



# 2024

## annual report

CELEBRATING

# 75

YEARS

And we're just  
getting started.

(1949 - 2024)



# Glen Burnie Bancorp

## Table of Contents

### Introduction

Message to Investors	i
Board of Directors	iii
Management	iv

### Financials

Financial Section Table of Contents	2
Consolidated Financial Statements	F-2

#### ***Annual Meeting***

The Annual Meeting of Stockholders will be conducted in person on **Thursday, May 8, 2025 beginning at 2:00 p.m. at The Bank of Glen Burnie, 101 Crain Highway, SE, Glen Burnie, Maryland.** Glen Burnie Bancorp's regular meeting of stockholders is held on the second Thursday in May of each year.

#### ***Dividend Reinvestment Plan***

Common Stockholders participating in the Dividend Reinvestment Plan receive a 5% discount from market price when they reinvest their Glen Burnie Bancorp dividends in additional shares. To obtain a prospectus and authorization forms, contact the Transfer Agent.

#### ***Direct Deposit of Dividends***

The direct deposit program, which is offered at no-charge, provides for automatic deposit of quarterly dividends directly into a checking or savings account. For information regarding this program, contact the Transfer Agent.

#### ***Annual Report on Form 10-K***

To obtain a copy of the company's Annual Report on Form 10-K for the year ended December 31, 2024 please contact the Transfer Agent.

#### ***Independent Auditors***

UHY LLP, Certified Public Accountants, 955 Mount Hermon Road, Salisbury, Maryland 21804-5105

# Letter to Our Shareholders



**Mark C. Hanna**

*Shortly after joining The Bank of Glen Burnie in October of 2023, I set out to meet our associates to gain insight and perspective into our operation and our people so that I could begin formulating my plans for the future of the Bank.*

One particular conversation stands out to this day as I

tried to remember names and digest so much information – it was an introductory meeting with our Collections Manager, Moses Williams. Moses is a fantastic person who, like me, shares a deep love for the game of baseball and our Baltimore Orioles.

Moses, like many of our long-time employees, is an integral part of the fabric at The Bank of Glen Burnie. He joined the Bank almost 30 years ago, during the summer of 1996. He established the Collections Department shortly after arriving at the Bank and has maintained a steady hand on the rudder ever since. He has seen a lot in his time at the Bank and has worked through economic growth and recessions. He has seen the Bank grow and contract and people come and go. With the support of Amy Ward, our Collections Department has done an excellent job maintaining enviable delinquencies and charge-offs during his tenure.

As Moses and I concluded our meeting, we took a break from the important topics of sports and yardwork and I asked him what he would most like to see The Bank of Glen Burnie achieve over the next five years. His response was confident and immediate.

***The Bank needs to “grow, grow, grow, grow, grow”.***



I couldn't have agreed more with Moses' response or said it any better. He hit the proverbial nail on the head with one word, spoken five times to give it the emphasis it deserves! His off-the-cuff reaction has become an oft quoted mantra as our leadership pushes forward with new initiatives and strategic plans focused on growing deposits and loans.

Our Bank is blessed to serve one of the strongest economies in the Mid-Atlantic region. At December 31, 2024, Anne Arundel County boasted an unemployment rate of 2.3% - well below the national level of 4.1%. We have over 61,000 businesses headquartered in our community which provide plenty of opportunity for The Bank of Glen Burnie to achieve our growth objectives.

Although we celebrated a major milestone in August 2024 with our 75th anniversary, our financial performance did not meet our expectations. Our small net loss of \$112,000 was disappointing but represented several challenges that have been converging over the last several years. The cumulative impact was a significant reduction in margin compression that drove down our Net Interest Margin from 3.31% in 2023 to 2.98% in 2024.

Our asset yields were compressed due to longer duration assets that were primarily booked in lower rate environments. As our loan balances declined between 2018 and 2023, the bond portfolio became a larger component of our asset base. To improve our interest income, we need to grow loans in the current market's higher rate environment. In 2024 we succeeded in growing our loan balances by approximately \$29 million (16%). The higher concentration of loans in our asset mix at today's higher rates will help drive interest income. Additional loan growth will improve yields and margins in future periods.

The second challenge the Bank and the industry faced pertained to higher liability costs. To protect our client base and cultivate new relationships as the competition for deposits increased post pandemic, our funding costs increased by more than \$3 million (255%) in 2024. To improve our deposit costs, we launched

# Letter to Our Shareholders

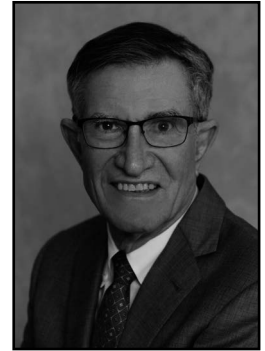
several new cash management products aimed at growing our commercial depository accounts. Demand deposit accounts tend to cost less than savings and time deposits. Despite experiencing runoff in our deposit base in 2022 and 2023, we were able to grow deposits by \$9 million (3%) in 2024. As we look forward, our ability to leverage our investments in cash management to further grow existing and new commercial operating accounts should reduce our liability costs and help us take back some of our margin compression.

Aside from the inherent challenges of navigating the interest rate environment of the last several years, we have several other notable accomplishments that will better position the bank for our next 75 years:

- Overhead continues to be managed effectively with only a modest 2% increase.
- The Bank remains well capitalized with a 15.15% Common Equity Tier 1 Capital ratio and a 9.97% leverage ratio.
- Asset quality remains strong with nonperforming loans representing just 0.18% of total loans and an allowance that provides 788.6% coverage on our nonaccrual and 90+ days past due loans.

Despite the challenges that converged in 2024, there is a path forward. Moses said it correctly in October of 2023. Growth in earning assets at today's higher interest rates coupled with growth in our low-cost funding sources will drive our margin expansion and profitability in future periods. Coupled to this, the Bank must balance the need to grow with prudent management of overhead.

*To facilitate the growth necessary to make The Bank of Glen Burnie successful for the next 75 years, our Board of Directors, together with our executive leadership team, is committed to a strategic vision that emphasizes growth and continues to build our sales, service and product competencies.*



**John E. Demyan**

If you are reading this letter and do not have a banking relationship with us, please help The Bank of Glen Burnie grow and build client relationships. We would welcome the opportunity to assist you with any, and all, of your banking needs at any of our financial centers. We assure you; our client service and professionalism will not disappoint!

Thank you for your continued support of The Bank of Glen Burnie and Glen Burnie Bancorp.

Sincerely,

*John E. Demyan*

John E. Demyan  
Chairman

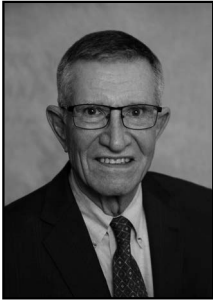
*Mark C. Hanna*

Mark C. Hanna  
President & CEO



# Glen Burnie Bancorp

## Directors



**John E.  
Demyan**

Real Estate Investor



**Mark C.  
Hanna**

President & CEO

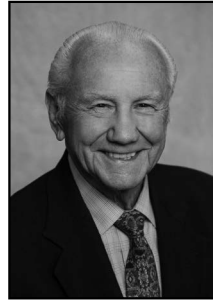
The Bank of  
Glen Burnie



**Jay  
Baldwin**

President & CEO

Reliable Contracting  
Company Inc.



**Thomas  
Clocker**

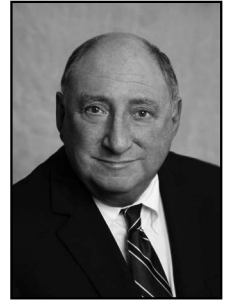
Retired Local  
Businessman



**Julie A.  
Mussog**

Chief Financial  
Officer

Metropolitan  
Washington Council of  
Governments



**Stanford D.  
Hess**

Partner

Neuberger, Quinn,  
Gielen, Rubin & Gibber,  
P.A.

**Executive VP and  
Legal Counsel**

Antwerpen Automotive  
Group



**Frederick W.  
Kuethe, III**

Aerospace  
Software Engineer

Northrop Grumman,  
Company, Inc.



**Felton  
Magee, Jr.**

President & CEO

Regent Healthcare  
Holdings



**Joan M.  
Rumenap**

Special Projects  
Manager

Accessible Resources  
for Independence

**Personal Advocate**

By Their Side



**Andrew  
Cooch**

Partner

Law Office of Cooch &  
Bowers, P.A.

**Owner/Director**

Progressive Title  
Corporation



**Mary Louise  
Wilcox**

Retired Teacher

Anne Arundel County  
Schools



*as of:  
December 31, 2024*

## Officers

**John E. Demyan**  
Chairman

**Mark C. Hanna**  
President & CEO

**Frederick W.  
Kuethe, III**  
Vice President

**Jeffrey D. Harris**  
Treasurer

**Michelle R.  
Stambaugh**  
Secretary

## Transfer Agent

### Computershare, Shareholder Services

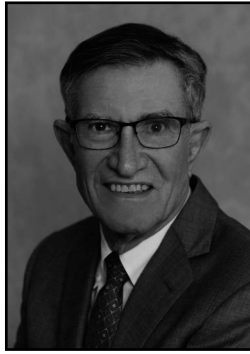
PO Box 43006  
Providence, RI 02940-3006

1-800-368-5948

# The Bank of Glen Burnie

## Executive Management and Senior Officers

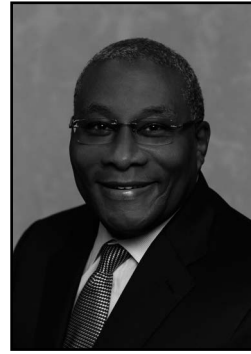
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**John E. Demyan**  
Chairman



**Mark C. Hanna**  
President & Chief  
Executive Officer



**Jeffrey D. Harris**  
Senior Vice President  
Chief Financial Officer



**Janice H. Meinster**  
Senior Vice President  
Director of  
Information Technology



**Donna L. Smith**  
Senior Vice President  
Director of Branch and  
Deposit Operations



**Michelle R. Stambaugh**  
Senior Vice President  
Director of  
Human Resources

## Officers

---

**Ed Abedi**  
Vice President  
Cash Management Services

**Youn Choe**  
Vice President  
Commercial Lending

**Kristin C. Elswick**  
Vice President  
Deposit Operations

**Janet P. Kim**  
Vice President  
Director of Marketing/PR

**Michael Morse**  
Vice President  
Commercial Lending

**Jonathan Shearin**  
Vice President  
Director of Commercial  
Banking

**Lisa Singleton**  
Vice President  
Loan Operations

**Moses Williams, Jr.**  
Vice President  
Collections

**Jenny Bartimo**  
Assistant Vice President  
BSA Department

**David Borowy**  
Assistant Vice President  
Assistant Controller

**William Brown**  
Assistant Vice President  
Remote Operations Alternate  
Delivery

**Thomas O'Brien**  
Assistant Vice President  
Senior Credit Officer

**Pranav Pancholi**  
Assistant Vice President  
Odenton/Severn

**Stephen Pencarski**  
Assistant Vice President  
Information Technology

**Jo Ann Pyles**  
Assistant Vice President  
Mortgage Loan Officer

**Beth Redolf**  
Assistant Vice President  
Glen Burnie

**Deborah J. Youngbar**  
Assistant Vice President  
New Cut

**Suzanne Donnack**  
Bank Officer  
Assistant Branch  
Administrator

**Scott Gawitt**  
BSA Officer

**Deborah S. Rubbico**  
Audit Liaison Officer

**2024**

Glen Burnie Bancorp  
Annual Report

# **Financials**

Glen Burnie Bancorp and Subsidiary  
Consolidated Financial Statements

December 31, 2024

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## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-K

- ☒ Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2024 or
- ☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_ to \_\_\_\_

Commission file number: 0-24047

## GLEN BURNIE BANCORP

(Exact name of registrant as specified in its charter)

MARYLAND

(State or other jurisdiction  
of incorporation or organization)

52-1782444

(I.R.S. Employer  
Identification No.)

101 Crain Highway, S.E., Glen Burnie, Maryland

(Address of principal executive offices)  
Registrant's telephone number, including area code

21061

(Zip Code)  
(410) 766-3300

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

Title of Class  
NoneName of Each Exchange on Which Registered  
None

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

Title of Class

Common Stock, \$1.00 par value  
Common Stock Purchase RightsIndicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statement incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark if the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the registrant's outstanding common equity held by non-affiliates was \$9,843,992, computed by reference to the closing sales price of such equity as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2024). For the purposes of this calculation, directors, executive officers, and controlling investors are considered affiliates.

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

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

The number of shares of common stock outstanding as of March 19, 2025, was 2,900,681.

## Documents Incorporated By Reference

Portions of the registrant's definitive proxy statement for the 2025 Annual Meeting of Stockholders to be filed with the SEC pursuant to Regulation 14A are incorporated by reference into Part III of this Annual Report on Form 10-K.

**GLEN BURNIE BANCORP**  
**2024 ANNUAL REPORT ON FORM 10-K**

Table of Contents

	Page
<b>PART I</b>	
Item 1. Business	3
Item 1C. Cybersecurity	15
Item 2. Properties	16
Item 3. Legal Proceedings	16
Item 4. Mine Safety Disclosures	16
Executive Officers of the Registrant	17
<b>PART II</b>	
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	18
Item 6. Selected Financial Data	18
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	18
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	41
Item 8. Financial Statements and Supplementary Data	41
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	41
Item 9A. Controls and Procedures	41
Item 9B. Other Information	43
<b>PART III</b>	
Item 10. Directors, Executive Officers and Corporate Governance	43
Item 11. Executive Compensation	43
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	43
Item 13. Certain Relationships and Related Transactions, and Director Independence	43
Item 14. Principal Accountant Fees and Services	43
<b>PART IV</b>	
Item 15. Exhibits and Financial Statement Schedules	44
Signatures	46

## PART I

As used in this Annual Report, the term “the Company” refers to Glen Burnie Bancorp and, unless the context clearly requires otherwise, the terms “we,” “us,” and “our,” refer to Glen Burnie Bancorp and its consolidated subsidiary.

### ITEM 1. BUSINESS

#### GENERAL

Glen Burnie Bancorp (the “Company”) is a bank holding company organized in 1990 under the laws of the State of Maryland. The Company owns all the outstanding shares of capital stock of The Bank of Glen Burnie (the “Bank”), a commercial bank organized in 1949 under the laws of the State of Maryland, serving northern Anne Arundel County and surrounding areas from its main office and branch in Glen Burnie, Maryland and branch offices in Odenton, Riviera Beach, Crownsville, Severn (two locations), Linthicum and Severna Park, Maryland. As of January 31, 2025, the Bank closed the Linthicum branch and anticipates closing the Severna Park branch by May 31, 2025. The Bank also maintains a remote Automated Teller Machine (“ATM”) located in Pasadena, Maryland. The Bank maintains a website at [www.thebankofglenburnie.com](http://www.thebankofglenburnie.com). It is the oldest independent commercial bank in Anne Arundel County. The Bank is engaged in the commercial and retail banking business as authorized by the banking statutes of the State of Maryland, including the acceptance of demand and time deposits, and the origination of loans to individuals, associations, partnerships and corporations.

The Bank’s real estate financing consists of residential first and second mortgage loans, home equity lines of credit and commercial mortgage loans. Commercial lending consists of both secured and unsecured loans. The Bank also originates automobile loans through arrangements with local automobile dealers. The Bank’s deposits are insured up to applicable limits by the Federal Deposit Insurance Corporation (“FDIC”). We attract deposit customers from the general public and use such funds, together with other borrowed funds, to make loans. Our results of operations are primarily determined by the difference between interest income earned on our interest-earning assets, primarily interest and fee income on loans and investment securities, and interest paid on our interest-bearing liabilities, including deposits and borrowings.

The Company’s principal executive office is located at 101 Crain Highway, S.E., Glen Burnie, Maryland 21061. Its telephone number at such office is (410) 766-3300.

#### AVAILABILITY OF INFORMATION

Information on the Company and its subsidiary Bank may be obtained from the Company’s website [www.thebankofglenburnie.com](http://www.thebankofglenburnie.com). Copies of the Company’s annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments thereto are available free of charge on the website as soon as practicable after they are filed with the Securities and Exchange Commission (SEC) through a link to the SEC’s EDGAR reporting system. Simply select the “Investor Relations” menu item, then click on the “All SEC Filings” or “Insider Transactions” link.

#### MARKET AREA

The Bank considers its principal market area for lending and deposit products to consist of Anne Arundel County, Maryland. Anne Arundel County includes the suburbs of the City of Baltimore and maintains a diverse set of economic drivers such as a large international airport, the defense industry, a large number of large private sector employers as well as telecommunications, retail, and distribution operations. The population of Anne Arundel County, Maryland in 2022 was 593,286, 10% up from the 539,305 who lived there in 2010. The population of Anne Arundel County has been growing steadily since 2010 and projected to continue such growth in 2025. The median age for Anne Arundel County residents is 39.6 years. Management believes that the majority of the working population in its market area either commutes to Baltimore or is employed at businesses located at or around the nearby Baltimore Washington

International Airport. Lending activities are broader, including the entire State of Maryland, and, to a limited extent, the surrounding states. All of our revenue is generated within the United States.

