

Federal Deposit Insurance Corporation  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2025

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

FDIC Certificate Number: 58481

**FIRST BANK**

(Exact Name of Registrant as Specified in its Charter)

**New Jersey**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**20-8164471**  
(I.R.S. Employer Identification No.)

**2465 Kuser Road, Hamilton, New Jersey**  
(Address of Principal Executive Offices)

**08690**  
(Zip Code)

**(877) 821-2265**  
(Registrant's Telephone Number, Including Area Code)

**Not Applicable**  
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$5.00 per share	FRBA	NASDAQ Global Market

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

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

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

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

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

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

As of May 8, 2025, there were 25,005,834 shares of the registrant's Common Stock, par value \$5.00 per share, outstanding.

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**PART I – FINANCIAL INFORMATION**
**Item 1. Condensed Consolidated Financial Statements (unaudited)**

**FIRST BANK**  
**CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**  
(in thousands, except for share data, unaudited)

	March 31, 2025	December 31, 2024
<b>Assets</b>		
Cash and due from banks	\$ 32,396	\$ 18,252
Restricted cash	11,910	14,270
Interest bearing deposits with banks	243,778	239,392
Cash and cash equivalents	288,084	271,914
Interest bearing time deposits with banks	743	743
Investment securities available for sale, at fair value (amortized cost of \$90,393 and \$84,083, respectively)	85,059	77,413
Equity securities, at fair value	1,898	1,870
Investment securities held to maturity, net of allowance for credit losses of \$209 and \$206, respectively (fair value of \$42,565 and \$42,770, respectively)	46,387	47,123
Restricted investment in bank stocks	15,933	14,333
Other investments	13,350	11,612
Loans held for sale	618	-
Loans, net of deferred fees and costs	3,236,039	3,144,266
Less: Allowance for credit losses	(39,223)	(37,773)
Net loans	3,196,816	3,106,493
Premises and equipment, net	21,267	21,351
Other real estate owned, net	4,822	5,637
Accrued interest receivable	14,889	14,267
Bank-owned life insurance	86,258	85,553
Goodwill	44,166	44,166
Other intangible assets, net	8,341	8,827
Deferred income taxes, net	25,178	25,528
Other assets	26,950	43,516
<b>Total assets</b>	<b>\$ 3,880,759</b>	<b>\$ 3,780,346</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities:</b>		
Non-interest bearing deposits	\$ 535,584	\$ 519,320
Interest bearing deposits	2,584,210	2,536,576
Total deposits	3,119,794	3,055,896
Borrowings	281,867	246,933
Subordinated debentures	29,981	29,954
Accrued interest payable	4,887	3,820
Other liabilities	29,315	34,587
<b>Total liabilities</b>	<b>3,465,844</b>	<b>3,371,190</b>
<b>Stockholders' Equity:</b>		
Preferred stock, par value \$2 per share; 10,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, par value \$5 per share; 40,000,000 shares authorized; 27,576,676 shares issued and 25,045,612 shares outstanding and 27,375,439 shares issued and 25,100,829 shares outstanding, respectively	136,220	135,495
Additional paid-in capital	124,555	124,524
Retained earnings	184,657	176,779
Accumulated other comprehensive loss	(3,938)	(4,925)
Treasury stock, 2,531,064 and 2,274,610 shares, respectively	(26,579)	(22,717)
<b>Total stockholders' equity</b>	<b>414,915</b>	<b>409,156</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 3,880,759</b>	<b>\$ 3,780,346</b>

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

**FIRST BANK**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands, except for share data, unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
<b>Interest and Dividend Income</b>		
Investment securities—taxable	\$ 1,188	\$ 1,182
Investment securities—tax-exempt	51	38
Interest bearing deposits with banks, Federal funds sold and other	2,997	3,025
Loans, including fees	51,552	49,319
Total interest and dividend income	55,788	53,564
<b>Interest Expense</b>		
Deposits	20,844	20,786
Borrowings	2,412	2,116
Subordinated debentures	440	344
Total interest expense	23,696	23,246
Net interest income	32,092	30,318
Credit loss expense (benefit)	1,544	(698)
Net interest income after credit loss expense (benefit)	30,548	31,016
<b>Non-Interest Income</b>		
Service fees on deposit accounts	356	344
Loan fees	326	102
Income from bank-owned life insurance	793	785
Gains on sale of loans, net	29	229
Gains on recovery of acquired loans	24	118
Other non-interest income	443	386
Total non-interest income	1,971	1,964
<b>Non-Interest Expense</b>		
Salaries and employee benefits	11,118	10,038
Occupancy and equipment	2,464	2,026
Legal fees	368	316
Other professional fees	726	756
Regulatory fees	684	602
Directors' fees	282	242
Data processing	805	806
Marketing and advertising	399	296
Travel and entertainment	236	244
Insurance	214	244
Other real estate owned expense, net	920	88
Other expense	2,168	2,152
Total non-interest expense	20,384	17,810
<b>Income Before Income Taxes</b>	12,135	15,170
Income tax expense	2,754	2,658
<b>Net Income</b>	\$ 9,381	\$ 12,512
Basic earnings per common share	\$ 0.37	\$ 0.50
Diluted earnings per common share	\$ 0.37	\$ 0.50
Basic weighted average common shares outstanding	25,118,062	25,039,949
Diluted weighted average common shares outstanding	25,269,002	25,199,381

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

**FIRST BANK**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(in thousands, unaudited)**

	<b>Three Months Ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
Net income	\$ 9,381	\$ 12,512
Other comprehensive income (loss):		
Unrealized holding gains (losses) on investments arising during the period	1,336	(299)
Income tax effect	(349)	157
Total other comprehensive income (loss), net of tax	987	(142)
Total comprehensive income	<u>\$ 10,368</u>	<u>\$ 12,370</u>

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

**FIRST BANK**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(in thousands, except share data, unaudited)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total Stockholders' Equity
<b>Balance—December 31, 2024</b>	\$ 135,495	\$ 124,524	\$ 176,779	\$ (4,925)	\$ (22,717)	\$ 409,156
Net income	-	-	9,381	-	-	9,381
Other comprehensive income, net of tax	-	-	-	987	-	987
Vesting of restricted stock, 114,104 shares	570	(570)	-	-	-	-
Exercise of stock options, 30,950 shares	155	47	-	-	-	202
Stock-based compensation expense	-	554	-	-	-	554
Cash dividends - common, \$0.06 per share	-	-	(1,503)	-	-	(1,503)
Purchase of 256,454 shares of common stock	-	-	-	-	(3,862)	(3,862)
<b>Balance—March 31, 2025</b>	<u>\$ 136,220</u>	<u>\$ 124,555</u>	<u>\$ 184,657</u>	<u>\$ (3,938)</u>	<u>\$ (26,579)</u>	<u>\$ 414,915</u>
<b>Balance—December 31, 2023</b>	\$ 134,552	\$ 122,881	\$ 140,563	\$ (5,718)	\$ (21,378)	\$ 370,900
Net income	-	-	12,512	-	-	12,512
Other comprehensive loss, net of tax	-	-	-	(142)	-	(142)
Vesting of restricted stock, 90,306 shares	452	(452)	-	-	-	-
Stock-based compensation expense	-	484	-	-	-	484
Cash dividends - common, \$0.06 per share	-	-	(1,500)	-	-	(1,500)
<b>Balance—March 31, 2024</b>	<u>\$ 135,004</u>	<u>\$ 122,913</u>	<u>\$ 151,575</u>	<u>\$ (5,860)</u>	<u>\$ (21,378)</u>	<u>\$ 382,254</u>

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

**FIRST BANK**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands, unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 9,381	\$ 12,512
Adjustments to reconcile net income to net cash provided by operating activities:		
Credit loss expense (benefit)	1,544	(698)
Depreciation and amortization of premises and equipment	626	508
Accretion and amortization of discounts/premiums on investment securities, net	(7)	64
Accretion and amortization of fair value adjustments, net	(2,771)	(4,478)
Accretion and amortization of deferred loan fees and costs, net	(771)	(676)
Amortization of core deposit intangible assets and loan servicing rights	494	556
Amortization of subordinated debentures issuance cost	27	28
Noncash operating lease expense	653	581
Stock-based compensation	554	484
Net (gain) loss on equity securities	(27)	19
Originations of loans held for sale	(618)	(3,171)
Proceeds from sale of loans held for sale	-	3,803
Gains on sale of loans	(29)	(229)
Loss on sale of premises and equipment	22	-
Increase in other real estate owned valuation allowance	815	-
Income from bank-owned life insurance	(793)	(785)
Changes in assets and liabilities:		
Increase in accrued interest receivable	(622)	(430)
Decrease (increase) in intangible and other assets	18,427	(480)
Increase in accrued interest payable	1,068	1,200
(Decrease) increase in other liabilities	(7,814)	1,289
Net cash provided by operating activities	<u>20,159</u>	<u>10,097</u>
<b>Cash flows from investing activities:</b>		
Net (increase) decrease in loans	(88,653)	22,138
Proceeds from sale of loans not originated for sale	517	-
Purchases of investment securities available for sale	(12,547)	(8,540)
Purchases of investment securities held to maturity	(157)	(669)
Proceeds from maturities, calls and paydowns of investment securities available for sale	6,253	7,468
Proceeds from maturities, calls and paydowns of investment securities held to maturity	880	1,591
Purchase of restricted stocks	(3,850)	(5,400)
Redemption of restricted stocks	2,250	5,739
Purchases of other investments	(1,738)	(256)
Proceeds from other investments	-	57
Purchases of premises and equipment	(545)	(350)
Redemption of bank-owned life insurance	-	323
Benefit proceeds on bank-owned life insurance	-	187
Net cash (used in) provided by investing activities	<u>(97,590)</u>	<u>22,288</u>
<b>Cash flows from financing activities:</b>		
Net increase in deposits	63,815	2,654
Proceeds from borrowings	85,000	120,000
Repayments of borrowings	(50,051)	(127,526)
Redemption of subordinated debentures	-	(25,000)
Proceeds from stock option exercises	202	-
Cash dividends paid on common stock	(1,503)	(1,500)
Purchase of treasury stock	(3,862)	-
Net cash provided by (used in) financing activities	<u>93,601</u>	<u>(31,372)</u>
Net increase in cash and cash equivalents	16,170	1,013
Cash and cash equivalents at beginning of year	271,914	227,951
Cash and cash equivalents at end of period	<u>\$ 288,084</u>	<u>\$ 228,964</u>

**FIRST BANK**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(in thousands, unaudited) continued**

	<b>Three Months Ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest on deposits and borrowings	\$ 22,519	\$ 21,980
Cash paid for income taxes	\$ 705	\$ 80
<b>Supplemental schedule of non-cash activities:</b>		
Vesting of restricted stock	\$ 570	\$ 452
Transfer of loans to other real estate owned	\$ -	\$ 5,999

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

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)****Note 1 – Summary of Significant Accounting Policies*****Basis of Financial Statement Presentation***

The condensed consolidated financial statements of First Bank have been prepared in conformity with generally accepted accounting principles in the United States of America (“GAAP”). The condensed consolidated financial statements are prepared on an accrual basis and include the accounts of First Bank’s wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated from the accompanying condensed consolidated financial statements. As used in this Quarterly Report on Form 10-Q, “the Bank” and “the Company” refer to First Bank and its consolidated subsidiaries unless otherwise noted.

The Consolidated Statement of Financial Condition as of March 31, 2025, the Consolidated Statements of Income, the Consolidated Statements of Comprehensive Income and the Consolidated Statements of Changes in Stockholders’ Equity for the three months ended March 31, 2025 and 2024, and the Consolidated Statements of Cash Flows for the three months ended March 31, 2025 and 2024 are unaudited. The Consolidated Statement of Financial Condition as of December 31, 2024 was derived from the audited Consolidated Statement of Financial Condition as of that date.

In the opinion of management, all adjustments and disclosures which are generally routine and recurring in nature and necessary for a fair statement of interim results have been made. In preparing the unaudited condensed consolidated financial statements, management has made estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the Consolidated Statements of Financial Condition and results of operations for the periods indicated. Material estimates that are particularly susceptible to change are: the determination of the fair value of acquired loans; the allowance for credit losses and the evaluation of goodwill for impairment. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the consolidated financial statements in the period they are deemed necessary. While management uses its best judgment, actual results could differ from those estimates.

The interim unaudited condensed consolidated financial statements included herein have been prepared in accordance with instructions for the Quarterly Report on Form 10-Q and the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP and industry practice have been condensed or omitted from interim reporting pursuant to SEC rules. The results of operations for the three months ended March 31, 2025 are not necessarily indicative of the results which may be expected for the entire year. The Company has evaluated subsequent events for potential recognition and/or disclosure through the date the condensed consolidated financial statements in this Quarterly Report on Form 10-Q were available to be issued. Interim financial statements should be read in conjunction with the condensed consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2024, as filed with the FDIC.

***Segment Reporting***

The Company’s operations are solely in the financial services industry and provides a range of regional community banking services to retail and commercial customers. The Company operates throughout New Jersey, Pennsylvania and in Florida. Operating segments are defined as components of an entity for which separate financial information is available and is regularly reviewed by the chief operating decision maker (“CODM”). The Company’s CODM is the Chief Executive Officer. The CODM makes operating decisions and manages the activities of the business on a consolidated basis. Therefore, management concluded the Company has a single operating segment, and therefore one reportable segment.

Further, the CODM allocates resources and assesses performance based on an ongoing review of the Company’s consolidated financial results. Specifically, the CODM reviews net income, reported within the consolidated statements of income, along with information in consolidated statement of financial condition to decide whether to reinvest profits into the Company or other strategic investments. Refer to the Consolidated Statements of Financial Condition and Consolidated Statements of Income for net income and all significant expenses regularly provided to and reviewed by the CODM.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

### Note 1 – Summary of Significant Accounting Policies (continued)

#### *Recent Accounting Standards Not Yet Adopted*

In December 2023, the “Financial Accounting Standards Board (FASB)” issued “Accounting Standard Update (ASU)” 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures” (“ASU 2023-09”). The amendments in this ASU require public entities to disclose in their rate reconciliation table additional categories of information about federal, state and foreign income taxes and to provide more details about the reconciling items in some categories if items meet a quantitative threshold. ASU 2023-09 also requires all entities to disclose income taxes paid, net of refunds, disaggregated by federal, state and foreign taxes for annual periods and to disaggregate the information by jurisdiction based on a quantitative threshold, among other things. ASU 2023-09 is effective for the Company for annual periods beginning after December 15, 2024. The Company will update additional income tax disclosures in its Form 10-K for the year ended December 31, 2025.

In November 2024, the FASB issued ASU 2024-03, “Disaggregation of Income Statement Expenses (DISE).” (“ASU 2024-03”) requires additional disclosure of the nature of expenses included in the income statement to be presented in a tabular format in the footnotes to the financial statements. ASU 2024-03 is effective for annual periods beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. The amendments in ASU 2024-03 should be applied on a prospective basis, although retrospective application is permitted. ASU 2024-03 is not expected to have a material impact on the Company’s financial statements.

### Note 2 – Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss included in stockholders’ equity are as follows:

	March 31, 2025	December 31, 2024
	(in thousands)	
Net unrealized losses on investment securities available for sale	\$ (5,334)	\$ (6,670)
Income tax effect	1,396	1,745
Accumulated other comprehensive loss	\$ (3,938)	\$ (4,925)

### Note 3 – Earnings Per Share

Basic earnings per share represent the effect of earnings upon the weighted average number of shares and participating securities outstanding for the period. Diluted earnings per share reflects the effect of earnings upon weighted average shares including the potential dilution that could occur if securities or contracts to issue common stock were converted or exercised, utilizing the treasury stock method. Unvested stock awards, which contain non-forfeitable rights to dividends whether paid or unpaid (i.e., participating securities), are included in the number of shares outstanding for both basic and diluted earnings per share. There are no securities that could potentially dilute basic earnings per share that were not included in the computation of diluted earnings per share.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

## Note 3 – Earnings Per Share— (Continued)

The following table presents a reconciliation of the calculation of basic and diluted earnings per share for the periods indicated:

	Three Months Ended March 31,	
	2025	2024
	(in thousands, except per share data)	
Net income available to common stockholders	\$ 9,381	\$ 12,512
Basic weighted average common shares outstanding	25,118	25,040
Effect of dilutive common stock equivalents	151	159
Diluted weighted average common shares outstanding	25,269	25,199
Basic earnings per common share	\$ 0.37	\$ 0.50
Diluted earnings per common share	\$ 0.37	\$ 0.50
Number of common stock equivalents excluded from the calculation of diluted earnings per share as the exercise prices were greater than the average price of the common stock	505	576

## Note 4 – Stock-Based Compensation

On April 24, 2024, the Company’s shareholders approved the First Bank 2024 Equity Incentive Plan. Consistent with prior equity plans, the 2024 Equity Incentive Plan allows for the grant of incentive options, non-qualified options and restricted stock to officers, employees and members of the Board of Directors. The 2024 Equity Incentive Plan increased the number of awards available for grant to 1,300,000, at which time all awards available for grant under predecessor plans were cancelled.

The following table presents the number of awards authorized, cumulative granted awards, net of cancellations, and awards available for grant at March 31, 2025:

Awards authorized	3,483,683
Cumulative granted awards, net of cancellations	2,391,085
Awards available for grant	1,092,598

The Company issues shares from its authorized but unissued common stock to satisfy stock option exercises and restricted stock grants.

Stock-based compensation expense recognized in earnings for the three months ended March 31, 2025 and 2024 was \$554,000 and \$484,000, respectively.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

**Note 4 – Stock-Based Compensation— (Continued)**

The Company's stock option activity for the three months ended March 31, 2025 and 2024 is summarized in the following tables:

	<b>Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Life (years)</b>	<b>Aggregate Intrinsic Value</b>
Outstanding—December 31, 2024	678,366	\$ 11.02		
Exercised	(30,950)	6.54		
Expired	(199)	11.57		
Outstanding — March 31, 2025	647,217	\$ 11.23	4.4	\$ 2,316,693
Exercisable— March 31, 2025	609,466	\$ 11.08	4.1	\$ 2,276,314

	<b>Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Life (years)</b>	<b>Aggregate Intrinsic Value</b>
Outstanding—December 31, 2023	722,017	\$ 10.61		
Granted	29,432	13.75		
Expired	(91)	14.25		
Outstanding — March 31, 2024	751,358	\$ 10.73	5.0	\$ 2,363,915
Exercisable—March 31, 2024	639,422	\$ 10.33	4.3	\$ 2,268,610

No options were granted in the first quarter of 2025. All options granted in 2024 and previous years have a term that shall not exceed ten years and a vesting period of one to three years. The exercise price of the options granted under the Plan and previous plans must be at least 100% of the fair market value of the Company's common stock on the date of grant. Terms and conditions of restricted stock awards are determined by the Board of Directors at the time of grant.

The aggregate intrinsic values in the preceding tables represents the pre-tax intrinsic values calculated by multiplying the number of in-the-money shares by the difference between the Company's closing stock price on the last trading day of the current reporting period and the exercise price.

Unrecognized compensation expense related to unvested stock options was \$162,000 as of March 31, 2025 which is expected to be recognized over a weighted average period of 1.4 years.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

**Note 4 – Stock-Based Compensation — (Continued)**

Restricted stock activity under the Company's stock-based compensation plans for the three months ended March 31, 2025 and 2024 is summarized in the following tables:

	<b>Restricted Shares</b>	<b>Weighted Average Grant Date Fair Value</b>	<b>Weighted Average Remaining Contractual Life (years)</b>
Outstanding—December 31, 2024	276,378	\$ 12.29	
Granted	170,766	13.86	
Vested	(114,104)	12.39	
Forfeited	(479)	12.37	
Outstanding — March 31, 2025	<u>332,561</u>	<u>\$ 13.06</u>	<u>2.1</u>

	<b>Restricted Shares</b>	<b>Weighted Average Grant Date Fair Value</b>	<b>Weighted Average Remaining Contractual Life (years)</b>
Outstanding—December 31, 2023	238,751	\$ 12.17	
Granted	133,844	12.13	
Vested	(90,306)	12.30	
Forfeited	(5,517)	12.42	
Outstanding — March 31, 2024	<u>276,772</u>	<u>\$ 12.10</u>	<u>2.1</u>

All restricted stock awards granted have a vesting period of one to three years. Unrecognized compensation expense related to restricted stock was \$3.7 million as of March 31, 2025 which is expected to be recognized over a weighted average period of 2.4 years.

