	$ 45,036	$ 45,036	$ 77,891	$ 73,614

There were no proceeds from the sale of securities available for sale during 2024 and 2023, respectively. There were no realized gains or losses in 2024 and 2023.

As of December 31, 2024 and 2023, investment securities with a market value of $96.3 million and $82.0 million, respectively, were pledged as collateral for uninsured municipal deposits and the FHLB for potential borrowings.

The following tables summarize debt securities AFS in an unrealized loss position, aggregated by major security type and length of time in a continuous unrealized loss position, for which an allowance for credit losses has not been recorded at December 31, 2024 and December 31, 2023.

As of December 31, 2024

	Less than 12 months			12 months or longer			Total		
(In thousands)	Fair value	Gross unrealized losses	Number of positions	Fair value	Gross unrealized losses	Number of positions	Fair value	Gross unrealized losses	Number of positions
Investments AFS:									
U.S. Treasuries	$ -	$ -	-	$ -	$ -	-	$ -	$ -	-
U.S. government securities	$ 4,991	$ (9)	1	$ 24,498	$ (1,002)	6	29,489	(1,011)	7
Agency mortgage-backed securities	-	-	-	23,616	(2,862)	29	23,616	(2,862)	29
Corporate bonds	-	-	-	9,009	(441)	10	9,009	(441)	10
Total	$ 4,991	$ (9)	1	$ 57,123	$ (4,305)	45	$ 62,114	$ (4,314)	46

As of December 31, 2023

	Less than 12 months			12 months or longer			Total		
(In thousands)	Fair value	Gross unrealized losses	Number of positions	Fair value	Gross unrealized losses	Number of positions	Fair value	Gross unrealized losses	Number of positions
Investments AFS:									
U.S. Treasuries	$ -	$ -	-	$ 4,954	$ (45)	1	$ 4,954	$ (45)	1
U.S. government securities	-	-	-	23,746	(1,754)	6	23,746	(1,754)	6
Agency mortgage-backed securities	-	-	-	31,229	(3,208)	53	31,229	(3,208)	53
Corporate bonds	-	-	-	8,231	(1,213)	10	8,231	(1,213)	10
Total	$ -	$ -	-	$ 68,160	$ (6,220)	70	$ 68,160	$ (6,220)	70

Our corporate bonds are mostly comprised of financial institutions' subordinated debt securities. Unrealized losses on AFS debt securities have not been recognized into income because management does not intend to sell, and it is likely that we will not be required to sell the security before recovery of its amortized cost basis. The decline in fair value is largely due to changes in interest rates and other market conditions.

Note 5. Loans Receivable and Allowance for Credit Losses

Loans receivable consist of the following as of December 31, 2024 and 2023:

(In thousands)	December 31, 2024	December 31, 2023
Commercial real estate	$ 168,883	$ 177,062
Construction and land development	31,346	38,815
Commercial	40,446	34,077
Residential real estate	380,791	385,841
Consumer	989	1,242
	622,455	637,037
Less allowance for credit losses	(8,954)	(9,690)
Total Loans	$ 613,501	$ 627,347

The Bank is subject to a loans-to-one-borrower limitation of 15% of capital funds. As of December 31, 2024, the loans-to-one-borrower limitation was $14.6 million compared to $13.3 million as of December 31, 2023. As of December 31, 2024 and 2023, there are no loans outstanding or committed to any one borrower that individually or in the aggregate exceed those limits.

The Bank lends primarily to customers in its local market area. Most loans are mortgage loans. Mortgage loans include loans secured by commercial and residential real estate and construction loans. Accordingly, lending activities could be affected by changes in the general economy, the regional economy, or real estate values. As of December 31, 2024 and 2023, mortgage loans totaled $581.0 million and $601.7 million, respectively. Mortgage loans represent 93.3% and 94.5% of total gross loans as of December 31, 2024 and 2023, respectively.

Allowance for Credit Losses

The following tables present the activity in the allowance for credit losses by portfolio segment for the years ended December 31, 2024 and December 31, 2023:

December 31, 2024 (In thousands)	Commercial real estate	Construction and land development	Commercial and industrial	Residential real estate	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 2,489	$ 894	$ 984	$ 5,268	$ 55	$ 9,690
Credit loss expense (credit)	(1,031)	(667)	629	777	(6)	(298)
Charge-offs	(175)	-	(642)	(2)	(15)	(834)
Recoveries	14	205	138	36	3	396
Ending balance	$ 1,297	$ 432	$ 1,109	$ 6,079	$ 37	$ 8,954

December 31, 2023 (In thousands)	Commercial real estate	Construction and land development	Commercial and industrial	Residential real estate	Consumer	Total
Allowance for credit losses:						
Beginning balance prior to the adoption of ASC 326	$ 3,403	$ 957	$ 1,369	$ 2,594	$ 8	$ 8,331
Impact of adopting ASC 326	(1,442)	54	455	2,063	22	1,152
Credit loss expense (credit)	456	(146)	(688)	627	26	275
Charge-offs	(192)	-	(213)	(62)	(4)	(471)
Recoveries	264	29	61	46	3	403
Ending balance	$ 2,489	$ 894	$ 984	$ 5,268	$ 55	$ 9,690

Nonaccrual Loans

The following tables present the amortized cost basis of loans on nonaccrual status and loans past due over 89 days still accruing as of December 31, 2024 and 2023:

December 31, 2024 (In thousands)	Nonaccrual With No Allowance for Credit Loss	Nonaccrual with Allowance for Credit Loss	Loans Past Due Over 89 Days Still Accruing
Commercial real estate	$ 38	$ -	$ -
Construction and land development	-	-	-
Commercial	-	99	-
Residential real estate	1,315	-	-
Consumer	-	-	-
Total	$ 1,353	$ 99	$ -

December 31, 2023 (In thousands)	Nonaccrual With No Allowance for Credit Loss	Nonaccrual with Allowance for Credit Loss	Loans Past Due Over 89 Days Still Accruing
Commercial real estate	$ 2,170	$ 151	$ -
Construction and land development	-	1,467	-
Commercial	105	174	-
Residential real estate	803	-	-
Consumer	-	-	-
Total	$ 3,078	$ 1,792	$ -

The Company recognized $208 thousand and $101 thousand of interest income on nonaccrual loans during the years ended December 31, 2024 and 2023, respectively.