## COMPETITION

Our principal competitors for deposits are other financial institutions, including savings institutions, commercial banks, credit unions, and local banks and branches or affiliates of other larger banks located in our primary market area. Competition among these institutions is based primarily on interest rates and other terms offered, service charges imposed on deposit accounts, the quality of services rendered, and the convenience of banking facilities. Additional competition for depositors' funds comes from mutual funds, U.S. Government securities, insurance companies and private issuers of debt obligations and suppliers of other investment alternatives for depositors such as securities firms. Competition from credit unions has intensified in recent years as historical federal limits on membership have been relaxed. Because federal law subsidizes credit unions by giving them a general exemption from federal income taxes, credit unions have a significant cost advantage over banks and savings associations, which are fully subject to federal income taxes. Credit unions may use this advantage to offer rates that are highly competitive with those offered by banks and thrifts.

The Bank's interest rates, loan and deposit terms, and offered products and services are impacted, to a large extent, by competition. With respect to indirect lending, the Bank faces competition from other banks and the financing arms of automobile manufacturers. We compete in this area by offering competitive rates and a responsive service to dealers. The Bank attempts to provide superior service within its community and to know and facilitate services for its customers. It seeks commercial relationships with small to medium-sized businesses, which the Bank believes would welcome personal service and flexibility. The Bank believes its greatest competition comes from larger intra- and inter-state financial institutions.

## STRATEGY

We operate on the premise that the consolidation activities in the banking industry have created an opportunity for a well-capitalized community bank to satisfy banking needs that are no longer being adequately met in the local market. Large national and regional banks are catering to larger customers and provide an impersonal experience, while typical community banks, because of their limited capacity, are able to meet the needs of many small-to-medium-sized businesses. Specifically, as a result of bank mergers, many banks in the Baltimore metropolitan area became local branches of large regional and national banks. Although size gave the larger banks some advantages in competing for business from large corporations, including economies of scale and higher lending limits, we believe that these larger, national banks remain focused on a mass market approach which de-emphasizes personal contact and service. We also believe that the centralization of decision-making power at these large institutions has resulted in a lack of customer service. At many of these institutions, determinations are made at the out-of-state "home office" by individuals who lack personal contact with customers as well as an understanding of the customers' needs and scope of the relationship with the institution. We believe that this trend is ongoing and continues to be particularly frustrating to owners of small and medium-sized businesses, business professionals and individual consumers who traditionally have been accustomed to dealing directly with a bank executive who understood their banking needs with the ability to deliver a prompt response.

We attempt to differentiate ourselves from the competition through personalized service, flexibility in meeting the needs of customers, prompt decision making and the availability of senior management to meet with customers and prospective customers.

## PRODUCTS AND SERVICES

### General

Our primary market focus is on making loans to and gathering deposits from small and medium-sized businesses and their owners, professionals and executives, real estate investors and individual consumers in our primary market area. We lend to customers throughout Maryland, with our core market being Northern Anne Arundel County

and surrounding areas of Central Maryland. To a limited extent, we lend to customers in neighboring states. The Bank offers a full range of consumer and commercial loans. The Bank's lending activities include residential and commercial real estate loans, construction loans, land acquisition and development loans, commercial loans and consumer installment lending including indirect automobile lending. Substantially all of the Bank's loan customers are residents of Anne Arundel County and surrounding areas of Central Maryland. The Bank solicits loan applications for commercial loans from small to medium sized businesses located in its market area. The Company believes that this is a market in which a relatively small community bank, like the Bank, has a competitive advantage in personal service and flexibility. The Bank's consumer lending currently consists primarily of indirect automobile loans originated through arrangements with local dealers.

#### Lending Activities

#### Credit Policies and Administration

The Bank's lending activities are conducted pursuant to written policies approved by the Board of Directors ("Board") intended to ensure proper management of credit risk. Loans are subject to a well-defined credit process that includes credit evaluation of borrowers, establishment of lending limits and application of lending procedures, including the holding of adequate collateral and the maintenance of compensating balances, as well as procedures for on-going identification and management of credit deterioration. Regular portfolio reviews are performed by the Bank's senior credit officer to identify potential underperforming loans and other credit facilities, to estimate loss exposure and to ascertain compliance with the Bank's policies. For significant problem loans, management review consists of evaluation of the financial strengths of the borrower and any guarantor, the related collateral, and the effects of economic conditions.

The Bank's loan approval policy provides for various levels of individual lending authority. The maximum aggregate lending authority granted by the Bank to any one Lending Officer is \$750,000. A combination of approvals from certain officers may be used to lend up to an aggregate of \$1,000,000. We have adopted a comprehensive lending policy, which includes stringent underwriting standards for all types of loans. Our lending staff follow pricing guidelines established periodically by our management team. The Bank maintains two committees, separate from the Board of Directors, which have authorization to approve credit extensions. The two committees are called the Officer's Loan Committee ("OLC") and the Executive Committee ("EC"). The OLC is authorized to approve extensions of credit where the total aggregate amount of credit to the borrower or guarantor is less than or equal to \$1,000,000. The OLC consists of the President/Chief Executive Officer ("President/CEO"), Chief Financial Officer ("CFO"), and Chief Lending Officer ("CLO") plus two additional loan officers. The EC approves extensions of credit where the aggregate amount of credit to an existing borrower is less than or equal to \$3,000,000. The EC is comprised of the Chairman of the Board, or the President/CEO plus two (2) outside Directors. Extensions of credit greater than \$3,000,000 must be approved by the Board of Directors. Under the leadership of our executive management team, we believe that we employ experienced lending officers, secure appropriate collateral and carefully monitor the financial conditions of our borrowers and the concentration of loans in our portfolio.

All loans by the Bank to our directors and executive officers and their affiliates require pre-approval by the Bank's Board of Directors to ensure, among other things, compliance with Section 23A and Section 23B of the Federal Reserve Act and Regulation O promulgated thereunder. It is the Bank's policy that all approved loans must be made on substantially the same terms as loans made for persons who are unrelated to the Bank.

In addition to the normal repayment risks, all loans in the portfolio are subject to the state of the economy and the related effects on the borrower and/or the real estate market. Generally, longer-term loans have periodic interest rate adjustments and/or call provisions. Senior management through the collections department monitors the loan portfolio closely to ensure that we minimize past due loans and that we swiftly deal with potential problem loans.

The Bank also retains an outside, independent firm to review the loan portfolio. This firm performs a detailed annual review. We use the results of the firm's report primarily to validate the risk ratings applied to loans in the portfolio and identify any systemic weaknesses in underwriting, documentation or management of the portfolio.

Results of the annual review are presented to Executive Management, the Audit Committee of the Board and the full Board of Directors and are available to and used by regulatory examiners when they review the Bank's asset quality.

The Bank maintains the normal checks and balances on the loan portfolio not only through the underwriting process but through the utilization of an internal credit administration group that both assists in the underwriting and serves as an additional reviewer of underwriting. The separately managed loan administration group also has oversight into documentation, compliance and timeliness of collection activities. Our internal auditors also review documentation, compliance and file management.

#### Real Estate Lending

The Bank offers long-term mortgage financing for residential and commercial real estate as well as shorter term construction and land development loans. Residential mortgage and residential construction loans are originated with fixed rates, while commercial mortgages may be originated on either a fixed or variable rate basis. Commercial construction loans may be originated on either a fixed or a variable rate basis. Substantially all of the Bank's real estate loans are secured by properties in Anne Arundel County, Maryland. Under the Bank's loan policies, the maximum permissible loan-to-value ratio for owner-occupied residential mortgages is 80% of the lesser of the purchase price or appraised value. With private mortgage insurance this limit may be higher than 80%. For residential investment properties, the maximum loan-to-value ratio is 80%. The maximum permissible loan-to-value ratio for residential and residential construction loans is 80%. The maximum loan-to-value ratio for permanent commercial mortgages is 75%. The maximum loan-to-value ratio for land development loans is 70% and for unimproved land is 65%. The Bank also offers home equity loans secured by the borrower's primary residence, provided that the aggregate indebtedness on the property does not exceed 90% of its value for loan commitments greater than \$100,000. Because mortgage lending decisions are based on conservative lending policies, the Company has no exposure to credit issues affecting the sub-prime residential mortgage market.

Primary risks associated with residential real estate loans include fluctuating land and property values and rising interest rates with respect to fixed-rate, long-term loans. Residential construction lending exposes the Company to risks related to builder performance.

#### Commercial Lending

The Bank's commercial loan portfolio consists of demand, installment and time loans for commercial purposes. The Bank's business demand, installment and time lending includes various working capital loans, equipment, vehicles, lines of credit and letters of credit for commercial customers. Demand loans require the payment of interest until called, while installment loans require a monthly payment of principal and interest, and time loans require at maturity a single payment of principal and interest due monthly. Such loans may be made on a secured or an unsecured basis. All such loans are underwritten on the basis of the borrower's creditworthiness rather than the value of the collateral.

The primary risks associated with commercial loans, including commercial real estate loans, are the quality of the borrower's management and a number of economic and other factors which induce business failures and depreciate the value of business assets pledged to secure the loan, including competition, insufficient capital, product obsolescence, changes in the borrowers' cost, environmental hazards, weather, changes in laws and regulations and general changes in the marketplace.

#### Installment Lending

The Bank makes consumer and commercial installment loans for the purchase of automobiles, boats, other consumer durable goods, capital goods and equipment. Such loans provide for repayment in regular installments and are secured by the goods financed. Also included in installment loans are other types of credit repayable in installments.

## Indirect Automobile Lending

The Bank commenced its indirect lending program in January 1998. The Bank finances new and used automobiles for terms of no more than 84 months. The Bank will lend a maximum of 90% of invoice on new vehicles. On used vehicles, the Bank will lend no more than 90% of the average retail value as defined by a major national publication approved by the Bank. The Bank requires all borrowers to obtain vendors single interest coverage protecting the Bank against loss in case a borrower's automobile insurance lapses. The Bank originates indirect loans through a network of dealers which are primarily new car dealers located in Anne Arundel County and the surrounding counties. Participating dealers take loan applications from their customers and transmit them to the Bank for approval.

Indirect automobile loans, are affected primarily by a variety of factors that may lead to the borrower's unemployment, including deteriorating economic conditions in one or more segments of a local or broader economy. Because the Bank deals with borrowers through an intermediary on indirect automobile loans, this form of lending potentially carries greater risks of defects in the application process for which claims may be made against the Bank. Indirect automobile lending may also involve the Bank in consumer disputes under state "lemon" or other laws. The Bank seeks to control these risks by following strict underwriting and documentation guidelines. In addition, dealerships are contractually obligated to indemnify the Bank for such losses for a limited period of time.

## Consumer Lending

We offer various types of secured and unsecured consumer loans. Generally, our consumer loans are made for personal, family or household purposes as a convenience to our customer base. As a general guideline, a consumer's total debt service should not exceed 40% of their gross income. The underwriting standards for consumer loans include a determination of the applicant's payment history on other debts and an assessment of his or her ability to meet existing obligations and payments on the proposed loan.

Consumer loans may present greater credit risk than residential real estate loans because many consumer loans are unsecured or are secured by rapidly depreciating assets. Repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance because of the greater likelihood of damage, loss or depreciation. Consumer loan collections also depend on the borrower's continuing financial stability. If a borrower suffers personal financial difficulties, the loan may not be repaid. Also, various federal and state laws, including bankruptcy and insolvency laws, may limit the amount we can recover on such loans.

## Personal Unsecured Lines

The Bank offers overdraft protection lines of credit, tied to checking accounts, as a convenience to qualified customers.

## Loan Originations, Purchases, Sales, Participations and Servicing

All loans that we originate are underwritten pursuant to our policies and procedures, which incorporate standard underwriting guidelines. We originate both fixed and variable rate loans. Our loan origination activity may be adversely affected by a rising interest rate environment that typically results in decreased loan demand. We occasionally sell participations in commercial loans to correspondent banks if the amount of the loan exceeds our internal limits. More rarely, we purchase loan participations from correspondent banks in the local market as well. Those loans are underwritten in-house with the same standards as loans directly originated.

## Loan Approval Procedures and Authority

Our lending activities follow written, non-discriminatory underwriting standards and loan origination procedures established by our board of directors. The loan approval process is intended to assess the borrower's ability to repay the loan, the viability of the loan, and the adequacy of the value of the collateral that will secure the loan, if applicable. To assess a business borrower's ability to repay, we review and analyze, among other factors: current income, credit history including the Bank's prior experience with the borrower, cash flow, any secondary sources of

repayment, other debt obligations in regard to the equity/net worth of the borrower and collateral available to the Bank to secure the loan.

We require appraisals or valuations of all real property securing one-to-four family residential and commercial real estate loans and home equity loans and lines of credit. All appraisers are state licensed or state certified appraisers, and a list of approved appraisers is maintained and updated on an annual basis.

#### Deposit Activities

Deposits are the major source of our funding. We offer a broad array of consumer and business deposit products that include demand, money market, and savings accounts, as well as time deposits and individual retirement accounts. We offer a competitive array of commercial cash management products, which allow us to attract demand deposits. We believe that we pay competitive rates on our interest-bearing deposits. As a relationship-oriented organization, we generally seek to obtain deposit relationships with our loan clients.

#### Other Banking Products

We offer our customers treasury services products that include wire transfer and ACH services, debit card and automated teller machines and safe deposit boxes at all branches. In addition to traditional deposit services, we offer telephone banking services, mobile banking, internet banking services and internet bill paying services to our customers.

### EMPLOYEES

At December 31, 2024, the Bank had 89 full-time equivalent employees. Glen Burnie Bancorp does not currently have any employees. None of our employees are represented by a union or covered under a collective bargaining agreement. Management considers its employee relations to be excellent.

### SUPERVISION AND REGULATION

#### General

The Company and the Bank are extensively regulated under federal and state law. To the extent that the following information describes statutory or regulatory provisions, it is qualified in its entirety by reference to the particular statutory and regulatory provisions. Any change in applicable laws or regulations may have a material effect on our business and our prospective business. Our operations may be affected by legislative changes and by the policies of various regulatory authorities. We are unable to predict the nature or the extent of the effects on our business and earnings that fiscal or monetary policies, economic controls, or new federal or state legislation may have in the future.

The Company is a bank holding company within the meaning of the Bank Holding Company Act of 1956 (the “BHCA”). As such, the Company is registered with the Board of Governors of the Federal Reserve System (the “Federal Reserve Board”) and subject to Federal Reserve Board regulation, examination, supervision and reporting requirements. As a bank holding company, the Company is required to furnish to the Federal Reserve Board annual and quarterly reports of its operations at the end of each period and to furnish such additional information as the Federal Reserve Board may require pursuant to the BHCA. The Company is also subject to regular inspection by Federal Reserve Board examiners. As a publicly traded company whose common stock is registered under Section 12(g) of the Exchange Act, we are under the jurisdiction of the SEC and subject to the disclosure and regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, as administered by the SEC. We are listed on the NASDAQ Global Select Market and we are subject to the rules of NASDAQ for listed companies.

As a state-chartered bank with deposits insured by the FDIC but which is not a member of the Federal Reserve System (a “state non-member bank”), the Bank is subject to the supervision of the Maryland Commissioner of Financial Regulation (“Commissioner”) and the FDIC. This regulation and supervision establishes a comprehensive framework of activities in which an institution may engage and is intended primarily for the protection of the FDIC’s deposit



insurance funds and depositors, and not for the protection of stockholders. The Commissioner and FDIC regularly examine the operations of the Bank, including but not limited to capital adequacy, assets, earnings, liquidity, sensitivity to market interest rates, reserves, loans, investments and management practices. In addition, the Bank is required to furnish quarterly Call Reports to the Commissioner and FDIC. The FDIC's enforcement authority includes the power to remove officers and directors and the authority to issue cease-and-desist orders to prevent a bank from engaging in unsafe or unsound practices or violating laws or regulations governing its business.

Some of the aspects of the lending and deposit business of the Bank that are subject to regulation by the Federal Reserve Board and the FDIC include disclosure requirements in connection with personal and mortgage loans and savings deposit accounts. In addition, the Bank is subject to numerous federal and state laws and regulations which set forth specific restrictions and procedural requirements with respect to the establishment of branches, investments, interest rates on loans, credit practices, the disclosure of customer information, the disclosure of credit terms and discrimination in credit transactions.

#### Federal Home Loan Bank System

The Bank is a member of the Federal Home Loan Bank ("FHLB"), which is one of 11 regional banks in the Federal Home Loan Bank System. The FHLB System provides a central credit facility primarily for member institutions as well as other entities involved in home mortgage lending. The Bank is required to acquire and hold shares of capital stock of the FHLB as a condition of membership. As of December 31, 2024, the Bank was in compliance with this requirement.