**Note 5 – Investment Securities**

**Available-for-Sale ("AFS") Securities**

The amortized cost and estimated fair value of investment securities available for sale are as follows as of the dates indicated, with gross unrealized gains and losses therein:

	<b>March 31, 2025</b>			
	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
<b>Investment securities available for sale</b>	<b>(in thousands)</b>			
U.S. Government-sponsored agency securities	\$ 2,500	\$ -	\$ (1)	\$ 2,499
Residential mortgage-backed securities:				
Issued by FNMA and FHLMC	57,046	236	(4,333)	52,949
Issued by GNMA	20,686	36	(1,272)	19,450
U.S. Treasury securities	5,937	26	-	5,963
SBA pools	2,816	5	(18)	2,803
Asset-backed securities	408	-	(4)	404
Corporate obligations	1,000	-	(9)	991
<b>Total</b>	<u>\$ 90,393</u>	<u>\$ 303</u>	<u>\$ (5,637)</u>	<u>\$ 85,059</u>

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

**Note 5 – Investment Securities — (Continued)**

	December 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Investment securities available for sale</b>	<b>(in thousands)</b>			
U.S. Government-sponsored agency securities	\$ 2,500	\$ -	\$ (2)	\$ 2,498
Residential mortgage-backed securities:				
Issued by FNMA and FHLMC	53,876	45	(5,178)	48,743
Issued by GNMA	20,437	7	(1,506)	18,938
SBA Pools	2,832	-	(20)	2,812
Asset-backed securities	437	-	(8)	429
Corporate obligations	4,001	2	(10)	3,993
Total	<u>\$ 84,083</u>	<u>\$ 54</u>	<u>\$ (6,724)</u>	<u>\$ 77,413</u>

The Company did not record an Allowance for Credit Losses ("ACL") on the AFS securities at March 31, 2025 and December 31, 2024. The Company considers the unrealized losses on the AFS securities to be related to fluctuations in market conditions, primarily interest rates, and not reflective of deterioration in credit. In addition, the Company has the intent and ability to hold these AFS securities until the amortized cost is recovered and it is more likely than not that any of AFS securities in an unrealized loss position would not be required to be sold.

The Company does not estimate an allowance for credit losses on accrued interest receivable from AFS securities as the Company has a policy to charge off accrued interest deemed uncollectible in a timely manner. A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on nonaccrual is reversed against interest income. Accrued interest receivable totaled \$336,000 and \$277,000 at March 31, 2025 and December 31, 2024, respectively, for AFS securities and was reported in accrued interest receivable on the accompanying Consolidated Statements of Financial Condition.

**HTM Securities**

The amortized cost, estimated fair value and allowance for credit losses of investment securities held to maturity are as follows as of the dates indicated, with gross unrealized gains and losses therein:

	March 31, 2025				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
<b>Investment securities held to maturity</b>	<b>(in thousands)</b>				
Residential mortgage-backed securities:					
Issued by FNMA and FHLMC	\$ 9,754	\$ -	\$ (1,667)	\$ 8,087	\$ -
Issued by GNMA	2,144	-	(74)	2,070	-
Obligations of state and political subdivisions	8,198	10	(262)	7,946	(5)
Corporate obligations	26,500	37	(2,075)	24,462	(204)
Total	<u>\$ 46,596</u>	<u>\$ 47</u>	<u>\$ (4,078)</u>	<u>\$ 42,565</u>	<u>\$ (209)</u>

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

**Note 5 – Investment Securities — (Continued)**

December 31, 2024					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
<b>Investment securities held to maturity</b>	<b>(in thousands)</b>				
Residential mortgage-backed securities:					
Issued by FNMA and FHLMC	\$ 9,882	\$ -	\$ (1,830)	\$ 8,052	\$ -
Issued by GNMA	2,153	-	(106)	2,047	-
Obligations of state and political subdivisions	8,794	15	(293)	8,516	(4)
Corporate obligations	26,500	37	(2,382)	24,155	(202)
Total	<u>\$ 47,329</u>	<u>\$ 52</u>	<u>\$ (4,611)</u>	<u>\$ 42,770</u>	<u>\$ (206)</u>

The following table presents the activity in the ACL for the held to maturity debt securities:

	Obligations of state and political subdivisions	Corporate obligations (in thousands)	ACL Total
<b>Three Months Ended March 31, 2025</b>			
Balance—beginning of period	\$ 4	\$ 202	\$ 206
Credit loss expense	1	2	3
Balance—end of period	<u>\$ 5</u>	<u>\$ 204</u>	<u>\$ 209</u>
	Obligations of state and political subdivisions	Corporate obligations (in thousands)	ACL Total
<b>Three Months Ended March 31, 2024</b>			
Balance—beginning of period	\$ 4	\$ 196	\$ 200
Credit loss benefit	-	(6)	(6)
Balance—end of period	<u>\$ 4</u>	<u>\$ 190</u>	<u>\$ 194</u>

The Company segments its HTM portfolio into agency residential mortgage-backed securities, obligations of state and political subdivisions and corporate obligations to determine the ACL. The ACL is determined based on the Company's historical losses, adjusted for qualitative factors including economic forecasts over a two-year reasonable and supportable forecast period. The Company has determined that for agency residential mortgage-backed securities it would be appropriate to assume the expected credit loss to be zero because these securities are guaranteed by enterprises that have credit ratings on par with the U.S. government or are guaranteed by the U.S. government. This assumption is reviewed and attested quarterly.

The Company does not estimate an allowance for credit losses on accrued interest receivable from HTM securities as the Company has a policy to charge off accrued interest deemed uncollectible in a timely manner. A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on nonaccrual is reversed against interest income. Accrued interest receivable totaled \$341,000 and \$260,000 at March 31, 2025 and December 31, 2024, respectively, for HTM securities and was reported in accrued interest receivable on the accompanying Consolidated Statements of Financial Condition.

At March 31, 2025, the Company had no HTM securities that were past due 30 days or more as to principal or interest payments. The Company had no HTM securities classified as nonaccrual at March 31, 2025.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

**Note 5 – Investment Securities — (Continued)**

The amortized cost, fair value and contractual maturities of investment securities available for sale and held to maturity are shown in the tables below. Certain of these securities have call features which allow the issuer to redeem the security prior to maturity at the issuer's discretion. Expected maturities may differ from contractual maturities because the underlying mortgages supporting mortgage-backed securities may be prepaid without penalties. Consequently, residential mortgage-backed securities are not presented by maturity category.

	<b>March 31, 2025</b>			
	<b>Available for Sale</b>		<b>Held to Maturity</b>	
	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Amortized Cost</b>	<b>Fair Value</b>
	<b>(in thousands)</b>			
Due within one year	\$ 1,935	\$ 1,935	\$ 2,776	\$ 2,774
Due after one year through five years	7,910	7,921	5,991	5,873
Due after five years through ten years	-	-	25,931	23,761
Due after ten years	2,816	2,804	-	-
Residential mortgage-backed securities:				
Issued by FNMA and FHLMC	57,046	52,949	9,754	8,087
Issued by GNMA	20,686	19,450	2,144	2,070
Total investment securities	<u>\$ 90,393</u>	<u>\$ 85,059</u>	<u>\$ 46,596</u>	<u>\$ 42,565</u>

(1) Tax equivalent using federal income tax rate of 21%.

The unrealized losses, categorized by the length of time of continuous loss position, and the fair value of related investment securities available for sale are as follows, as of the dates indicated:

	<b>March 31, 2025</b>								
	<b>Less than 12 months</b>			<b>12 months or longer</b>			<b>Total</b>		
	<b>Number of Issues</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Number of Issues</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Number of Issues</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>
	<b>(dollars in thousands)</b>								
<b>Investment securities available for sale</b>									
U.S. Government-sponsored agency securities	1	\$ 2,499	\$ (1)	-	\$ -	\$ -	1	\$ 2,499	\$ (1)
Residential mortgage-backed securities:									
Issued by FNMA and FHLMC	2	4,196	(11)	24	24,575	(4,322)	26	28,771	(4,333)
Issued by GNMA	-	-	-	11	11,675	(1,272)	11	11,675	(1,272)
SBA pools	-	-	-	1	1,332	(18)	1	1,332	(18)
Asset-backed securities	-	-	-	1	404	(4)	1	404	(4)
Corporate obligations	-	-	-	1	991	(9)	1	991	(9)
Total	<u>3</u>	<u>\$ 6,695</u>	<u>\$ (12)</u>	<u>38</u>	<u>\$ 38,977</u>	<u>\$ (5,625)</u>	<u>41</u>	<u>\$ 45,672</u>	<u>\$ (5,637)</u>

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

**Note 5 – Investment Securities — (Continued)**

	<b>December 31, 2024</b>								
	<b>Less than 12 months</b>			<b>12 months or longer</b>			<b>Total</b>		
	<b>Number of Issues</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Number of Issues</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Number of Issues</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>
<b>Investment securities available for sale</b>	<b>(dollars in thousands)</b>								
U.S. Government-sponsored agency securities	1	\$ 2,498	\$ (2)	-	\$ -	\$ -	1	\$ 2,498	\$ (2)
Residential mortgage-backed securities:									
Issued by FNMA and FHLMC	6	13,561	(134)	24	24,649	(5,044)	30	38,210	(5,178)
Issued by GNMA	3	5,636	(18)	11	12,269	(1,488)	14	17,905	(1,506)
SBA pools	1	1,471	(3)	1	1,341	(17)	2	2,812	(20)
Asset-backed securities	-	-	-	1	429	(8)	1	429	(8)
Corporate obligations	-	-	-	1	990	(10)	1	990	(10)
<b>Total</b>	<b>11</b>	<b>\$ 23,166</b>	<b>\$ (157)</b>	<b>38</b>	<b>\$ 39,678</b>	<b>\$ (6,567)</b>	<b>49</b>	<b>\$ 62,844</b>	<b>\$ (6,724)</b>

The unrealized losses, categorized by the length of time of continuous loss position, and the fair value of related investment securities held to maturity are as follows, as of the dates indicated.

	<b>March 31, 2025</b>								
	<b>Less than 12 months</b>			<b>12 months or longer</b>			<b>Total</b>		
	<b>Number of Issues</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Number of Issues</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Number of Issues</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>
<b>Investment securities held to maturity</b>	<b>(dollars in thousands)</b>								
Residential mortgage-backed securities:									
Issued by FNMA and FHLMC	-	\$ -	\$ -	15	\$ 8,087	\$ (1,667)	15	\$ 8,087	\$ (1,667)
Issued by GNMA	1	1,663	(28)	1	407	(46)	2	2,070	(74)
Obligations of state and political subdivisions	4	1,664	(28)	8	2,896	(234)	12	4,560	(262)
Corporate obligations	-	-	-	22	22,925	(2,075)	22	22,925	(2,075)
<b>Total</b>	<b>5</b>	<b>\$ 3,327</b>	<b>\$ (56)</b>	<b>46</b>	<b>\$ 34,315</b>	<b>\$ (4,022)</b>	<b>51</b>	<b>\$ 37,642</b>	<b>\$ (4,078)</b>

	<b>December 31, 2024</b>								
	<b>Less than 12 months</b>			<b>12 months or longer</b>			<b>Total</b>		
	<b>Number of Issues</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Number of Issues</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Number of Issues</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>
<b>Investment securities held to maturity</b>	<b>(dollars in thousands)</b>								
Residential mortgage-backed securities:									
Issued by FNMA and FHLMC	-	\$ -	\$ -	15	\$ 8,052	\$ (1,830)	15	\$ 8,052	\$ (1,830)
Issued by GNMA	1	1,646	(51)	1	401	(55)	2	2,047	(106)
Obligations of state and political subdivisions	3	1,132	(32)	10	3,723	(261)	13	4,855	(293)
Corporate obligations	-	-	-	22	22,618	(2,382)	22	22,618	(2,382)
<b>Total</b>	<b>4</b>	<b>\$ 2,778</b>	<b>\$ (83)</b>	<b>48</b>	<b>\$ 34,794</b>	<b>\$ (4,528)</b>	<b>52</b>	<b>\$ 37,572</b>	<b>\$ (4,611)</b>

During the three months ended March 31, 2025 and 2024, there were no securities sold.

Investment securities with a market value of \$6.7 million, \$603,000 and \$47.4 million, respectively, were pledged as collateral for municipal deposits, Federal Home Loan Bank ("FHLB") and Federal Reserve Bank ("FRB") borrowings at March 31, 2025. Investment securities with a market value of \$1.3 million, \$622,000 and \$49.9 million, respectively, were pledged as collateral for municipal deposits, FHLB and FRB borrowings at December 31, 2024.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

**Note 6 – Loans and Allowance for Credit Losses on Loans**

The composition of loans is as follows as of the dates indicated:

	<b>March 31, 2025</b>	<b>December 31, 2024</b>
	<b>(in thousands)</b>	
Commercial and industrial	\$ 651,690	\$ 576,625
Commercial real estate:		
Owner-occupied	694,113	671,357
Investor	1,160,549	1,181,684
Construction and development	200,262	205,096
Multi-family	308,217	287,843
Residential real estate:		
Residential mortgage and first lien home equity loans	142,298	142,769
Home equity—second lien loans and revolving lines of credit	52,438	51,020
Consumer and other	29,760	31,324
	<u>3,239,327</u>	<u>3,147,718</u>
Net deferred loan fees and costs	(3,288)	(3,452)
<b>Total loans</b>	<b>\$ 3,236,039</b>	<b>\$ 3,144,266</b>

As of March 31, 2025 loans held for sale were \$618,000. There were no loans held for sale as of December 31, 2024. Mortgage and Small Business Administration (“SBA”) loans originated and intended for sale in the secondary market are included in loans held for sale and are reported at the lower of cost or fair value, as determined by the aggregate commitments from investors or current investor yield requirements.

Accrued interest receivable is not included in the amortized cost basis of the Company’s loans. Additionally, the Company does not estimate an allowance for credit losses on accrued interest receivable as the Company has a policy to charge off accrued interest deemed uncollectible in a timely manner. When a loan is placed on nonaccrual status, which occurs when a borrower becomes delinquent by 90 days, interest previously accrued but not collected is reversed against current period interest income. Accrued interest receivable for loans totaled \$13.9 million and \$13.4 million at March 31, 2025 and December 31, 2024, respectively, with no related ACL and was reported in accrued interest receivable on the accompanying Consolidated Statements of Financial Condition.

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, such as current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. The following tables summarizes the Company's loans by year of origination and internally assigned credit risk rating at March 31, 2025 and December 31, 2024. See the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2024, as filed with the FDIC for additional information about asset classifications. There were no loans classified as “doubtful” or “loss” as of March 31, 2025 and December 31, 2024.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

**Note 6 – Loans and Allowance for Credit Losses on Loans — (Continued)**

	Loans by Year of Origination at March 31, 2025							
	2025	2024	2023	2022	2021	Prior	Revolving	Total
Commercial and industrial	(in thousands)							
Pass	\$ 22,356	\$ 95,359	\$ 59,312	\$ 54,086	\$ 30,016	\$ 45,620	\$ 324,395	\$ 631,144
Special Mention	-	-	4,768	-	1,956	3,315	2,900	12,939
Substandard	-	142	244	206	-	7,015	-	7,607
Total Commercial and industrial	\$ 22,356	\$ 95,501	\$ 64,324	\$ 54,292	\$ 31,972	\$ 55,950	\$ 327,295	\$ 651,690
Owner-occupied								
Pass	\$ 31,945	\$ 120,925	\$ 62,656	\$ 81,771	\$ 83,712	\$ 245,635	\$ 14,086	\$ 640,730
Special Mention	-	-	-	30,519	322	1,177	4,750	36,768
Substandard	-	-	270	842	-	15,503	-	16,615
Total Owner-occupied	\$ 31,945	\$ 120,925	\$ 62,926	\$ 113,132	\$ 84,034	\$ 262,315	\$ 18,836	\$ 694,113
Investor								
Pass	\$ 4,458	\$ 76,983	\$ 64,577	\$ 204,291	\$ 179,982	\$ 619,525	\$ 8,194	\$ 1,158,010
Substandard	-	-	-	-	-	2,539	-	2,539
Total Investor	\$ 4,458	\$ 76,983	\$ 64,577	\$ 204,291	\$ 179,982	\$ 622,064	\$ 8,194	\$ 1,160,549
Construction and development								
Pass	\$ 6,485	\$ 54,269	\$ 44,636	\$ 50,836	\$ 10,776	\$ 17,415	\$ 15,845	\$ 200,262
Total Construction and development	\$ 6,485	\$ 54,269	\$ 44,636	\$ 50,836	\$ 10,776	\$ 17,415	\$ 15,845	\$ 200,262
Multi-family								
Pass	\$ 2,981	\$ 29,887	\$ 28,284	\$ 75,451	\$ 58,544	\$ 112,563	\$ 507	\$ 308,217
Total Multi-family	\$ 2,981	\$ 29,887	\$ 28,284	\$ 75,451	\$ 58,544	\$ 112,563	\$ 507	\$ 308,217
Residential mortgage and first lien home equity loans								
Pass	\$ 6,242	\$ 7,178	\$ 7,289	\$ 15,396	\$ 13,499	\$ 89,377	\$ 243	\$ 139,224
Substandard	-	-	-	-	-	3,074	-	3,074
Total Residential mortgage and first lien home equity loans	\$ 6,242	\$ 7,178	\$ 7,289	\$ 15,396	\$ 13,499	\$ 92,451	\$ 243	\$ 142,298
Home equity—second lien loans and revolving lines of credit								
Pass	\$ 675	\$ 1,770	\$ 1,970	\$ 1,333	\$ 152	\$ 6,081	\$ 40,034	\$ 52,015
Substandard	-	-	-	-	-	423	-	423
Total Home equity—second lien loans and revolving lines of credit	\$ 675	\$ 1,770	\$ 1,970	\$ 1,333	\$ 152	\$ 6,504	\$ 40,034	\$ 52,438
Consumer and other								
Pass	\$ 22	\$ 3,179	\$ 3,162	\$ 1,992	\$ 3,102	\$ 2,745	\$ 15,555	\$ 29,757
Substandard	-	-	-	-	-	3	-	3
Total Consumer and other	\$ 22	\$ 3,179	\$ 3,162	\$ 1,992	\$ 3,102	\$ 2,748	\$ 15,555	\$ 29,760
Total Loans								
Pass	\$ 75,164	\$ 389,550	\$ 271,886	\$ 485,156	\$ 379,783	\$ 1,138,961	\$ 418,859	\$ 3,159,359
Special Mention	-	-	4,768	30,519	2,278	4,492	7,650	49,707
Substandard	-	142	514	1,048	-	28,557	-	30,261
Total Loans	\$ 75,164	\$ 389,692	\$ 277,168	\$ 516,723	\$ 382,061	\$ 1,172,010	\$ 426,509	\$ 3,239,327

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

**Note 6 – Loans and Allowance for Credit Losses on Loans — (Continued)**

	Loans by Year of Origination at December 31, 2024						Revolving	Total
	2024	2023	2022	2021	2020	Prior		
Commercial and industrial	(in thousands)							
Pass	\$ 97,820	\$ 60,531	\$ 57,446	\$ 32,131	\$ 9,916	\$ 31,096	\$ 270,571	\$ 559,511
Special Mention	-	4,707	-	1,965	680	2,655	-	10,007
Substandard	-	-	65	-	-	7,042	-	7,107
Total Commercial and industrial	\$ 97,820	\$ 65,238	\$ 57,511	\$ 34,096	\$ 10,596	\$ 40,793	\$ 270,571	\$ 576,625
Owner-occupied								
Pass	\$ 121,187	\$ 62,690	\$ 94,752	\$ 84,726	\$ 61,417	\$ 191,739	\$ 11,576	\$ 628,087
Special Mention	-	-	21,385	324	-	-	4,750	26,459
Substandard	-	273	842	-	3,200	12,496	-	16,811
Total Owner-occupied	\$ 121,187	\$ 62,963	\$ 116,979	\$ 85,050	\$ 64,617	\$ 204,235	\$ 16,326	\$ 671,357
Investor								
Pass	\$ 75,560	\$ 64,733	\$ 205,247	\$ 181,136	\$ 121,946	\$ 523,539	\$ 6,719	\$ 1,178,880
Substandard	-	-	-	-	-	2,804	-	2,804
Total Investor	\$ 75,560	\$ 64,733	\$ 205,247	\$ 181,136	\$ 121,946	\$ 526,343	\$ 6,719	\$ 1,181,684
Construction and development								
Pass	\$ 42,394	\$ 42,880	\$ 71,928	\$ 11,879	\$ -	\$ 17,675	\$ 18,228	\$ 204,984
Substandard	-	-	-	-	-	112	-	112
Total Construction and development	\$ 42,394	\$ 42,880	\$ 71,928	\$ 11,879	\$ -	\$ 17,787	\$ 18,228	\$ 205,096
Multi-family								
Pass	\$ 29,879	\$ 28,323	\$ 56,032	\$ 58,799	\$ 49,949	\$ 64,320	\$ 347	\$ 287,649
Substandard	-	-	-	-	-	194	-	194
Total Multi-family	\$ 29,879	\$ 28,323	\$ 56,032	\$ 58,799	\$ 49,949	\$ 64,514	\$ 347	\$ 287,843
Residential mortgage and first lien home equity loans								
Pass	\$ 7,776	\$ 7,398	\$ 16,489	\$ 16,476	\$ 23,699	\$ 67,660	\$ 97	\$ 139,595
Substandard	-	-	-	-	-	3,174	-	3,174
Total Residential mortgage and first lien home equity loans	\$ 7,776	\$ 7,398	\$ 16,489	\$ 16,476	\$ 23,699	\$ 70,834	\$ 97	\$ 142,769
Home equity—second lien loans and revolving lines of credit								
Pass	\$ 1,579	\$ 2,124	\$ 1,242	\$ 155	\$ 153	\$ 4,474	\$ 40,882	\$ 50,609
Substandard	-	-	-	-	-	411	-	411
Total Home equity—second lien loans and revolving lines of credit	\$ 1,579	\$ 2,124	\$ 1,242	\$ 155	\$ 153	\$ 4,885	\$ 40,882	\$ 51,020
Consumer and other								
Pass	\$ 3,186	\$ 3,197	\$ 2,049	\$ 3,125	\$ 1,920	\$ 1,062	\$ 16,782	\$ 31,321
Substandard	-	-	-	-	-	3	-	3
Total Consumer and other	\$ 3,186	\$ 3,197	\$ 2,049	\$ 3,125	\$ 1,920	\$ 1,065	\$ 16,782	\$ 31,324
<b>Total Loans</b>								
Pass	\$ 379,381	\$ 271,876	\$ 505,185	\$ 388,427	\$ 269,000	\$ 901,565	\$ 365,202	\$ 3,080,636
Special Mention	-	4,707	21,385	2,289	680	2,655	4,750	36,466
Substandard	-	273	907	-	3,200	26,236	-	30,616
<b>Total Loans</b>	<b>\$ 379,381</b>	<b>\$ 276,856</b>	<b>\$ 527,477</b>	<b>\$ 390,716</b>	<b>\$ 272,880</b>	<b>\$ 930,456</b>	<b>\$ 369,952</b>	<b>\$ 3,147,718</b>

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

**Note 6 – Loans and Allowance for Credit Losses on Loans — (Continued)**

The following tables summarize gross charge-offs by year of origination for the three months ended March 31, 2025 and 2024:

	2025	2021-2024	Prior	Total
<b>Three Months Ended March 31, 2025</b>	<b>(in thousands)</b>			
Consumer and other	\$ 1	\$ -	\$ 3	\$ 4
Total charge-offs	\$ 1	\$ -	\$ 3	\$ 4

  

	2024	2020-2023	Prior	Total
<b>Three Months Ended March 31, 2024</b>	<b>(in thousands)</b>			
Commercial real estate:				
Investor <sup>(1)</sup>	\$ -	\$ -	\$ 5,494	\$ 5,494
Consumer and other	4	-	-	4
Total charge-offs	\$ 4	\$ -	\$ 5,494	\$ 5,498

(1) Includes \$5.5 million in a purchase credit deterioration ("PCD") loan charge-off which was reserved for through acquisition accounting marks at the time of the Malvern Bancorp, Inc. and Malvern Bank, National Association ("Malvern") acquisition in July 2023.