The following tables present an aging analysis of past due payments for each loan portfolio classification as of December 31, 2024 and December 31, 2023:

December 31, 2024 (In thousands)	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Loans Not Past Due	Total
Commercial real estate	$ 355	$ -	$ -	$ 355	$ 168,528	$ 168,883
Construction and land development	-	-	-	-	31,346	31,346
Commercial	431	-	351	782	39,664	40,446
Residential real estate	757	512	803	2,072	378,719	380,791
Consumer	-	-	-	-	989	989
Total	$ 1,543	$ 512	$ 1,154	$ 3,209	$ 619,246	$ 622,455

December 31, 2023 (In thousands)	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Loans Not Past Due	Total
Commercial real estate	$ 1,872	$ -	$ 1,869	$ 3,741	$ 173,321	$ 177,062
Construction and land development	-	-	1,467	1,467	37,348	38,815
Commercial	35	88	604	727	33,350	34,077
Residential real estate	1,655	-	501	2,156	383,685	385,841
Consumer	3	-	-	3	1,239	1,242
Total	$ 3,565	$ 88	$ 4,441	$ 8,094	$ 628,943	$ 637,037

Loan Modifications to Borrowers Experiencing Financial Difficulty

Occasionally the Company modifies loans to borrowers in financial distress by providing a modification to their original loan terms. The modification can include principal forgiveness, a term extension, an other-then-insignificant payment delay or an interest rate reduction. When principal forgiveness is granted, the amount of forgiveness is charged-off against the ACL.

In some cases, the Company provides multiple types of concessions on one loan. For the loans included in the combination columns below multiple types of modifications have been made on the same loan within the current reporting period.

The following tables present the amortized cost basis of loans as of December 31, 2024 and 2023 that were modified to borrowers experiencing financial difficulty during the periods presented, disaggregated by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below.

December 31, 2024 (In thousands)	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Combination Term Extension and Payment Delay	Combination Term Extension and Interest Rate Reduction	Total Class of Financing Receivable
Commercial real estate	$ -	$ -	$ -	$ -	$ -	$ 193	0.1%
Commercial	-	-	-	-	-	-	0.0%
Construction and land development	-	-	-	-	-	-	0.0%
Residential real estate	-	132	-	-	-	-	0.0%
Consumer	-	-	-	-	-	-	0.0%
Total	$ -	$ 132	$ -	$ -	$ -	$ 193	0.1%

December 31, 2023 (In thousands)	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Combination Term Extension and Payment Delay	Combination Term Extension and Interest Rate Reduction	Total Class of Financing Receivable
Commercial real estate	$ -	$ 315	$ -	$ 43	$ 483	$ 654	0.8%
Commercial	-	-	59	-	-	37	0.2%
Construction and land development	-	-	-	-	-	-	0.0%
Residential real estate	-	419	-	-	125	-	0.1%
Consumer	-	-	-	-	-	-	0.0%
Total	$ -	$ 734	$ 59	$ 43	$ 608	$ 691	0.3%

There are no commitments to lend additional amounts to the borrowers included in the previous table.

We closely monitor the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of our modification efforts. The 2024 residential real estate loan modification was made on a nonaccrual loan. One of the residential real estate modifications in 2023 was made on a nonaccrual loan. The borrower was past due for 63 days as of December 31, 2024 and the book balance was $346 thousand.

Credit Quality Indicators

We categorize loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial condition, repayment sources, payment history and value of collateral. Commercial, commercial real estate, and construction and development loans are evaluated annually or when credit deficiencies arise, such as delinquent loan payments. Credit quality risk ratings include the following regulatory classifications:

Special Mention – Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the bank's credit position at some future date.

Substandard – Loans classified as substandard are inadequately protected by the current net worth and payment capacity of the obligor or of the collateral pledged, if any. Substandard loans have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the bank will sustain some loss if the deficiencies are not corrected.

Doubtful – Loans classified as doubtful have all 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, conditions, and values, highly questionable, and improbable.

Loans not classified as special mention, substandard, or doubtful are pass-rated loans.

The following table summarizes designated internal risk categories by portfolio segment and loan class, by origination year, as of December 31, 2024 and 2023:

(In thousands) As of December 31, 2024	Term Loans Amortized Cost Basis by Origination Year 2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted To Term	Total
Commercial real estate								
Pass	$ 7,023	$ 19,645	$ 46,403	$ 37,930	$ 51,942	$ 195	$ -	$ 163,138
Special mention	484	-	-	436	4,525	-	-	5,445
Substandard	-	-	-	300	-	-	-	300
Total commercial real estate loans	$ 7,507	$ 19,645	$ 46,403	$ 38,666	$ 56,467	$ 195	$ -	$ 168,883
Commercial real estate								
Current period gross write offs	$ -	$ -	$ -	$ 72	$ 103	$ -	$ -	$ 175
Construction and land development								
Pass	$ 10,948	$ 9,993	$ 4,186	$ 3,838	$ 268	$ 2,113	$ -	$ 31,346
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total construction and land development	$ 10,948	$ 9,993	$ 4,186	$ 3,838	$ 268	$ 2,113	$ -	$ 31,346
Construction and land development:								
Current period gross write offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial								
Pass	$ 9,334	$ 1,865	$ 4,998	$ 2,195	$ 10,244	$ 11,401	$ -	$ 40,037
Special mention	-	-	-	-	27	30	-	57
Substandard	-	-	-	1	-	351	-	352
Total commercial	$ 9,334	$ 1,865	$ 4,998	$ 2,196	$ 10,271	$ 11,782	$ -	$ 40,446
Commercial:								
Current period gross write offs	$ -	$ 99	$ 89	$ 198	$ 256	$ -	$ -	$ 642