#### Consumer Financial Protection Laws

The Bank is subject to a number of federal and state consumer financial protection laws and regulations that extensively govern its transactions with consumers. These laws include the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Truth in Savings Act, the Electronic Funds Transfer Act, the Expedited Funds Availability Act, the Home Mortgage Disclosure Act, the Fair Housing Act, the Real Estate Settlement Procedures Act, the Fair Debt Collection Practices Act, and the Service Members Civil Relief Act. The Bank must also comply with applicable state usury laws and other laws prohibiting unfair and deceptive acts and practices. These laws, among other things, require disclosures of the cost of credit and the terms of deposit accounts, prohibit discrimination in credit transactions, regulate the use of credit report information, restrict the Bank's ability to raise interest rates and subject the Bank to substantial regulatory oversight. Violations of these laws may expose us to liability from potential lawsuits brought by affected customers. Federal bank regulators, state attorneys general and state and local consumer protection agencies may also seek to enforce these consumer financial protection laws, in which case we may be subject to regulatory sanctions, civil money penalties, and customer rescission rights.

#### Dodd-Frank Wall Street Reform and Consumer Protection Act

The Dodd-Frank Act, which was signed into law in 2010, significantly changed the regulation of financial institutions and the financial services industry. The Dodd-Frank Act includes provisions affecting large and small financial institutions alike, including several provisions that profoundly affected the regulation of community banks, thrifts, and small bank and thrift holding companies. Among other things, these provisions relaxed rules on interstate branching, allow financial institutions to pay interest on business checking accounts, and impose heightened capital requirements on bank and thrift holding companies. The Dodd-Frank Act also includes several corporate governance provisions that apply to all public companies, not just financial institutions. These include provisions mandating certain disclosures regarding executive compensation and provisions addressing proxy access by shareholders.

The Dodd-Frank Act also establishes the Consumer Financial Protection Bureau ("CFPB") as an independent entity within the Federal Reserve and transferred to the CFPB primary responsibility for administering substantially all of the consumer compliance protection laws formerly administered by other federal agencies. The Dodd-Frank Act also authorizes the CFPB to promulgate consumer protection regulations that will apply to all entities, including banks that offer consumer financial services or products. It also includes a series of provisions covering mortgage loan

origination standards affecting, among other things, originator compensation, minimum repayment standards, and pre-payment penalties.

The Dodd-Frank Act contains numerous other provisions affecting financial institutions of all types, including some that may affect our business in substantial and unpredictable ways. We have incurred higher operating costs in complying with the Dodd-Frank Act, and we expect that these higher costs will continue for the foreseeable future. Our management continues to monitor the ongoing implementation of the Dodd-Frank Act and as new regulations are issued, will assess their effect on our business, financial condition, and results of operations.

#### The Volcker Rule

The Dodd-Frank Act prohibits banks and their affiliates from engaging in proprietary trading and from investing and sponsoring hedge funds and private equity funds. The provision of the statute imposing these restrictions is commonly called the “Volcker Rule.” The regulations implementing the Volcker Rule require institutions to conform their activities to the requirements of the Volcker Rule by July 21, 2015, and to conform their investments in certain “legacy covered funds” by July 21, 2017. These regulations exempt the Bank, as a bank with less than \$10 billion in total consolidated assets that does not engage in any covered activities.

#### Liquidity Requirements

Historically, the regulation and monitoring of bank and bank holding company liquidity has been addressed as a supervisory matter, without required formulaic measures. The Basel III final framework requires banks and bank holding companies to measure their liquidity against specific liquidity tests that, although similar in some respects to liquidity measures historically applied by banks and regulators for management and supervisory purposes, going forward would be required by regulation. One test, referred to as the liquidity coverage ratio, or LCR, is designed to ensure that the banking entity maintains an adequate level of unencumbered high-quality liquid assets equal to the entity’s expected net cash outflow for a 30-day time horizon (or, if greater, 25% of its expected total cash outflow) under an acute liquidity stress scenario. The other test, referred to as the net stable funding ratio, or NSFR, is designed to promote more medium and long-term funding of the assets and activities of banking entities over a one-year time horizon. These requirements are expected to incentivize banking entities to increase their holdings of U.S. Treasury securities and other sovereign debt as a component of assets and increase the use of long-term debt as a funding source.

In September 2015, the federal bank regulators approved final rules implementing the LCR for advanced approaches banking organizations (i.e., banking organizations with \$250 billion or more in total consolidated assets or \$10 billion or more in total on-balance sheet foreign exposure) and a modified version of the LCR for bank holding companies with at least \$50 billion in total consolidated assets that are not advanced approach banking organizations, neither of which would apply to the Company or the Bank.

#### Bank Holding Company Act (BHCA)

Under the BHCA our activities are limited to business closely related to banking, managing, or controlling banks. We are also subject to capital requirements applied on a consolidated basis in a form substantially similar to those required of the Bank. The BHCA also requires a bank holding company to obtain approval from the Federal Reserve before (i) acquiring, or holding more than 5% voting interest in any bank or bank holding company, (ii) acquiring all or substantially all of the assets of another bank or bank holding company, or (iii) merging or consolidating with another bank holding company. The BHCA also restricts non-bank activities to those which, by statute or by Federal Reserve regulation or order, have been identified as activities closely related to the business of banking or of managing or controlling banks.

#### Gramm-Leach-Bliley Act of 1999 (GLBA)

The GLBA removed barriers to affiliations among banks, insurance companies, the securities industry, and other financial service providers, and provides greater flexibility to these organizations in structuring such affiliations. The GLBA also expanded the types of financial activities a bank may conduct through a financial subsidiary and

established a distinct type of bank holding company, known as a financial holding company, which may engage in an expanded list of activities that are “financial in nature.” These activities include securities and insurance brokerage, securities underwriting, insurance underwriting, and merchant banking. A bank holding company may become a financial holding company only if all of its subsidiary financial institutions are well-capitalized and well-managed and have at least a satisfactory Community Reinvestment Act (CRA) rating. While we meet these standards, we do not currently intend to file notice with the Federal Reserve to become a financial holding company or to engage in expanded financial activities through a financial subsidiary of the Bank. The GLBA also includes privacy protections for nonpublic personal information held by financial institutions regarding their customers, and establishes a system of functional regulation that makes the Federal Reserve the “umbrella supervisor” for holding companies, and other federal and state agencies the supervisor of the holding company’s subsidiary.

### Financial Privacy

In accordance with the GLBA, federal banking regulators adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about customers to nonaffiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a nonaffiliated third party. The privacy provisions of the GLBA affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors. We are also subject to various state laws that generally require us to notify any customer whose personal financial information may have been released to an unauthorized person as the result of a breach of our data security policies and procedures.

Under Maryland law, a bank holding company is prohibited from acquiring control of any bank if the bank holding company would control more than 30% of the total deposits of all depository institutions in the State of Maryland unless waived by the Commissioner. The Maryland Financial Institutions Code prohibits a bank holding company from acquiring more than 5% of any class of voting stock of a bank or bank holding company without the approval of the Commissioner except as otherwise expressly permitted by federal law or in certain other limited situations. The Maryland Financial Institutions Code additionally prohibits any person from acquiring voting stock in a bank or bank holding company without 60 days’ prior notice to the Commissioner if such acquisition will give the person control of 25% or more of the voting stock of the bank or bank holding company or will affect the power to direct or to cause the direction of the policy or management of the bank or bank holding company. Any doubt whether the stock acquisition will affect the power to direct or cause the direction of policy or management shall be resolved in favor of reporting to the Commissioner. The Commissioner may deny approval of the acquisition if the Commissioner determines it to be anti-competitive or to threaten the safety or soundness of a banking institution. Voting stock acquired in violation of this statute may not be voted for five years.

### Capital Standards

In July 2013, the Federal Reserve and other federal banking agencies approved final rules implementing the Basel Committee on Banking Supervision’s capital guidelines for all U.S. banks and for bank holding companies with greater than \$500 million in assets. The Federal bank regulatory agencies use capital adequacy guidelines in their examination and regulation of bank holding companies and banks. If capital falls below the minimum levels established by these guidelines, a bank holding company or bank must submit an acceptable plan for achieving compliance with the capital guidelines and, until its capital sufficiently improves, will be subject to denial of applications and appropriate supervisory enforcement actions. Under these final rules, minimum requirements increased for both the quantity and quality of capital held by the Company and the Bank. Federal regulations require federally insured depository institutions to meet several minimum capital standards: a common equity Tier 1 capital to risk-based assets ratio of 4.5%, a Tier 1 capital to risk-based assets ratio of 6.0%, a total capital to risk-based assets of 8.0%, and a 4.0% Tier 1 capital to total assets leverage ratio. The final rules also require a common equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets which is in addition to the other minimum risk-based capital standards in the rule. Institutions that do not maintain the required capital buffer will become subject to progressively more stringent limitations on the percentage of earnings that can be paid out in dividends or used for stock repurchases and on the payment of discretionary bonuses to senior executive management. A three-year phase in period for the capital buffer

requirement began in 2016. The capital buffer requirement effectively raised the minimum required common equity Tier 1 capital ratio to 7.0%, the Tier 1 capital ratio to 8.5%, and the total capital ratio to 10.5%.

In determining the amount of risk-weighted assets for purposes of calculating risk-based capital ratios, all assets, including certain off-balance sheet assets (e.g., recourse obligations) are multiplied by a risk weight factor assigned by the regulations based on the risks believed inherent in the type of asset. Higher levels of capital are required for asset categories believed to present greater risk. Common equity Tier 1 capital is generally defined as common stockholders' equity and retained earnings. Tier 1 capital is generally defined as common equity Tier 1 and additional Tier 1 capital. Additional Tier 1 capital includes certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiary. Total capital includes Tier 1 capital (common equity Tier 1 capital plus additional Tier 1 capital) and Tier 2 capital. Tier 2 capital is comprised of capital instruments and related surplus, meeting specified requirements, and may include cumulative preferred stock and long-term perpetual preferred stock, mandatory convertible securities, intermediate preferred stock and subordinated debt. Also included in Tier 2 capital is the allowance for credit and lease losses limited to a maximum of 1.25% of risk-weighted assets and, for institutions that have exercised an opt-out election regarding the treatment of Accumulated Other Comprehensive Income, up to 45% of net unrealized gains on available-for-sale equity securities with readily determinable fair market values. Calculation of all types of regulatory capital is subject to deductions and adjustments specified in the regulations. In assessing an institution's capital adequacy, the FDIC takes into consideration not only these numeric factors, but qualitative factors as well, and has the authority to establish higher capital requirements for individual institutions where deemed necessary.

The final rules also increase the required capital for certain categories of assets, including higher-risk construction real estate loans and certain exposures related to securitizations. The final rules adopt the risk weights for residential mortgages under the existing general risk-based capital rules, which assign a risk weight of either 50% (for most first-lien exposures) or 100% for other residential mortgage exposures.

As of December 31, 2024, we were in compliance with all applicable regulatory capital requirements.

#### Loans-to-One Borrower

Under Maryland law, the maximum amount which the Bank is permitted to lend to any one borrower and their related interests may generally not exceed 10% of the Bank's unimpaired capital and surplus, which is defined to include the Bank's capital, surplus, retained earnings and 50% of its allowance for possible credit losses. By interpretive ruling of the Commissioner of Financial Regulation, Maryland banks have the option of lending up to the amount that would be permissible for a national bank which is generally 15% of unimpaired capital and surplus (defined to include a bank's total capital for regulatory capital purposes plus any credit loss allowances not included in regulatory capital). As of December 31, 2024, the Bank was in compliance with the loans-to-one-borrower limitations.

#### Prompt Corrective Action Regulations

The FDIC's prompt corrective action regulations establish five capital levels for financial institutions ("well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized"), and impose mandatory regulatory scrutiny and limitations on institutions that are less than adequately capitalized. At December 31, 2024, the Bank was categorized as "well capitalized," meaning that our total risk-based capital ratio exceeded 10.00%, our Tier 1 risk-based capital ratio exceeded 8.00%, our common equity Tier-1 risk-based capital ratio exceeded 6.50%, our leverage ratio exceeded 5.00%, and we are not subject to a regulatory order, agreement, or directive to meet and maintain a specific capital level for any capital measure.

#### Dividends and Distributions

The Federal Reserve Board has the power to prohibit dividends by bank holding companies if their actions constitute unsafe or unsound practices. The Federal Reserve Board has issued a policy statement on the payment of cash dividends by bank holding companies, which expresses the Federal Reserve Board's view that a bank holding company should pay cash dividends only to the extent that the company's net income for the past year is sufficient to

cover both the cash dividends and a rate of earning retention that is consistent with the company's capital needs, asset quality, and overall financial condition.

Bank holding companies are required to give the Federal Reserve Board notice of any purchase or redemption of their outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding 12 months, is equal to 10% or more of the bank holding company's consolidated net worth. The Federal Reserve Board may disapprove of such a purchase or redemption if it determines that the proposal would violate any law, regulation, Federal Reserve Board order, directive, or any condition imposed by, or written agreement with, the Federal Reserve Board. Bank holding companies whose capital ratios exceed the thresholds for "well capitalized" banks on a consolidated basis are exempt from the foregoing requirement if they were rated composite 1 or 2 in their most recent inspection and are not the subject of any unresolved supervisory issues.

#### USA Patriot Act of 2001

The USA Patriot Act of 2001 (the "Patriot Act") substantially broadened the scope of anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations on financial institutions. The regulations adopted by the Treasury under the Patriot Act require financial institutions to maintain appropriate controls to combat money laundering activities, perform due diligence of private banking and correspondent accounts, establish standards for verifying customer identity, and provide records related to suspected anti-money laundering activities upon request from federal authorities. A financial institution's failure to comply with these regulations could result in fines or sanctions, including restrictions on conducting acquisitions or establishing new branches, and could also have other serious legal and reputational consequences for the institution. We have established policies, procedures and systems designed to comply with these regulations. However, it is reasonable to anticipate that the United States Congress may enact additional legislation in the future to combat terrorism including modifications to existing laws such as the Patriot Act to expand powers as deemed necessary. The enactment of the Patriot Act has increased the Bank's compliance costs, and the impact of any additional legislation enacted by Congress may have upon financial institutions is uncertain. However, such legislation would likely increase compliance costs and thereby potentially have an adverse effect upon the Company's results of operations.

#### Community Reinvestment Act

The Community Reinvestment Act of 1977 ("CRA") requires that, in connection with examinations of financial institutions, federal banking regulators must evaluate the record of the financial institution in meeting the credit needs of their local communities, including low and moderate income neighborhoods, consistent with the safe and sound operation of the bank. Federal banking regulators are required to consider a financial institution's performance in these areas as they review applications filed by the institution to engage in mergers or acquisitions or to open a branch or facility. In addition, any bank rated in "substantial noncompliance" with the CRA regulations may be subject to enforcement proceedings. The Bank has a current rating of "satisfactory" for CRA compliance.

#### Interstate Branching

The Dodd-Frank Act expanded the authority of a state or national bank to open offices in other states. A state or national bank may now open a de novo branch in a state where the bank does not already operate a branch if the law of the state where the branch is to be located would permit a state bank chartered by that state to open the branch. This provision removed restrictions under prior law that restricted a state or national bank from expanding into another state unless the laws of the bank's home state and the laws of the other state both permitted out-of-state banks to open de novo branches.

#### Dividend Limitations

The ability of the Bank to pay dividends is limited by state and federal laws and regulations that require the Bank to obtain prior approval before paying a dividend that, together with other dividends it has paid during a calendar year, would exceed the sum of its net income year to date combined with its retained net income for the previous two

years. Pursuant to the Maryland Financial Institutions Code, Maryland banks may only pay dividends from undivided profits or, with the prior approval of the Commissioner, their surplus in excess of 100% of required capital stock. The Maryland Financial Institutions Code further restricts the payment of dividends by prohibiting a Maryland bank from declaring a dividend on its shares of common stock until its surplus fund equals the amount of required capital stock or, if the surplus fund does not equal the amount of capital stock, in an amount in excess of 90% of net earnings. In addition, the Bank is prohibited by federal statute from paying dividends or making any other capital distribution that would cause the Bank to fail to meet its regulatory capital requirements. Further, the FDIC also has authority to prohibit the payment of dividends by a state non-member bank when it determines such payment to be an unsafe and unsound banking practice.

#### Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 (“SOX”) includes provisions intended to enhance corporate responsibility and protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws, and which increase penalties for accounting and auditing improprieties at publicly traded companies. The SOX generally applies to all companies that file or are required to file periodic reports with the SEC under the Exchange Act.

Among other things, the SOX creates the Public Company Accounting Oversight Board (“PCAOB”) as an independent body subject to SEC supervision with responsibility for setting auditing, quality control, and ethical standards for auditors of public companies. The SOX also requires public companies to make faster and more-extensive financial disclosures, requires the chief executive officer and the chief financial officer of public companies to provide signed certifications as to the accuracy and completeness of financial information filed with the SEC, and provides enhanced criminal and civil penalties for violations of the federal securities laws.

The SOX also addresses functions and responsibilities of audit committees of public companies. The statute, by mandating certain stock exchange listing rules, makes the audit committee directly responsible for the appointment, compensation, and oversight of the work of the company’s outside auditor, and requires the auditor to report directly to the audit committee. The SOX authorizes each audit committee to engage independent counsel and other advisors, and requires a public company to provide the appropriate funding, as determined by its audit committee, to pay the company’s auditors and any advisors that its audit committee retains. The SOX also requires public companies to prepare an internal control report and assessment by management, along with an attestation to this report prepared by the company’s independent registered public accounting firm, in their annual reports to stockholders.