The performance and credit quality of the loan portfolio is also monitored by analyzing the length of time a scheduled contractual payment is past due. The following tables present the classes of the loan portfolio summarized by past due status as of the dates indicated:

<b>March 31, 2025</b>								
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due and Still Accruing	Nonaccrual	PCD Non- accruing	Total Past Due	Total Current	Total
	<b>(in thousands)</b>							
Commercial and industrial	\$ 1,612	\$ 6,575	\$ -	\$ 1,368	\$ 420	\$ 9,975	\$ 641,715	\$ 651,690
Commercial real estate:								
Owner-occupied	2,024	59	-	4,073	2,324	8,480	685,633	694,113
Investor	1,016	-	-	-	-	1,016	1,159,533	1,160,549
Construction and development	-	-	-	-	-	-	200,262	200,262
Multi-family	2,750	-	-	-	-	2,750	305,467	308,217
Residential real estate:								
Residential mortgage and first lien home equity loans	2,364	-	-	1,004	2,027	5,395	136,903	142,298
Home equity—second lien loans and revolving lines of credit	719	-	-	365	-	1,084	51,354	52,438
Consumer and other	257	-	-	3	-	260	29,500	29,760
<b>Total</b>	<b>\$ 10,742</b>	<b>\$ 6,634</b>	<b>\$ -</b>	<b>\$ 6,813</b>	<b>\$ 4,771</b>	<b>\$ 28,960</b>	<b>\$ 3,210,367</b>	<b>\$ 3,239,327</b>

  

<b>December 31, 2024</b>								
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due and Still Accruing	Nonaccrual	PCD Non- accruing	Total Past Due	Total Current	Total
	<b>(in thousands)</b>							
Commercial and industrial	\$ 965	\$ 72	\$ -	\$ 777	\$ 432	\$ 2,246	\$ 574,379	\$ 576,625
Commercial real estate:								
Owner-occupied	1,090	-	-	4,152	2,359	7,601	663,756	671,357
Investor	60	-	-	-	-	60	1,181,624	1,181,684
Construction and development	-	-	-	-	112	112	204,984	205,096
Multi-family	-	-	304	194	-	498	287,345	287,843
Residential real estate:								
Residential mortgage and first lien home equity loans	1,815	304	-	866	2,104	5,089	137,680	142,769
Home equity—second lien loans and revolving lines of credit	155	68	23	351	-	597	50,423	51,020
Consumer and other	29	-	-	3	-	32	31,292	31,324
<b>Total</b>	<b>\$ 4,114</b>	<b>\$ 444</b>	<b>\$ 327</b>	<b>\$ 6,343</b>	<b>\$ 5,007</b>	<b>\$ 16,235</b>	<b>\$ 3,131,483</b>	<b>\$ 3,147,718</b>

Loans are placed on nonaccrual status when management determines that the full repayment of principal and collection of interest according to contractual terms is no longer likely, generally when the loan becomes 90 days or more past due. Interest previously accrued on nonaccrual loans but not collected is reversed against current period interest income.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

**Note 6 – Loans and Allowance for Credit Losses on Loans — (Continued)**

Nonaccrual loans by loan portfolio class, including loans acquired with credit deterioration, as of March 31, 2025 and December 31, 2024 are summarized as follows:

	March 31, 2025		
	Non-Accrual and PCD Non-Accruing Loans		
	With a Related Allowance	Without a Related Allowance	Total
	(in thousands)		
Commercial and industrial	\$ 906	\$ 882	\$ 1,788
Commercial real estate:			
Owner-occupied	-	6,397	6,397
Residential real estate:			
Residential mortgage and first lien home equity loans	-	3,031	3,031
Home equity—second lien loans and revolving lines of credit	-	365	365
Consumer and other	-	3	3
Total	\$ 906	\$ 10,678	\$ 11,584

	December 31, 2024		
	Non-Accrual and PCD Non-Accruing Loans		
	With a Related Allowance	Without a Related Allowance	Total
	(in thousands)		
Commercial and industrial	\$ 379	\$ 830	\$ 1,209
Commercial real estate:			
Owner-occupied	692	5,819	6,511
Construction and development	-	112	112
Multi-family	-	194	194
Residential real estate:			
Residential mortgage and first lien home equity loans	512	2,458	2,970
Home equity—second lien loans and revolving lines of credit	-	351	351
Consumer and other	-	3	3
Total	\$ 1,583	\$ 9,767	\$ 11,350

The total recorded investment in loans secured by residential real estate property that were in the process of foreclosure was \$364,000 and \$383,000 at March 31, 2025 and December 31, 2024, respectively. The Company had no foreclosed residential real estate property held at March 31, 2025 or December 31, 2024.

Loans totaling \$755.8 million and \$707.4 million at March 31, 2025 and December 31, 2024, respectively, were pledged as collateral for FHLB borrowings.

The outstanding principal balance and related carrying amount of PCD non-accruing loans were as follows as of the dates indicated:

	March 31, 2025	December 31, 2024
	(in thousands)	
Outstanding principal balance	\$ 6,997	\$ 8,602
Carrying amount	4,771	5,007

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

## Note 6 – Loans and Allowance for Credit Losses on Loans — (Continued)

The ACL on loans is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Credit quality within the loan portfolio is continuously monitored by management and is reflected within the ACL on loans. The ACL on loans is an estimate of lifetime expected losses inherent within the Company's existing loan portfolio.

The CECL model is primarily based on a vintage approach which estimates future losses over the expected life of the loan based on historical loan charge offs, net of recoveries and adjusted for certain qualitative factors. Based on the nature of the acquired Malvern loan portfolio and the loan data available, the Company utilizes a probability of default/loss given default method for these loans. Both methodologies utilize key assumptions and projections such as the expected life of each loan segment and economic projections. Key assumptions and projections are evaluated on at least a quarterly basis. During the three months, the Company continued to use the vintage approach and probability of default/loss given default and did not make any significant changes to the model or the key assumptions.

The following table presents the activity in the allowance for credit losses on loans by loan class for the periods indicated:

	Commercial real estate					Residential real estate		Consumer and other	Total
	Commercial and industrial	Owner-occupied	Investor	Construction and development	Multi-family	Residential mortgage and first lien home equity loans	Home equity-second lien loans and revolving lines of credit		
	(in thousands)								
<b>Three Months Ended March 31, 2025</b>									
Balance—beginning of period	\$ 15,390	\$ 6,014	\$ 8,644	\$ 2,063	\$ 2,589	\$ 1,202	\$ 1,272	\$ 599	\$ 37,773
Charge offs	-	-	-	-	-	-	-	(4)	(4)
Recoveries	4	11	-	-	4	-	-	-	19
Credit loss expense (benefit)	2,045	(200)	(578)	(122)	220	(50)	158	(38)	1,435
Balance—end of period	\$ 17,439	\$ 5,825	\$ 8,066	\$ 1,941	\$ 2,813	\$ 1,152	\$ 1,430	\$ 557	\$ 39,223
	Commercial and industrial	Owner-occupied	Investor	Construction and development	Multi-family	Residential mortgage and first lien home equity loans	Home equity-second lien loans and revolving lines of credit	Consumer and other	Total
	(in thousands)								
<b>Three Months Ended March 31, 2024</b>									
Balance—beginning of period	\$ 14,195	\$ 4,965	\$ 14,887	\$ 2,482	\$ 3,079	\$ 1,310	\$ 926	\$ 553	\$ 42,397
Charge offs <sup>(1)</sup>	-	-	(5,494)	-	-	-	-	(4)	(5,498)
Recoveries	187	12	-	-	6	-	-	-	205
Credit loss expense (benefit)	(197)	154	(486)	(103)	(44)	(24)	28	(36)	(708)
Balance—end of period	\$ 14,185	\$ 5,131	\$ 8,907	\$ 2,379	\$ 3,041	\$ 1,286	\$ 954	\$ 513	\$ 36,396

(1) Includes \$5.5 million in a PCD loan charge-off which was reserved for through acquisition accounting marks at the time of the Malvern acquisition in July 2023.

The increase in ACL balance and credit loss expense compared to the same period in 2024 was primarily due to a higher level of loan growth, the increase in past due loans and a slight adjustment to qualitative factors due to recent economic uncertainties. The Company recorded a benefit for credit losses totaling \$708,000 during the first quarter of 2024. The credit loss benefit was primarily due to the Bank's strong and stable asset quality and lack of loan growth during the quarter.

The Company also records an ACL for unfunded loan commitments that is recorded in other liabilities in the Consolidated Statements of Financial Condition. The ACL on unfunded loan commitments is based upon an evaluation of the unfunded credit facilities, including an assessment of historical commitment utilization experience and credit risk. The credit risk is evaluated similarly to the analysis for the ACL on loans. Net adjustments to the reserve for unfunded loan commitments are recorded to credit loss expense.

The following table presents the activity in the allowance for credit losses on unfunded commitments for the periods indicated:

	Three Months Ended March 31,	
	2025	2024
	(in thousands)	
Balance—beginning of period	\$ 587	\$ 490
Credit loss expense	106	16
Balance—end of period	\$ 693	\$ 506

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

**Note 6 – Loans and Allowance for Credit Losses on Loans — (Continued)**

Loans are collateral-dependent when the debtor is experiencing financial difficulty and repayment is expected to be provided substantially through the sale or operation of the collateral. The expected credit loss for collateral dependent loans is measured as the difference between the amortized cost basis of the loan and the fair value of the collateral, which is adjusted to reflect the estimated cost to sell. Fair value estimates for collateral dependent loans are derived from appraised values based on the current market value or the "as is" value of the collateral, normally from recently received and reviewed appraisals. Current appraisals are ordered on a regular basis based on the inspection date or more often if market conditions necessitate. If the calculated expected credit loss is determined to be permanent or not recoverable, the amount of the expected credit loss is charged off.

During the current quarter, there were no significant changes to the underlying collateral and there was no deterioration noted in the collateral. Total collateral dependent loans include one commercial and industrial loan with an outstanding amount of \$787,000 and \$824,000 at March 31, 2025 and December 31, 2024, respectively, which was partially charged off in previous years.

The following table discloses collateral dependent loans as of the dates indicated:

	<b>Collateral class</b>	<b>March 31, 2025</b>	<b>December 31, 2024</b>
		<b>(in thousands)</b>	
Commercial and industrial	Business Assets	\$ 948	\$ 965
Commercial real estate:			
Owner-occupied	Commercial real estate	6,398	6,510
Construction and development	Land	-	112
Multi-family	Commercial real estate	-	194
Residential real estate:			
Residential mortgage and first lien home equity loans	Residential real estate	2,853	2,970
Home equity—second lien loans and revolving lines of credit	Residential real estate	344	351
<b>Total</b>		<b>\$ 10,543</b>	<b>\$ 11,102</b>

Collateral dependent loans are measured for impairment on a loan-by-loan basis for commercial and industrial loans and commercial real estate loans by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment.

***Loan Modifications to Borrowers Experiencing Financial Difficulty***

Loan modifications to borrowers experiencing financial difficulty may include a reduction in interest rate, an extension in term, principal forgiveness and/or other than insignificant payment delay. Upon the Company's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is charged off.

For the three ended March 31, 2025, all loan modifications were term extensions. As of March 31, 2025 and December 31, 2024, loans with modifications to borrowers experiencing financial difficulty totaled \$4.3 million and \$5.0 million, respectively. There were no outstanding commitments to lend additional funds to such borrowers as of March 31, 2025 or December 31, 2024.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

**Note 6 – Loans and Allowance for Credit Losses on Loans — (Continued)**

The following table presents loans modifications made to borrowers experiencing financial difficulty during the three months ended March 31, 2025:

	<u>Term Extension</u>	<u>Total</u>	<u>% of Total by Loan Portfolio Segment</u>
	<u>(in thousands)</u>		
<b>Three Months Ended March 31, 2025</b>			
Commercial and industrial	\$ 821	\$ 821	0.13%
Commercial real estate:			
Owner-occupied	2,580	2,580	0.37%
<b>Total</b>	<u>\$ 3,401</u>	<u>\$ 3,401</u>	<u>0.10%</u>

All term extensions included in the table above were between three to twelve months.

For the three months ended March 31, 2024, there were no modifications to loans to borrowers experiencing financial difficulty.

The Company closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table provides the performance of loans modified to borrowers experiencing financial difficulty during the twelve months ended March 31, 2025:

	<u>Current</u>	<u>Nonaccrual</u>	<u>Total</u>
	<u>(in thousands)</u>		
<b>March 31, 2025</b>			
Commercial and industrial	\$ 278	\$ 603	\$ 881
Commercial real estate:			
Owner-occupied	-	3,367	3,367
Residential real estate:			
Residential mortgage and first lien home equity loans	416	74	490
<b>Total</b>	<u>\$ 694</u>	<u>\$ 4,044</u>	<u>\$ 4,738</u>

For the twelve months ended on March 31, 2024, one commercial and industrial loan was modified, whereby the borrower was experiencing financial difficulty at the time of modification. The modification was a principal reduction and resulted in a charge off in the amount of \$272,000. The remaining balance was paid off during the twelve months ended March 31, 2024.

**Note 7 - Deposits**

The major types of deposits at March 31, 2025 and December 31, 2024 were as follows:

	<u>March 31, 2025</u>	<u>December 31, 2024</u>
	<u>(in thousands)</u>	
Non-interest bearing demand deposits	\$ 535,584	\$ 519,320
Interest bearing demand deposits	629,974	629,099
Money market deposits	1,053,989	1,047,114
Savings deposits	143,528	150,925
Time deposits	756,719	709,438
<b>Total deposits</b>	<u>\$ 3,119,794</u>	<u>\$ 3,055,896</u>

The aggregate amount of demand and savings deposit overdrafts that have been reclassified as loans was \$112,000 and \$173,000 at March 31, 2025 and December 31, 2024, respectively. Included in time deposits at March 31, 2025 and December 31, 2024 was \$179.2 million and \$167.4 million, respectively, of deposits of \$250,000 or more. The Company had \$274.9 million and \$251.1 million in brokered deposits at March 31, 2025 and December 31, 2024, respectively.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

### Note 8 – Borrowings and Subordinated Debentures

The balance in borrowings at March 31, 2025 and December 31, 2024 consisted of FHLB advances and other secured borrowings. FHLB advances are secured by pledges of certain eligible collateral, including U.S. government and agency mortgage-backed securities and commercial loans. All of the Company's outstanding FHLB advances are fixed rate with original maturity periods ranging from one month to three years. All of the FHLB advances are interest only with a balloon payment due at maturity. One advance, in the amount of \$100.0 million, issued on August 19, 2024 with a final maturity on August 19, 2027 has a one-time put option one year from the date of the issuance. FHLB advances and other secured borrowings totaled \$275.0 million and \$6.9 million, respectively, at March 31, 2025. FHLB advances and other secured borrowings totaled \$240.0 million and \$6.9 million, respectively, at December 31, 2024. FHLB advances had a weighted average interest rate of 4.15% and 4.24% at March 31, 2025 and December 31, 2024, respectively.

As a member of the FHLB, the Company is eligible to borrow funds up to 50% of total assets from the FHLB subject to its stock and collateral requirements. Based on available qualified collateral as of March 31, 2025, the Company had the ability to borrow an additional \$228.2 million from the FHLB. The Company's borrowing facility at March 31, 2025 included \$603,000 in pledged securities, and \$755.8 million in commercial real estate loan collateral. At December 31, 2024, the Company had \$622,000 in pledged securities, and \$707.4 million in commercial real estate loan collateral. The Company's borrowing capacity with the FRB at March 31, 2025 and December 31, 2024 was \$39.1 million and \$40.7 million, respectively, based on qualified investment security collateral. The Company had no outstanding borrowings from the Federal Reserve Bank at March 31, 2025 or December 31, 2024.

The following table presents the contractual maturities of the Company's borrowings at March 31, 2025:

	<b>March 31, 2025</b>
	<b>(in thousands)</b>
April 1, 2025 - March 31, 2026	\$ 155,000
April 1, 2026 - March 31, 2027	20,000
April 1, 2027 - March 31, 2028	100,000
April 1, 2028 - March 31, 2029	-
April 1, 2029 - March 31, 2030	-
Thereafter	6,867
<b>Total</b>	<b>\$ 281,867</b>

The Company also had lines of credit for short-term borrowings with three correspondent banks at March 31, 2025 and December 31, 2024 totaling \$85.0 million. There were no borrowings on these facilities at either date.

Subordinated debenture notes ("notes") totaled \$30.0 million and \$29.9 million at March 31, 2025 and December 31, 2024, respectively. On May 29, 2020, the Company completed a \$30.0 million private placement of fixed-to-floating rate subordinated debentures. The notes have a maturity date of June 1, 2030 and carry a fixed interest rate of 5.50% for the first five years. Thereafter, the notes will pay interest at SOFR plus 5.38%. The notes include a right of prepayment, without penalty, on or after June 1, 2025. The subordinated debentures qualify as Tier II capital for regulatory capital purposes. The subordinated debentures, net, totaled \$30.0 million at March 31, 2025, which includes \$19,000 of debt issuance costs that are being amortized over the expected life. Principal payment of these subordinated debentures is not due until maturity. As a part of Malvern acquisition, the Company assumed \$25.5 million of subordinated notes, which included \$419,000 of fair value adjustment premium at December 31, 2023, being amortized over the expected life. These subordinated debentures were retired on February 15, 2024. The remaining fair value adjustment of \$409,000 was amortized at retirement.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

### Note 9 – Goodwill and Other Intangible Assets

The Company's intangible assets consist of goodwill and core deposit intangibles that were recorded in connection with acquisitions. Intangible assets also include loan servicing rights related to loan servicing retained in connection with the origination and sale of loans guaranteed by the Small Business Administration.

Goodwill arising from acquisitions consists largely of the synergies and economies of scale expected from combining the operations of the acquired companies or branches. None of the goodwill is expected to be deductible for income tax purposes. Goodwill is not amortized but is subject to annual tests for impairment or more often if events or circumstances indicate it may be impaired. The Company may elect to perform a qualitative assessment for the annual impairment test. If the qualitative assessment indicates it is more likely than not that the fair value of a reporting unit is less than its carrying amount, or if the Company elects not to perform a qualitative assessment, then the Company would be required to perform a quantitative test for goodwill impairment. If the estimated fair value of the reporting unit is less than the carrying value, goodwill is impaired and is written down to its estimated fair value.