(In thousands) As of December 31, 2023	Term Loans Amortized Cost Basis by Origination Year 2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted To Term	Total
Commercial real estate							
Pass	$ 16,376	$ 47,582	$ 43,126	$ 63,374	$ 571	$ -	$ 171,029
Special mention	-	-	499	1,478	-	-	1,977
Substandard	-	-	3,618	438	-	-	4,056
Total commercial real estate loans	$ 16,376	$ 47,582	$ 47,243	$ 65,290	$ 571	$ -	$ 177,062
Commercial real estate							
Current period gross write offs	$ -	$ -	$ -	$ 192	$ -	$ -	$ 192
Construction and land development							
Pass	$ 10,928	$ 15,355	$ 4,476	$ 2,364	$ 4,225	$ -	$ 37,348
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	1,467	-	-	1,467
Total construction and land development	$ 10,928	$ 15,355	$ 4,476	$ 3,831	$ 4,225	$ -	$ 38,815
Construction and land development:							
Current period gross write offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial							
Pass	$ 2,378	$ 5,613	$ 1,845	$ 12,607	$ 10,926	$ -	$ 33,369
Special mention	-	-	-	35	66	-	101
Substandard	-	200	1	-	406	-	607
Total commercial	$ 2,378	$ 5,813	$ 1,846	$ 12,642	$ 11,398	$ -	$ 34,077
Commercial:							
Current period gross write offs	$ 45	$ -	$ 168	$ -	$ -	$ -	$ 213

The Company considers the performance of the loan portfolio and its impact on the ACL. For residential and consumer loan classes, we also evaluate credit quality based on the aging status of the loan, which was previously presented, and by payment activity. The following table presents the amortized cost in residential and consumer loans based on payment activity as of December 31, 2024 and 2023:

Notes to Consolidated Financial Statements

(In thousands) As of December 31, 2024	Term Loans Amortized Cost Basis by Origination Year 2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted To Term	Total
Residential real estate								
Payment performance								
Performing	$ 15,612	$ 56,213	$ 80,292	$ 68,843	$ 71,700	$ 86,603	$ 213	$ 379,476
Nonperforming	-	-	132	99	347	598	139	1,315
Total residential real estate	$ 15,612	$ 56,213	$ 80,424	$ 68,942	$ 72,047	$ 87,201	$ 352	$ 380,791
Residential real estate:								
Current period gross write offs	$ -	$ -	$ -	$ -	$ 2	$ -	$ -	$ 2
Consumer								
Payment performance								
Performing	$ 106	$ 6	$ 497	$ 25	$ 306	$ 49	$ -	$ 989
Nonperforming	-	-	-	-	-	-	-	-
Total consumer	$ 106	$ 6	$ 497	$ 25	$ 306	$ 49	$ -	$ 989
Consumer:								
Current period gross write offs	$ -	$ -	$ 6	$ -	$ 9	$ -	$ -	$ 15

(In thousands) As of December 31, 2023	Term Loans Amortized Cost Basis by Origination Year 2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted To Term	Total
Residential real estate							
Payment performance							
Performing	$ 56,213	$ 83,996	$ 74,802	$ 83,450	$ 85,503	$ 1,074	$ 385,038
Nonperforming	-	136	-	404	100	163	803
Total residential real estate	$ 56,213	$ 84,132	$ 74,802	$ 83,854	$ 85,603	$ 1,237	$ 385,841
Residential real estate:							
Current period gross write offs	$ -	$ -	$ -	$ 62	$ -	$ -	$ 62
Consumer							
Payment performance							
Performing	$ 8	$ 665	$ 40	$ 482	$ 47	$ -	$ 1,242
Nonperforming	-	-	-	-	-	-	-
Total consumer	$ 8	$ 665	$ 40	$ 482	$ 47	$ -	$ 1,242
Consumer:							
Current period gross write offs	$ -	$ -	$ -	$ 4	$ -	$ -	$ 4

Note 6. Premises and Equipment, Net

Premises and equipment as of December 31, 2024 and 2023 are summarized as follows (dollars in thousands):

(In thousands)	Estimated Useful Lives	As of December 31, 2024	As of December 31, 2023
Land		$ 122	$ 122
Buildings and leasehold improvements	5 - 35 years	1,245	1,232
Furniture, fixtures and equipment	3 - 10 years	2,397	2,370
Premises and equipment, gross		3,764	3,724
Less accumulated depreciation and amortization		(2,314)	(1,954)
Premises and equipment, net		$ 1,450	$ 1,770

Depreciation expense was $455 thousand and $487 thousand for the years ended December 31, 2024 and 2023, respectively, and is recorded in occupancy and equipment expenses.

Note 7. Deposits

Deposits consist of the following major classifications as of December 31, 2024 and 2023:

(Dollars in thousand)	As of December 31, 2024	As of December 31, 2023
Non-interest checking	$ 72,893	$ 69,435
Interest checking	428,495	378,140
Money market deposits	11,273	14,597
Savings deposits	78,396	49,190
Certificates of deposit ($250 and over)	24,973	22,612
Certificates of deposit (less than $250)	48,158	72,471
Brokered deposits	83,468	80,999
Total deposits	$ 747,656	$ 687,444

The Bank has a concentration of deposits from local municipalities. Municipal deposits, which are mostly interest-checking accounts, were $355.2 million or 47.5% of total deposits as of December 31, 2024, and $309.1 million or 45.0% of total deposits as of December 31, 2023. Municipal deposit accounts in excess of $250 thousand are collateralized by investment securities with a market value of $96.3 million as of December 31, 2024 and a $190.0 million FHLB Municipal Letter of Credit.

Interest expense on deposits consisted of the following for the years ended December 31, 2024 and 2023:

(In thousands)	2024	2023
Interest checking	$ 6,378	$ 4,833
Money market deposits	327	481
Savings deposits	1,167	411
Certificates of deposit	7,995	5,300
Total interest expense on deposits	$ 15,867	$ 11,025

The following is a schedule of certificates of deposit, which includes the brokered deposits, by maturities as of December 31, 2023:

(In thousands)	As of December 31, 2024
2025	$ 152,140
2026	3,765
2027	533
2028	102
2029	59
Total certificates of deposits	$ 156,599

Note 8. Borrowing Availability

Federal Home Loan Bank

The Bank is a member of the FHLB of New York and has access to overnight and term advances. As of December 31, 2024, we had $190.0 million in short-term municipal letters of credit outstanding and $10.7 million in additional borrowing capacity. The FHLB line of credit is secured with residential and commercial mortgage loans totaling $255.2 million. As of December 31, 2023, we had $173.0 million in short-term municipal letters of credit outstanding and $33.0 million in additional borrowing capacity. The FHLB line of credit is secured with residential and commercial mortgage loans totaling $253.5 million. As of December 31, 2024 and 2023, $0 million was outstanding against the FHLB line of credit. The average balance of FHLB advances was $355 thousand and $4.0 million for 2024 and 2023, respectively, with average rates paid of 5.57% and 4.33% for the respective periods.