#### FDIC Deposit Insurance Assessment

The Dodd-Frank Act which was signed into law on July 21, 2010, changed how the FDIC calculates deposit insurance premiums payable by insured depository institutions. The Dodd-Frank Act directs the FDIC to calculate the deposit insurance assessments payable by each insured depository institution based generally upon the institution’s average total consolidated assets minus its average tangible equity during the assessment period. Previously, an institution’s assessments were based on the amount of its insured deposits. The minimum deposit insurance fund rate increased from 1.15% to 1.35% on September 30, 2020, and the cost of the increase is borne by depository institutions with assets of \$10 billion or more. The Dodd-Frank Act also provides the FDIC with discretion to determine whether to pay rebates to insured depository institutions when its deposit insurance reserves exceed certain thresholds.

#### Transactions with Affiliates

A state non-member bank or its subsidiary may not engage in “covered transactions” with any one affiliate in an amount greater than 10% of such bank’s capital stock and surplus, and for all such transactions with all affiliates a state non-member bank is limited to an amount equal to 20% of capital stock and surplus. All such transactions must also be on terms substantially the same, or at least as favorable, to the bank or subsidiary as those provided to a non-affiliate. The term “covered transaction” includes the making of loans, purchase of assets, issuance of a guarantee and similar other types of transactions. An affiliate of a state non-member bank is any company or entity which controls or is under common control with the state non-member bank and, for purposes of the aggregate limit on transactions with affiliates, any subsidiary that would be deemed a financial subsidiary of a national bank. In a holding company context, the parent holding company of a state non-member bank (such as the Company) and any companies which are

controlled by such parent holding company are affiliates of the state non-member bank. The BHCA further prohibits a depository institution from extending credit to or offering any other services, or fixing or varying the consideration for such extension of credit or service, on the condition that the customer obtain some additional service from the institution or certain of its affiliates or not obtain services of a competitor of the institution, subject to certain limited exceptions.

#### Loans to Directors, Executive Officers and Principal Stockholders

Loans to directors, executive officers and principal stockholders of a state non-member bank must be made on substantially the same terms as those prevailing for comparable transactions with persons who are not executive officers, directors, principal stockholders or employees of the Bank unless the loan is made pursuant to a compensation or benefit plan that is widely available to employees and does not favor insiders. Loans to any executive officer, director and principal stockholder together with all other outstanding loans to such person and affiliated interests generally may not exceed 15% of the bank's unimpaired capital and surplus and all loans to such persons may not exceed the institution's unimpaired capital and unimpaired surplus. Loans to directors, executive officers and principal stockholders, and their respective affiliates, in excess of the greater of \$100,000 or 5% of capital and surplus (up to \$500,000) must be approved in advance by a majority of the Board of Directors of the Bank with any "interested" director not participating in the voting. State non-member banks are prohibited from paying the overdrafts of any of their executive officers or directors. In addition, loans to executive officers may not be made on terms more favorable than those afforded other borrowers and are restricted as to type, amount and terms of credit.

### **ITEM 1C. CYBERSECURITY**

Glen Burnie Bancorp maintains a cyber risk management program that is designed to prevent, detect, and respond to information security threats. The Board of Directors is responsible for oversight of the Company's information security program, which is designed and implemented by management under the direction of the Senior Vice President, Director of Information Technology. In addition, the Internal Auditor, Information Security Officer, and Compliance Officer consider cybersecurity threat risks alongside other company risks as part of our overall risk assessment and management process.

The Senior Vice President of Information Technology ("IT") works with the Managed Service Provider (MSP) information security team, which is responsible for maintaining and implementing our enterprise-wide cybersecurity strategy, standards, and architecture processes. The Director of IT is responsible for the IT-related security policies. The Director of IT, in coordination with compliance, the information security officer, and human resources, conducts at least annual and ongoing company-wide information security awareness training. We have developed processes to identify and oversee risks from cybersecurity threats associated with third-party service providers, which include the Director of IT, vendor management team and the business department head assessing cybersecurity robustness during vendor review before onboarding, the inclusion of protective provisions in vendor agreements, and risk-based monitoring of vendors on an ongoing basis.

The Board of Directors receives regular reports from the Senior Vice President, Director of IT and the Information Security Officer on Glen Burnie Bancorp's cyber risks and threats, the status of projects to strengthen Glen Burnie Bancorp's information security systems, assessments of Glen Burnie Bancorp's security program, and the emerging threat landscape. Additionally, the Information Technology Committee drives awareness, ownership, and alignment across all business functions for effective cybersecurity risk management and reporting. Glen Burnie Bancorp annually engages third parties to audit its information security programs, whose findings are reported to the Audit and Information Technology Committees of the Board. The Company also engages with key vendors, industry participants, government agencies, and intelligence and law enforcement communities as part of our efforts, which are reported to the Information Technology Committee and Board of Directors.

The Company has experienced and expects that it will continue to experience cyber-based attempts to compromise its information systems, although none, to its knowledge, has had a material adverse effect on its business, financial condition, or results of operations. Like all financial institutions, the Company faces the risks of such threats, the consequences of which could be material. In addition, given the constant and evolving threat of cyber-based attacks,

the Company incurs significant costs in its efforts to detect and prevent security breaches and incidents, and these costs may increase in the future.

## **ITEM 2. PROPERTIES**

The following table sets forth certain information with respect to the Bank's offices (dollars in thousands):

	<b><u>Year Opened</u></b>	<b><u>Owned/ Leased</u></b>	<b><u>Book Value</u></b>	<b><u>Approximate Square Footage</u></b>	<b><u>Deposits</u></b>
<b><u>Main Office:</u></b>					
101 Crain Highway, S.E. Glen Burnie, MD 21061	1953	Owned	\$ 939	10,000	\$ 76,874
<b><u>Branches:</u></b>					
Odenton 1405 Annapolis Road Odenton, MD 21113	1969	Owned	62	6,000	30,687
Riviera Beach 8707 Ft. Smallwood Road Pasadena, MD 21122	1973	Owned	107	2,500	37,174
Crownsville 1221 Generals Highway Crownsville, MD 21032	1979	Owned	84	3,000	62,530
Severn 811 Reece Road Severn, MD 21144	1984	Owned	50	2,500	32,642
New Cut Road 740 Stevenson Road Severn, MD 21144	1995	Owned	679	2,600	41,129
Linthicum Burwood Village Shopping Center Glen Burnie, MD 21060	2005	Leased	13	2,500	18,902
Severna Park 534 Ritchie Highway Severna Park, MD 21146	2002	Leased	8	2,184	9,251
<b><u>Operations Centers:</u></b>					
106 Padfield Blvd. Glen Burnie, MD 21061	1991	Owned	—	16,200	N/A
103 Crain Highway, S.E. Glen Burnie, MD 21061	2000	Owned	—	3,727	N/A

## **ITEM 3. LEGAL PROCEEDINGS**

The Company and the Bank from time to time are involved in legal proceedings related to collection suits and other actions that arise in the ordinary course of business against their borrowers and are defendants in legal actions arising from normal business activities. The Company's management, after consultation with legal counsel, believe there are no pending or threatened legal proceedings that, upon resolution, are expected to have a material adverse effect upon the Company's or the Bank's financial condition or results of operations based on all known information at this time.

## **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.



## **EXECUTIVE OFFICERS OF THE REGISTRANT**

Set forth below is information about the Company's executive officers.

<b>NAME</b>	<b>AGE<sup>(1)</sup></b>	<b>POSITIONS</b>
Mark C. Hanna	56	President and Chief Executive Officer
Jeffrey Welch	65	Executive Vice President and Chief Credit Officer
Andrew J. Hines	63	Executive Vice President and Chief Lending Officer
Donna L. Smith	62	Senior Vice President and Director of Branch and Deposit Operations
Jeffrey D. Harris	69	Senior Vice President and Treasurer and Chief Financial Officer
Michelle R. Stambaugh	65	Senior Vice President and HR Director
Jonathan Shearin	30	Vice President and Director of Commercial Banking

(1) Age shown as of December 31, 2024.

MARK C. HANNA was appointed President and Chief Executive Officer of the Company and the Bank effective October 16, 2023. From October 2, 2023, to that date, Mr. Hanna was Executive Vice President. Prior to that, he was President and CEO at two other community banks in Virginia.

JEFFREY WELCH was appointed Executive Vice President and Chief Credit Officer of the Bank effective March 31, 2025. Prior to that he was Chief Credit Officer at Burke & Herbert Bank.

ANDREW J. HINES was appointed Chief Lending Officer of the Bank effective March 1, 2014. He was appointed Senior Lending Officer and Senior Vice President effective January 2, 2014. Effective January 12, 2017, he was appointed Executive Vice President. Mr. Hines and the Bank terminated their relationship effective January 10, 2025.

DONNA L. SMITH was appointed Senior Vice President – Director of Retail Banking / Information/Physical Security Officer of the Bank on October 26, 2015. In 2017 she was also appointed to Director of Branch and Deposit Operations. Prior to that, she was the SVP – Enterprise Risk Manager at Bay Bank.

JEFFREY D. HARRIS was appointed Senior Vice President, Treasurer of the Company and Senior Vice President, Chief Financial Officer, and CRA and Compliance Officer of the Bank effective March 30, 2017. Prior to that, he was the SVP – Controller at Bay Bank.

MICHELLE R. STAMBAUGH was appointed Senior Vice President effective February 2, 2011. Effective November 28, 2016, she assumed the role of Corporate Secretary of the Company and Bank. Prior to that, she was Vice President and Director of Human Resources for 18 years.

JONATHAN SHEARIN was appointed Vice President and Director of Commercial Banking effective September 16, 2024 and Chief Lending Officer effective March 13, 2025. Prior to that, he was a Commercial Relationship Manager at Shore United Bank and prior to that he was a Vice President and Commercial Relationship Manager at Primis.

## **PART II**

### **ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our authorized common stock consists of 15,000,000 shares, of which 2,900,681 shares are issued and outstanding as of December 31, 2024. The Common Stock is traded on the Nasdaq Capital Market under the symbol “GLBZ”. As of February 18, 2025, there were 304 record holders of the Common Stock. The closing price for the Common Stock on that date was \$4.88.

The following table sets forth the high and low sales prices for the Common Stock as of the last trading date for each quarter end period during 2024 and 2023 as reported by Nasdaq. The quotations represent prices between dealers and do not reflect the retailer markups, markdowns or commissions, and may not represent actual transactions. Also shown are dividends declared per share during the respective quarterly periods shown.

<u>Quarter Ended</u>	<u>2024</u>			<u>2023</u>		
	<u>High</u>	<u>Low</u>	<u>Dividends</u>	<u>High</u>	<u>Low</u>	<u>Dividends</u>
March 31,	\$ 5.50	\$ 5.46	\$ 0.10	\$ 7.40	\$ 7.22	\$ 0.10
June 30,	4.16	3.96	0.10	7.80	7.68	0.10
September 30,	5.75	5.60	—	6.65	6.37	0.10
December 31,	5.85	5.60	—	6.00	5.86	0.10

The payment of dividends by the Company depends upon the ability of the Bank to declare and pay dividends to the Company because the principal source of the Company's revenue will be dividends paid by the Bank. The Company recognizes the importance of dividends to its shareholders and intends to evaluate a variety of factors, on a quarterly basis, in determining whether dividend payments are prudent as well as the amount of the dividend. However, dividends remain subject to declaration by the Board of Directors in its sole discretion and there can be no assurance that the Company will be legally or financially able to make such payments. Payment of dividends may be limited by federal and state regulations which impose general restrictions on a bank's and bank holding company's right to pay dividends (or to make loans or advances to affiliates which could be used to pay dividends). Generally, dividend payments are prohibited unless a bank or bank holding company has sufficient net (or retained) earnings and capital as determined by its regulators. See “Item 1. Business - Supervision and Regulation - Regulation of the Company - Dividends and Distributions” and “Item 1. Business – Supervision and Regulation - Regulation of the Bank - Dividend Limitations.”

### **ITEM 6. SELECTED FINANCIAL DATA**

Not applicable.

### **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

#### **FORWARD LOOKING STATEMENTS**

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include projections, predictions, expectations or statements as to beliefs or future events or results, or refer to other matters that are not purely statements of historical facts. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from those contemplated by the statements. The forward-looking statements contained in this Annual Report are based on various factors and were derived using numerous assumptions. In some cases, you can identify these forward-looking statements by words like “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “intend”, “believe”, “estimate”, “predict”, “potential”, or “continue” or the negative of those words and other comparable words. You should be aware that those statements reflect only our predictions. If known or unknown risks or uncertainties should materialize, or if underlying assumptions should prove inaccurate, actual results

could differ materially from past results and those anticipated, estimated or projected. Further, factors or events that could cause our actual results to differ from our forward-looking statements may emerge from time to time, and it is not possible for us to predict all of them. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Factors that might cause such differences include, but are not limited to:

- changes in our plans and strategies and the results thereof;
- the impact of acquisitions and other strategic transactions;
- unexpected changes in the housing market, business markets, and/or general economic conditions in our market area;
- unexpected changes in market interest rates or monetary policy;
- the impact of new laws, regulations and governmental policies and guidelines that might require changes to our business model;
- changes in laws, regulations and governmental policies and guidelines that might impact our ability to collect on outstanding loans or otherwise negatively impact our business;
- higher than anticipated credit losses or the insufficiency of the allowance for credit losses;
- our potential exposure to various types of market risks, such as interest rate risk and credit risk;
- our ability to recover the fair values of available for sale securities;
- our obligation to fund commitments to extend credit and unused lines of credit;
- changes in consumer confidence, spending and savings habits relative to the services we provide;
- continued relationships with major customers;
- competition from other financial institutions in originating loans, attracting deposits, and providing various financial services that may affect our profitability;
- the ability to continue to grow our business internally and through acquisition and successful integration of bank entities while controlling our costs;
- changes in competitive, governmental, regulatory, accounting, technological and other factors that may affect us specifically or the banking industry generally, including as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”);
- changes in our sources and availability of liquidity;
- the impact of pending and future legal proceedings; and
- losses that we may realize from off-balance sheet arrangements.

You should also carefully consider additional factors that could cause our actual results to differ from those set forth in the forward-looking statements and could materially and adversely affect our business, operating results and financial condition.

The forward-looking statements speak only as of the date on which they are made, and, except to the extent required by federal securities laws, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

## OVERVIEW

This section is intended to help investors understand the financial performance of the Company through a discussion of the factors affecting our financial condition at December 31, 2024 and 2023 and our results of operations for the years ended December 31, 2024 and 2023. This section should be read in conjunction with the consolidated financial statements and notes thereto that appear elsewhere in this Annual Report on Form 10-K.

Net interest income was \$10.9 million for the year ended December 31, 2024, and \$12.1 million for the year ended December 31, 2023. Total interest income increased from \$13.3 million in 2023 to \$15.2 million in 2024, a 14.1% increase. Interest expense for 2024 totaled \$4.3 million, a 255.3% increase from \$1.2 million in 2023. Net loss for 2024 was \$0.1 million, and net income for 2023 was \$1.4 million.

## COMPARISON OF RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

**General.** For the year ended December 31, 2024, the Company reported consolidated net loss of \$0.1 million (\$ (0.04) per basic and diluted loss per share) compared to consolidated net income of \$1.4 million (\$0.50 per basic and diluted earnings per share) for the year ended December 31, 2023. The \$1.5 million decrease in the 2024 consolidated net income as compared to 2023 was primarily due to a \$1.2 million decrease in net interest income, a \$748,000 increase in the provision of credit loss allowance, and a \$253,000 increase in noninterest expenses, that were partially offset by a \$597,000 reduction in income tax expense for 2024.

Annualized return on average assets was (0.03)% at December 31, 2024 compared to 0.40% at December 31, 2023. Annualized return on average equity was (0.58)% and 8.35% at December 31, 2024 and 2023, respectively. The dividend payout ratio was -750% for December 31, 2024 and 80% for December 31, 2023. The equity to asset ratio was 5.0% and 5.5% at December 31, 2024 and 2023, respectively.

**Net Interest Income.** The primary component of the Company's net income is its net interest income, which is the difference between income earned on assets and interest paid on the deposits and borrowings used to fund income producing assets. Net interest income is determined by the spread between the yields earned on the Company's interest-earning assets and the rates paid on interest-bearing liabilities as well as the relative amounts of such assets and liabilities.

The Company's net interest margin is determined by dividing net interest income by the Company's average interest-earning assets.

Net interest income is affected by the mix of loans in the Bank's loan portfolio. Currently, a majority of the Bank's loans are residential and commercial mortgage loans secured by real estate, and indirect automobile loans secured by automobiles.

Consolidated net interest income for the year ended December 31, 2024 was \$10.9 million and \$12.1 million for the year ended December 31, 2023. Total interest income increased from \$13.3 million in 2023 to \$15.2 million in 2024, a \$1.9 million, or 14.1% increase, primarily due to a \$1.9 million increase in interest and fees on loans and a \$704,000 increase in interest on deposits with banks and federal funds sold that were partially offset by a \$768,000 decrease in interest and dividends on securities.