The Company performed a qualitative assessment of goodwill as of August 31, 2024, which is the Company's established annual assessment date, and determined that none of the Company's goodwill was impaired as of August 31, 2024. As of March 31, 2025 and December 31, 2024, no triggering events were identified. Therefore, the Company did not perform an interim impairment evaluation.

The Company's core deposit intangibles are included in other intangible assets, net, on the Consolidated Statements of Financial Condition and are amortized on an accelerated basis using an estimated life of ten years. An impairment loss would be recognized if the carrying amount of the intangible asset is not recoverable and exceeds fair value. The carrying amount of the intangible asset is not considered recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of the asset.

A portion of certain SBA loans originated by the Company are sold to third parties, however, the Company may retain the servicing rights related to these loans. An intangible asset, referred to as loan servicing rights ("LSRs"), is recognized when a loan's servicing rights are retained upon the sale of a loan. All of the Company's LSRs relate to the sold portion of SBA loans and are similar in nature. LSRs are initially recorded at fair value based on a valuation model which calculates the present value of estimated future servicing income and are included in other intangible assets, net, on the Consolidated Statements of Financial Condition. LSRs are amortized over the period of the economic life of the assets arising from estimated net servicing revenues. LSRs are evaluated quarterly for impairment based upon the fair value of the LSRs as compared to the carrying amounts. The amortization of the LSRs is recorded as a reduction to servicing income received, which is included in loan fees on the Consolidated Statements of Income. The model incorporates assumptions that market participants use in estimating future net servicing income, including estimates of prepayment speeds and discount rates. Loan prepayment speed is the annual rate at which borrowers are forecasted to repay their mortgage loan principal and is based on historical experience. The discount rate is used to determine the present value of future net servicing income. Another key assumption in the model is the required rate of return the market would expect for an asset with similar risk. These assumptions can, and generally will, change quarterly valuations as market conditions and interest rates change. Subsequent to the initial valuation, LSRs amortize in proportion to, and over the period of, the estimated future net servicing life of the underlying loans.

The following table presents the Company's core deposit intangibles and loan servicing rights for the periods presented:

	<b>Three Months Ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
	<b>(in thousands)</b>	
<b>Core deposit intangibles</b>		
Balance—beginning of period	\$ 8,377	\$ 10,376
Amortization	(467)	(524)
Balance—end of the period	<u>\$ 7,910</u>	<u>\$ 9,852</u>
<b>Loan servicing rights</b>		
Balance—beginning of period	\$ 450	\$ 436
New LSRs	7	61
Amortization	(26)	(32)
Balance—end of the period	<u>\$ 431</u>	<u>\$ 465</u>
Fair value	<u>\$ 485</u>	<u>\$ 502</u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

### Note 10 – Income Taxes

The Company accounts for income taxes under the liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets and liabilities are adjusted for the effects of the changes in tax laws and rates as of the date of enactment. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Increases or decreases in the valuation reserve are charged or credited to income tax expense.

As of March 31, 2025 and December 31, 2024, the Company had net deferred tax assets of \$25.2 million and \$25.5 million, respectively. These deferred tax assets can only be realized if the Company generates taxable income in the future. The Company regularly evaluates the feasibility of deferred tax asset positions. In determining whether a valuation allowance is necessary, the level of taxable income in prior years is considered to the extent that carrybacks are permitted under current tax laws, as well as estimates of future pre-tax and taxable income and tax planning strategies that would, if necessary, be implemented. The Company expects to realize the deferred tax assets over the allowable carryback and/or carryforward periods. Therefore, no valuation allowance was deemed necessary against the deferred tax assets as of March 31, 2025 or December 31, 2024. However, if an unanticipated event occurred that materially changed pre-tax and taxable income in future periods, a valuation allowance may become necessary and could have a material effect on the Company's condensed consolidated financial statements.

When tax returns are filed, some tax positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the consolidated balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. The Company does not have uncertain tax positions that it deems material.

On June 28, 2024, New Jersey passed legislation which enacted a 2.5% surtax, termed the "Corporate Transit Fee," on certain Corporation Business Tax ("CBT") taxpayers that have New Jersey allocated taxable net income over \$10 million. The new surtax is in addition to the CBT and applies to privilege periods beginning on or after January 1, 2024, through December 31, 2028. The Corporate Transit Fee of 2.5% is levied on businesses with annual taxable net income allocated to New Jersey greater than \$10 million for the 2024–2028 privilege periods. Accordingly, these businesses will be subject to an 11.5% tax as opposed to the standard CBT rate of 9%. The new 11.5% rate will be imposed on the entire amount of taxable net income, not only the excess over \$10 million.

The Company made an equity investment in a limited liability company which sponsored Solar Tax Credit. The purpose of the investment is to assist in achieving goals associated with the Community Reinvestment Act. This investment is accounted for under PAM ("Proportional amortization method") and provides tax benefits to investors in the form of tax deductions from operating losses and tax credits. Under PAM, the initial cost of the investment is amortized in proportion to the credits and other tax benefits received and the net investment performance is recognized in the income statement as a component of income tax expense. The Company's Solar Tax Credit commitment is \$2.5 million. The Company has invested \$333,000 as of March 31, 2025, which is included in the Other Assets in the unaudited consolidated financial statements. The estimated impact of the income tax credits and other income tax benefits for the three months ended March 31, 2025 was \$121,000 which is included in income tax expense in the unaudited consolidated statements of income.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

### Note 10 – Income Taxes — (Continued)

The Company recorded a \$2.8 million tax expense for the three months ended March 31, 2025 reflecting an effective tax rate of 22.7% compared to \$2.7 million with an effective tax rate of 17.5% for the same period of 2024. The effective tax rate for the first quarter of 2025 included the impact of certain discrete items related to stock compensation activity as well as the impact of additional tax credit investments made by the Bank during the quarter. The effective tax rate for the first quarter of 2024 was lower due to certain one-time adjustments primarily related to the finalization of certain tax items related to our acquisition of Malvern.

The Company recognizes interest and/or penalties related to income tax matters in income tax expense.

### Note 11 – Commitments and Contingencies

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Statements of Financial Condition.

At March 31, 2025 and December 31, 2024, commitments to extend credit totaled \$609.8 million and \$569.9 million, respectively. At March 31, 2025 and December 31, 2024, the Company had outstanding standby letters of credit of \$21.2 million and \$18.1 million, respectively.

The Company had recorded allowance for credit losses on unfunded commitments of \$693,000 and \$597,000 at March 31, 2025 and December 31, 2024 respectively.

In the ordinary course of business, the Company is party to litigation involving collection matters, contract claims and other miscellaneous causes of action arising from its business. Management does not consider that any such proceedings depart from usual routine litigation.

### Note 12 – Fair Value Measurements and Fair Values of Financial Instruments

#### Fair Value Measurement

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

The Company follows ASC Topic 820, Fair Value Measurement, which 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 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 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).

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

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

**Note 12 – Fair Value Measurements and Fair Values of Financial Instruments — (Continued)**

**Fair Value on a Recurring Basis**

**Investment Securities**

Investment securities available for sale are measured at fair value by using quoted market prices on nationally recognized securities exchanges (Level 1), or matrix pricing (Level 2), which is a mathematical technique used widely in the industry to value debt 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. For certain securities which are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity or non-transferability, and such adjustments are based on available market evidence (Level 3). In the absence of such evidence, management's best estimate is used. Management's best estimate consists of both internal and external support on certain Level 3 investments. Internal cash flow models using a present value formula that includes assumptions market participants would use along with indicative exit pricing obtained from broker/dealers, where available, are used to support the fair values of certain Level 3 investments.

**Equity Securities**

The Company has one equity security which is a Community Reinvestment Act ("CRA") eligible Fund that is actively traded. The fair value is derived via active trades which are Level 1 inputs.

**Derivatives**

The Company records all derivatives on the Consolidated Statements of Financial Condition at fair value. The Company currently only has interest rate derivatives resulting from a service provided to certain qualified borrowers in a loan-related transaction. The fair value of the Company's derivatives is determined using discounted cash flow analysis using observable market-based inputs, which are considered Level 2 inputs.

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy are presented in the following tables as of the dates indicated:

	<b>March 31, 2025</b>			
	<b>Total</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
		<b>(in thousands)</b>		
<b>Investment securities available for sale:</b>				
U.S. Government-sponsored agency securities	\$ 2,499	\$ -	\$ 2,499	\$ -
Residential mortgage-backed securities:				
Issued by FNMA and FHLMC	52,949	-	52,949	-
Issued by GNMA	19,450	-	19,450	-
U.S. Treasury securities	5,963	5,963	-	-
SBA pools	2,803	-	2,803	-
Asset-backed securities	404	-	404	-
Corporate obligations	991	-	991	-
<b>Total securities available for sale</b>	<b>\$ 85,059</b>	<b>\$ 5,963</b>	<b>\$ 79,096</b>	<b>\$ -</b>
Equity securities	1,898	1,898	-	-
Derivative assets	11,991	-	11,991	-
<b>Total</b>	<b>\$ 98,948</b>	<b>\$ 7,861</b>	<b>\$ 91,087</b>	<b>\$ -</b>
Derivative liabilities	\$ 11,991	\$ -	\$ 11,991	\$ -

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

**Note 12 – Fair Value Measurements and Fair Values of Financial Instruments — (Continued)**

<b>December 31, 2024</b>				
	<b>Total</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>(in thousands)</b>				
<b>Investment securities available for sale:</b>				
U.S. Government-sponsored agency securities	\$ 2,498	\$ -	\$ 2,498	\$ -
Residential mortgage-backed securities:				
Issued by FNMA and FHLMC	48,743	-	48,743	-
Issued by GNMA	18,938	-	18,938	-
SBA pools	2,812	-	2,812	-
Asset-backed securities	429	-	429	-
Corporate obligations	3,993	-	3,993	-
Total securities available for sale	\$ 77,413	\$ -	\$ 77,413	\$ -
Equity securities	1,870	1,870	-	-
Derivative assets	14,450	-	14,450	-
Total	\$ 93,733	\$ 1,870	\$ 91,863	\$ -
Derivative liabilities	\$ 14,450	\$ -	\$ 14,450	\$ -

**Fair Value on a Nonrecurring Basis**

Collateral dependent loans and other real estate owned are measured based on fair value of the underlying collateral; they are recorded at estimated fair value less estimated selling costs. Fair value is generally determined based upon independent third-party appraisals of the properties, or discounted cash flows based upon the expected proceeds. These loans and other real estate owned are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements.

For assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy are presented in the following tables as of the dates indicated:

<b>March 31, 2025</b>				
	<b>Total</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>(in thousands)</b>				
Collateral dependent loan	\$ 787	\$ -	\$ -	\$ 787
Other real estate owned	4,822	-	-	4,822
Total	\$ 5,609	\$ -	\$ -	\$ 5,609

<b>December 31, 2024</b>				
	<b>Total</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>(in thousands)</b>				
Collateral dependent loan	\$ 824	\$ -	\$ -	\$ 824
Other real estate owned	5,637	-	-	5,637
Total	\$ 6,461	\$ -	\$ -	\$ 6,461

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

**Note 12 – Fair Value Measurements and Fair Values of Financial Instruments — (Continued)**

The following tables present additional information about Level 3 assets measured at fair value on a nonrecurring basis as of the dates indicated:

Quantitative Information about Level 3 Fair Value Measurements March 31, 2025					
	Fair Value	Valuation Method	Unobservable Input	Discount (3)	Average (3)
	(dollars in thousands)				
Collateral dependent loans	\$ 787	Fair value of collateral (1)	Appraised Value (2)	8%	8%
Other real estate owned	4,822	Fair value of collateral (1)	Appraised Value (2)	7%	7%
Total	<u>\$ 5,609</u>				

Quantitative Information about Level 3 Fair Value Measurements December 31, 2024					
	Fair Value	Valuation Method	Unobservable Input	Discount (3)	Average (3)
	(dollars in thousands)				
Collateral dependent loans	\$ 824	Fair value of collateral (1)	Appraised Value (2)	8%	8%
Other real estate owned	5,367	Fair value of collateral (1)	Appraised Value (2)	10%	10%
Total	<u>\$ 6,191</u>				

(1) Fair value is generally determined through independent appraisals of the underlying collateral, which include Level 3 inputs that are unobservable.

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

(3) The range and weighted average of qualitative factors such as economic conditions and estimated liquidation expenses are presented as a percent of the appraised value.

**Fair Value of Financial Instruments**

Accounting guidance requires the disclosure of the estimated fair value of certain financial instruments, including those financial instruments for which the Company did not elect the fair value option, and requires the use of an exit price notion when measuring the fair value of financial instruments for disclosure purposes. Estimated fair values have been determined using available market information and appropriate valuation methodologies. Considerable judgment is required to interpret market data to develop estimates of fair value. The estimates presented are not necessarily indicative of amounts the Company could realize in a current market exchange. The use of alternative market assumptions and estimation methodologies could have a material effect on these estimates of fair value.

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

	March 31, 2025					
	Fair Value Measurements Using:					
	Carrying Amount	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	(in thousands)					
Financial Assets:						
Cash and cash equivalents	\$ 288,084	\$ 288,084	\$ 288,084	\$ -	\$ -	
Interest bearing time deposits with banks	743	740	-	740	-	
Investment securities available for sale	85,059	85,059	5,963	79,096	-	
Investment securities held to maturity	46,387	42,565	-	42,565	-	
Equity securities, at fair value	1,898	1,898	1,898	-	-	
Restricted investment in bank stocks	15,933	15,933	-	15,933	-	
Other investments	13,350	13,350	-	13,350	-	
Net loans	3,196,816	3,164,955	-	-	3,164,955	
Accrued interest receivable	14,889	14,889	-	14,889	-	
Derivative assets	11,991	11,991	-	11,991	-	
Loan servicing rights	431	485	-	-	485	
Financial Liabilities:						
Non-maturity deposits	2,363,075	2,363,075	2,363,075	-	-	
Time deposits	756,719	754,642	-	754,642	-	
Borrowings	281,867	281,840	-	281,840	-	
Subordinated debentures	29,981	29,810	-	29,810	-	
Accrued interest payable	4,887	4,887	-	4,887	-	
Derivative liabilities	11,991	11,991	-	11,991	-	

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

**Note 12 – Fair Value Measurements and Fair Values of Financial Instruments — (Continued)**

		December 31, 2024			
		Fair Value Measurements Using:			
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Carrying Amount	Estimated Fair Value				
(in thousands)					
Financial Assets:					
Cash and cash equivalents	\$ 271,914	\$ 271,914	\$ 271,914	\$ -	\$ -
Interest bearing time deposits with banks	743	740	-	740	-
Investment securities available for sale	77,413	77,413	-	77,413	-
Investment securities held to maturity	47,123	42,770	-	42,770	-
Equity securities, at fair value	1,870	1,870	1,870	-	-
Restricted investment in bank stocks	14,333	14,333	-	14,333	-
Other investments	11,612	11,612	-	11,612	-
Net loans	3,106,493	3,060,718	-	-	3,060,718
Accrued interest receivable	14,267	14,267	-	14,267	-
Derivative assets	14,450	14,450	-	14,450	-
Loan servicing rights	450	494	-	-	494
Financial Liabilities:					
Non-maturity deposits	2,346,458	2,346,458	2,346,458	-	-
Time deposits	709,438	705,995	-	705,995	-
Borrowings	246,933	246,655	-	246,655	-
Subordinated debentures	29,954	29,635	-	29,635	-
Accrued interest payable	3,820	3,820	-	3,820	-
Derivative liabilities	14,450	14,450	-	14,450	-

**Note 13 – Derivatives and Hedging Activities**

**Risk Management Objective of Using Derivatives**

The Company is exposed to certain risk arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its assets and liabilities and the use of derivative financial instruments. All changes in fair value of the Company's derivatives are recognized directly in earnings, reported in other income on the consolidated statements of income. As of March 31, 2025 and December 31, 2024, the changes in the fair value of derivative assets are off-set by the changes in the fair value of derivative liabilities so there is no net impact on the Consolidated Statements of Income. The changes in derivative assets and derivative liabilities are included as operating activities in the Consolidated Statement of Cash flows. The Company currently only has interest rate derivatives resulting from a service provided to certain qualified borrowers in a loan related transaction and, therefore, are not used to manage interest rate risk in the Company's assets or liabilities.

**Non-designated Hedges**

Derivatives not designated as hedges are not speculative and result from a service the Company provides to certain borrowers. The Company executes interest rate swaps with commercial banking customers to facilitate their respective risk management strategies. Those interest rate swaps are simultaneously hedged by offsetting derivatives that the Company executes with a third party, such that the Company minimizes its net risk exposure resulting from such transactions. As the interest rate derivatives associated with this program do not meet the strict hedge accounting requirements, changes in the fair value of both the customer derivatives and the offsetting derivatives are recognized directly in earnings.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

**Note 13 – Derivatives and Hedging Activities — (Continued)**

**Tabular Disclosure of Fair Values of Derivative Instruments on the Consolidated Statements of Financial Condition**

The tables below present the fair value of the Company's derivative financial instruments as well as their classification on the Consolidated Statements of Financial Condition as of the dates indicated:

	Fair Values of Derivative Instruments as of March 31, 2025					
	Derivative Assets			Derivative Liabilities		
	(in thousands)					
	Notional Amount	Consolidated Statements of Financial Condition Location	Fair Value	Notional Amount	Consolidated Statements of Financial Condition Location	Fair Value
Derivatives not designated as hedging instruments						
Interest Rate Products	\$ 184,085	Other Assets	\$ 11,991	\$ 184,085	Other Liabilities	\$ 11,991
Total derivatives not designated as hedging instruments (1)			\$ 11,991			\$ 11,991
Netting adjustments (2)			521			521
Cash collateral (3)			10,949			-
Net Derivative Amounts			\$ 521			\$ 11,470

	Fair Values of Derivative Instruments as of December 31, 2024									
	Derivative Assets			Derivative Liabilities						
	(in thousands)									
	Notional Amount	Consolidated Statements of Financial Condition Location	Fair Value	Notional Amount	Consolidated Statements of Financial Condition Location	Fair Value				
Derivatives not designated as hedging instruments										
Interest Rate Products	\$	172,570	Other Assets	\$	14,450	\$	172,570	Other Liabilities	\$	14,450
Total derivatives not designated as hedging instruments (1)				\$	14,450				\$	14,450
Netting adjustments (2)					210					210
Cash collateral (3)					13,932					-
Net Derivative Amounts				\$	308				\$	14,240

(1) Gross amounts are not offset in the Consolidated Statements of Financial Condition and the Company has not made an election to offset its derivative positions.

(2) Netting adjustments represents the amounts recorded to convert derivative assets and liabilities from a gross basis to a net basis in accordance with the applicable accounting guidance. The Company's interest rate swaps with institutional counterparties are subject to master netting arrangements. Interest rate swaps with commercial banking customers are not subject to master netting arrangements.

(3) Cash collateral represents the amount that cannot be used to offset our derivative assets and liabilities from a gross basis to a net basis in accordance with the applicable accounting guidance. The application of the collateral cannot reduce the net derivative position below zero. Therefore, excess other collateral, if any, is not reflected above.

**Credit-risk-related Contingent Features**

The Company has agreements with each of its derivative counterparties that contain a provision where if the Company either defaults or is capable of being declared in default on any of its indebtedness, then the Company could also be declared in default on its derivative obligations.

As of March 31, 2025 and December 31, 2024, the fair value of derivatives in a net asset position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was \$10.9 million and \$14.0 million, respectively. As of March 31, 2025, the Company received \$11.7 million in cash collateral related to these agreements and is included in restricted cash on the Consolidated Statement of Financial Condition. The Company did not post any cash collateral as of March 31, 2025. As of December 31, 2024, the Company received \$14.0 million in cash collateral related to these agreements. The Company did not post any cash collateral as of December 31, 2024 related to these agreements. If the Company had breached any of these provisions at March 31, 2025, it could have been required to settle its obligations under the agreements at their termination value of \$9.8 million.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

### Note 14 – Leases

As of March 31, 2025, the Company leased nineteen locations under non-cancellable operating leases, which expire at various dates through January 31, 2031. All of the Company's operating leases have renewal options. The renewal options are primarily for five years and are included in the calculation of the Company's right-of-use assets ("ROU") and lease liabilities when they are expected to be exercised. Certain leases also have escalation clauses which are primarily fixed dollar amount increases. No operating leases include variable lease payments. Two of the Company's operating leases are with related parties. The Company currently does not have any finance leases.

All of the operating leases in which the Company is the lessee are comprised of real property primarily for branches and office space. ROU assets and operating lease liabilities are reflected in the Consolidated Statements of Financial Condition in other assets and other liabilities, respectively.

The Company has elected not to include short-term leases (i.e., leases with initial terms of twelve months or less) in the Consolidated Statements of Financial Condition as provided for in the guidance. The Company did not enter into any short-term leases during the quarter ended March 31, 2025 or the year ended December 31, 2024.