Federal Reserve Bank

As of December 31, 2024, we had $144.4 million in borrowing capacity at the FRB. The FRB line of credit is secured with commercial, construction and residential and commercial mortgage loans totaling $195.6 million. As of December 31, 2023, we had $140.4 million in borrowing capacity at the FRB. The FRB line of credit was secured with commercial, construction and residential and commercial mortgage loans totaling $195.6 million. As of December 31, 2024, $0 million was outstanding against the FRB line of credit compared to $53.6 million, with an interest rate of 5.50%, as of December 31, 2023. The average balance of FRB advances was $12.4 million and $17.8 million for 2024 and 2023, respectively. For 2024 the average rate paid was 5.53% compared to 5.34% for 2023.

Subordinated Debt

On August 26, 2020, the Company issued $10.750 million of 7.00% fixed-to-floating rate subordinated notes with a maturity date of September 1, 2030. The subordinated notes, which qualify as Tier 2 capital, bear interest at an annual rate of 7.00%, payable semi-annually in arrears and a floating rate of interest equivalent to the 3-month Secured Overnight Financing Rate (SOFR) plus 6.89% payable quarterly in arrears commencing on September 1, 2025. The subordinated debt issuance costs of approximately $359 thousand are being amortized over five years on a straight-line basis into interest expense. The carrying value of subordinated debt was $10.7 million as of December 31, 2024 compare to $10.6 million as of December 31, 2023.

Other Lines of Credit

As of December 31, 2024 and 2023, the Bank had an unsecured line of credit with Atlantic Community Bankers Bank (“ACBB”) in the aggregate amount of $8.0 million. As of December 31, 2024 and 2023, $0 was outstanding against the ACBB line of credit. The average balance of the ACBB line was $0 and $20 thousand for 2024 and 2023, respectively, an with average rate paid of 5.33% in 2023.

As of December 31, 2024 and 2023, 1st Colonial Bancorp, Inc. had a secured line of credit with ACBB in the aggregate amount of $2.5 million. The ACBB line is secured with 100% of the voting stock of 1st Colonial Community Bank. As of December 31, 2024 and 2023, there were no outstanding balances against this line.

Note 9. Earnings Per Share

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share calculation for the years ended December 31, 2024 and 2023:

(In thousands, except for per share data)	Net Income	Average shares	Per share Amount
2024:			
Basic earnings per share	$ 8,057	4,775,006	$ 1.69
Effect of dilutive stock equivalents	-	139,902	(0.05)
Diluted earnings per share	$ 8,057	4,914,908	$ 1.64
2023:			
Basic earnings per share	$ 7,431	4,705,189	$ 1.58
Effect of dilutive stock equivalents	-	122,604	(0.04)
Diluted earnings per share	$ 7,431	4,827,793	$ 1.54

Basic earnings per share is calculated on the basis of weighted average number of shares outstanding. Diluted earnings per share is calculated on the basis of weighted average number of shares outstanding and common stock equivalents (“CSEs”) that would arise from the exercise of dilutive securities. For 2024 and 2023, the Company granted a total of 31,166 and 57,728 restricted stock unit awards, respectively, which are considered CSEs. Options to purchase 231,246 and 278,232 shares of common stock were outstanding as of December 31, 2024 and 2023, respectively. There were no antidilutive options excluded from the earnings per share calculations for 2024 and 2023.

Note 10. Derivative and Hedging Activity

Commitments to fund certain fixed rate mortgage loans (interest rate lock commitments) to be sold in the secondary market and forward commitments for the future delivery of mortgage loans to third party investors are considered derivatives. We enter into forward commitments for the future delivery of residential mortgage loans when interest rate lock commitments are entered into in order to economically hedge the effect of changes in interest rates resulting from our commitments to fund the loans. Interest rate lock commitments and forward sales commitments are recorded within other assets and/or other liabilities on the Consolidated Balance Sheets, with changes in fair values recorded within gains on sale of mortgage loans on the Consolidated Statements of Income.

The following table reflects the amount and fair value of mortgage banking derivatives included in the Consolidated Balance Sheets as of December 31, 2024 and 2023.

	December 31, 2024		December 31, 2023	
(In thousands)	Notional Amount	Fair Value	Notional Amount	Fair Value
Included in other assets				
Interest Rate Lock Commitments	$ 2,969	$ 58	$ 3,149	$ 94
Forward commitments	3,500	15	-	-
Total included in other assets	$ 6,469	$ 73	$ 3,149	$ 94
Included in other liabilities				
Interest Rate Lock Commitments	-	-	-	-
Forward commitments	-	-	3,000	21
Total included in other liabilities	$ -	$ -	$ 3,000	$ 21

Note 11. Fair Value of Financial Instruments

Under FASB ASC Topic 820 “Fair Value Measurements and Disclosures” (“ASC Topic 820”), fair values are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When available, management uses quoted market prices to determine fair value. If quoted prices are not available, fair value is based upon valuation techniques such as matrix pricing or other models that use, where possible, current market-based or independently sourced market parameters, such as interest rates. If observable market-based inputs are not available, we use unobservable inputs to determine appropriate valuation adjustments using discounted cash flow methodologies.

Management uses its best judgment in estimating the fair value of our financial instruments; however, there are inherent weaknesses in any estimation technique. The estimated fair value amounts have been measured as of their respective period end and have not been re-evaluated or updated for purposes of these financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each period-end.