Total interest expense increased from \$1.2 million in 2023 to \$4.3 million in 2024, a \$3.1 million, or 255.3% increase, primarily due to a \$1.1 million increase in interest on short-term borrowings and a \$2.0 million increase in interest on deposits. Net interest margin for the year ended December 31, 2024 was 2.98% compared to 3.31% for the year ended December 31, 2023.

The following table allocates changes in income and expense attributable to the Company's interest-earning assets and interest-bearing liabilities for the periods indicated between changes due to changes in rate and changes in volume. Changes due to rate/volume are allocated to changes due to volume.

(dollars in thousands)	Year Ended December 31,		
	2024	VS.	2023
	Change Due To:		
	Increase/ Decrease	Rate	Volume
<b>ASSETS:</b>			
Interest-earning assets:			
Interest-bearing deposits w/ banks & fed funds	\$ 692	\$ 60	\$ 632
Investment securities:			
Investment securities available for sale	(768)	(124)	(644)
Restricted equity securities	12	(2)	14
Total investment securities	(756)	(126)	(630)
Loans, net of unearned income			
Loans Secured by Real Estate			
Construction and land	314	163	151
Farmland	—	—	—
Single-family residential	1,053	387	666
Multi-family	(11)	(14)	3
Commercial	220	95	125
Total loans secured by real estate	1,576	631	945
Commercial and Industrial			
Commercial and industrial	387	154	233
SBA guaranty	(7)	11	(18)
Total commercial and industrial loans	380	165	215
Consumer Loans			
Consumer	(9)	(18)	9
Automobile	(8)	419	(427)
Total consumer loans	(17)	401	(418)
Total gross loans(1)	1,939	1,197	742
Total interest-earning assets	\$ 1,875	\$ 1,131	744
<b>LIABILITIES:</b>			
Interest-bearing deposits:			
Interest-bearing checking and savings	\$ (8)	\$ 16	\$ (24)
Money market	2,078	529	1,549
Other time deposits	(50)	82	(132)
Total interest-bearing deposits	2,020	627	1,393
Borrowed funds	1,049	676	373
Total interest-bearing liabilities	\$ 3,069	\$ 1,303	\$ 1,766

The following table provides information for the designated periods with respect to the average balances, income and expense and annualized yields and costs associated with various categories of interest-earning assets and interest-bearing liabilities.

	Year Ended December 31,					
	2024			2023		
	Average Balance	Interest	Yield/ Cost	Average Balance	Interest	Yield/ Cost
(dollars in thousands)						
<b>ASSETS:</b>						
Interest-earning assets:						
Interest-bearing deposits w/ banks & fed funds	\$ 25,469	\$ 1,279	5.02 %	\$ 12,892	\$ 587	4.55 %
Investment securities:						
Investment securities available for sale	148,037	3,379	2.49	173,902	4,147	2.38
Restricted equity securities	745	56	7.51	565	44	7.74
Total investment securities	148,782	3,435	2.31	174,467	4,191	2.40
Loans Secured by Real Estate						
Construction and land	6,260	498	7.96	4,359	184	4.23
Farmland	319	16	5.06	329	16	5.04
Single-family residential	94,130	4,774	5.53	82,091	3,721	4.53
Multi-family	5,094	249	5.33	5,043	260	5.15
Commercial	44,028	2,638	5.99	41,935	2,418	5.77
Total loans secured by real estate	149,831	8,175	5.46	133,757	6,599	4.93
Commercial and Industrial						
Commercial and industrial	14,503	855	5.89	10,541	468	4.44
SBA guaranty	5,771	478	8.28	5,984	485	8.10
Total commercial and industrial loans	20,274	1,333	6.57	16,525	953	5.77
Consumer Loans						
Consumer	2,847	25	0.89	1,827	34	1.87
Automobile	19,694	965	5.35	27,681	973	3.51
Total consumer loans	22,541	990	4.39	29,508	1,007	3.41
Total gross loans <sup>(1)</sup>	192,646	10,498	5.45	179,790	8,559	4.76
Total interest-earning assets	366,897	15,212	4.15	367,149	13,337	3.63
Cash and due from banks	2,108			2,173		
Allowance for credit losses	(2,460)			(2,144)		
Other assets	(2,551)			(5,447)		
Total assets	\$ 363,994			\$ 361,731		
<b>LIABILITIES AND STOCKHOLDER'S EQUITY:</b>						
Interest-bearing deposits:						
Interest-bearing checking and savings	\$ 110,736	92	0.08 %	\$ 139,703	100	0.07 %
Money market	58,891	2,154	3.66	16,558	76	0.46
Certificates of deposit	28,934	287	0.99	42,221	337	0.80
Total interest-bearing deposits	198,561	2,533	1.28	198,482	513	0.26
Borrowed funds:						
Bank Term Funding Program	22,303	1,208	5.41	5,222	282	5.41
FHLB advances	10,417	530	5.09	7,357	407	5.54
Federal funds purchased	1	—	—	1	—	—
Total interest-bearing liabilities	231,281	4,271	1.85	211,062	1,202	0.57
Non-interest-bearing deposits						
Other liabilities	111,277			131,613		
Stockholder's equity						
Stockholder's equity	19,169			17,105		
Total liabilities and equity	\$ 363,994			\$ 361,731		
Net interest income		\$ 10,941			\$ 12,135	
Net interest spread			2.30 %			3.06 %
Net interest margin			2.98 %			3.31 %

1 Nonaccrual loans included in average balance.

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

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

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

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

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

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

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

During the year ended December 31, 2024, the Company recognized a credit loss provision - loans of \$0.8 million, compared to \$0.1 million for the year ended December 31, 2023. The increase was primarily driven by a \$61,000 increase in net charge offs, a \$28.2 million increase in the reservable balance of the loan portfolio and a 0.16% increase in the current expected credit loss percentage. The allowance for credit losses - loans was \$2.8 million, or 1.4% of total loans at December 31, 2024, compared to \$2.2 million, or 1.2% of total loans at December 31, 2023. At December 31, 2024, the allowance for credit losses - loans equaled 788.6% of nonaccrual loans and loans past due by 90+ days compared to 409.5% at December 31, 2023. During the year ended December 31, 2024, the Company recorded net charge offs of \$0.2 million compared to net charge offs of \$0.1 million during the year ended December 31, 2023.

**Noninterest Income.** Noninterest income includes service charges on deposit accounts, other fees and commissions, and income on life insurance policies. Noninterest income increased from \$1.1 million in 2023 to \$1.2 million in 2024, a \$57,000, or 5.2% increase. The increase was primarily due to a \$52,000 increase in other fees and commissions earned in 2024 compared to 2023.

**Noninterest Expenses.** Noninterest expenses increased from \$11.6 million in 2023 to \$11.9 million in 2024, a \$253,000 or 2.2% increase. Legal, accounting and other professional fees increased by \$122,000, or 12.3 %, to \$1.1 million at December 31, 2024, compared to \$1.0 million at December 31, 2023. Other expenses rose by \$195,000, or 16.2% to \$1.4 million while salary and employee benefits decreased from \$6.7 million at December 31, 2023 to \$6.6 million at December 31, 2024, a decrease of \$130,000 or 1.9%.

**Income Taxes.** During the year ended December 31, 2024, the Company recorded an income tax benefit of \$525,000, compared to an expense of \$72,000 for the year ended December 31, 2023, a \$597,000 or 829.2% decrease in expense. This decrease was primarily due to \$2.1 million, or 142.5% lower income before taxes in 2024 compared to 2023.

## FINANCIAL CONDITION

Total assets increased by \$7.1 million, or 2.0% to \$359.0 million at December 31, 2024, compared to \$351.8 million at December 31, 2023. The increase was primarily a result of increases in interest-bearing deposits in other financial institutions and the loan portfolio, offset by declines in the investment securities available for sale portfolio.

Cash and cash equivalents at December 31, 2024 were \$24.5 million compared to \$15.2 million at December 31, 2023. Loans, net at December 31, 2024 were \$202.4 million compared to \$174.2 million at December 31, 2023, a decrease of \$28.2 million or 16.2%. At year-end 2024, investment securities had decreased \$31.5 million, or 22.6% to \$107.9 million compared to year end 2023. At December 31, 2024, total deposits were \$309.2 million compared to \$300.1 million at the end of 2023, a 3.0% increase during the period. Total borrowings were \$30.0 million at December 31, 2024 unchanged from December 31, 2023.

### Cash

Cash and cash equivalents increased by \$9.2 million primarily due to a \$9.1 million increase in deposit balances and a \$30.6 million decrease in investment securities that was partially offset by a \$28.9 million increase in loans net of deferred fees and costs.



## Investment Securities

The Company's investment policy authorizes management to invest in traditional securities instruments in order to provide ongoing liquidity, income and a ready source of collateral that can be pledged in order to access other sources of funds. The investment portfolio consists solely of securities available for sale. Securities available for sale are those securities that we intend to hold for an indefinite period of time but not necessarily until maturity. These securities are carried at fair value and may be sold as part of an asset/liability management strategy, liquidity management, interest rate risk management, regulatory capital management or other similar factors.

The investment portfolio consists primarily of U.S. Agency mortgage-backed securities, U.S. Government agency securities, and municipal obligations. The income from state and municipal obligations may be taxable or tax-exempt from federal and state income tax. State and municipal obligations from the State of Maryland are exempt from federal and state income taxes. We use the investment portfolio as a source of both liquidity and earnings. Management continuously evaluates investment options that will produce income without assuming significant credit or interest rate risk and looks for opportunities to use liquidity from maturing investments to reduce our use of high-cost time deposits and borrowed funds.

During 2024, the Company's investment securities portfolio totaled \$107.9 million, a \$31.5 million, or 22.58% decrease from \$139.4 million at December 31, 2023. This decrease was primarily driven by \$30.5 million of paydowns and redemptions of investment securities, and a \$0.9 million increase in the unrealized loss on available for sale securities during 2024.

The composition of investment securities, at carrying value, at December 31, 2024 and 2023 are presented in the following table:

(dollars in thousands)	2024		2023	
	Amount	%	Amount	%
<i>Available for sale securities:</i>				
U.S. Treasury	\$ —	— %	\$ 6,945	5.0 %
U.S. Government agency	23,538	21.8 %	37,694	27.0 %
Residential mortgage-backed securities	50,659	46.9 %	59,775	42.9 %
State and municipal	32,411	30.0 %	33,729	24.2 %
Corporate securities	1,341	1.3 %	1,284	0.9 %
Total debt securities	<u>\$ 107,949</u>	<u>100.0 %</u>	<u>\$ 139,427</u>	<u>100.0 %</u>

At December 31, 2024, the Company had municipal securities from eight single issuers that, individually, were more than 10% of stockholders' equity, which totaled \$30.4 million.

Maturities and weighted average yields for investment securities at December 31, 2024 are presented in the following table:

(dollars in thousands)	Mortgage Backed		Municipals		U.S. Government Agencies		Corporates	
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield
Due within one year	\$ 318	5.49 %	\$ 1,003	2.52 %	\$ —	— %	\$ —	— %
Due over one to five years	1,520	2.20	235	1.06	3,777	1.34	—	—
Due over five to ten years	15,129	2.08	5,191	2.76	9,597	1.76	1,500	3.75
Due over ten years	<u>41,724</u>	2.49	<u>36,178</u>	2.61	<u>17,994</u>	1.86	<u>—</u>	—
<b>Total securities available for sale</b>	<b>\$ 58,691</b>	<b>2.38 %</b>	<b>\$ 42,607</b>	<b>2.62 %</b>	<b>\$ 31,368</b>	<b>1.76 %</b>	<b>\$ 1,500</b>	<b>3.75 %</b>

- (1) Yields are stated as book yields which are adjusted for amortization and accretion of purchase premiums and discounts, respectively.
- (2) Yields on tax-exempt obligations have been computed on a tax-equivalent basis.

### Restricted Equity Securities

Restricted equity securities were \$1.7 million and \$1.2 million at December 31, 2024 and 2023, respectively.

### Loans

A comparison of the loan portfolio for the years indicated is presented in the following table:

(dollars in thousands)	December 31,									
	2024		2023		2022		2021		2020	
	\$	%	\$	%	\$	%	\$	%	\$	%
<b>Loans Secured by Real Estate</b>										
Construction and land	\$ 8,882	4 %	\$ 4,636	3 %	\$ 4,499	2 %	\$ 4,087	2 %	\$ 2,553	1 %
Farmland	315	—	325	—	333	—	342	—	350	—
Single-family residential	98,993	48	86,887	49	80,251	43	78,119	37	82,520	33
Multi-family	5,022	3	5,165	3	5,304	3	5,428	3	6,105	2
Commercial	<u>48,726</u>	<u>24</u>	<u>39,217</u>	<u>22</u>	<u>42,936</u>	<u>23</u>	<u>48,729</u>	<u>23</u>	<u>57,027</u>	<u>22</u>
Total loans secured by real estate	161,938	79	136,230	77	133,323	71	136,705	65	148,555	58
<b>Commercial and Industrial</b>										
Commercial and industrial	16,705	8	10,850	6	8,990	5	10,003	5	10,800	4
SBA guaranty	5,691	3	5,924	4	6,158	3	6,397	3	7,200	3
Comm SBA PPP	—	—	—	—	—	—	1,047	—	9,912	4
Total commercial and industrial loans	22,396	11	16,774	10	15,148	8	17,447	8	27,912	11
<b>Consumer Loans</b>										
Consumer	2,880	1	2,039	1	1,521	1	2,090	1	3,063	1
Automobile	18,005	9	21,264	12	36,448	20	54,150	26	74,242	30
Total consumer loans	<u>20,885</u>	<u>10</u>	<u>23,303</u>	<u>13</u>	<u>37,969</u>	<u>21</u>	<u>56,240</u>	<u>27</u>	<u>77,305</u>	<u>31</u>
Gross loans	205,219	100 %	176,307	100 %	186,440	100 %	210,392	100 %	253,772	100 %
Allowance for credit losses	(2,839)		(2,157)		(2,162)		(2,470)		(1,476)	
Net loans	<u>\$ 202,380</u>		<u>\$ 174,150</u>		<u>\$ 184,278</u>		<u>\$ 207,922</u>		<u>\$ 252,296</u>	

The Company's net loan receivables increased by \$28.2 million to \$202.4 million at December 31, 2024 from \$174.2 million at December 31, 2023 primarily due to \$67.4 million in new originations outpacing \$39.2 million in pay

downs. This change in the composition of the loan portfolio resulted primarily from a \$4.2 million increase in construction and land loans, a \$12.1 million increase in single-family loans, a \$9.5 million increase in commercial real estate loans, and a \$5.9 million increase in commercial and industrial loans, offset by a \$3.2 million decrease in automobile loans.

The following table summarizes the scheduled repayments of our loan portfolio, both by loan category and by fixed and adjustable rates, at December 31, 2024. Demand loans and loans which have no stated maturity, are treated as due in one year or less:

	<u>Due Within One Year</u>	<u>Due Over One To Five Years</u>	<u>Due Over Five Years</u>	<u>Total</u>
(dollars in thousands)				
<b>By Loan Category:</b>				
Loans Secured by Real Estate				
Construction and land	\$ 3,154	\$ 2,285	\$ 3,443	\$ 8,882
Farmland	—	—	315	315
Single-family residential	38	1,678	97,277	98,993
Multi-family	—	—	5,022	5,022
Commercial	—	12,494	36,232	48,726
Total loans secured by real estate	3,192	16,457	142,289	161,938
Commercial and Industrial				
Commercial and industrial	143	13,352	3,210	16,705
SBA guaranty	—	314	5,377	5,691
Total commercial and industrial loans	143	13,666	8,587	22,396
Consumer Loans				
Consumer	15	427	2,438	2,880
Automobile	793	8,944	8,268	18,005
Total consumer loans	808	9,371	10,706	20,885
Gross loans	<u>\$ 4,143</u>	<u>\$ 39,494</u>	<u>\$ 161,582</u>	<u>\$ 205,219</u>

	<u>Fixed Rate</u>	<u>Adjustable Rate</u>	<u>Total</u>
<b>By Loan Category:</b>			
Loans Secured by Real Estate			
Construction and land	\$ 5,027	\$ 3,855	\$ 8,882
Farmland	315	—	315
Single-family residential	88,991	10,002	98,993
Multi-family	5,022	—	5,022
Commercial	20,956	27,770	48,726
Total loans secured by real estate	120,311	41,627	161,938
Commercial and Industrial			
Commercial and industrial	14,946	1,759	16,705
SBA guaranty	626	5,065	5,691
Total commercial and industrial loans	15,572	6,824	22,396
Consumer Loans			
Consumer	2,880	—	2,880
Automobile	18,005	—	18,005
Total consumer loans	20,885	—	20,885
Gross loans	<u>\$ 156,768</u>	<u>\$ 48,451</u>	<u>\$ 205,219</u>

Loans are placed on nonaccrual status when they are past due 90 days as to either principal or interest or when, in the opinion of management, the collection of all interest and/or principal is in doubt. Placing a loan on nonaccrual status means that we no longer accrue interest on such loan and reverse any interest previously accrued but not collected. Management may grant a waiver from nonaccrual status for a 90 day past due loan that is both well secured and in the process of collection. An asset is “well secured” if it is secured by (1) collateral in the form of liens on or pledges of real or personal property, including securities that have a realizable value sufficient to discharge the debt (including accrued interest) in full, or (2) the guarantee of a financially responsible party. An asset is “in the process of collection” if collection of the asset is proceeding in due course either (1) through legal action, including judgment enforcement procedures, or (2) in appropriate circumstances, through collection efforts not involving legal action which are reasonably expected to result in prepayment of the debt or in its restoration to a current status in the near future. A loan remains on nonaccrual status until the loan is current as to payment of both principal and interest and the borrower demonstrates the ability to make payments in accordance with the terms of the loan and remains current.