The following provides additional information about the Company's operating leases:

	March 31, 2025	December 31, 2024
ROU assets (in thousands)	\$ 8,840	\$ 9,493
Lease liabilities (in thousands)	\$ 9,242	\$ 9,892
Weighted average remaining lease term (in years)	4.07	4.25
Weighted average discount rate	3.62%	3.61%

Future minimum payments for the periods ended:

(in thousands)	
March 31, 2026	\$ 2,032
March 31, 2027	2,472
March 31, 2028	2,361
March 31, 2029	1,835
March 31, 2030	809
Thereafter	444
Total Lease Payments	\$ 9,953
Less: Imputed interest	\$ (711)
Total lease liabilities	\$ 9,242

	Three Months Ended March 31,	
	2025	2024
	(in thousands)	
Operating lease cost (cost resulting from lease payments)	\$ 737	\$ 672
Operating cash flows from operating leases	\$ 740	\$ 581

Total lease rental expenses were \$990,000 and \$860,000 for the three months ended March 31, 2025 and 2024, respectively. Total rental expenses includes certain common area maintenance charges and equipment leasing expenses and is included in occupancy and equipment expense on the Consolidated Statements of Income.

### Note 15 – Subsequent Events

Management has evaluated subsequent events through the date of issuance of the Condensed Consolidated Financial Statements and does not believe any events warrant recording or disclosure in these Condensed Consolidated Financial Statements.

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

The following management discussion and analysis of the Company's consolidated financial condition as of March 31, 2025 and the results of operations for the three months ended March 31, 2025 and 2024 ("MD&A") should be read in conjunction with the consolidated audited financial statements, including notes thereto, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2024, as filed with the FDIC, and the other information therein. The Consolidated Statements of Financial Condition as of March 31, 2025, the Consolidated Statements of Income, the Consolidated Statements of Comprehensive Income, the Consolidated Statements of Changes in Stockholders' Equity and the Consolidated Statements of Cash Flows for the three months ended March 31, 2025 and 2024, are unaudited. The Consolidated Statements of Financial Condition as of December 31, 2024 was derived from the audited Consolidated Statements of Financial Condition that was included in the Company's Annual Report on Form 10-K for the year ended December 31, 2024. The consolidated financial statements include, in the opinion of management, all adjustments considered necessary for a fair presentation of such data. As used in this Quarterly Report on Form 10-Q, "we," "us," "our," "the Bank" and "the Company" refer to First Bank and its consolidated subsidiaries, unless otherwise noted.

**Cautionary Statement Concerning Forward-Looking Statements**

*This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements regarding First Bank's future financial and business performance, business and growth strategy, projected plans, objectives for our business, products and risk management, integration of the acquired businesses and anticipated results related thereto, our ability to recognize anticipated operational efficiencies, our market presence and desirability of the markets we operate in, competition in our markets, our competitive strength, consumers behavior and relative expectations, our share repurchase programs, anticipated changes in statutes, regulations or regulatory policies applicable to us and their impacts on our business, and other projections based on macroeconomic and industry conditions and trends, which are inherently unreliable due to the multiple factors that impact economic trends, and any such variations may be material. Such forward-looking statements are based on various facts and derived utilizing important assumptions, current expectations, estimates and projections about First Bank, any of which may change over time and some of which may be beyond First Bank's control. Statements preceded by, followed by or that otherwise include the words "believes," "expects," "anticipates," "intends," "projects," "estimates," "plans" and similar expressions or future or conditional verbs such as "will," "should," "would," "may" and "could" are generally forward-looking in nature and not historical facts, although not all forward-looking statements include the foregoing.*

*Further, certain important factors that could affect First Bank's future results and cause actual results to differ materially from those expressed in the forward-looking statements include, but are not limited to: whether First Bank can: successfully implement its growth strategy, including identifying acquisition targets and consummating and integrating suitable acquisitions, sustain its internal growth rate, and provide competitive products and services that appeal to its customers and target markets; difficult market conditions and unfavorable economic trends in the United States generally, and particularly in the market areas in which First Bank operates and in which its loans are concentrated, including the effects of inflation, declines in housing markets and public sentiment regarding the financial services industry; the chance that we may experience material weaknesses in our internal control over financial reporting or otherwise fail to maintain an effective system of internal controls in the future; an increase in unemployment levels and slowdowns in economic growth; First Bank's level of nonperforming assets and the costs associated with resolving any problem loans including litigation and other costs; changes in market interest rates may increase funding costs and reduce earning asset yields thus reducing margin; the impact of changes in interest rates, both up and down, and the credit quality and strength of underlying collateral and the effect of such changes on the market value of First Bank's investment securities portfolio; decreases in the value of securities and other assets, adequacy of loan loss reserves, or deposit levels necessitating increased borrowing to fund loans and investments; operational risks, including, but not limited to, cybersecurity incidents, fraud, natural disasters and future pandemic; the extensive federal and state regulation, supervision and examination governing almost every aspect of First Bank's operations, including the effect of any changes in regulations affecting financial institutions; First Bank's ability to comply with applicable capital and liquidity requirements, including the ability to generate liquidity internally or raise capital on favorable terms, including continued access to the debt and equity capital markets; and possible changes in trade, monetary and fiscal policies, accounting standards, laws and regulations and other activities of governments, agencies, and similar organizations.*

*For discussion of these and other risks, uncertainties, and assumptions, including the important factors that may cause actual results to differ from expectations, please refer to Item 1A. Risk Factors in this Annual Report on Form 10-K and any updates to those risk factors set forth in First Bank's subsequent Quarterly Reports on Form 10-Q or Current Reports on Form 8-K. If one or more events related to these or other risks or uncertainties materialize, or if First Bank's underlying assumptions prove to be incorrect, actual results may differ materially from what First Bank anticipates. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and First Bank does not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements, expressed or implied, included in this communication are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that First Bank or persons acting on First Bank's behalf may issue.*

## **Business Overview**

We are a New Jersey-chartered commercial bank which commenced operations in April 2007. We are regulated by the New Jersey Department of Banking and Insurance ("DOBI") and the Federal Deposit Insurance Corporation ("FDIC"). We are headquartered in Hamilton, Mercer County, New Jersey, with total assets of \$3.88 billion, total loans of \$3.24 billion, total deposits of \$3.12 billion and total stockholders' equity of \$414.9 million at March 31, 2025. As of March 31, 2025 we operated twenty-six full-service branches, including five branches and our corporate and administrative offices in our primary market of Mercer County, New Jersey. Our other New Jersey branches are located in Williamstown, Gloucester County, Somerset, Somerset County, Monroe Township in Middlesex County, Flemington, Hunterdon County, two branches in Burlington County, three branches in Morris County and one branch in Essex County. We have six branches in Chester County, three branches in Bucks County and one in Delaware County, Pennsylvania. We also have one branch in Palm Beach County, Florida. We target business from individuals, businesses, and governmental entities located in our primary service regions throughout New Jersey and eastern Pennsylvania, with a particular focus on the corridor between New York City and Philadelphia.

We provide lending, deposit and other financial products and services with an emphasis on commercial real estate and commercial and industrial loans to small to mid-sized businesses and individuals. We also provide improved digital banking capabilities and expanded treasury management products and services.

We focus on traditional deposit and loan products with businesses and individuals living and working in our markets as the source of most of our business. The majority of our deposits come from individuals and businesses located in close proximity to our branches. Most of our lending customers come from the New York City to Philadelphia corridor. By providing a superior customer experience, including access to our decision makers, and by expanding our brand into communities located in our target markets, we can continue to grow our business, increase profitability and create value for our shareholders.

We have a wholly-owned investment company subsidiary, FB Delaware Investment Company, Inc., a Delaware corporation, which was formed to manage an investment in commercial real estate. FB Delaware Investment Company, Inc. has in turn a wholly-owned New Jersey subsidiary, FB Preferred Capital, Inc., to hold and manage its commercial real estate loans. We also have several wholly-owned subsidiaries which hold foreclosed assets.

Financial service providers are challenged by intense competition, changing customer demands, increased pricing pressures and the ongoing impact of new regulations and industry consolidation. This is more so for traditional loan and deposit services, due to continuous competitive pressures as both banks and nonbanks compete for customers with a broad array of banking, investment and capital market products. Despite the challenges and competition, our key strengths include establishing relationships and providing personalized and specialized service to attract high quality business to the Company. We believe that the key differentiating factors between us and our competition are our philosophy of relationship banking and our in-market expertise. We remain committed to building customer relationships and delivering quality service to the banking markets we serve.

## **Critical Accounting Estimates**

Our condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"). In the preparation of our condensed consolidated financial statements, we are required to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

We define our critical accounting estimates as those that require us to make subjective estimates and judgments about matters that are uncertain and are likely to have a material impact on our financial condition and results of operations as well as the specific manner in which we apply those principles. We believe our accounting policies governing the allowance for credit losses, fair value accounting of acquired loans and the evaluation of goodwill for impairment, are critical accounting estimates. Management has reviewed and approved these critical accounting estimates and has discussed these policies with the Audit and Risk Management Committee of our Board of Directors.

Our critical accounting estimates are fundamental to understanding Management's Discussion and Analysis of Financial Condition and Results of Operations. We believe the estimates used in the preparation of our financial statements that require significant estimates and judgments are as follows:

**Acquired Loans.** Acquired loans are recorded at fair value with no carryover of the related allowance for credit losses at the time of acquisition. Determining the fair value of the loans involves estimating the amount and timing of principal and interest cash flows expected to be collected on the loans and discounting those cash flows at a market rate of interest.

At the purchase or acquisition date, loans are evaluated to determine whether there has been more than insignificant credit deterioration since origination. Loans that have experienced more than insignificant credit deterioration since origination are referred to as PCD loans. In its evaluation of whether a loan has experienced more than insignificant deterioration in credit quality since origination, the Company takes into consideration loan ratings and past due and nonaccrual status. At the purchase or acquisition date, the amortized cost basis of PCD loans is equal to the purchase price and an initial estimate of credit losses. The initial recognition of expected credit losses on PCD loans has no impact on net income. When the initial measurement of expected credit losses on PCD loans is calculated on a pooled loan basis, the expected credit losses are allocated to each loan within the pool. Any difference between the initial amortized cost basis and the unpaid principal balance of the loan represents a noncredit discount or premium, which is accreted (or amortized) into interest income over the life of the loan. Subsequent changes to the allowance for credit losses ("ACL") on PCD loans are recorded through the credit loss expense. For purchased loans that are not deemed to have experienced more than insignificant credit deterioration since origination and are therefore not deemed PCD, any discounts or premiums included in the purchase price are accreted (or amortized) over the contractual life of the individual loan.

Principal and interest payments received on PCD loans that were written down to \$0 at the acquisition date are reported in the Consolidated Statements of Income as gains on recovery of acquired loans. These loans were written down to \$0 because there was no expectation of collecting the principal at the acquisition date. Payoffs on loans that had partial charge offs at the time of acquisition are reported in the Consolidated Statements of Income in interest on loans, including fees, after retirement of principal.

**Allowance for Credit Losses.** We adopted the Current Expected Credit Loss ("CECL") model on January 1, 2023. The CECL model applies to loans and leases, unfunded lending commitments, held to maturity debt securities and other debt instruments measured at amortized cost. The impairment model for available for sale debt securities requires the recognition of credit losses through a valuation allowance when fair value is less than amortized cost, regardless of whether the impairment is considered to be other than temporary. The largest component of the Company's ACL is on loans.

The ACL on loans is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Credit quality within the loan portfolio is continuously monitored by management and reflected within the ACL on loans, which is adjusted through a credit loss expense or benefit and reduced by loan charge offs, net of recoveries. The adequacy of our ACL is evaluated regularly and at least quarterly. The loan loss estimation process involves procedures to appropriately consider the unique characteristics of our loan portfolio segments. When computing ACL levels, credit loss assumptions are estimated using a model that categorizes loan pools based on loss history and other credit trends and risk characteristics, including current conditions and reasonable and supportable forecasts about the future. Our CECL model is primarily based on a vintage approach which estimates future losses over the expected life of the loan based on historical loan charge offs, net of recoveries and adjusted for certain qualitative factors. Based on the nature of the loan portfolio acquired as part of our acquisition of Malvern Bancorp, Inc. and Malvern Bank, National Association ("Malvern") in July 2023 and the loan data available, we utilized a probability of default/loss given default method for these loans. We evaluate our key assumptions and projections, such as the expected life of each loan segment and our economic projections, on at least a quarterly basis. Evaluations of the portfolio and individual credits are inherently subjective, as they require estimates, assumptions and judgments as to the facts and circumstances of particular situations. Determining the appropriateness of the ACL is complex and requires our management to make significant judgments about the effect of matters that are inherently uncertain. In future periods, evaluations of the overall loan portfolio, in light of the factors and forecasts then prevailing, may result in significant changes in the ACL and credit loss expense. Furthermore, the majority of our loans are secured by real estate in New Jersey and Pennsylvania. Accordingly, the collectability of a substantial portion of the carrying value of our loan portfolio is susceptible to changes in local market conditions and may be adversely affected by declines in real estate values. Future adjustments to the ACL may be necessary due to economic, operating, regulatory and other conditions beyond our control. We believe that our ACL is adequate to cover probable losses which are specifically identifiable, as well as losses inherent in our portfolio which are probable but not specifically identifiable.

The vintage loss rate approach creates segments of loans as outlined above and the loan segments are further sorted by loan origination year. Historical charge offs percentages, net of recoveries are calculated for each loan segment. An average life is also estimated for each loan segment based on the Company's historical loan data. The actual historical charge offs as a percent of total loans are calculated for each vintage year within each loan segment and these historical charge off percentages are utilized to project future annual loss rates over the average life horizon of each loan segment. Those charge off percentages are added together to obtain an aggregated vintage loss percentage which is then multiplied by the outstanding loan balances at period end to obtain the quantitative portion of the ACL. The qualitative portion of the allowance is based on general economic forecasts and conditions and other internal and external factors affecting the Company as a whole, as well as specific loans. Factors considered include the following: loan delinquency levels and trends, concentrations of credit, average loan risk ratings and trends, the Company's lending policies and underwriting standards and the Company's lending management's experience depth and ability. The Company utilizes economic forecasts over a two-year reasonable and supportable forecast period followed by a cliff reversion to historical data.

For the acquired Malvern loan portfolio, the Company utilizes a probability of default/loss given default methodology. Under the probability of default/loss given default methodology, loans are segmented similarly to the vintage method and an average life is also determined for each loan segment consistent with the vintage methodology. The probability of default is the likelihood that a loan will not be repaid and will default. It is calculated for each loan category. Loss Given Default is the fractional loss due to default. Factors to determine the probability of default are historical loan charge-offs, loan risk ratings and other qualitative factors such as loan delinquency levels and economic forecasts. The economic forecasts utilized to determine the probability of default are the same as the forecasts used in the vintage method. Factors to determine the loss given default include loan-to-value ("LTVs") and historical loss rates. Based on these factors each loan is assigned a probability of default and loss given default. The probability of default is then multiplied by the loss given default to determine the required ACL.

The formal evaluation process for determining the adequacy of the ACL takes place on a quarterly basis. As part of our formal process, our lending staff reevaluates the original rating assigned to the loans based on the current loan characteristics and updates the original rating accordingly. In addition, on a quarterly basis our Asset Quality Review ("AQR") Committee, which includes the President and CEO, Chief Lending Officer, Chief Credit Officer, Chief Financial Officer, Chief Accounting Officer, Controller and loan relationship and workout managers, formally reviews the ratings on all criticized and classified loans. The AQR Committee also oversees higher risk performing loans classified as special mention, substandard, or nonperforming loans. We define higher risk performing loans as those loans that exhibit certain weaknesses and require a higher level of monitoring because of factors such as payment performance, business conditions, nature of collateral and other factors, as appropriate. The AQR Committee reviews changes in risk ratings, approves strategies regarding problem credits and reviews distressed credit loan analyses. Risk classifications range from one to ten or from minimal risk to loss. Charge offs are also determined based on this review process. The AQR Committee confirms ACL allocations for all distressed credits each quarter.

The ACL for individual loans, such as non-accrual and purchase credit deteriorated loans, that do not share risk characteristics with other loans are evaluated individually. Collateral-dependent loans are loans in which repayment of the loan is expected to be provided substantially through the sale of the collateral. The expected credit loss for collateral-dependent loans is measured as the difference between the amortized cost basis of the loan and the fair value of the collateral, which is adjusted for the estimated cost to sell.

We are required to conduct an impairment evaluation on Available for Sale ("AFS") securities to determine whether the Company has the intent to sell the security, or it is more likely than not that it will be required to sell the security before recovery. If these situations apply, the guidance requires us to reduce the security's amortized cost basis down to its fair value through earnings. We also evaluate the unrealized losses on AFS securities to determine if a security's decline in fair value below its amortized cost basis is due to credit factors. The evaluation was based upon factors such as the creditworthiness of the underlying issuer, historic payment history of each individual investment security and if applicable, the level of credit support in the security structure. Management also evaluates other factors and circumstances that may be indicative of a decline in the fair value of the security due to a credit factor. This includes, but is not limited to, an evaluation of the type of security, length of time and extent to which the fair value has been less than cost and near-term prospects of the issuer. If this assessment indicates that a credit loss exists, the present value of the expected cash flows of the security is compared to the amortized cost basis of the security. If the present value of the cash flows expected to be collected is less than the amortized cost, an ACL is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis under ASC Topic 326, and declines due to non-credit factors are recorded in accumulated other comprehensive income ("AOCI"), net of taxes. If a credit loss is recognized in earnings, subsequent improvements to the expectation of collectability will be recognized through the ACL. If the fair value of the security increases above its amortized cost, the unrealized gain will be recorded in AOCI, net of taxes, on the Consolidated Statements of Financial Condition.

We segment our held to maturity (“HTM”) portfolio into agency residential mortgage-backed securities, obligations of state and political subdivisions and corporate obligations to determine the ACL. The ACL is determined based on the Company’s historical losses, adjusted for qualitative factors including economic forecasts over a two-year reasonable and supportable forecast period. The Company has determined that for agency residential mortgage-backed securities it would be appropriate to assume the expected credit loss to be zero because these securities are guaranteed by enterprises that have credit ratings on par with the U.S. government or are guaranteed by the U.S. government, which is consistent with the Interagency Policy Statement on ACL revised in April 2023. This assumption will be reviewed and attested to quarterly.

**Goodwill and Other Intangible Assets.** Our intangible assets consist primarily of goodwill and core deposit intangibles. The initial recording of goodwill and other intangible assets requires subjective judgments concerning estimates of the fair value of the acquired assets and assumed liabilities. Goodwill is not amortized but is subject to annual tests for impairment, or more often if events or circumstances indicate it may be impaired. We may elect to perform a qualitative assessment for the annual impairment test. If the qualitative assessment indicates it is more likely than not that the fair value of a reporting unit is less than its carrying amount, or if we elect not to perform a qualitative assessment, then we would be required to perform a quantitative test for goodwill impairment. If the estimated fair value of the reporting unit is less than the carrying value, goodwill is impaired and is written down to its estimated fair value.

In 2024, we elected to perform qualitative assessments of goodwill as of our established annual assessment date of August 31. Based on those assessments, we determined that it was more likely than not that the unit’s fair value was not less than its carrying amount at both dates. We concluded that none of our goodwill was impaired as of August 31, 2024 and 2023. As of March 31, 2025 and December 31, 2024, no triggering events were identified. Therefore, we did not perform an interim impairment evaluation.

Core deposit intangibles are amortized on an accelerated basis using an estimated life of ten years. The core deposit intangibles are evaluated annually for impairment in accordance with GAAP. An impairment loss will be recognized if the carrying amount of the intangible asset is not recoverable and exceeds fair value. The carrying amount of the intangible asset is not considered recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of the asset.

A portion of certain Small Business Administration (“SBA”) loans we originate are sold to third parties; however, we may retain the servicing rights related to these loans. An intangible asset, referred to as loan servicing rights (“LSRs”) is recognized when a loan’s servicing rights are retained upon sale of a loan. LSRs are amortized over the period of the economic life of the assets arising from estimated net servicing revenues. LSRs are evaluated quarterly for impairment based upon the fair value of the rights as compared to their carrying amounts.

We believe that the fair values of our intangible assets were in excess of their carrying amounts and therefore there was no impairment of intangible assets at March 31, 2025.

#### **Recent Authoritative Accounting Guidance**

See Note 1 of the Notes to Condensed Consolidated Financial Statements located elsewhere in this document for a description of recent authoritative accounting guidance including, if applicable, the respective dates of adoption and effects on our consolidated financial condition and results of operations.

#### ***Comparison of Results of Operations for Three Months Ended March 31, 2025 and 2024***

##### **Net Income**

Net income for the three months ended March 31, 2025 was \$9.4 million compared to \$12.5 million of net income for the same period in 2024. Diluted earnings per share were \$0.37 for the three months ended March 31, 2025 compared to diluted earnings per share of \$0.50 for the same period in 2024. The decrease in net income was primarily due to increases of \$2.6 million and \$2.2 million, respectively in total non-interest expense and credit loss expense. The decrease was partially offset by an increase of \$2.2 million in interest income which outpaced the \$450,000 increase in interest expense for the three months ended March 31, 2025 compared to the same period in 2024. The increase in non-interest expense was primarily due to an increase of \$1.1 million in salaries and employee benefits, an increase of \$832,000 in other real estate owned expense and a \$438,000 increase in occupancy and equipment expense. The increased credit loss expense for the first quarter of 2025 is primarily due to the Bank’s loan growth during the quarter. Income tax expense for the three months ended March 31, 2025 was \$2.8 million with an effective tax rate of 22.7%, compared to an income tax expense of \$2.7 million for the first quarter of 2024.