ASC Topic 820 provides guidance for estimating fair value when the volume and level of activity for an asset or liability has significantly declined and for identifying circumstances when a transaction is not orderly. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC Topic 820 are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability. Level 2 includes debt securities with quoted prices that are traded less frequently then exchange-traded instruments. Valuation techniques include matrix pricing which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific securities but rather by relying on the securities’ relationship to other benchmark quoted prices.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

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. We did not have transfers of financial instruments within the fair value hierarchy during the years ended December 31, 2024 and 2023.

Items Measured on a Recurring Basis

Fair value for Level 1 securities is determined by obtaining quoted market prices in active markets. U.S. Treasuries are classified as Level 1.

Level 2 securities include obligations of U.S. government-sponsored agencies and debt securities with quoted prices, which are traded less frequently than exchange-traded instruments, whose value is determined using matrix pricing with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. The prices were obtained from third party vendors. This category generally includes our mortgage-backed securities and CMOs issued by U.S. government and government-sponsored agencies, and corporate bonds. Additionally, the fair value of our forward commitments is based on market pricing and is classified as Level 2.

Level 3 includes our interest rate lock commitments. The determination of fair value of includes assumptions, that are significant and unobservable, about the probability that the loans behind the rate lock commitments will close.

Items Measured on a Nonrecurring Basis

Loans individually evaluated are based on the fair value of the underlying collateral, less costs to sell. When the collateral value less costs to sell is less than the carrying value of the loan, a specific reserve (valuation allowance) is established. OREO is carried at the lower of cost or fair value. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the real estate. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements.

For financial assets measured at fair value on a recurring and nonrecurring basis, the fair value measurements by level within the fair value hierarchy used as of December 31, 2024 and December 31, 2023 are as follows:

As of December 31, 2024	Fair Value Measurements Using:			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
(In thousands)	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis				
Investment securities:				
U.S. government agencies	$ -	$ 36,997	$ -	$ 36,997
Agency mortgage-backed securities	-	25,608	-	25,608
Corporate bonds	-	11,009	-	11,009
Total investments AFS	-	73,614	-	73,614
Mortgage loans held for sale		6,273		6,273
Interest rate lock commitments	-	-	58	58
Forward commitments	-	15	-	15
Total assets measured at fair value on a recurring basis	$ -	$ 79,887	$ 58	$ 79,945
Assets measured at fair value on a non-recurring basis				
Individually evaluated loans	$ -	$ -	$ 2,595	$ 2,595
Other real estate owned	-	-	258	258
Total assets measured at fair value on a non-recurring basis	$ -	$ -	$ 2,853	$ 2,853

As of December 31, 2023	Fair Value Measurements Using:			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
(In thousands)	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis				
Investment securities:				
U.S. Treasuries	$ 4,954	$ -	$ -	$ 4,954
U.S. government agencies	-	23,746	-	23,746
Agency mortgage-backed securities	-	31,602	-	31,602
Corporate bonds	-	10,230	-	10,230
Total investments AFS	4,954	65,578	-	70,532
Mortgage loans held for sale	-	3,619	-	3,619
Interest rate lock commitments	-	-	94	94
Forward commitments	-	-	-	-
Total assets measured at fair value on a recurring basis	$ 4,954	$ 69,197	$ 94	$ 74,245
Liabilities measured at fair value on a recurring basis				
Forward commitments	$ -	$ 21	$ -	$ 21
Total liabilities measured at fair value on a recurring basis	$ -	$ 21	$ -	$ 21
Assets measured at fair value on a non-recurring basis				
Individually evaluated loans	$ -	$ -	$ 5,502	$ 5,502
Total assets measured at fair value on a non-recurring basis	$ -	$ -	$ 5,502	$ 5,502

The following tables present additional quantitative information about assets measured at fair value on a nonrecurring basis and for which we have utilized Level 3 inputs to determine fair value as of December 31, 2024 and December 31, 2023:

As of December 31, 2024	Qualitative Information about Level 3 Fair Value Measurements				
(Dollars in thousands)	Fair Value	Valuation Techniques	Unobservable Input	Range of Inputs	Weighted Average
Individually evaluated loans	$ 2,595	Appraisal of collateral	Liquidation expenses	0%-18.6% discount	8.8%
Other real estate owned	258	Appraisal of collateral	Liquidation expenses	10.9%	10.9%

As of December 31, 2023	Qualitative Information about Level 3 Fair Value Measurements				
(Dollars in thousands)	Fair Value	Valuation Techniques	Unobservable Input	Range of Inputs	Weighted Average
Individually evaluated loans	$ 5,502	Appraisal of collateral	Liquidation expenses	0%-17.8% discount	13.39%

Notes to Consolidated Financial Statements

The estimated fair value of the Company's financial instruments as of December 31, 2024 and 2023 was as follows:

			Fair Value Measurements As of December 31, 2024		
(In thousands)	Carrying value	Estimated fair value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Financial Assets:					
Cash and cash equivalents	$ 67,399	$ 67,399	$ 67,399	$ -	$ -
Investments held to maturity	45,036	45,036	-	44,536	500
Investments available for sale	73,614	73,614	-	73,614	-
Restricted bank stock, at cost	1,465	NA	-	-	NA
Mortgage loans held for sale	6,273	6,273	-	6,273	-
Loans receivable, net	613,501	589,252	-	-	589,252
Interest rate lock commitments	58	58	-	-	58
Forward commitments	15	15	-	15	-
Accrued interest receivable	3,434	3,434	-	-	3,434
Financial liabilities:					
Demand deposits	501,388	501,388	-	501,388	-
Money market deposits	11,273	11,273	-	11,273	-
Savings deposits	78,396	78,396	-	78,396	-
Certificates of deposit	156,599	156,773	-	156,773	-
Subordinated debt, net	10,702	11,973		11,973	-
Accrued interest payable	549	549	-	549	-