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

The Bank seeks to control delinquencies through diligent collection efforts. For consumer loans, the Bank sends out payment reminders on the seventh and twelfth days after a payment is due. If a consumer loan becomes 15 days past due, the account is transferred to the Bank’s collections department, which will contact the borrower by telephone and/or letter before the account becomes 30 days past due. If a consumer loan becomes more than 30 days past due, the Bank will continue its collection efforts and will move to repossession or foreclosure by the 45th day if the Bank has reason to believe that the collateral may be in jeopardy or the borrower has failed to respond to prior communications. The Bank may move to repossess or foreclose in all instances in which a consumer loan becomes more than 60 days delinquent. After repossession of a motor vehicle, the borrower has a 15-day statutory right to redeem the vehicle and is entitled to 10 days’ notice before the sale of a repossessed vehicle. The Bank sells the vehicle as promptly as feasible after the expiration of these periods. If the amount realized from the sale of the vehicle is less than the loan amount, the Bank may seek a deficiency judgment against the borrower. The Bank follows similar collection procedures with respect to commercial loans.

Our current charge-off policy is as follows:

When the probability for full payment of a loan is unlikely, the Bank will initiate a full charge-off or a partial write-down of the asset based upon the status of the loan. The following guidelines apply:

- Consumer loans less than \$25,000 for which payments of principal and/or interest are past due ninety (90) days are charged-off and referred for collection. Consumer loans of \$25,000 or more shall be evaluated for charge-off or partial write-down at the discretion of Bank management.
- Any other loan over 120 days past due shall be evaluated for charge-off or partial write-down at the discretion of Bank management. Any non-consumer unsecured loan more than 180 days delinquent in payment of principal and/or interest (or sooner if deemed uncollectible) is charged-off in full.
- If secured, a charge-off is made to reduce the loan balance to a level equal to the anticipated liquidation value of the collateral when payment of principal and/or interest is more than 180 days delinquent, or prior to that if deemed uncollectible.
- Generally, real estate secured loans are charged-off on a deficiency basis after liquidation of the collateral. In some cases, Bank management may determine that a charge-off or write-down is appropriate prior to liquidation of the collateral, when the full loan balance is clearly uncollectible and some loss is anticipated. In order to make this determination, an updated evaluation or appraisal of the property is obtained.

The Bank experienced a \$167,000 or 31.7% decrease in the total nonperforming loans in 2024. The following table presents details of our nonperforming loans and nonperforming assets, as these asset quality metrics are evaluated by management, for the years indicated:

	As of December 31,				
	2024	2023	2022	2021	2020
<b>(dollars in thousands)</b>					
Nonaccrual loans	\$ 360	\$ 527	\$ 488	\$ 338	\$ 4,512
Accruing loans past due 90+ days	-	-	10	15	18
Total nonperforming loans	360	527	498	353	4,530
Real estate acquired through foreclosure	-	-	-	-	575
Total nonperforming assets	\$ 360	\$ 527	\$ 498	\$ 353	\$ 5,105
Nonperforming loans to gross loans	0.2 %	0.3 %	0.3 %	0.2 %	1.8 %
Allowance for credit losses to nonperforming loans	788.6 %	409.5 %	434.0 %	700.3 %	32.6 %

Nonperforming assets, which consist of nonaccrual loans, loans to borrowers experiencing financial difficulty, accruing loans past due 90 days or more, and real estate acquired through foreclosure, decreased to \$0.4 million at December 31, 2024 from \$0.5 million at December 31, 2023. Nonperforming assets represented 0.10% of total assets at December 31, 2024, compared to 0.15% at December 31, 2023. Management has worked diligently to identify borrowers that may be facing difficulties in order to restructure terms where appropriate, secure additional collateral or pursue foreclosure and other secondary sources of repayment.

#### **Allowance for Credit Losses - Loans and Credit Risk Management**

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

On January 1, 2021, the Company early adopted ASU 2016-13, Financial Instruments - Credit Losses ("ASC 326") which replaces the "incurred loss approach" for estimating credit losses with an expected loss methodology. The incurred loss model delayed the recognition of credit losses until it was probable that a loss had occurred, while the CECL model requires the immediate recognition of expected credit losses over the contractual term for financial instruments that fall within the scope of CECL at the date of origination or purchase of the financial instrument. The CECL model, which is applicable to the measurement of credit losses on financial assets measured at amortized cost and certain off-balance sheet credit exposures, affects the Company's estimates of the allowance for credit losses for our loan portfolio and the reserve for our off-balance sheet credit exposures related to loan commitments. The allowance for credit losses is established through a provision for credit losses charged to expense. Loans are charged against the allowance for credit losses when management believes that the collectability of the principal is unlikely. The

allowance, based on all available information from internal and external sources, relevant to assessing the collectability of loans over their contractual terms, adjusted for expected prepayments when appropriate, is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible. The evaluations are performed for each class of loans and take into consideration factors such as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, value of collateral securing the loans and current economic conditions and trends that may affect the borrowers' ability to pay. For example, delinquencies in unsecured loans and indirect automobile installment loans will be reserved for at significantly higher ratios than loans secured by real estate. Finally, the Company considers forecasts about future economic conditions or changes in collateral values that are reasonable and supportable. Based on that analysis, the Bank deems its allowance for credit losses in proportion to the total nonaccrual loans and past due loans to be sufficient.

The allowance was \$2.8 million at December 31, 2024, compared to \$2.2 million at December 31, 2023. The allowance as a percentage of total portfolio loans was 1.4% at December 31, 2024 and 1.2% at December 31, 2023.

During the year ended December 31, 2024, the Company recorded net charge offs of \$0.2 million compared to \$0.1 million during the year ended December 31, 2023.

The following table reflects activity in the allowance for credit losses - loans for the periods indicated:

	Year Ended December 31,				
	2024	2023	2022	2021	2020
	(dollars in thousands)				
Beginning Balance	\$ 2,157	\$ 2,162	\$ 2,470	\$ 1,476	\$ 2,066
Impact of ASC 326 adoption	—	—	—	1,574	—
Loans charged-off					
Loans Secured by Real Estate					
Construction and land	—	—	—	—	—
Farmland	—	—	—	—	—
Single-family residential	—	—	—	—	—
Multi-family	—	—	—	—	—
Commercial	—	—	—	—	—
Total loans secured by real estate	—	—	—	—	—
Commercial and Industrial					
Commercial and industrial	—	—	200	—	—
SBA guaranty	299	—	9	—	—
Total commercial and industrial loans	299	—	209	—	—
Consumer Loans					
Consumer	18	79	14	2	—
Automobile	67	124	169	251	392
Total consumer loans	85	203	183	253	392
Total loans charged-off	384	203	392	253	392
Recoveries					
Loans Secured by Real Estate					
Construction and land	—	—	—	—	—
Farmland	—	—	—	—	—
Single-family residential	—	—	—	408	266
Multi-family	—	—	—	—	—
Commercial	—	—	—	—	—
Total loans secured by real estate	—	—	—	408	266
Commercial and Industrial					
Commercial and industrial	—	—	—	—	20
SBA guaranty	—	—	—	—	—
Total commercial and industrial loans	—	—	—	—	20
Consumer Loans					
Consumer	133	1	8	—	6
Automobile	89	101	188	240	199
Total consumer loans	222	102	196	240	205
Total recoveries	222	102	196	648	491
Net charge offs (recoveries)	162	101	196	(1,969)	(99)
Provision (release) for credit loss	844	96	(112)	(975)	(689)
Balance at end of year	\$ 2,839	\$ 2,157	\$ 2,162	\$ 2,470	\$ 1,476
Allowance as a percentage of total loans at the end of the year	1.38 %	1.22 %	1.16 %	1.17 %	0.58 %
Net charge offs (recoveries) as a percentage of average loans during the year	0.08 %	0.06 %	0.10 %	(0.84)%	(0.04)%

The following table reflects net charge-offs (recoveries) as a percent of average loans by category:

	2024	2023
Loans Secured by Real Estate	— %	— %
Construction and land	—	—
Farmland	—	—
Single-family residential	—	—
Multi-family	—	—
Commercial	—	—
Total loans secured by real estate	—	—
Commercial and Industrial		
Commercial and industrial	—	—
SBA guaranty	5.18	—
Total commercial and industrial loans	1.47	—
Consumer Loans		
Consumer	(4.04)	4.30
Automobile	(0.11)	0.08
Total consumer loans	(0.61)	0.34
Total net charge-offs (recoveries)	0.08	0.06

The following table reflects the amount and percentage of credit loss allowance for each category for the periods indicated:

Portfolio	At December 31,			
	2024		2023	
	Allowance For Each Category	Percentage Of Loans In Each Category To Total Loans	Allowance For Each Category	Percentage Of Loans In Each Category To Total Loans
(dollars in thousands)				
Loans Secured by Real Estate				
Construction and land	\$ 40	4.3 %	\$ 31	2.6 %
Farmland	16	0.2	18	0.2
Single-family residential	1,529	48.3	1,290	49.3
Multi-family	224	2.4	96	2.9
Commercial	507	23.7	190	22.2
Total loans secured by real estate	2,316	78.9	1,625	77.2
Commercial and Industrial				
Commercial and industrial	272	8.1	304	6.1
SBA guaranty	38	2.8	21	3.4
Total commercial and industrial loans	310	10.9	325	9.5
Consumer Loans				
Consumer	45	1.4	30	1.2
Automobile	168	8.8	177	12.1
Total consumer loans	213	10.2	207	13.3
Total	\$ 2,839	100.0 %	\$ 2,157	100.0 %

## Deposits

The funds needed by the Bank to make loans are primarily generated by deposit accounts solicited from the communities in Anne Arundel County. The Bank's deposit products include savings accounts, money market deposit accounts, demand deposit accounts, NOW checking accounts, IRA and SEP accounts and certificates of deposit. The Bank does not solicit brokered deposits. Variations in service charges, terms and interest rates are used to target specific markets. Ancillary products and services for deposit customers include safe deposit boxes, night depositories, automated clearinghouse transactions, wire transfers, ATMs, electronic banking (telephone banking, online banking, bill



pay, card management and control, mobile app, merchant source capture, mobile deposit capture, Zelle®, etc.). The Bank is a member of the Accel(R) and MoneyPass(R) ATM networks.

The following deposit table presents the composition of deposits at December 31, 2024 and 2023:

	2024		2023		2024 vs 2023	
	Amount in thousands	% of Total	Amount in thousands	% of Total	\$ Change	% Change
Noninterest-bearing deposits	\$ 100,747	32.6 %	\$ 116,922	39.0 %	\$ (16,175)	(13.8)%
Interest-bearing deposits:						
Checking	25,487	8.2 %	28,571	9.5 %	(3,084)	(10.8)%
Savings	75,444	24.4 %	93,104	31.0 %	(17,660)	(19.0)%
Money market	81,513	26.4 %	26,836	9.0 %	54,677	203.7 %
Total interest-bearing checking, savings and money market deposits	182,444	59.0 %	148,511	49.5 %	33,933	22.8 %
Time deposits of \$250,000 or less	24,865	8.0 %	32,133	10.7 %	(7,268)	(22.6)%
Time deposits of more than \$250,000	1,133	0.4 %	2,501	0.8 %	(1,368)	(54.7)%
Total time deposits	25,998	8.4 %	34,634	11.5 %	(8,636)	(24.9)%
Total interest-bearing deposits	208,442	67.4 %	183,145	61.0 %	25,297	13.8 %
Total Deposits	\$ 309,189	100.0 %	\$ 300,067	100.0 %	\$ 9,122	3.0 %

Total deposits were \$309.2 million at December 31, 2024, an increase of \$9.1 million, or 3.0%, when compared to \$300.1 million recorded at December 31, 2023. Within the deposit base, noninterest-bearing deposit balances decreased \$16.2 million, or 13.8%, interest-bearing checking account balances decreased \$3.1 million, or 10.8%, interest-bearing savings account balances decreased by \$17.7 million, or 19.0%, money market balances increased \$54.7 million, or 203.7%, and time deposit balances decreased by \$8.6 million, or 24.9%, when compared to the amounts at December 31, 2023.

The following table presents the maturity distribution for time deposits of \$250,000 or more at December 31, 2024:

(dollars in thousands)	Amount
Three months or less	\$ —
Over three months through twelve months	—
Over twelve months through twenty-four months	552
Over twenty-four months	581
Total Time Deposits of \$250,000 or More	\$ 1,133

### Borrowings

The Bank uses borrowings from the Federal Home Loan Bank (“FHLB”) of Atlanta, of which it is a member, to supplement funding from deposits. The Bank’s total credit availability is \$92.1 million at December 31, 2024 and it may draw \$52.3 million which is secured by a floating lien on the Bank’s residential first mortgage loans and pledged securities.

As of December 31, 2024, the Bank was permitted to draw on a line of credit from the Federal Reserve Bank’s discount window. Credit is available up to the total value of investment securities pledged as collateral. Borrowings under the line are secured by investment securities of \$45.4 million at December 31, 2024 and there were no outstanding loan balances.

The Bank has available unsecured federal funds lines of credit from two financial institutions for \$9.0 million and \$8.0 million as of December 31, 2024.

## **CAPITAL RESOURCES**

Ample capital is necessary to sustain growth, provide a measure of protection against unanticipated declines in asset values and safeguard the funds of depositors. Capital also provides a source of funds to meet loan demand and enables us to manage assets and liabilities effectively.

Stockholders' equity decreased to \$17.8 million at December 31, 2024, compared to \$19.3 million at December 31, 2023. The \$1.5 million, or 7.8%, decrease for the year ended December 31, 2024, resulted primarily from a \$622,000 increase in net unrealized losses on the available for sale bond portfolio, a \$112,000 net loss and \$865,000 in dividends paid that were partially offset by \$91,000 stock issuances under the dividend reinvestment program. The book value of the Company's common stock was \$6.14 at December 31, 2024 and \$6.70 at December 31, 2023.

The Bank is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

The capital requirements to which the Bank is subject are known as the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Act. These Basel III Capital Rules have been applicable to the Bank since January 1, 2015.

Specifically, the rule imposes the following minimum capital requirements to be considered adequately capitalized:

- A common equity Tier 1 risk-based capital ratio of 4.50%;
- A Tier 1 risk-based capital ratio of 6.00%;
- A total risk-based capital ratio of 8.00%; and
- A leverage ratio of 4.00%.

Under the rule, common equity Tier 1 capital includes accumulated other comprehensive income (which includes all unrealized net gains and losses on available for sale debt and equity securities and all unrealized net gain or loss on defined benefit pension plan), subject to a one-time opt-out election. The Bank elected to opt-out of this provision. As such, accumulated comprehensive income is not included in determining the Bank's regulatory capital ratios.

The rule also includes risk weights of assets to reflect credit risk and other risk exposures. These include a 150% risk weight for certain high volatility commercial real estate acquisitions, development and construction loans and non-residential mortgage loans that are 90 days past due or otherwise on nonaccrual status, a 20% credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancellable, a 250% risk weight (up from 100%) for deferred tax assets that are not deducted from capital and increased risk weights (from 0% to up to 600%) for certain equity exposures.

Finally, the rule limits capital distributions and certain discretionary bonus payments if the banking organization does not hold a "capital conservation buffer" consisting of 2.50% of common equity Tier 1 capital to risk weighted assets in addition to the amount necessary to meet its minimum risk-based capital requirements.

For regulatory capital purposes, deferred tax assets that arise from net operating loss and tax credit carryforwards (net of any related valuations allowances and net of deferred tax liabilities) are excluded from regulatory capital, in addition to certain overall limits on net deferred tax assets as a percentage of common equity Tier 1 capital. At December 31, 2024, none of the Bank's net deferred tax asset was excluded from common equity Tier 1, Tier 1 and total regulatory capital. We will continue to evaluate the realizability of our net deferred tax asset on a quarterly basis for both financial reporting and regulatory capital purposes. This evaluation may result in the inclusion of a deferred tax asset in regulatory capital in an amount that is different from the amount determined under GAAP.

In addition, the Bank is required to maintain a minimum level of Tier 1 capital to average total assets excluding intangibles. This measure is known as the leverage ratio. The current regulatory minimum for the leverage ratio for institutions to be considered "well capitalized" is 5.00%, but an individual institution could be required to maintain a higher level.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain amounts and ratios (set forth in the table below) of total, common equity Tier 1 and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and a leverage ratio of Tier 1 capital (as defined) to average tangible assets (as defined). At December 31, 2024 and 2023, the Bank had regulatory capital in excess of that required under each requirement and was classified as "well capitalized".