The annualized return on average assets (“ROAA”) and return on average equity (“ROAE”) for the three months ended March 31, 2025 were 1.0% and 9.20%, respectively, compared with 1.41% and 13.36%, respectively, for the same period in the prior year.

## Net Interest Income

Our results of operations depend primarily on our net interest income, the largest and most significant component of our operating income. Net interest income is the difference between income on our interest earning assets and the expense on interest bearing liabilities, primarily deposits. Net interest income depends upon the relative amounts and types of interest earning assets and interest-bearing liabilities, and the interest rate earned or paid on them. Net interest income is also impacted by changes in interest rates and the shape of market yield curves. Net interest spread is the difference between the weighted average rate received on interest earning assets and the weighted average rate paid to fund those interest earning assets.

The following tables provide an analysis of net interest income by each major category of average interest earning assets and average interest-bearing liabilities, and the related average interest yields and costs for the periods indicated. Average yields are derived by dividing annualized interest income by the average balance of the related assets, and average costs are derived by dividing annualized interest expense by the average balance of the related liabilities. The average interest yields and costs include fees, costs, premiums and discounts, which are considered adjustments to interest rates.

	Three Months Ended March 31,					
	2025			2024		
	Average Balance	Interest	Average Rate (5)	Average Balance	Interest	Average Rate (5)
(dollars in thousands)						
<b>Interest earning assets</b>						
Investment securities (1) (2)	\$ 134,274	\$ 1,250	3.78%	\$ 147,147	\$ 1,228	3.36%
Loans (3)	3,170,772	51,552	6.59%	2,979,522	49,319	6.66%
Interest bearing deposits with banks,						
Federal funds sold and other	234,032	2,575	4.46%	203,158	2,710	5.37%
Restricted investment in bank stocks	14,137	300	8.61%	10,421	199	7.68%
Other investments	14,054	122	3.52%	11,870	116	3.93%
<b>Total interest earning assets (2)</b>	<b>3,567,269</b>	<b>55,799</b>	<b>6.34%</b>	<b>3,352,118</b>	<b>53,572</b>	<b>6.43%</b>
Allowance for credit losses	(38,181)			(37,607)		
Non-interest earning assets	261,101			261,237		
<b>Total assets</b>	<b>\$ 3,790,189</b>			<b>\$ 3,575,748</b>		
<b>Interest bearing liabilities</b>						
Interest bearing demand deposits	\$ 644,736	\$ 4,027	2.53%	618,941	\$ 3,666	2.38%
Money market deposits	1,045,013	8,631	3.35%	1,014,906	9,789	3.88%
Savings deposits	142,502	650	1.85%	162,113	574	1.42%
Time deposits	717,881	7,536	4.26%	671,546	6,757	4.05%
Total interest bearing deposits	2,550,132	20,844	3.31%	2,467,506	20,786	3.39%
Borrowings	234,526	2,412	4.17%	167,141	2,116	5.09%
Subordinated debentures	29,963	440	5.87%	42,470	344	3.24%
<b>Total interest bearing liabilities</b>	<b>2,814,621</b>	<b>23,696</b>	<b>3.41%</b>	<b>2,677,117</b>	<b>23,246</b>	<b>3.49%</b>
Non-interest bearing deposits	521,326			481,503		
Other liabilities	40,570			40,586		
Stockholders' equity	413,672			376,542		
<b>Total liabilities and stockholders' equity</b>	<b>\$ 3,790,189</b>			<b>\$ 3,575,748</b>		
Net interest income/interest rate spread (2)		32,103	2.93%		30,326	2.92%
Net interest margin (2) (4)			3.65%			3.64%
Tax equivalent adjustment (2)		(11)			(8)	
Net interest income		<b>\$ 32,092</b>			<b>\$ 30,318</b>	

(1) Average balance of investment securities available for sale is based on amortized cost.

(2) Interest and average rates are presented on a tax equivalent basis using a federal income tax rate of 21%.

(3) Average balances of loans include loans on nonaccrual status.

(4) Net interest income divided by average total interest earning assets.

(5) Annualized.

## Rate/Volume Analysis

Changes in net interest income and margin result from the interaction between the volume and composition of interest earning assets, interest bearing liabilities and related yields and funding costs. The following tables demonstrate the impact on net interest income of changes in the volume of interest earning assets and interest-bearing liabilities and changes in interest rates earned and paid for the periods presented.

Three Months Ended March 31, 2025 versus 2024 Increase (Decrease) Due to Change in (1)			
	Average Volume	Average Rate (in thousands)	Net Change
<b>Interest income</b>			
Investment securities (2)	\$ (113)	\$ 135	\$ 22
Loans	3,122	(889)	2,233
Interest bearing deposits with banks, Federal funds sold and other	378	(513)	(135)
Restricted investment in bank stocks	77	24	101
Other investments	20	(14)	6
<b>Total interest income (2)</b>	<b>3,484</b>	<b>(1,257)</b>	<b>2,227</b>
<b>Interest expense</b>			
Interest bearing demand deposits	156	205	361
Money market deposits	283	(1,441)	(1,158)
Savings deposits	(75)	151	76
Time deposits	479	300	779
Total interest bearing deposits	843	(785)	58
Borrowings	744	(448)	296
Subordinated debentures	(123)	219	96
<b>Total interest expense</b>	<b>1,464</b>	<b>(1,014)</b>	<b>450</b>
<b>Net interest income (2)</b>	<b>\$ 2,020</b>	<b>\$ (243)</b>	<b>\$ 1,777</b>

(1) Changes in interest income or expense attributable to both changes in volume and changes in rate have been allocated in proportion to the relationship of the absolute dollar amount of change in each category.

(2) Tax equivalent using a federal income tax rate of 21%.

Our net interest margin on a tax equivalent basis was 3.65% for the three months ended March 31, 2025, compared to 3.64% for the same period in 2024. The net interest margin is calculated by dividing net interest income by average interest earning assets. The margin compared to the prior year period was relatively flat, primarily due to a similar decrease in the average rate of interest earning assets and interest-bearing liabilities. Impacting our tax equivalent margin was loan prepayment penalty fees and amortization of premiums and discounts from fair value measurements of assets acquired and liabilities assumed in acquisitions. For the quarter ended March 31, 2025 loan prepayment penalty fees totaled \$134,000 compared to \$445,000 for the quarter ended March 31, 2024. The net impact of amortization of premiums and discounts from fair value measurements of assets acquired and liabilities assumed in acquisitions totaled \$2.8 million during the first quarter of 2025 compared to \$4.2 million for the quarter ended March 31, 2024.

Net interest income on a tax equivalent basis increased \$1.8 million, or 5.9%, to \$32.1 million for the three months ended March 31, 2025, compared to \$30.3 million for the same period in 2024. The increase was primarily due to an increase in interest income on loans by \$2.2 million, or 4.5%, to \$51.6 million for the three months ended March 31, 2025, compared to \$49.3 million for the same period of 2024, partially offset by an increase in total interest expense of \$450,000. Interest expense on borrowings increased by \$296,000, or 14.0%, to \$2.4 million for the three months ended on March 31, 2025, compared to \$2.1 million for the same period of 2024. There was an increase in interest expense on deposits and subordinated debentures of \$58,000 and \$96,000, respectively for the three months ended March 31, 2025, compared to the same period in the prior year.

The increase in loan interest income for the three months ended March 31, 2025 compared to the same period in 2024 was primarily due to organic growth in loans. Average loans increased \$191.3 million, or 6.4%, to \$3.17 billion during the quarter ended March 31, 2025 from \$2.98 billion for the quarter ended March 31, 2024.

Average deposits with banks and federal funds were \$234.0 million for the three months ended March 31, 2025 compared to \$203.2 million for the same period in 2024, an increase of 15.2%. The average yield on deposits with banks and federal funds for the three months ended March 31, 2025 decreased 91 basis points to 4.46% compared to 5.37% for the same period in 2024, primarily due to lower federal funds rate during the period. The increase in the average balance of federal funds and deposits with banks was offset by the decreased yield, which resulted in lower interest income of \$135,000, or 5.0% for the three months ended March 31, 2025 compared to the same period in 2024.

Average investment securities were \$134.3 million for the three months ended March 31, 2025 compared to \$147.1 million for the same period in 2024. The average tax equivalent yield on investment securities for the three months ended March 31, 2025 increased 42 basis points to 3.78% compared to 3.36% for the same period in 2024. Our investment securities yield is affected by the U.S. Treasury yield curve and the types and durations of securities purchased. Though there was a decrease of \$12.9 million in the average balance of investments securities due to maturities and calls during the three months ended March 31, 2025, higher investment yield resulted in a slight increase of \$22,000 in interest income on investment securities on a tax equivalent basis for the three months ended March 31, 2025 compared to the same period in 2024. No investment securities were sold during the quarters ended March 31, 2025 and 2024.

The average balance of interest bearing liabilities increased \$137.5 million, or 5.14%, to \$2.81 billion for the three months ended March 31, 2025, compared to \$2.68 billion for the same period in 2024. The increase was due to average balance increases in deposits and borrowings, which was partially offset by a decrease in subordinated debentures. The cost of average interest bearing liabilities decreased 8 basis points to 3.41% for the three months ended March 31, 2025 compared to 3.49% for the same period in 2024. Interest expense on average interest bearing liabilities increased \$450,000 for the three months ended March 31, 2025 compared to the same period in 2024. The increase in interest expense for the three month comparative period was due to the increase in average interest bearing deposits and borrowings. Average interest bearing deposits for the three month comparative period increased \$82.6 million while average rates decreased 7 basis points. We have seen a favorable deposit mix shift over the past year while continuing to experience deposit pricing pressure in the current interest rate environment. Interest bearing deposits represented 82.8% of deposits at March 31, 2025, and 84.2% at March 31, 2024. Our total cost of deposits decreased to 2.75% for the quarter ended March 31, 2025 from 2.84% during the quarter ended March 31, 2024. Non-interest bearing deposits as a percentage of deposits increased to 17.2% at March 31, 2025 compared to 15.8% at March 31, 2024. The cost of average borrowings decreased 92 basis points to 4.17% for the three months ended March 31, 2025 compared to 5.09% for the same period in 2024. The increase in average borrowings of \$67.4 million, or 40.3%, to \$234.5 million for the three months ended March 31, 2025, compared to \$167.1 million for the same period in 2024 was primarily used to fund loan growth.

After a prolonged period of a historically lower interest rate environment, the Federal Open Market Committee ("FOMC") increased the targeted Federal funds rate during 2022 and 2023, raising the upper limit rate to 5.50% by the end of 2023. During 2024, the targeted Federal funds rate remained unchanged until the FOMC decreased the rate by 50 basis points in September 2024, 25 basis points in November and another 25 basis points in December, lowering the targeted Federal funds upper limit rate to 4.50%, which is where the targeted rate remained at December 31, 2024 and March 31, 2025. The decline in the Federal funds rate helped to ease deposit pricing pressures in the fourth quarter of 2024 and during the first quarter of 2025.

In the current rate and economic environment, we will continue our focus on liquidity to ensure our liquidity position remains satisfactory to meet our funding requirements. Also, our deposit goals remain unchanged, and we will continue to build strong customer relationships that will help us grow core deposits and reduce our reliance on higher cost deposits, which is expected to assist in managing our cost of funds. We have lowered rates on a significant portion of our deposit base after the recent rate cuts, however, the deposit environment continues to be very competitive. We continue to manage a well-balanced asset and liability position.

#### **Credit Loss Expense (Benefit)**

The Company recorded a credit loss expense totaling \$1.5 million during the three months ended March 31, 2025, compared to a credit loss benefit totaling \$698,000 for the same period of the previous year. The credit loss expense for the first quarter of 2025 was primarily due to a higher level of loan growth, and to a lesser extent, the increase in past due loans and a slight adjustment to qualitative factors due to recent economic uncertainties. The credit loss benefit recorded during the first quarter of 2024 was primarily due to the Bank's strong and stable asset quality and lack of loan growth during the quarter. Our ratio of nonperforming loans to total loans was 0.36% at March 31, 2025 compared to 0.57% at March 31, 2024. The allowance for credit losses to total loans ratio was 1.21% at March 31, 2025 compared to 1.20% at December 31, 2024 and 1.22% at March 31, 2024. The allowance for loan losses to nonperforming loans ratio was 338.6% at March 31, 2025 compared to 323.48% at December 31, 2024 and 213.42% at March 31, 2024. See "Allowance for Credit Losses" below for additional information.

## Non-Interest Income

Non-interest income consists of income from service charges and related fees on deposit and loan accounts, income from bank owned life insurance, gains on sale of loans, gains on recovery of acquired loans and fees for other banking services. For the three months ended March 31, 2025 and 2024, non-interest income represented 5.8% and 6.1% respectively of our total net revenue, defined as net interest income plus total non-interest income. While our strategic focus on net interest income continues, we have benefited from targeted programs we have implemented to generate non-interest income. We are growing our Small Business Administration ("SBA") loan business and have a loan swap program in place for certain borrowers that also generates non-interest income.

For the three months ended March 31, 2025 and 2024, the Company recorded non-interest income of \$2.0 million for both periods. Loan fees increased by \$224,000 to \$326,000 for three month ended March 31, 2025 compared to \$102,000 for the same period in 2024, primarily due to increased loan rate swap commission. This increase was partially offset by a decrease in gains on sale of loans of \$200,000. The Bank recorded \$29,000 in net gains on the sale of loans during the first quarter of 2025, compared to \$229,000 in the same period in the prior year. Gains on recovery of acquired loans decreased by \$94,000 in the first quarter of 2025 compared to same period in 2024 partially offset by an increase in other non-interest income of \$57,000.

## Non-Interest Expense

Non-interest expense consists primarily of salaries and employee benefits, occupancy and equipment expense and other expenses related to conducting our operations and growing our business. Such other expenses primarily include data processing fees, marketing expenses, loan origination expenses and expenses associated with the management of problem assets, including Other Real Estate Owned ("OREO"), and regulatory and professional fees.

For the three months ended March 31, 2025, non-interest expense totaled \$20.4 million, which was \$2.6 million, or 14.5% higher than the same prior year period. The higher non-interest expense reflected an increase in salaries and employee benefits of \$1.1 million, or 10.8%, to \$11.1 million for first quarter of 2025 compared to \$10.0 million for the same period prior year, an increase in OREO expense of \$832,000 and an increase of \$438,000 in occupancy and equipment expense. The increase in salaries and employee benefits was primarily due to a growing employee base with full-time equivalent employees increasing 9.4% from 288 at March 31, 2024 to 315 at March 31, 2025. Occupancy and equipment expense is generally our second largest component of non-interest expense and consists primarily of rent, real estate taxes, maintenance costs and expenses associated with equipment. The increase was primarily due to new branch locations added at the end of 2024. The increase in OREO expense was primarily due to an \$815,000 impairment of an OREO asset recorded during the first quarter of 2025.

Regulatory fees increased by \$82,000, or 13.6%, for the three months ended March 31, 2025, compared to the prior year period. The increase was primarily due to organic asset growth. Marketing and advertising increased by \$103,000, or 34.8%, for the three months ended March 31, 2025 compared to the same period in 2024, primarily due to increased marketing efforts at our newer branch locations, which was partially offset by decreases in other professional fees and insurance expense totaling \$60,000.

Our efficiency ratio for the three months ended March 31, 2025 was 57.7% compared to 55.6% for the same period last year. Our efficiency ratio was impacted by the interest rate environment, inflationary pressures and the impact from strategic investments. We continue to focus on our operating efficiency, even though we have experienced pressure on our margin and the continued impact of inflation on our expense base. The efficiency ratio is a non-GAAP financial measure that we believe is widely followed in the banking industry and is useful to our management and investors in evaluating our financial performance. This measure should not be directly compared to similarly titled measures reported by other companies, as we cannot guarantee other companies present similar measures in the same way.

The following table provides a reconciliation between certain GAAP financial measures (net interest income, non-interest income and non-interest expense) and the related non-GAAP measures (adjusted non-interest expense and adjusted total revenue) to derive the efficiency ratio measure:

	Three Months Ended March 31,	
	2025	2024
	(dollars in thousands)	
Non-interest expense	\$ 20,384	\$ 17,810
Less: Other real estate owned write-down	815	-
Adjusted non-interest expense (numerator)	\$ 19,569	\$ 17,810
Net interest income	\$ 32,092	\$ 30,318
Non-interest income	1,971	1,964
Total net revenue	34,063	32,282
Subtract: Gains on sale loans, net	(29)	-
Less: Bank Owned Life Insurance Incentive	(88)	(229)
Adjusted total revenue (denominator)	\$ 33,946	\$ 32,053
Efficiency ratio	57.65%	55.56%

#### Income Tax Expense

Income tax expense for the three months ended March 31, 2025 was \$2.8 million with an effective tax rate of 22.7%, compared to \$2.7 million with an effective tax rate of 17.5% for the first quarter of 2024. The effective tax rate for the first quarter of 2025 included the impact of certain discrete items related to stock compensation activity as well as the impact of additional tax credit investments made by the Bank during the quarter. The effective tax rate for the first quarter of 2024 was lower due to certain one-time adjustments primarily related to the finalization of certain tax items related to our acquisition of Malvern. We anticipate our effective tax rate to be in the range of 23% to 24% going forward.

Our federal corporate income tax rate for the periods presented was 21%. We are primarily impacted by New Jersey state tax laws. On June 28, 2024, New Jersey passed legislation which enacted a 2.5% surtax, termed the "Corporate Transit Fee," on certain Corporation Business Tax ("CBT") taxpayers that have New Jersey allocated taxable net income over \$10 million. The new surtax is in addition to the CBT and applies to privilege periods beginning on or after January 1, 2024, through December 31, 2028. The Corporate Transit Fee of 2.5% is levied on businesses with annual taxable net income allocated to New Jersey greater than \$10 million. The 2024-2028 privilege rate will be imposed on the entire amount of the Company's taxable net income, not just our net income that exceeds \$10 million. The changes to New Jersey tax law are reflected in our overall effective tax rate and tax expense.

Our effective tax rate reflects the ownership of tax-exempt bank-owned life insurance and tax-free municipal securities, the benefit of our real estate investment trust and our participation in certain federal and state tax credits. We continue to work with our tax advisors to identify opportunities to reduce our overall tax liability.

## Comparison of Financial Condition at March 31, 2025 and December 31, 2024

### Assets

Total assets increased \$100.4 million, or 2.7%, from \$3.78 billion at December 31, 2024 to \$3.88 billion at March 31, 2025, primarily due to increases in loans and cash and cash equivalents.

### Loans

Our loan portfolio consists primarily of commercial real estate and commercial and industrial loans. Loans, net of deferred fees and costs, increased from \$3.14 billion at December 31, 2024 to \$3.24 billion at March 31, 2025, a net increase of \$91.8 million, or 2.9%.

The following table reflects the composition of the loan portfolio as of the dates indicated:

	March 31, 2025	December 31, 2024
	(in thousands)	
Commercial and industrial	\$ 651,690	\$ 576,625
Commercial real estate:		
Owner-occupied	694,113	671,357
Investor	1,160,549	1,181,684
Construction and development	200,262	205,096
Multi-family	308,217	287,843
Total commercial real estate	2,363,141	2,345,980
Residential real estate:		
Residential mortgage and first lien home equity loans	142,298	142,769
Home equity—second lien loans and revolving lines of credit	52,438	51,020
Total residential real estate	194,736	193,789
Consumer and other	29,760	31,324
	3,239,327	3,147,718
Net deferred loan fees and costs	(3,288)	(3,452)
Total loans	\$ 3,236,039	\$ 3,144,266

At March 31, 2025, total commercial loans represented 93.2% of total loans, which included the balances in commercial and industrial and commercial real estate in the above table. We manage risk associated with our commercial loan portfolio through disciplined underwriting policies and procedures, diversification and loan monitoring practices. The majority of our commercial and industrial loans are secured by business assets and many of our commercial real estate and commercial and industrial loans are supported by personal guarantees and other assets of the principals or borrowers.

Our commercial and industrial loans (“C&I”) typically consist of loans for working capital needs of small- to mid-sized businesses. Commercial and industrial loans increased by \$75.1 million, or 13.0%, to \$651.7 million at March 31, 2025, compared to \$576.6 million at December 31, 2024. Our strategic goal is to build this segment of the loan portfolio across a wide variety of industry classifications as we grow. We monitor loan concentrations by industry classification and diversify risk as we deem appropriate.