(In thousands)	Carrying value	Estimated fair value	Fair Value Measurements As of December 31, 2023 Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Financial Assets:					
Cash and cash equivalents	$ 52,728	$ 52,728	$ 52,728	$ -	$ -
Investments held to maturity	37,045	37,045	-	36,545	500
Investments available for sale	70,532	70,532	-	70,532	-
Restricted bank stock, at cost	1,457	NA	-	-	NA
Mortgage loans held for sale	3,619	3,619	-	3,619	-
Loans receivable, net	627,347	577,512	-	-	577,512
Interest rate lock commitments	94	94	-	-	94
Forward commitments	-	-	-	-	-
Accrued interest receivable	3,431	3,431	-	-	3,431
Financial liabilities:					
Demand deposits	447,575	447,575	-	447,575	-
Money market deposits	14,597	14,597	-	14,597	-
Savings deposits	49,190	49,190	-	49,190	-
Certificates of deposit	176,082	176,779	-	176,779	-
Subordinated debt, net	10,631	9,819	-	9,819	
Other borrowings	53,600	53,600	-	53,600	-
Forward commitments	21	21	-	21	
Accrued interest payable	668	668	-	668	-

Note 12. Income Taxes

The components of income tax expense (benefit) are stated below:

(In thousands)	For the years ended December 31, 2024	2023
Income tax expense (benefit)		
Federal		
Current	$ 1,560	$ 1,832
Deferred	(5)	(110)
	1,555	1,722
State		
Current	569	692
Deferred	24	69
	593	761
Total income tax expense	$ 2,148	$ 2,483

The following is a reconciliation between expected tax expense at the statutory rate of 21% for 2024 and 2023 and actual tax expense:

	For the years ended December 31,	
(In thousands)	2024	2023
Computed tax expense at statutory rate	$ 2,143	$ 2,082
Adjustments resulting from:		
State tax, net of federal benefit	473	601
Tax-exempt interest income	(346)	(206)
Bank owned life insurance	(127)	(21)
Stock-based compensation	(55)	(14)
Other	60	41
Income tax expense	$ 2,148	$ 2,483

Significant deferred tax assets and liabilities of the Bank as of December 31, 2024 and 2023 are as follows:

	As of December 31,	
(In thousands)	2024	2023
Deferred tax assets:		
Allowance for loan losses	$ 2,343	$ 2,556
Deferred rent	52	38
Unrealized losses on AFS debt securities	1,119	1,639
Share-based compensation cost	143	151
Unfunded loan commitments	273	261
Non-accrual interest	16	12
Other	9	10
Deferred tax assets	3,955	4,667
Deferred tax liabilities:		
Depreciation	(289)	(380)
Prepaid expenses	(25)	(18)
Deferred loan costs	(456)	(555)
Total deferred tax liabilities	(770)	(953)
Net deferred tax asset, included in other assets	$ 3,185	$ 3,714

The realizability of deferred tax assets is dependent upon various factors, including the generation of future taxable income, the existence of taxes paid and recoverable, the reversal of deferred tax liabilities, and tax planning strategies. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the net operating loss carryforwards are available and the temporary differences representing net future deductibles reverse. Based upon these and other factors management has determined that it is more likely than not that the Company will realize the benefits of the deferred tax assets that exist as of December 31, 2024.

As of December 31, 2024 and 2023, the Company had no material unrecognized tax benefits or accrued interest and penalties. The Company's policy is to account for interest as a component of interest expense and penalties as a component of other expense.

As of December 31, 2024, the years 2021 – 2023 are open for federal examination and years 2020-2023 are open for state examinations.

Note 13. Leases

The Company has operating leases for a retail branch, our operation and administration center (main office) and certain equipment. On commencement date of a new lease, the Company recognizes a ROU asset, which represents the right to use an underlying asset for the lease term, and a lease liability, which represents an obligation to make lease payments arising from the lease. The ROU assets are included in other assets and lease liabilities are included in other liabilities. No new leases were executed in 2024 and 2023. The Company's leases have remaining lease terms of one month to 6.5 years, some of which include options to extend the leases for up to five years. Because we may need to expand our office space, the extension options were excluded from the calculations of the ROU asset and lease liability.

The following table presents the ROU assets and the lease liability for the years ended December 31, 2024 and 2023.

	For the years ended December 31,	
(In thousands)	2024	2023
ROU asset	$ 1,352	$ 1,667
Lease liabilitity	$ 1,549	$ 1,812

The following table presents operating lease costs for the years ended December 31, 2024 and 2023.

	For the years ended December 31,	
(In thousands)	2024	2023
Operating lease cost	$ 413	$ 413
	$ 413	$ 413

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

	As of December 31,	
(In thousands)	2024	2023
2024	-	361
2025	432	432
2026	354	354
2027	347	347
2028	256	256
Thereafter	400	400
Total lease payments	1,789	2,150
Less imputed interest	(240)	(338)
Total	$ 1,549	$ 1,812

Note 14. Commitments and Contingencies

Financial Instruments with Off-Balance-Sheet Risk

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business. These financial instruments include commitments to extend credit to meet the financing needs of its customers. Such commitments have been made in the normal course of business and at current prevailing market terms. The commitments, once funded, are principally to originate commercial loans and other loans secured by real estate. The

Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Commitments issued to potential borrowers of the Bank as of December 31, 2024 and 2023 were as follows:

	As of December 31,	
(In thousands)	2024	2023
Fixed rate commitments	$ 1,468	$ 2,805
Variable/adjustable rate commitments	128,828	137,350
Total commitments	$ 130,296	$ 140,155

Legal Proceedings

Within the normal course of business, the Company may be a party to various claims or legal proceedings. Management is not aware of any litigation that would have a material adverse effect on the consolidated financial statements. There are no proceedings pending other than routine litigation incident to the business of the Company.

Note 15. Related-Party Transactions

Directors and executive officers of the Company, including their immediate families and companies in which they have a direct or indirect material interest, are considered to be related parties. In the ordinary course of business, the Company engages in various related party transactions, including extending credit and deposit accounts. Federal banking regulations require that any extensions of credit to insiders and their related interests not be offered on terms more favorable than would be offered to non-related borrowers of similar creditworthiness. The Company relies on the directors and executive officers for the identification of their associates.