Actual capital amounts and ratios for the Bank are presented in the following tables (dollars in thousands):

(dollars in thousands)	<b>Actual</b>		<b>To Be Considered Adequately Capitalized</b>		<b>To Be Well Capitalized Under Prompt Corrective Action Provisions</b>	
	<b>Amount</b>	<b>Ratio</b>	<b>Amount</b>	<b>Ratio</b>	<b>Amount</b>	<b>Ratio</b>
<b>As of December 31, 2024</b>						
Common Equity Tier 1 Capital	\$ 36,481	15.15 %	\$ 10,837	4.50 %	\$ 15,653	6.50 %
Total Risk-Based Capital	\$ 39,496	16.40 %	\$ 19,265	8.00 %	\$ 24,082	10.00 %
Tier 1 Risk-Based Capital	\$ 36,481	15.15 %	\$ 14,449	6.00 %	\$ 19,265	8.00 %
Tier 1 Leverage	\$ 36,481	9.97 %	\$ 14,640	4.00 %	\$ 18,300	5.00 %

(dollars in thousands)	<b>Actual</b>		<b>To Be Considered Adequately Capitalized</b>		<b>To Be Well Capitalized Under Prompt Corrective Action Provisions</b>	
	<b>Amount</b>	<b>Ratio</b>	<b>Amount</b>	<b>Ratio</b>	<b>Amount</b>	<b>Ratio</b>
<b>As of December 31, 2023</b>						
Common Equity Tier 1 Capital	\$ 37,975	17.37 %	\$ 9,840	4.50 %	\$ 14,213	6.50 %
Total Risk-Based Capital	\$ 40,237	18.40 %	\$ 17,493	8.00 %	\$ 21,867	10.00 %
Tier 1 Risk-Based Capital	\$ 37,975	17.37 %	\$ 13,120	6.00 %	\$ 17,493	8.00 %
Tier 1 Leverage	\$ 37,975	10.76 %	\$ 14,113	4.00 %	\$ 17,641	5.00 %

Federal bank regulatory agencies are required to take certain supervisory actions against an undercapitalized bank, the severity of which depends upon the bank's degree of capitalization. Failure to maintain an appropriate level of capital could cause the regulator to take any one or more of a number of discretionary supervisory actions, including the issuance of a capital directive and the replacement of senior executive officers and directors.

## LIQUIDITY

Liquidity describes our ability to meet financial obligations, including lending commitments and contingencies, which arise during the normal course of business. Liquidity is primarily needed to meet the borrowing and deposit withdrawal requirements of the Company's customers, as well as to meet current and planned expenditures. Management monitors the liquidity position daily.

Our liquidity is derived primarily from our deposit base, scheduled amortization and prepayments of loans and investment securities, funds provided by operations and capital. Additionally, liquidity is provided through our portfolios of cash and interest-bearing deposits in other banks, federal funds sold and securities available for sale.

While scheduled principal repayments on loans are a relatively predictable source of funds, deposit flows and loan prepayments are greatly influenced by market interest rates, economic conditions, and rates offered by the Bank's competitors.

The borrowing requirements of customers include commitments to extend credit and the unused portion of lines of credit, which totaled \$31.6 million at December 31, 2024. Management notes that, historically, a small percentage of unused lines of credit are actually drawn down by customers within a 12-month period.

Our most liquid assets are cash and assets that can be readily converted into cash, including interest-bearing deposits with banks and federal funds sold, and investment securities. At December 31, 2024, we had \$2.0 million in cash and due from banks, \$22.5 million in interest-bearing deposits with banks and federal funds sold, and \$107.9 million in investment securities available for sale.

The Bank also has external sources of funds through the FHLB, and Federal Reserve Discount Window which can be drawn upon when required. The Bank has a line of credit totaling approximately \$92.1 million with the FHLB of which \$62.1 million was available to be drawn on December 31, 2024, subject to qualifying loans and securities pledged as collateral. The lines of credit with the Federal Reserve are limited to the amount of qualifying collateral pledged which totaled \$33.4 million at December 31, 2024.

Additionally, the Bank has unsecured federal funds lines of credit totaling \$17.0 million with two institutions. The proceeds of the Company's line of credit may be used for general corporate purposes.

To further aid in managing liquidity, the Bank's Board of Directors has approved and formed an Asset/Liability Management Committee ("ALCO") to review and discuss recommendations for the use of available cash and to maintain an investment portfolio. By limiting the maturity of securities and maintaining a conservative investment posture, management can rely on the investment portfolio to help meet any short-term funding needs.

We believe the Bank has adequate cash on hand and available through liquidation of investment securities and available borrowing capacity to meet our liquidity needs. Although we believe sufficient liquidity exists, if economic conditions and consumer confidence deteriorate, this liquidity could be depleted, which would then materially affect our ability to meet operating needs and to raise additional capital.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Bank is a party to financial instruments in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit, which involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated financial statements.

Loan commitments and lines of credit are agreements to lend to customers as long as there is no violation of any conditions of the contracts. Loan commitments generally have interest rates fixed at current market amounts, fixed expiration dates, and may require payment of a fee. Lines of credit generally have variable interest rates. Many of the loan commitments and lines of credit are expected to expire without being drawn upon; accordingly, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral or other security obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include deposits held in financial institutions, U.S. Treasury securities, other marketable securities, accounts receivable, inventory, property and equipment, personal residences, income-producing commercial properties, and land under development. Personal guarantees are also obtained to provide added security for certain commitments.

Letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to guarantee the installation of real property improvements and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in

extending loan facilities to customers. The Bank holds collateral and obtains personal guarantees supporting those commitments for which collateral or other securities is deemed necessary.

The Bank's exposure to credit loss in the event of nonperformance by the customer is the contractual amount of the commitment.

Currently, we break-out our unfunded commitments into the following categories:

- Unfunded Construction Commitments
- Unfunded Commercial Lines of Credit and Other
- Unfunded Home Equity LOC
- Unfunded Demand Deposit Overdraft LOC
- Committed Loans Which Have Not Closed
- Letters of Credit

Loan commitments, lines of credit, and letters of credit are made on the same terms, including collateral, as outstanding loans. As of December 31, 2024, the Bank has accrued \$584,000 as a reserve for credit losses on unfunded commitments, an increase of \$111,000 from the \$473,000 accrued as of December 31, 2023. Unfunded commitments related to these financial instruments with off balance sheet risk, are included in "other liabilities". The additional provision amount is included in 'other expense'.

## **MARKET RISK MANAGEMENT**

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

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

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

The Company's Board of Directors has established a comprehensive interest rate risk management policy, which is administered by our ALCO. The policy establishes limits on risk, which are quantitative measures of the percentage change in net interest income (a measure of net interest income at risk) and the fair value of equity capital (a measure of economic value of equity or "EVE" at risk) resulting from a hypothetical change in U.S. Treasury interest rates. We measure the potential adverse impacts that changing interest rates may have on our short-term earnings, long-term value, and liquidity by employing simulation analysis through the use of computer modeling. The simulation

model captures optionality factors such as call features and interest rate caps and floors embedded in investment and loan portfolio contracts. As with any method of gauging interest rate risk, there are certain shortcomings inherent in the interest rate modeling methodology we employ. When interest rates change, actual movements in different categories of interest-earning assets and interest-bearing liabilities, loan prepayments, and withdrawals of time and other deposits, may deviate significantly from assumptions used in the model. Finally, the methodology does not measure or reflect the impact that higher rates may have on adjustable-rate loan customers' ability to service their debts, or the impact of rate changes on demand for loan and deposit products.

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

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

At December 31, 2024, the net interest income simulation analysis indicated that the Bank is in an asset sensitive position in all falling rate scenarios and is in a liability sensitive position in all rising rate scenarios. Overall, falling rate scenarios indicate a fairly balanced profile. An asset sensitive position, theoretically, is favorable in a rising rate environment since more assets than liabilities will re-price in a given time frame as interest rates rise. Similarly, a liability sensitive position, theoretically, is favorable in a declining interest rate environment since more liabilities than assets will re-price in a given time frame as interest rates decline. Management works to maintain a consistent spread between yields on assets and costs of deposits and borrowings, regardless of the direction of interest rates.

The foregoing analysis assumes that the Company's assets and liabilities move with rates at their earliest repricing opportunities based on final maturity, while considering optionality such as call features, where applicable. Certificates of deposit and IRA accounts are presumed to be repriced at maturity. NOW and savings accounts are assumed to be repriced within three months although it is the Company's experience that such accounts may be less sensitive to changes in market rates.

<b>Estimated Changes in Net Interest Income</b>	<b>Static Balance Sheet/Immediate Change in Rates</b>			
	<b>-200 bp</b>	<b>-100 bp</b>	<b>+100 bp</b>	<b>+200 bp</b>
Policy Limit	-15%	-10%	-10%	-15%
<b>December 31, 2024</b>	<b>-1%</b>	<b>-1%</b>	<b>-2%</b>	<b>-6%</b>
December 31, 2023	-5%	-2%	-1%	-2%

As shown above, measures of net interest income at risk were slightly less favorable in up-rate scenarios but more favorable in down-rate scenarios on December 31, 2024 than on December 31, 2023 over a 12-month modeling period. These measures remained within prescribed policy limits in the up and down interest rate scenarios.

The following table sets forth the Company's interest-rate sensitivity at December 31, 2024, as measured by the Gap analysis.

	<u>0-3 Months</u>	<u>Over 3 to 12 Months</u>	<u>Over 1 Through 5 Years</u>	<u>Over 5 Years</u>	<u>Total</u>
(dollars in thousands)					
<b>Assets:</b>					
Repricing asset balances	\$ 83,773	\$ 28,008	\$ 111,068	\$ 136,107	\$ 358,956
<b>Liabilities and Stockholders' Equity</b>					
Repricing liability and equity balances	\$ 83,371	\$ 23,322	\$ 80,109	\$ 172,154	\$ 358,956
GAP	\$ 402	\$ 4,686	\$ 30,959	\$ (36,047)	
Cumulative GAP	\$ 402	\$ 5,088	\$ 36,047	\$ -	
Cumulative GAP as a % of total assets	0.1 %	1.4 %	10.0 %	0.0 %	

**Falling Rates:** If market rates decline in a parallel fashion (i.e., down 100 or 200 bp over 12 months), projected NII levels quickly fall beneath the base rates scenario and present potential exposure to NII over the life of the simulation as the asset base is assumed to be recycled into lower rates while the low cost nature of the current funding base severely limits the amount of relief it can provide to asset yield pressures.

**Rising Rates:** Over the first 12 months in our rising rate scenarios, projected NII shows a slight decrease in projected net interest income at December 31, 2024 compared to a projected slight increase at December 31, 2023. At December 31, 2024 and December 31, 2023, NII trends upward over the following months as more assets reprice more quickly than our interest-bearing deposits.

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

<b>Estimated Changes in Economic Value of Equity (EVE)</b>	<b>Static Balance Sheet/Immediate Change in Rates</b>			
	<b>-200 bp</b>	<b>-100 bp</b>	<b>+100 bp</b>	<b>+200 bp</b>
Policy Limit	-20%	-10%	-10%	-20%
<b>December 31, 2024</b>	<b>10 %</b>	<b>6 %</b>	<b>-11%</b>	<b>-19%</b>
December 31, 2023	11 %	6 %	-10%	-19%

In a decreasing interest rate environment, the Company's interest income changes at a rate consistent with changes in its total interest expense, thereby resulting in a balanced profile, with net interest income exhibiting minor changes in falling rate scenarios. Conversely, in an increasing interest rate environment the increases in the Company's interest income will be less than increases in its interest expense, thereby resulting in lower net interest income. In a rising interest rate environment, the Company is positioned to generate less economic value of equity as the duration of the assets is longer than the duration of the liabilities, with liabilities repricing more quickly than our assets. Conversely, the Company's economic value of equity increases in a falling interest rate environment as the longer initial duration of the assets benefits the Company in falling rate scenarios. Thus, the economic value of equity increases compared to the base case. The measured change in EVE in the +100 bps shock as of December 31, 2024 of -11% is slightly outside of the policy limit of -10%. This is due in part to a shift in the deposit mix during the 4th quarter of 2024, with balances in demand deposits accounts decreasing and balances in money market accounts increasing. Going forward, the Company acknowledges that reducing long term mortgages off the balance sheet will help mitigate this position.

## IMPACT OF INFLATION AND CHANGING PRICES

The consolidated financial statements and notes thereto presented herein have been prepared in accordance with generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to

inflation. Unlike most industrial companies, nearly all of the Company's assets and liabilities are monetary in nature. As a result, interest rates have a greater impact on the Company's performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

## **CRITICAL ACCOUNTING POLICIES**

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) and follow general practices within the industries in which we operate. All intercompany transactions are eliminated in consolidation and certain reclassifications are made when necessary, in order to conform the previous year's financial statements to the current year's presentation. The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Since future events and their effects cannot be determined with absolute certainty, the determination of estimates requires the exercise of judgment. Management has used the best information available to make the estimations necessary to value the related assets and liabilities based on historical experience and on various assumptions which are believed to be reasonable under the circumstances. Actual results could differ from those estimates, and such differences may be material to the financial statements. The Company reevaluates these variables as facts and circumstances change. Historically, actual results have not differed significantly from the Company's estimates. The following is a summary of the more judgmental accounting estimates and principles involved in the preparation of the Company's financial statements, including the identification of the most important variables in the estimation process:

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

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

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

Going forward, the impact of utilizing the CECL methodology to calculate the ACL will be significantly influenced by the composition, characteristics, and quality of our loan portfolio, as well as the prevailing economic conditions and forecasts utilized. Material changes to these and other relevant factors may result in greater volatility to the allowance for credit losses, and therefore, greater volatility in our reported earnings. For further information regarding the Bank's allowance for credit losses, see "Allowance for Credit Losses," in Note 4 to the consolidated financial statements.

Other significant accounting policies are presented in Note 1 to the consolidated financial statements that appear elsewhere in this Annual Report on Form 10-K. We have not substantively changed any aspect of our overall approach in the application of the foregoing policy.



## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The financial statements and supplementary data required by this Item 8 are included in the Company's Consolidated Financial Statements and set forth in the pages indicated in Item 15 of this Annual Report.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

## **ITEM 9A. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

The Company maintains a system of disclosure controls and procedures that is designed to provide reasonable assurance that information, which is required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and is accumulated and communicated to management in a timely manner. The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated this system of disclosure controls and procedures as of the end of the period covered by this annual report, and have concluded that the system was ineffective as of December 31, 2024.

### **Management's Annual Report on Internal Control over Financial Reporting**

The Company's management, including its CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles (GAAP). Internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Management (with the participation of the Company's CEO and CFO) conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was not effective as of December 31, 2024.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

### **Identified Material Weakness – Journal Entry Permissions**

Management identified that as of December 31, 2024, the Company had ineffective design and operation of controls over the segregation of duties to prevent unauthorized or erroneous journal entries. The Company had not implemented system restrictions or compensating controls to require secondary review and approval of journal entries before they are posted.

The material weakness did not result in a material misstatement to the Company's consolidated financial statements, however, the control deficiency described above created a reasonable possibility that a material misstatement to the consolidated financial statements would not be prevented or detected on a timely basis. The Company concluded that the deficiency represents a material weakness in the Company's internal control over financial reporting and that the Company's disclosure controls and procedures were not effective as of December 31, 2024.

### **Management's Plan to Remediate the Identified Material Weakness – Journal Entry Permissions**

Management has taken the required steps to implement system-based controls that require a second person review and approve journal entries before allowing journal entries to be posted. However, the material weakness cannot be considered fully remediated until the changes to the production environment have been in place and operated for a sufficient period of time to enable management to conclude, through testing, that these controls are designed and operating effectively. Accordingly, management will continue to monitor and evaluate the effectiveness of our internal control over financial reporting in the activities affected by the material weakness described above.

### **Identified Material Weakness – Current Estimated Credit Losses**

Management has not fully implemented a comprehensive control framework to ensure key CECL model inputs, assumptions, and results are appropriately validated, documented, and assessed for reasonableness through the financial statement issuance date. Additionally, third-party data was relied upon without appropriately verifying the information.

The material weakness did not result in a material misstatement to the Company's consolidated financial statements, however, the control deficiency described above created a reasonable possibility that a material misstatement to the consolidated financial statements would not be prevented or detected on a timely basis. The Company concluded that the deficiency represents a material weakness in the Company's internal control over financial reporting and that the Company's disclosure controls and procedures were not effective as of December 31, 2024.

### **Management's Plan to Remediate the Identified Material Weakness – Current Estimated Credit Losses**

Since identifying the material weakness described above, management, with oversight from the Audit Committee, has begun to implement enhancements to policies and procedures intended to address the identified material weaknesses and to enhance the Company's overall internal control over financial reporting. With respect to validation of the third-party data, management will investigate the issue and based on its findings will recommend appropriate procedures designed to validate the data.

### **Changes in Internal Control Over Financial Reporting**

Other than the material weaknesses and remediation plans discussed above, there have been no other changes in our internal control over financial reporting that occurred during the fourth quarter of the year ended December 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **ITEM 9B. OTHER INFORMATION**

Not applicable.