Commercial real estate loans, the largest component of our loan portfolio, are composed of owner-occupied, investor, construction and development, and multi-family loans. We endeavor to maintain a diversified real estate portfolio to protect against a potential downturn in any one business sector. Commercial real estate loans increased \$17.2 million, or 0.7%, to \$2.36 billion at March 31, 2025 compared to \$2.35 billion at December 31, 2024. Owner-occupied real estate loans increased by \$22.8 million and multi-family loans increased by \$20.4 million during the first three months of 2025. These increases were partially offset by a decrease in investor commercial real estate and construction and development loans totaling \$26.0 million during the first three months of 2025. The Bank continues to prioritize relationship-based commercial lending while actively reducing our concentration in investor real estate lending.

Residential real estate loans increased slightly totaling \$194.7 million at March 31, 2025 compared to \$193.8 million at December 31, 2024. Home equity-second lien loans and revolving lines of credit increased \$1.4 million from December 31, 2024 to March 31, 2025.

Consumer and other loans totaled \$29.8 million and \$31.3 million at March 31, 2025 and December 31, 2024, respectively. Consumer and other loans represented 0.9% of total loans at March 31, 2025 and 1.0% at December 31, 2024.

## Nonperforming Assets

Nonperforming assets consist of loans on a nonaccrual basis, loans 90 days or more past due and still accruing and OREO.

The following table reflects the composition of our nonperforming assets as of the dates indicated:

	March 31, 2025	December 31, 2024
	(dollars in thousands)	
Nonaccrual loans:		
Commercial and industrial	\$ 1,368	\$ 777
Commercial real estate:		
Owner-occupied	4,073	4,152
Multi-family	-	194
Residential real estate:		
Residential mortgage and first lien home equity loans	1,004	866
Home equity—second lien loans and revolving lines of credit	365	351
Consumer and other	3	3
Total nonaccrual loans	6,813	6,343
Total PCD Non-accruing loans	4,771	5,007
Loans past due 90 days or more and still accruing	-	327
Total nonperforming loans	11,584	11,677
Other real estate owned, net	4,822	5,637
Total nonperforming assets	\$ 16,406	\$ 17,314
Nonaccrual loans to total loans	0.21%	0.20%
Nonperforming loans to total loans	0.36%	0.37%
Nonperforming assets to total assets	0.42%	0.46%

Nonperforming assets as a percentage of total assets were 0.42% at March 31, 2025 and 0.46% at December 31, 2024. Nonperforming loans as a percentage of total loans were 0.36% at March 31, 2025 and 0.37% at December 31, 2024. PCD non-accruing loans totaled \$4.8 million at March 31, 2025 and \$5.0 million at December 31, 2024.

We continue to maintain a strong asset quality profile. Delinquencies increased during the quarter with a total of \$17.4 million in loans delinquent 30-89 days, or 0.54% of total loans at March 31, 2025, compared to \$4.6 million, or 0.14%, at December 31, 2024. The increase in delinquencies from a historically low level at December 31, 2024 was primarily due to an increase in commercial and industrial and commercial real estate loan delinquencies. The level of delinquencies at March 31, 2025 is in line with historical averages. We continue to diligently work to reduce nonaccrual loans to maximize our collection of principal and interest. Our focus remains on sustaining our strong asset quality.

## Allowance for Credit Losses

As of March 31, 2025, our ACL included an ACL on loans of \$39.2 million, an ACL on HTM securities of \$209,000 and an ACL on off-balance sheet commitments of \$693,000. The increase in ACL for the first quarter of 2025 was primarily due to a higher level of loan growth, the increase in past due loans and a slight adjustment to qualitative factors due to recent economic uncertainties. The ACL on loans is estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications. The level of the allowance is based on our evaluation of estimated lifetime losses in the portfolio, after consideration of the risk characteristics of the loans and prevailing economic conditions. Our methodology for evaluating the adequacy of the ACL consists of several significant criteria, which include a specific allowance for identified distressed credits and a general allowance allocated to segments of the portfolio and homogeneous categories of loans that possess similar risk characteristics. The pools of loans are evaluated for loss exposure based upon historical loss rates for each of those classes of loans and adjusted for qualitative factors. The evaluation process for determining the adequacy of the allowance for credit losses takes place quarterly.

The following tables provide information regarding loans charged off, loan recoveries, and the allowance for credit losses for each of the periods presented:

	March 31, 2025		December 31, 2024	
	(dollars in thousands)			
Allowance for credit losses on loans	\$	39,223	\$	37,773
Total loans, net of deferred fees and costs	\$	3,236,039	\$	3,144,266
Nonperforming loans	\$	11,584	\$	11,677
Allowance for credit losses to total loans		1.21%		1.20%
Allowance for credit losses to nonperforming loans		338.60%		323.48%
Nonperforming loans to total loans		0.36%		0.37%

	Commercial real estate					Residential real estate		Consumer and other	Total
	Commercial and industrial	Owner-occupied	Investor	Construction and development	Multi-family	Residential mortgage and first lien home equity loans	Home equity-second lien loans and revolving lines of credit		
	(dollars in thousands)								
<b>As of March 31, 2025</b>									
ACL	\$ 17,439	\$ 5,825	\$ 8,066	\$ 1,941	\$ 2,813	\$ 1,152	\$ 1,430	\$ 557	\$ 39,223
% of total ACL	44.46%	14.85%	20.56%	4.95%	7.17%	2.94%	3.65%	1.42%	100.00%
% of total loans	0.54%	0.18%	0.25%	0.06%	0.09%	0.04%	0.04%	0.01%	1.21%
Loan portfolio balance	\$ 651,690	\$ 694,113	\$ 1,160,549	\$ 200,262	\$ 308,217	\$ 142,298	\$ 52,438	\$ 29,760	\$ 3,239,327
% of total loans	17.68%	22.29%	37.87%	6.26%	8.67%	4.66%	1.61%	0.96%	100.00%
<b>Three months ended March 31, 2025</b>									
Loan charge offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ 4
Loan recoveries	\$ 4	\$ 11	\$ -	\$ -	\$ 4	\$ -	\$ -	\$ -	\$ 19
Net charge offs (recoveries)	\$ (4)	\$ (11)	\$ -	\$ -	\$ (4)	\$ -	\$ -	\$ 4	\$ (15)
Average loan amounts outstanding	\$ 602,314	\$ 675,641	\$ 1,168,725	\$ 200,307	\$ 300,152	\$ 141,836	\$ 50,659	\$ 31,138	\$ 3,170,772
Annualized net charge offs (recoveries) during the period to average loans outstanding	(0.00%)	(0.01%)	0.00%	0.00%	(0.01%)	0.00%	0.00%	0.05%	(0.00%)

	Commercial real estate					Residential real estate		Consumer and other	Total
	Commercial and industrial	Owner-occupied	Investor	Construction and development	Multi-family	Residential mortgage and first lien home equity loans	Home equity-second lien loans and revolving lines of credit		
	(dollars in thousands)								
<b>As of December 31, 2024</b>									
ACL	\$ 15,390	\$ 6,014	\$ 8,644	\$ 2,063	\$ 2,589	\$ 1,202	\$ 1,272	\$ 599	\$ 37,773
% of total ACL	40.74%	15.92%	22.88%	5.46%	6.86%	3.18%	3.37%	1.59%	100.00%
% of total loans	0.49%	0.19%	0.28%	0.07%	0.08%	0.04%	0.04%	0.02%	1.20%
Loan portfolio balance	\$ 576,625	\$ 671,357	\$ 1,181,684	\$ 205,096	\$ 287,843	\$ 142,769	\$ 51,020	\$ 31,324	\$ 3,147,718
% of total loans	18.32%	21.33%	37.54%	6.52%	9.14%	4.54%	1.62%	0.99%	100.00%
<b>Year Ended December 31, 2024</b>									
Loan charge offs <sup>(1)</sup>	\$ 1,565	\$ 15	\$ 5,494	\$ -	\$ -	\$ -	\$ 3	\$ 38	\$ 7,115
Loan recoveries	\$ 1,329	\$ 48	\$ -	\$ -	\$ 23	\$ -	\$ 2	\$ 14	\$ 1,416
Net (recoveries) charge offs	\$ 236	\$ (33)	\$ 5,494	\$ -	\$ (23)	\$ -	\$ 1	\$ 24	\$ 5,699
Average loan amounts outstanding	\$ 527,857	\$ 642,697	\$ 1,164,951	\$ 188,077	\$ 274,230	\$ 148,265	\$ 47,544	\$ 28,882	\$ 3,022,503
Net (recoveries) charge offs during the period to average loans outstanding	0.04%	(0.01%)	0	-	(0.01%)	-	0	0.08%	0.19%

(1) Includes \$5.5 million in a PCD loan charge-off which was reserved for through acquisition accounting marks at the time of the Malvern acquisition.

	Commercial real estate					Residential real estate		Consumer and other	Total
	Commercial and industrial	Owner-occupied	Investor	Construction and development	Multi-family	Residential mortgage and first lien home equity loans	Home equity-second lien loans and revolving lines of credit		
	(in thousands)								
<b>As of March 31, 2024</b>									
ACL	\$ 14,185	\$ 5,131	\$ 8,907	\$ 2,379	\$ 3,041	\$ 1,286	\$ 954	\$ 513	\$ 36,396
% of total ACL	38.97%	14.10%	24.47%	6.54%	8.36%	3.53%	2.62%	1.41%	100.00%
% of total loans	2.79%	0.82%	0.76%	1.29%	1.09%	0.83%	2.08%	2.16%	1.21%
Loan portfolio balance	\$ 508,911	\$ 625,643	\$ 1,172,311	\$ 184,816	\$ 279,668	\$ 154,704	\$ 45,869	\$ 23,702	\$ 2,995,624
% of total loans	16.99%	20.89%	39.13%	6.17%	9.34%	5.16%	1.53%	0.79%	100.00%
<b>Three months ended March 31, 2024</b>									
Loan charge offs	\$ -	\$ -	\$ 5,494	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ 5,498
Loan recoveries	\$ 187	\$ 12	\$ -	\$ -	\$ 6	\$ -	\$ -	\$ -	\$ 205
Net (recoveries) charge offs	\$ (187)	\$ (12)	\$ 5,494	\$ -	\$ (6)	\$ -	\$ -	\$ 4	\$ 5,293
Average loan amounts outstanding	\$ 499,546	\$ 607,249	\$ 1,180,906	\$ 188,425	\$ 276,515	\$ 155,394	\$ 44,898	\$ 26,557	\$ 2,979,522
Annualized net (recoveries) charge offs during the period to average loans outstanding	(0.15%)	(0.01%)	1.89%	0.00%	(0.01%)	0.00%	0.00%	0.06%	0.72%

(1) Includes \$5.5 million in a PCD loan charge-off which was reserved for through acquisition accounting marks at the time of the Malvern acquisition.

The allowance for credit losses on loans was \$39.2 million at March 31, 2025, compared to \$37.8 million at December 31, 2024. The credit loss expense for loans was \$1.4 million for the first three months of 2025 compared to a credit loss benefit of \$708,000 during the same period of 2024. During the first three months of 2025 we recorded \$15,000 in net recoveries compared to net charge offs of \$5.3 million during the first three months of 2024. Our allowance for credit losses continues to be supported by stable and solid asset quality metrics. The allowance for credit losses constituted 1.21% of total loans at March 31, 2025, compared to 1.20% at December 31, 2024 and 1.21% compared to March 31, 2024. The net charge offs during the first three months of 2024 was primarily due to a \$5.5 million charge-off of a specific reserve on a PCD loan that was moved to OREO during the quarter ended March 31, 2024. The \$5.5 million was reserved for through acquisition accounting marks at the time of the Malvern acquisition in July 2023. Management believes that the allowance for credit losses at March 31, 2025 remains adequate in relation to expected lifetime losses in the loan portfolio.

For the three months ended March 31, 2025 and March 31, 2024, annualized net charge offs (recoveries) as a percentage of loans were 0.00% and 0.72%, respectively. Net recoveries were \$15,000 for the three months ended March 31, 2025. Excluding the aforementioned \$5.5 million PCD loan charge-off, we had net recoveries of \$201,000 for the three months ended March 31, 2024. Our allowance for credit losses as a percentage of non-performing loans was 338.6% at March 31, 2025, compared to 323.48% at December 31, 2024.

## Investment Securities

The investment securities portfolio is used principally to assist in managing liquidity, interest rate risk and regulatory capital, and to take advantage of market opportunities that provide favorable returns with limited credit risk.

Investment securities represent 3.4% and 3.3% of total assets at March 31, 2025 and December 31, 2024, respectively. Investment securities increased to \$133.3 million at March 31, 2025 compared to \$126.4 million at December 31, 2024, an increase of \$6.9 million, or 5.5%. During the quarters ended March 31, 2025 and 2024, the Company did not sell any securities. There were maturities, calls and principal paydowns in our investment portfolio, which were replaced, primarily with additional residential mortgage-backed security purchases. The level and nature of future purchases or sales will be based on our current and projected cash liquidity levels, interest rate risk position, and market conditions.

The following table presents the maturity distribution and weighted average yields of our investment securities portfolio on a contractual maturity basis at March 31, 2025:

	March 31, 2025					
	Available for Sale			Held to Maturity		
	Amortized Cost	Fair Value	Weighted Average Yield (1) (2)	Amortized Cost	Fair Value	Weighted Average Yield (1) (2)
(in thousands)						
Due within one year	\$ 1,935	\$ 1,935	-	\$ 2,776	\$ 2,774	4.26%
Due after one year through five years	7,910	7,921	4.64%	5,991	5,873	5.80%
Due after five years through ten years	-	-	-	25,931	23,761	4.53%
Due after ten years	2,816	2,804	5.20%	-	-	-
Residential mortgage-backed securities:						
Issued by FNMA and FHLMC	57,046	52,949	3.29%	9,754	8,087	2.49%
Issued by GNMA	20,686	19,450	4.05%	2,144	2,070	4.29%
Total	\$ 90,393	\$ 85,059	3.57%	\$ 46,596	\$ 42,565	4.14%

(1) Tax equivalent using a federal income tax rate of 21%.

(2) Weighted average yield is based on amortized cost.

The following tables present the composition of our investment securities available for sale and held to maturity as of the dates indicated:

March 31, 2025				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Investment securities available for sale</b>	(in thousands)			
U.S. Government-sponsored agency securities	\$ 2,500	\$ -	\$ (1)	\$ 2,499
Residential mortgage-backed securities:				
Issued by FNMA and FHLMC	57,046	236	(4,333)	52,949
Issued by GNMA	20,686	36	(1,272)	19,450
U.S. Treasury securities	5,937	26	-	5,963
SBA pools	2,816	5	(18)	2,803
Asset-backed securities	408	-	(4)	404
Corporate obligations	1,000	-	(9)	991
<b>Total</b>	<b>\$ 90,393</b>	<b>\$ 303</b>	<b>\$ (5,637)</b>	<b>\$ 85,059</b>

December 31, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Investment securities available for sale</b>	(in thousands)			
U.S. Government-sponsored agency securities	\$ 2,500	\$ -	\$ (2)	\$ 2,498
Residential mortgage-backed securities:				
Issued by FNMA and FHLMC	53,876	45	(5,178)	48,743
Issued by GNMA	20,437	7	(1,506)	18,938
SBA Pools	2,832	-	(20)	2,812
Asset-backed securities	437	-	(8)	429
Corporate obligations	4,001	2	(10)	3,993
<b>Total</b>	<b>\$ 84,083</b>	<b>\$ 54</b>	<b>\$ (6,724)</b>	<b>\$ 77,413</b>

March 31, 2025					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
<b>Investment securities held to maturity</b>	(in thousands)				
Residential mortgage-backed securities:					
Issued by FNMA and FHLMC	\$ 9,754	\$ -	\$ (1,667)	\$ 8,087	\$ -
Issued by GNMA	2,144	-	(74)	2,070	-
Obligations of state and political subdivisions	8,198	10	(262)	7,946	(5)
Corporate obligations	26,500	37	(2,075)	24,462	(204)
<b>Total</b>	<b>\$ 46,596</b>	<b>\$ 47</b>	<b>\$ (4,078)</b>	<b>\$ 42,565</b>	<b>\$ (209)</b>

December 31, 2024					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
<b>Investment securities held to maturity</b>	(in thousands)				
Residential mortgage-backed securities:					
Issued by FNMA and FHLMC	\$ 9,882	\$ -	\$ (1,830)	\$ 8,052	\$ -
Issued by GNMA	2,153	-	(106)	2,047	-
Obligations of state and political subdivisions	8,794	15	(293)	8,516	(4)
Corporate obligations	26,500	37	(2,382)	24,155	(202)
<b>Total</b>	<b>\$ 47,329</b>	<b>\$ 52</b>	<b>\$ (4,611)</b>	<b>\$ 42,770</b>	<b>\$ (206)</b>

We conduct an impairment evaluation quarterly on AFS securities with unrealized losses to determine whether the Company has the intent to sell the security or it is more likely than not that it will be required to sell the security before recovery. If these situations apply, the guidance requires the Company to reduce the security's amortized cost basis down to its fair value through earnings. We also evaluate the unrealized losses on AFS securities to determine if a security's decline in fair value below its amortized cost basis is due to credit factors. The evaluation is based upon factors such as the creditworthiness of the underlying borrowers, performance of the underlying collateral, if applicable, and the level of credit support in the security structure. Management also evaluates other factors and circumstances that may be indicative of a decline in the fair value of the security due to a credit factor. This includes, but is not limited to, an evaluation of the type of security, length of time and extent to which the fair value has been less than cost and near-term prospects of the issuer. If this assessment indicates that a credit loss exists, the present value of the expected cash flows of the security is compared to the amortized cost basis of the security. If the present value of the cash flows expected to be collected is less than the amortized cost, an ACL is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis under ASC Topic 326, and declines due to non-credit factors are recorded in accumulated other comprehensive income ("AOCI"), net of taxes. If a credit loss is recognized in earnings, subsequent improvements to the expectation of collectability will be recognized through the ACL. If the fair value of the security increases above its amortized cost, the unrealized gain will be recorded in AOCI, net of taxes, on the Consolidated Statements of Financial Condition. Prior to implementation of ASC Topic 326, unrealized losses caused by a credit event would require the direct write-down of the AFS security through the other-than-temporary impairment approach.

We did not record an ACL on the AFS securities at March 31, 2025 or December 31, 2024. As of March 31, 2025 and December 31, 2024, the Company considers the unrealized losses on the AFS securities to be related to fluctuations in market conditions, primarily interest rates, and not reflective of deterioration in credit. In addition, the Company has the intent and ability to hold these AFS securities until the amortized cost is recovered and it is more likely than not that any of AFS securities in an unrealized loss position would not be required to be sold. At March 31, 2025 and December 31, 2024, unrealized losses were due to market uncertainty resulting from inflation and rising interest rates from the time of the security purchase.

The Company segments its HTM portfolio into agency residential mortgage-backed securities, obligations of state and political subdivisions and corporate obligations to determine the ACL. The ACL is determined based on the Company's historical losses, adjusted for qualitative factors including economic forecasts over a two-year reasonable and supportable forecast period. The Company has determined that for agency residential mortgage-backed securities it would be appropriate to assume the expected credit loss to be zero because these securities are guaranteed by enterprises that have credit ratings on par with the U.S. government or are guaranteed by the U.S. government. This assumption will be reviewed and attested to quarterly.

There was an ACL of \$206,000 against HTM securities at December 31, 2024 related principally to corporate obligations, which increased to \$209,000 at March 31, 2025.

At March 31, 2025, the Company had no HTM securities that were past due 30 days or more as to principal or interest payments. The Company had no HTM securities classified as nonaccrual at March 31, 2025.

The following tables present the activity in the ACL for the held to maturity debt securities:

	<b>Obligations of state and political subdivisions</b>	<b>Corporate obligations</b>	<b>ACL Total</b>
		<b>(in thousands)</b>	
<b>Three Months Ended March 31, 2025</b>			
Balance—beginning of period	\$ 4	\$ 202	\$ 206
Credit loss expense	1	2	3
Balance—end of period	<u>\$ 5</u>	<u>\$ 204</u>	<u>\$ 209</u>
	<b>Obligations of state and political subdivisions</b>	<b>Corporate obligations</b>	<b>ACL Total</b>
		<b>(in thousands)</b>	
<b>Three Months Ended March 31, 2024</b>			
Balance—beginning of period	\$ 4	\$ 196	\$ 200
Credit loss benefit	-	(6)	(6)
Balance—end of period	<u>\$ 4</u>	<u>\$ 190</u>	<u>\$ 194</u>

The carrying value of our AFS investment securities portfolio at March 31, 2025 was \$85.1 million, an increase of \$7.6 million from \$77.4 million at December 31, 2024. The increase is primarily due to purchases of \$12.5 million, mainly in residential MBS and U.S. treasury securities during first quarter of 2025, partially offset by \$6.3 million in maturities and principal paydowns from our residential mortgage-backed securities portfolio. As of March 31, 2025, the AFS portfolio had net unrealized losses of \$5.3 million compared to \$6.7 million at December 31, 2024.