The aggregate amount of loans to related parties was $1.1 million as of December 31, 2024 and 2023, respectively. During 2024 and 2023, new loans and credit line advances to such related parties amounted to $37 thousand and $296 thousand, respectively, and repayments amounted to $34 thousand and $26 thousand, respectively. The aggregate amount of deposits from related parties was $39.9 million and $27.3 million as of December 31, 2024 and 2023, respectively.

The Bank engaged in certain property inspection and construction services with an entity that is affiliated with a director of the Bank. Such aggregate services amounted to fees of $9 thousand and $14 thousand for the years ended December 31, 2024 and 2023, respectively.

Note 16. Employee Benefits

The Bank instituted a qualified defined contribution plan ('the 401(K) Plan") for all current employees in August 2005. All eligible employees are 100% vested in any required safe harbor contributions. The Bank made safe harbor contributions in the amount of $306 thousand and $293 thousand during 2024 and 2023, respectively.

Note 17. Share-Based Compensation

During 2020, the shareholders approved the 1st Colonial Bancorp, Inc. 2020 Equity Incentive Plan ("2020 Equity Plan"). The Board of Directors approved the 2020 Equity Plan for the purpose of enabling the Company to continue to recruit and retain highly qualified personnel, to provide those personnel with an incentive for productivity, and to provide those personnel with an opportunity to share in the growth and value of the Company. Accordingly, the board of directors has reserved 400,000 shares of our common stock for issuance upon the grant or exercise of awards pursuant to the 2020 Equity Plan. The Board of Directors believes that the shares authorized by the 2020 Equity Plan are needed to ensure the continued availability of equity-based compensation and that the 2020 Equity Plan will enhance the effectiveness of the Bank's equity compensation program by authorizing the award of restricted stock and the use of other stock-based compensation techniques. The exercise price of options granted under this program is required to be equal to at least the fair market value of common stock as of the grant date. The 2020 Equity Plan allows for the Compensation Committee of the Board of Directors to determine the type of incentive to be awarded, its term, vesting and restrictions on shares. As of December 31, 2024, 256,717 options and restricted stock units were outstanding under this plan.

Compensation expense for equity grants is recognized over the requisite service period. During 2024 and 2023, we recognized $491 thousand and $369 thousand, respectively, in compensation expense for equity grants. As of December 31, 2024, approximately $1.0 million remained to be recognized in compensation expense over a weighted-average period of approximately 2.4 years.

The authorization of the 2020 Equity Plan terminated two other stock option programs, the 2013 Outside Director Plan and the 2013 Employee Stock Option Plan. No new options or awards will be granted under the 2013 Plans. Under the 2013 Outside Director Plan, 68,306 options remain outstanding as of December 31, 2024 for nonemployee directors. The exercise price of options granted under this program was required to be equal to at least the fair market value of common stock as of the grant date. All options granted under this plan vest in five equal annual installments or upon retirement. These options expire 10 years from the grant date.

Under the 2013 Employee Stock Option Plan, 6,640 options remain outstanding as of December 31, 2024 for key employees. The exercise price of options granted under this program was equal to at least the fair market value of common stock as of the grant date. All options granted under this plan vest in five equal annual installments, upon retirement or a change in control of the Company. These options expire 10 years from the grant date.

The fair value of each stock option award is estimated on the date of the grant using the Black-Scholes option-pricing model. The risk-free interest rate for the expected term of the stock option awarded is based on the U.S. Treasury yield curve in effect at the time of the grant. The volatility of the Company's stock is based on a combination of historical volatility and peer data over a span of time equal to the expected life of stock option awards, which is the period of time the Company estimates that stock options granted will remain outstanding. The simplified method averages an award's weighted average vesting period and its contractual term. There were no stock option awards granted in 2024 and 2023.

A summary status of the Company's stock option plans as of December 31, 2024 and 2023, and the changes during the years then ended, is as follows:

	2024				2023	
	Options	Weighted Average Exercise Price	Weighted Average Remaining Term (yrs)	(1) Aggregate Intrinsic Value	Options	Weighted Average Exercise Price
Options outstanding at beginning of year	278,232	$ 8.02	5.4		373,132	$ 7.60
Granted	-	-			-	-
Exercised	(45,986)	7.00			(58,823)	5.20
Forfeited or expired	(1,000)	7.63			(36,077)	8.21
Options outstanding at the end of the year	231,246	$ 8.23	4.8	$ 1,542	278,232	$ 8.02
Options exercisable at the end of the year	166,246	$ 8.16	4.2	$ 1,121	180,532	$ 7.73

(1) The aggregate intrinsic value of a stock option in the table above (shown in thousands) represents the total pre-tax intrinsic value (the amount by which the current market value of the underlying stock exceeds the exercise price of the option) that would have been received by the option holders had they exercised their options on December 31, 2024. The intrinsic value varies based on the changes in the market value in the Company's stock.

The Company issues new shares upon the exercise of stock options.

The following table provides detail for non-vested stock options under the 2020 Equity Plan as of December 31, 2024:

	Options	Weighted Average Exercise Price
Non-vested options December 31, 2023	97,700	$ 8.57
Granted	-	-
Forfeited	(400)	7.63
Vested	(32,300)	8.91
Non-vested options December 31, 2024	65,000	$ 8.41

The following table summarizes the activity for the Company's restricted stock unit awards as of December 31, 2024:

	Restricted stock units	Weighted Average Fair Value
Outstanding as of December 31, 2023	114,928	$ 11.01
Granted	31,166	14.22
Forfeited	(11,208)	10.34
Vested	(34,469)	11.30
Outstanding as of December 31, 2024	100,417	$ 11.99

Note 18. Shareholders' Equity and Regulatory Capital

Shareholders' Equity

On August 8, 2023, the Company announced and adopted a stock repurchase program that expired in July 2024. As of December 31, 2023, 640 shares were repurchased for a cost of $8 thousand. There were no shares repurchased in 2024.

Dividend Policy

Company

The Company has not paid a cash dividend since its inception in June 2000. Any payment of cash dividends to its shareholders would be dependent on the payment of a cash dividend from the Bank to the Company. The payment of cash dividends by the Bank to the Company is limited under federal banking law. The Company's future dividend policy is subject to the discretion of its board of directors and will depend upon a number of factors, including future earnings, financial conditions, cash needs, and general business conditions. Holders of common stock will be entitled to receive dividends as and when declared by the board of directors out of funds legally available for that purpose.

Bank

The amount of dividends that may be paid by the Bank depends upon the Bank's earnings and capital position, and is limited by New Jersey and federal law, regulations, and policies. As a state-chartered bank subject to New Jersey and FDIC regulations, the Bank cannot pay any dividend if the dividend would reduce the required surplus of the Bank as defined in New Jersey statutes. As a matter of policy, the FDIC expects state banks to follow the national bank dividend limits, which allow a bank to pay dividends up to the amount of net profits of the current year plus the retained net profits from the last two years. Amounts in excess of that would require prior approval of the FDIC. In addition, the FDIC and the state of New Jersey have authority to further limit any dividends to be paid by the Bank in a specific case. No specific dividend restrictions have been imposed on the Bank at this time.

Regulatory Capital

The Bank 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 Bank's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

A banking organization must hold a capital conservation buffer comprised of Common Equity Tier 1 above its minimum risk-based capital requirements in an amount greater than 2.5% of total risk-weighted assets. At year end 2024 and 2023, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

The Bank's actual capital amounts and ratios as of December 31, 2024 and 2023 are presented in the following table:

	Actual		For capital adequacy purposes		For capital adequacy purposes with capital conservation buffer		To be well capitalized under prompt corrective action provision	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio*	Amount	Ratio*	Amount	Ratio
Total risk-based capital								
As of December 31, 2024	$ 95,785	17.506%	$ 43,773	8.00%	$ 57,452	10.50%	$ 54,716	10.00%
As of December 31, 2023	$ 86,824	15.554%	$ 44,657	8.00%	$ 58,612	10.50%	$ 55,821	10.00%
Tier 1 risk-based capital								
As of December 31, 2024	$ 88,916	16.250%	$ 32,830	6.00%	$ 46,509	8.50%	$ 43,773	8.00%
As of December 31, 2023	$ 79,815	14.298%	$ 33,493	6.00%	$ 47,448	8.50%	$ 44,657	8.00%
Tier 1 leverage capital								
As of December 31, 2024	$ 88,916	10.683%	$ 33,291	4.00%	$ 33,291	4.00%	$ 41,614	5.00%
As of December 31, 2023	$ 79,815	10.015%	$ 31,878	4.00%	$ 31,878	4.00%	$ 39,847	5.00%
Tier 1 common equity risk-based capital								
As of December 31, 2024	$ 88,916	16.250%	$ 24,622	4.50%	$ 38,301	7.00%	$ 35,566	6.50%
As of December 31, 2023	$ 79,815	14.298%	$ 25,120	4.50%	$ 39,075	7.00%	$ 36,284	6.50%

Note 19. Parent Company Financial Information

A summary of the Balance Sheets as of December 31, 2024 and 2023 is as follows:

(In thousands)	As of December 31, 2024	2023
Assets		
Cash in subsidiary	$ 3,451	$ 3,981
Investment in subsidiary	85,216	74,401
Deferred tax asset	143	151
Other assets	385	296
Total assets	$ 89,195	$ 78,829
Liabilities and Shareholders' Equity		
Subordinated debt, net of issuance costs	$ 10,702	$ 10,631
Accrued interest payable	251	251
Other liabilities	24	24
Shareholders' equity	78,218	67,923
Total liabilities and shareholders' equity	$ 89,195	$ 78,829

A summary of the Statements of Income for the years ended December 31, 2024 and 2023 is as follows:

(In thousands)	2024	2023
Equity income from subsidiary	$ 9,389	$ 5,286
Dividend income	-	3,400
Total income	9,389	8,686
Other expenses:		
Interest on subordinated debt	824	824
Other operating expenses	587	474
Total other expenses	1,411	1,298
Income before income tax benefit	7,978	7,388
Income tax benefit	(79)	(43)
Net income	$ 8,057	$ 7,431

Notes to Consolidated Financial Statements

A summary of the Statements of Cash Flows for the years ended December 31, 2024 and 2023 is as follows:

(In thousands)	2024	2023
Cash flows from operating activities:		
Net income	$ 8,057	$ 7,431
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Equity in income from subsidiary	(9,389)	(5,286)
Stock-based compensation expense	491	369
Decrease (increase) deferred income tax benefit	8	(17)
Amortization of issuance costs on long-term debt	71	72
Increase in other assets	(89)	(39)
Increase in other liabilities	-	5
Total adjustments	(8,908)	(4,896)
Net cash (used in) provided by operating activities	(851)	2,535
Net cash used in investing activities	-	-
Cash flows from financing activities:		
Acquisition of treasury stock	-	(8)
Proceeds from sale of stock	321	306
Net cash provided by financing activities	321	298
Net (decrease) increase in cash and cash equivalents	(530)	2,833
Cash and cash equivalents at beginning of year	3,981	1,148
Cash and cash equivalents at end of year	$ 3,451	$ 3,981
Cash paid during the year for:		
Interest	$ 17,516	$ 12,708
Income taxes paid	2,280	3,025
Supplemental disclosures:		
Net change in unrealized gains on securities available for sale, net tax benefit of $511 for 2024 and $588 for 2023	$ 1,426	$ 1,341

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1st Colonial Bancorp, Inc.

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Stock Listing

1st Colonial Bancorp, Inc.'s Common Stock is traded under the Symbol "FCOB"

Board of Directors

Linda M. Rohrer, Chairman	Thomas R. Brugger	Curt Byerley
Thomas A. Clark, III, Esquire	John J. Donnelly, IV	Michael C. Haydinger
Harvey Johnson, Esquire	Stanley H. Molotsky	Shelley Y. Simms

Executive Officers

Robert B. White, President and Chief Executive Officer
Mary Kay Shea, Executive Vice President and Chief Financial Officer

Senior Management 1st Colonial Community Bank

Gino Brown, SVP Director of Residential and Consumer Lending
Matthew McGonigal, SVP Director of Digital Experience and Operations
William Pizzichil, SVP Managing Director of Risk
Randolph D. Wolfe, SVP Chief Revenue Officer

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