HTM investment securities, net of allowance, totaled \$46.4 million at March 31, 2025, compared to \$47.1 million at December 31, 2024, a decrease of \$736,000. The decrease in HTM securities was primarily due to \$747,000 in maturities from our municipal portfolio, partially offset by \$157,000 in purchases during the first three months of 2025 and \$133,000 in principal paydowns from our residential mortgage-backed securities portfolio.

### **Mortgage-Backed Securities**

We held \$77.7 million and \$11.9 million (amortized cost) of MBS at March 31, 2025 in our AFS and HTM securities portfolios, respectively. We held \$74.3 million and \$12.0 million (amortized cost) of MBS at December 31, 2024 in our AFS and HTM securities portfolios, respectively. All of these MBS were issued by the Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corp ("FHLMC"), or Government National Mortgage Association ("GNMA"). We generally purchase MBS with average lives of less than five years in the base case that have limited extension risk in a +300 basis point rate scenario. MBS are expected to provide stable cash flows or liquidity in rising or falling interest rate environments through the monthly payment of principal and interest. Principal paydowns from the MBS portfolio totaled \$6.3 million for the three months ended March 31, 2025. Like all securities we own, MBS are sensitive to changes in interest rates, increasing and decreasing in market value as interest rates rise and fall. As interest rates rise, cash flows from MBS prepayments generally decline while the durations extend. On the other hand, when interest rates fall, prepayments generally increase, which may reduce the yield on MBS with reinvestment of the proceeds generally at lower yields.

### **Equity Securities**

The Company has one equity security carried at fair value as of \$1.9 million for both periods March 31, 2025 and December 31, 2024. The equity security is a CRA eligible fund that is actively traded and has a readily determinable fair value. Based on the guidance in FASB Codification – ASC Topic 321 Investments – Equity Securities (ASC 321), equity investments with readily determinable fair values should be measured at fair value with changes in the value recorded through net income. The change in fair value is recorded in other income in the Consolidated Statement of Income.

### **Other Investments**

Other investments totaled \$13.4 million and \$11.6 million at March 31, 2025 and December 31, 2024, respectively. Other investments consist primarily of an investment in an SBA Loan Fund with a balance of \$7.5 million and \$7.4 million at March 31, 2025 and December 31, 2024, respectively, and smaller investments in a Community Impact Bond Fund, a business tech fund, and three Small Business and Investment Company (SBIC) Fund. The SBA Loan Fund and the Community Impact Bond Fund were purchased for the purpose of assisting the Company in satisfying its Community Reinvestment Act of 1977 (as amended) requirements. The business tech fund with a balance of \$439,000 at March 31, 2025, specializes in the research, development, proper selection of, and investment in technology companies, as well as the incubation and acceleration of emerging technologies, whose mission is to make banks more competitive in today's market. The SBIC funds will invest into portfolio companies that qualify as economic development activities. These funds are not actively traded and do not have readily determinable fair values. There have been no observable transactions in these Funds or in investments that are identical to these Funds and there was no indication of impairment during the first quarter of 2025 hence the other investments are carried at cost.

Based on changes in the treasury yield curve we will continue to be opportunistic in building on balance sheet liquidity through the investment portfolio. We continue to monitor the impact of changes in interest rates, cash flows and duration to our investment portfolio's performance and adjust our strategy accordingly within asset and liability objectives.

## LIABILITIES

### Deposits

Total deposits increased \$63.9 million to \$3.12 billion at March 31, 2025 from \$3.06 billion at December 31, 2024. Non-interest-bearing demand deposits increased \$16.3 million, or 3.1%, and interest bearing demand deposits increased \$875,000, or 0.1%. Non-interest bearing demand deposits showed strong growth in a very competitive rate environment. Money market and time deposits increased by \$6.9 million and \$47.3 million, or 0.7% and 6.7%, respectively. Savings deposits declined by \$7.4 million, or 4.9%. We continue to effectively manage our customer relationships and maintain or grow deposit balances while also focusing on lowering deposit costs.

	March 31, 2025	December 31, 2024
	(in thousands)	
Non-interest bearing demand deposits	\$ 535,584	\$ 519,320
Interest bearing demand deposits	629,974	629,099
Money market deposits	1,053,989	1,047,114
Savings deposits	143,528	150,925
Time deposits	756,719	709,438
Total deposits	<u>\$ 3,119,794</u>	<u>\$ 3,055,896</u>

### Borrowings

At March 31, 2025 and December 31, 2024 borrowings consisted of Federal Home Loan Bank ("FHLB") advances and secured borrowings. We are a member of the FHLB of New York and use FHLB advances as an alternative source of funds for loan growth and to manage liquidity and interest rate risk. Our FHLB advances are collateralized by eligible investment securities and qualifying commercial mortgage loans. FHLB advances and other secured borrowings totaled \$281.9 million and \$246.9 million at March 31, 2025 and December 31, 2024, respectively, which represented 7.3% and 6.5% of total assets at those respective period-ends. Additional FHLB advances during the first quarter of 2025 were utilized to assist in funding the strong loan growth. Our utilization of FHLB advances in 2025 will continue to focus on meeting asset and liability goals.

At March 31, 2025 and December 31, 2024 borrowings also included certain loan participations sold. Due to rights retained on certain loan participations sold, we determined that we have retained effective control over these loans under FASB ASC 860 Transfers and Servicing. Therefore, these participations sold are accounted for as secured borrowings. These secured borrowings totaled \$6.9 million for both periods ended March 31, 2025 and December 31, 2024.

### Subordinated Debentures

At March 31, 2025 and December 31, 2024, we had \$30.0 million, in subordinated debentures outstanding. On May 29, 2020, we completed a \$30.0 million private placement of fixed-to-floating rate subordinated debentures. The notes have a maturity date of June 1, 2030, and carry a fixed interest rate of 5.50% for the first five years. Thereafter, the notes will pay interest at three-month term SOFR (Secured Overnight Financing Rate) plus 5.38%. The notes include a right of prepayment, without penalty, on or after June 1, 2025.

During the first quarter of 2024, the Company redeemed \$25.5 million of subordinated notes assumed as part of Malvern acquisition. The fair value adjustment of \$409,000, which would have been amortized over the expected life of the notes, was accelerated and fully amortized upon their early redemption.

### Liquidity

Our liquidity is a measure of our ability to fund loans, withdrawals of deposits and other cash outflows in a cost-effective manner. Our principal sources of funds include deposits, scheduled amortization and prepayments of loan principal, principal cash flows from mortgage-backed securities, borrowings and funds provided by operations. While scheduled loan payments, borrowings and principal cash flows from mortgage-backed securities are relatively predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions and competition.

Total cash and cash equivalents increased by \$16.2 million, or 5.9%, during the three months ended March 31, 2025 to \$288.1 million. The Bank currently has a strong liquidity base and a diverse source of funding options. We still have significant unused borrowing capacity. We are also working to increase our capacity with both the FHLB and FRB and we have a number of wholesale deposit relationships for contingent funding purposes.

On at least a quarterly basis, the Asset Liability Committee and Board of Directors review a comprehensive liquidity analysis. The analysis provides a summary of the current liquidity measurements, projections, and future liquidity positions given various levels of liquidity stress. Management also maintains a detailed Contingency Funding Plan designed to respond to overall stress in the financial condition of the banking industry or a prospective liquidity problem specific to First Bank.

As of March 31, 2025, our liquid assets (cash and cash equivalents and eligible unpledged securities) totaled \$352.2 million, or 9.1% of total assets, compared to \$336.1 million, or 8.9% of total assets, at December 31, 2024.

As a member of the FHLB, we are eligible to borrow funds up to 50% of our total assets from the FHLB, subject to its collateral requirements. Based on available eligible securities and qualified commercial real estate loan collateral, as of March 31, 2025 we had the ability to borrow \$228.2 million. At March 31, 2025, we had additional borrowing capacity of \$39.1 million through the Federal Reserve Bank discount window and \$85.0 million from three correspondent banks. We pledged additional commercial loans to the FHLB subsequent to quarter-end, which increased our borrowing capacity.

At March 31, 2025, our outstanding commitments to extend credit totaled \$609.8 million.

We have competitively positioned our deposit products and services to continue to add to lower cost core deposits throughout our attractive markets. Based on projected loan and deposit growth, we expect liquidity to remain adequate to support our operations.

## CAPITAL AND REGULATORY MATTERS

### Stockholders' Equity

Total stockholders' equity increased from \$409.2 million at December 31, 2024 to \$414.9 million at March 31, 2025, an increase of \$5.8 million, or 1.4%. The increase was primarily the result of net income of \$9.4 million during the first three months of 2025, which was partially offset by \$3.9 million in stock repurchases and \$1.5 million in dividends paid.

Our tangible stockholders' equity ratio was 9.47% as of March 31, 2025 and 9.56% as of December 31, 2024. Tangible stockholders' equity excludes intangible assets. The tangible stockholders' equity ratio is a non-GAAP financial measure that we believe provides management and investors with information that is useful in understanding our financial performance and condition. This measure should not be directly compared to similarly titled measures reported by other companies, as we cannot guarantee other companies present similar measures in the same way.

The following table provides a reconciliation and calculation of the non-GAAP tangible stockholders' equity ratio:

	March 31, 2025	December 31, 2024
	(dollars in thousands)	
Stockholders' equity	\$ 414,915	\$ 409,156
Less: Goodwill and other intangible assets, net	52,507	52,993
Tangible stockholders' equity (numerator)	\$ 362,408	\$ 356,163
Total assets	\$ 3,880,759	\$ 3,780,346
Less: Goodwill and other intangible assets, net	52,507	52,993
Adjusted total assets (denominator)	\$ 3,828,252	\$ 3,727,353
Tangible stockholders' equity ratio	9.47%	9.56%

### Accumulated Other Comprehensive Income (Loss)

Our accumulated other comprehensive income or loss position consists of net unrealized gains or losses on investment securities available for sale, net of tax. Based on changes in the U.S. Treasury yield curve, AFS securities values moved slightly higher at March 31, 2025 compared to December 31, 2024, which resulted in net unrealized losses, net of tax, of \$3.9 million at March 31, 2025, compared to \$4.9 million at December 31, 2024.

## Regulatory Capital

We are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet the minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices.

We are subject to Basel III regulatory capital reforms and changes required by the Dodd-Frank Act. These requirements created a required ratio for common equity Tier 1 (“CET1”) capital, increased the leverage and Tier 1 capital ratios, changed the risk weight of certain assets for purposes of the risk-based capital ratios, created an additional capital conservation buffer over the required capital ratios and changed what qualifies as capital for purposes of meeting these various capital requirements.

Under these capital regulations, the minimum capital ratios are: (i) a Tier 1 leverage ratio of 4.0%; (ii) CET1 capital of 4.5% of risk-weighted assets; (iii) Tier 1 capital of 6.0% of risk-weighted assets; and (iv) total capital of 8.0% of risk-weighted assets. CET1 generally consists of common stock and retained earnings, subject to applicable regulatory adjustments and deductions.

The required capital conservation buffer consists of additional CET1 capital greater than 2.5% of risk-weighted assets above the required minimum levels. We must maintain such buffer to avoid limitations on paying dividends, engage in share repurchases, and pay discretionary bonuses based on percentages of eligible retained income that could be utilized for such actions. This capital conservation buffer requirement was phased in over four years. As of March 31, 2025 and December 31, 2024, the fully phased in capital conservation buffer was 2.5%.

Under the regulatory prompt corrective action standards, in order to be considered well capitalized, the Company must have: (i) a Tier 1 leverage ratio of 5.0%; (ii) CET1 capital of 6.5% of risk-weighted assets, (iii) Tier 1 risk-based capital of 8.0% of risk-weighted assets, and (iv) a total risk-based capital ratio of 10.0% of risk-weighted assets.

Our capital amounts and classifications are subject to qualitative judgments by the regulators about components, risk weightings and other factors.

The following tables provide our regulatory capital amounts and ratios as well as the required regulatory minimums as of the dates indicated:

	Actual		Minimum For Capital Adequacy Purposes		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(dollars in thousands)						
<b>At March 31, 2025:</b>						
Tier 1 leverage capital	\$ 359,405	9.63%	\$ 149,230	4.00%	\$ 189,509	5.00%
Common equity tier 1 capital	359,405	9.59%	168,660	4.50%	243,620	6.50%
Tier 1 risk-based capital	359,405	9.59%	224,880	6.00%	299,841	8.00%
Total risk-based capital	429,512	11.46%	299,841	8.00%	374,801	10.00%
<b>December 31, 2024:</b>						
Tier 1 leverage capital	\$ 354,148	9.50%	\$ 149,158	4.00%	\$ 189,444	5.00%
Common equity tier 1 capital	354,148	9.70%	164,363	4.50%	237,414	6.50%
Tier 1 risk-based capital	354,148	9.70%	219,151	6.00%	292,202	8.00%
Total risk-based capital	422,250	11.56%	292,202	8.00%	365,252	10.00%

At March 31, 2025 and December 31, 2024, we were well-capitalized for regulatory purposes and met the requirements for maintaining the capital conservation buffer.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk.**
**Some Specific Factors Affecting Future Results of Operations**

Future movement of interest rates cannot be predicted with certainty. Our interest rate risk profile is positioned in such a way that moderate changes in interest rates likely will not have a significant impact on our results of operations. However, because overall future performance is dependent on many other factors, past performance is not necessarily an indication of future results.

**Interest Rate Sensitivity Analysis**

The Company manages interest rate risk by identifying and quantifying interest rate risk exposures through the use of net interest income simulation and economic value of equity (“EVE”) models. Various assumptions are used to produce these analyses, including, but not limited to, the rates paid on interest bearing non-maturity deposits relative to market interest rates, the level of new and existing business, loan and investment prepayment speeds, the shape of the yield curve and competitive pricing.

The Company’s simulation model measures the volatility of net interest income to changes in market interest rates by modeling interest income and interest expense dynamically over specified time periods under different interest rate scenarios. The table below sets forth the Company’s exposure to interest rate risk as measured by the change in net interest income for the next twelve months with a static balance sheet under various interest rate shocks as of March 31, 2025 and December 31, 2024:

	Net Interest Income			
	March 31, 2025		December 31, 2024	
	Amount	% Change	Amount	% Change
	(dollars in thousands)			
<b>Rate Shock (1)</b>				
+ 400	\$ 130,470	(2.4%)	\$ 126,104	(1.7%)
+ 300	131,292	(1.8%)	126,626	(1.3%)
+ 200	132,126	(1.2%)	127,167	(0.9%)
+ 100	132,957	(0.6%)	127,700	(0.4%)
+ 0 (Static)	133,693	-	128,259	-
- 100	132,530	(0.9%)	128,119	(0.1%)
- 200	131,880	(1.4%)	127,353	(0.7%)
- 300	131,513	(1.6%)	126,037	(1.7%)
- 400	131,057	(2.0%)	124,598	(2.9%)

**Economic Value At Risk**

The Company’s EVE model projects the Company’s asset and liability cash flows to their maturity dates, discounting those cash flows at appropriate interest rates, and then aggregating the discounted cash flows. EVE is the estimated net present value of assets less the net present value of liabilities. Market rates are adjusted up and down in the model to calculate the various levels of EVE with interest rate changes. The variance in the economic value of equity is measured as a percentage of the present value of equity. The sensitivity of EVE to changes in the level of interest rates is a measure of potential market value risk. The Company uses the sensitivity of EVE principally to measure the exposure of equity to changes in interest rates over a relatively long-term horizon. The table below sets forth the Company’s exposure to interest rate risk as measured by the change in EVE under various interest rate shocks as of March 31, 2025 and December 31, 2024:

	Economic Value of Equity			
	March 31, 2025		December 31, 2024	
	Amount	% Change	Amount	% Change
	(dollars in thousands)			
<b>Rate Shock (1)</b>				
+ 400	\$ 407,947	(13.8%)	\$ 400,266	(15.0%)
+ 300	422,503	(10.7%)	415,851	(11.7%)
+ 200	439,344	(7.1%)	433,951	(7.8%)
+ 100	456,984	(3.4%)	452,626	(3.9%)
+ 0 (Static)	473,064	-	470,737	-
- 100	477,917	1.0%	484,792	3.0%
- 200	479,651	1.4%	491,002	4.3%
- 300	476,508	0.7%	491,014	4.3%
- 400	469,215	(0.8%)	492,850	4.7%

(1) Change in interest rates in basis points.

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All methods used to measure interest rate sensitivity involve the use of assumptions, which may tend to oversimplify the manner in which actual yields and costs respond to changes in market interest rates. Actual outcomes could differ significantly from the simulation outcomes. The Company's interest rate sensitivity should be reviewed in conjunction with the condensed consolidated financial statements and notes thereto in the Company's 2024 Annual Report on Form 10-K.

**Item 4. Controls and Procedures.**

(a) Evaluation of Disclosure Controls and Procedures.

First Bank's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934). Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report, is recorded, processed, summarized and reported within the time periods specified in the FDIC's rules and forms.

(b) Changes in internal control over financial reporting.

For the quarter ended March 31, 2025, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II - OTHER INFORMATION**

**Item 1. Legal Proceedings.**

First Bank is a party in the ordinary course of business to litigation involving collection matters, contract claims and other miscellaneous causes of action arising from their business. Management does not consider that any such proceedings depart from usual routine litigation, and in its judgment neither the Company's consolidated financial condition nor its results of operations will be affected materially by any present proceedings.

**Item 1A. Risk Factors.**

For information regarding the Company's risk factors, see "Item 1A. Risk Factors" in First Bank's Annual Report on Form 10-K for the fiscal year ended December 31, 2024 as filed with the FDIC.

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

During the three months ended March 31, 2025, the Bank issued 30,950 shares of Common Stock in connection with the exercise of outstanding stock options previously granted to certain officers and directors. Exercise prices ranged from \$6.00 to \$10.70 and the aggregate proceeds from such issuances were \$202,000. The shares were issued in reliance on the exemption provided by Section (3)(a)(2) of the Securities Act of 1933 because the sales involved securities issued by a bank.

On October 23, 2024, the Company announced a new share repurchase program. The program provides for the repurchase of up to 1.0 million shares of First Bank common stock for an aggregate repurchase amount of up to \$16.0 million. This new share repurchase program was approved by the Company's board and will run through September 30, 2025. The timing, price and volume of the share repurchases will be determined by management based on relevant securities laws, an evaluation of market conditions and other factors. The share repurchase program does not require the Company to repurchase any specific number of shares and may be suspended, terminated or modified for any reason including market conditions, the cost of repurchasing shares or other factors deemed by management to be appropriate. During the three months ended March 31, 2025, the Company repurchased 256,454 shares of common stock at an average price of \$14.91 per share.

Month Ended	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Program
January 1, 2025 to January 31, 2025	54,454	\$ 14.95	54,454	852,000
February 1, 2025 to February 28, 2025	58,904	\$ 15.03	58,904	793,096
March 1, 2025 to March 31, 2025	143,096	\$ 15.11	143,096	650,000
Total	256,454	\$ 15.06	256,454	650,000

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

During the three months ended March 31, 2025, none of the Company's directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of the Company's securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement" as defined in SEC regulations.

**Item 6. Exhibits.**

An Exhibit Index has been filed as part of this report and is incorporated herein by reference.

**Exhibit Index**

Exhibit No.	Description of Exhibit
3.1	First Restated Certificate of Incorporation of First Bank (incorporated by reference to Exhibit 3.1 to the Company's 2019 Annual Report on Form 10-K filed by the registrant with the FDIC on March 27, 2020)
3.2	Amended and Restated Bylaws of First Bank (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed by the registrant with the FDIC on February 19, 2020)
31.1*	<a href="#">Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a) and Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2*	<a href="#">Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a) and Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1+	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350</a>
*	Filed herewith
+	Furnished herewith

**SIGNATURES**

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

**FIRST BANK**  
(Registrant)

Date: May 12, 2025

/s/ Andrew L. Hibshman  
Andrew L. Hibshman  
Executive Vice President, Treasurer  
and Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO RULE 13A-14(A) OR RULE 15D-14(A) AND SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002

I, Patrick L. Ryan, Chief Executive Officer of First Bank, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of First Bank;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2025

/s/ Patrick L. Ryan

Patrick L. Ryan  
President and Chief Executive Officer  
(Principal Executive Officer)

CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO RULE 13A-14(A) OR RULE 15D-14(A) AND SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew L. Hibshman, Chief Financial Officer of First Bank, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of First Bank;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2025

/s/ Andrew L. Hibshman

Andrew L. Hibshman

Executive Vice President, Treasurer and Chief Financial Officer

(Principal Financial Officer)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the Quarterly Report on Form 10-Q of First Bank (the "Company") for the period ended March 31, 2025, as filed with the Federal Deposit Insurance Corporation on the date hereof (the "Report"), each of the undersigned officers of the Company, certifies, to the best knowledge and belief of the signatory, that the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as applicable; and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Date: May 12, 2025

/s/ Patrick L. Ryan

Patrick L. Ryan  
President and Chief Executive Officer  
(Principal Executive Officer)

/s/ Andrew L. Hibshman

Andrew L. Hibshman  
Executive Vice President, Treasurer and Chief Financial Officer  
(Principal Financial Officer)