## **PART III**

## **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information with respect to the identity and business experience of the directors of the Company and their remuneration set forth in the section captioned “Proposal I — Election of Directors” in the Company’s definitive Proxy Statement to be filed pursuant to Regulation 14A and issued in conjunction with the 2025 Annual Meeting of Stockholders (the “Proxy Statement”) is incorporated herein by reference. The information with respect to the identity and business experience of executive officers of the Company is set forth in Part I of this Form 10-K. The information with respect to the Company’s Audit Committee is incorporated herein by reference to the section captioned “Meetings and Committees of the Board of Directors” in the Proxy Statement. The information with respect to compliance with Section 16(a) of the Exchange Act is incorporated herein by reference to the section captioned “Section 16(a) Beneficial Ownership Reporting Compliance” in the Proxy Statement. The information with respect to the Company’s Code of Ethics is incorporated herein by reference to the section captioned “Code of Ethics” in the Proxy Statement.

## **ITEM 11. EXECUTIVE COMPENSATION**

The information required by this item is incorporated herein by reference to the sections captioned “Director Compensation” and “Executive Compensation” in the Proxy Statement.

## **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by this item is incorporated herein by reference to the sections captioned “Voting Securities and Principal Holders Thereof” and “Securities Ownership of Management” in the Proxy Statement.

## **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

The information required by this item is incorporated herein by reference to the section captioned “Proposal I — Election of Directors” and “Transactions with Management” in the Proxy Statement.

## **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this item is incorporated herein by reference to the section captioned “Proposal II — Authorization for Appointment of Auditors” “Disclosure of Independent Auditor Fees” in the Proxy Statement.

## **PART IV**

### **ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

#### **(a) Financial Statements.**

	<b><u>Page</u></b>
Report of Independent registered Public Accounting Firm ( <i>PCAOB 1195</i> )	F-3
Consolidated Balance Sheets as of December 31, 2024 and 2023	F-5
Consolidated Statements of Income for the Years Ended December 31, 2024 and 2023	F-6
Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2024 and 2023	F-7
Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2024 and 2023	F-8
Consolidated Statements of Cash Flows for the Years Ended December 31, 2024 and 2023	F-9
Notes to Consolidated Financial Statements	F-10

#### **(a) 2. Financial Statement Schedules.**

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are omitted because of the absence of conditions under which they are required or because the required information is included in the consolidated financial statements and related notes thereto.

**(a) 3. Exhibits required to be filed by Item 601 of Regulation S-K.**

<u>Exhibit No.</u>	<u>Description</u>
3.1	Articles of Incorporation (incorporated by reference to Exhibit 3.1 to Amendment No. 1 to the Registrant's Form 8-A filed December 27, 1999, File No. 0-24047)
3.2	Articles of Amendment, dated October 8, 2003 (incorporated by reference to Exhibit 3.2 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2003, File No. 0-24047)
3.3	Articles Supplementary, dated November 16, 1999 (incorporated by reference to Exhibit 3.3 to the Registrant's Current Report on Form 8-K filed December 8, 1999, File No. 0-24047)
3.4	By-Laws (incorporated by reference to Exhibit 3.4 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2003, File No. 0-24047)
4.1	Description of Registrant's Securities (incorporated by reference to "Description of Common Stock" set forth in Amendment No. 1 to the Registrant's Form 8 A filed December 27, 1999, File No. 0 24047)
10.1	Glen Burnie Bancorp Director Stock Purchase Plan (incorporated by reference to Exhibit 99.1 to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-8, File No.33-62280)
10.2	The Bank of Glen Burnie Employee Stock Purchase Plan (incorporated by reference to Exhibit 99.1 to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-8, File No. 333-46943)
10.3	Amended and Restated Change-in-Control Severance Plan (incorporated by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2001, File No. 0-24047)
10.4	The Bank of Glen Burnie Executive and Director Deferred Compensation Plan (incorporated by reference to Exhibit 10.4 to the Registrant's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1999, File No. 0-24047)
19	Glen Burnie Bancorp Insider Trading and Confidentiality Policy (filed herewith)
21	Subsidiary of the Registrant (incorporated by reference to Exhibit 21 to the Registrant's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2001, File No. 0-24047)
23.1	Consent of UHY LLP, Certified Public Accountants (filed herewith)
31.1	Rule 15d-14(a) Certification by the Principal Executive Officer (filed herewith)
31.2	Rule 15d-14(a) Certification by the Principal Accounting Officer (filed herewith)
32	Certification by the Principal Executive Officer and Principal Accounting Officer of the periodic financial reports, required by Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
97	Executive Compensation Recovery Policy (incorporated by reference to Exhibit 97 to the Registrant's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2023, File No. 0-24047)
101.INS	Inline XBRL Instance Document (filed herewith)
101.SCH	Inline XBRL Taxonomy Extension Schema Document (filed herewith)
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith)
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document (filed herewith)
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document (filed herewith)
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith)
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GLEN BURNIE BANCORP

April 8, 2025

By: /s/ Mark C. Hanna

Mark C. Hanna

President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Mark C. Hanna</u> Mark C. Hanna	President, Chief Executive Officer and Director	April 8, 2025
<u>/s/ Jeffrey D. Harris</u> Jeffrey D. Harris	Senior Vice President and Chief Financial Officer	April 8, 2025
<u>/s/ John E. Demyan</u> John E. Demyan	Chairman of the Board and Director	April 8, 2025
<u>/s/ Thomas Clocker</u> Thomas Clocker	Director	April 8, 2025
<u>/s/ Jay Baldwin</u> Jay Baldwin	Director	April 8, 2025
<u>/s/ Julie Mussog</u> Julie Mussog	Director	April 8, 2025
<u>/s/ Felton Magee, Jr.</u> Felton Magee, Jr.	Director	April 8, 2025
<u>/s/ F. W. Kuethe, III</u> F. W. Kuethe, III	Director	April 8, 2025
<u>/s/ Andrew Cooch</u> Andrew Cooch	Director	April 8, 2025
<u>/s/ Joan M. Rumenap</u> Joan M. Rumenap	Director	April 8, 2025
<u>/s/ Mary Louise Wilcox</u> Mary Louise Wilcox	Director	April 8, 2025
<u>/s/ Stanford D. Hess</u> Stanford D. Hess	Director	April 8, 2025

**Glen Burnie Bancorp and Subsidiary**

**Consolidated Financial Statements**

**December 31, 2024**

## CONTENTS

	<u>Page(s)</u>
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	F - 3
FINANCIAL STATEMENTS	
Consolidated Balance Sheets	F - 5
Consolidated Statements of (Loss) Income	F - 6
Consolidated Statements of Comprehensive (Loss) Income (Loss)	F - 7
Consolidated Statements of Changes in Stockholders' Equity	F - 8
Consolidated Statements of Cash Flows	F - 9
Notes to Consolidated Financial Statements	F - 10 – F - 46





## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
Glen Burnie Bancorp and Subsidiaries  
Glen Burnie, Maryland

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Glen Burnie Bancorp and Subsidiaries (the “Company”) as of December 31, 2024 and 2023 and the related consolidated statements of (loss) income, comprehensive (loss) income, changes in stockholders’ equity, and cash flows for each of the years in the two-year period ended December 31, 2024, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

### **Critical Audit Matters**

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating these critical audit matters below, providing a separate opinion on the critical audit matters or on the accounts or disclosures to which they relate.

## Allowance for Credit Losses on Loans

As described in Notes 1 and 4 to the consolidated financial statements, the Company's loan portfolio totaled \$205.2 million and has recorded an allowance for credit losses ("ACL") in the amount of \$2.8 million as of December 31, 2024. The Company estimates the allowance for credit losses at a level that is appropriate to cover estimated credit losses on individually evaluated loans, as well as the estimated credit losses inherent in the remainder of the loan portfolio. The determination of the ACL requires management to exercise significant judgment and consider numerous subjective factors, including determining qualitative factors utilized to adjust historical loss rates, risk grading loans, identifying loan impairments, among others. Different assumptions and conditions could result in a materially different amount for the ACL.

We identified the valuation of the ACL as a critical audit matter. Auditing the ACL involves a high degree of subjectivity in evaluating management's estimates, such as evaluating management's assessment of economic conditions and other environmental factors used to adjust historical loss rates, evaluating the adequacy of specific allowances associated with impaired loans and assessing the appropriateness of loan grades.

Our audit procedures related to the estimated ACL included the following procedures, among others.

- Evaluating the design effectiveness of controls over the Company's ACL including data completeness and accuracy, classifications of loans by loan segment, historical loss data, the establishment of qualitative and forecast adjustments, the calculation of a loss rate, grading and risk classification of loans and establishment of reserves on individually evaluated loans and management's review controls over the ACL balance as a whole;
- Testing of completeness and accuracy of the information utilized in the calculation of the ACL;
- Testing the computational accuracy of the calculations utilized in the ACL model;
- Evaluating the qualitative adjustment to the historical loss rates, including assessing the basis for the adjustments and the reasonableness of the significant assumptions used;
- Testing the internal loan review functions and evaluating the assigned loan grades for appropriateness and reasonableness;
- Assessing the reasonableness of specific reserves on individually assessed impaired loans;
- Evaluating the overall reasonableness of qualitative factor and forecast adjustments, including assessing the basis and reasonableness for the adjustments;
- Reviewing subsequent events and considering whether they support or contradict the Company's ACL estimate;
- Evaluating overall reasonableness of estimated reserve by considering and comparing past performance of the Company's loan portfolio, and trends in credit quality of the loan portfolio.

We have served as the Company's auditor since 2022.

Salisbury, Maryland  
April 8, 2025

**GLEN BURNIE BANCORP AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
(dollars in thousands)

	December 31,	
	2024	2023
<b>ASSETS</b>		
Cash and due from banks	\$ 2,012	\$ 1,940
Interest-bearing deposits in other financial institutions	22,452	13,301
Cash and Cash Equivalents	24,464	15,241
Investment securities available for sale, at fair value	107,949	139,427
Restricted equity securities, at cost	1,671	1,217
Loans, net of deferred fees and costs	205,219	176,307
Less: Allowance for credit losses	(2,839)	(2,157)
Loans, net	202,380	174,150
Premises and equipment, net	2,678	3,046
Bank owned life insurance	8,834	8,657
Deferred tax assets, net	8,548	7,897
Accrued interest receivable	1,345	1,192
Accrued taxes receivable	148	121
Prepaid expenses	471	475
Other assets	468	390
<b>Total Assets</b>	<b>\$ 358,956</b>	<b>\$ 351,813</b>
<b>LIABILITIES</b>		
Noninterest-bearing deposits	\$ 100,747	\$ 116,922
Interest-bearing deposits	208,442	183,145
Total Deposits	309,189	300,067
Short-term borrowings	30,000	30,000
Defined pension liability	330	324
Accrued expenses and other liabilities	1,620	2,097
<b>Total Liabilities</b>	<b>341,139</b>	<b>332,488</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, par value \$1, authorized 15,000,000 shares, issued and outstanding 2,900,681 and 2,882,627 shares as of December 31, 2024 and December 31, 2023, respectively.	2,901	2,883
Additional paid-in capital	11,037	10,964
Retained earnings	22,882	23,859
Accumulated other comprehensive loss	(19,003)	(18,381)
<b>Total Stockholders' Equity</b>	<b>17,817</b>	<b>19,325</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 358,956</b>	<b>\$ 351,813</b>

*The Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.*

**GLEN BURNIE BANCORP AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF (LOSS) INCOME**  
(dollars in thousands, except per share data)

	<b>Year Ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>INTEREST INCOME</b>		
Interest and fees on loans	\$ 10,498	\$ 8,559
Interest and dividends on securities	3,379	4,147
Interest on deposits with banks and federal funds sold	1,335	631
Total Interest Income	15,212	13,337
<b>INTEREST EXPENSE</b>		
Interest on deposits	2,533	513
Interest on short-term borrowings	1,738	689
Total Interest Expense	4,271	1,202
Net Interest Income	10,941	12,135
Provision of credit loss allowance	844	96
Net interest income after provision for credit losses	10,097	12,039
<b>NONINTEREST INCOME</b>		
Service charges on deposit accounts	150	159
Other fees and commissions	829	777
Income on life insurance	178	164
Total Noninterest Income	1,157	1,100
<b>NONINTEREST EXPENSE</b>		
Salary and employee benefits	6,580	6,710
Occupancy and equipment expenses	1,325	1,294
Legal, accounting and other professional fees	1,115	993
Data processing and item processing services	1,016	1,005
FDIC insurance costs	161	163
Advertising and marketing related expenses	117	97
Loan collection costs	25	22
Telephone costs	154	151
Other expenses	1,398	1,203
Total Noninterest Expenses	11,891	11,638
(Loss) income before income taxes	(637)	1,501
Income tax (benefit) expense	(525)	72
<b>NET (LOSS) INCOME</b>	<b>\$ (112)</b>	<b>\$ 1,429</b>
Basic and diluted net (loss) income per share of common stock	\$ (0.04)	\$ 0.50

*The Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.*

**GLEN BURNIE BANCORP AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS) INCOME**  
(dollars in thousands)

	<b>Year Ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Net (loss) income</b>	<b>\$ (112)</b>	<b>\$ 1,429</b>
<b>Other comprehensive (loss) income:</b>		
Net unrealized (loss) gain on securities available for sale:		
Net unrealized (loss) gain on securities during the period	(857)	3,961
Income tax benefit (expense) relating to item above	235	(1,090)
Reclassification adjustment for gain on sales of securities included in net income	—	—
Net effect on other comprehensive (loss) income	(622)	2,871
Other comprehensive (loss) income	(622)	2,871
<b>Comprehensive (loss) income</b>	<b>\$ (734)</b>	<b>\$ 4,300</b>

*The Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.*

**GLEN BURNIE BANCORP AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(dollars in thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
<b>Balances, December 31, 2022</b>	\$ 2,865	\$ 10,862	\$ 23,579	\$ (21,252)	\$ 16,054
Net income	—	—	1,429	—	1,429
Cash dividends, \$0.40 per share	—	—	(1,149)	—	(1,149)
Dividends reinvested under dividend reinvestment plan	18	102	—	—	120
Other comprehensive income	—	—	—	2,871	2,871
<b>Balance, December 31, 2023</b>	2,883	10,964	23,859	(18,381)	19,325
Net loss	—	—	(112)	—	(112)
Cash dividends, \$0.20 per share	—	—	(865)	—	(865)
Dividends reinvested under dividend reinvestment plan	18	73	—	—	91
Other comprehensive loss	—	—	—	(622)	(622)
<b>Balance, December 31, 2024</b>	<u>\$ 2,901</u>	<u>\$ 11,037</u>	<u>\$ 22,882</u>	<u>\$ (19,003)</u>	<u>\$ 17,817</u>

*The Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.*

**GLEN BURNIE BANCORP AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(dollars in the thousands)

	<b>Year Ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities:</b>		
Net (loss) income	\$ (112)	\$ 1,429
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization of premises and equipment	238	227
Net amortization and (accretion) on AFS investments	166	(108)
Provision of credit loss allowance	844	96
Deferred income taxes, net	(415)	(84)
Increase in cash surrender value of bank owned life insurance	(177)	(164)
Decrease in ground rents	8	1
Increase in accrued interest receivable	(154)	(33)
Net increase in other assets	(60)	(106)
Net (decrease) increase in accrued expenses and other liabilities	(310)	141
Net cash provided by operating activities	28	1,399
<b>Cash flows from investing activities:</b>		
Redemptions, sales and maturities of investment securities available for sale	30,455	18,523
Purchases of investment securities available for sale	—	(9,747)
Purchase of Federal Home Loan Bank stock, net	(454)	(996)
Net (increase) decrease in loans	(29,073)	10,032
Purchases of premises and equipment	(81)	(152)
Net cash provided by investing activities	847	17,660
<b>Cash flows from financing activities:</b>		
Net increase (decrease) in deposits	9,122	(62,881)
Net increase in short term borrowings	—	30,000
Cash dividends paid	(865)	(1,149)
Common stock dividends reinvested	91	120
Net cash provided (used) by financing activities	8,348	(33,910)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>9,223</b>	<b>(14,851)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>15,241</b>	<b>30,092</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 24,464</b>	<b>\$ 15,241</b>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Interest paid on deposits and borrowings	\$ 4,202	\$ 1,127
Income taxes (refunded) paid	(163)	436
Net (increase) decrease in unrealized depreciation on available for sale securities	(857)	3,961

*The Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.*

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 1. Summary of Significant Accounting Policies

#### Nature of Business

Glen Burnie Bancorp (the “Company”) is a bank holding company organized in 1990 under the laws of the State of Maryland. The Company owns all outstanding shares of capital stock of The Bank of Glen Burnie (the “Bank”), a commercial bank organized in 1949 under the laws of the State of Maryland (the “State”). The Bank provides financial services to individuals and corporate customers located in Anne Arundel County and surrounding areas of Central Maryland, and is subject to competition from other financial institutions. The Bank is also subject to the regulations of certain Federal and State agencies and undergoes periodic examinations by those regulatory authorities. The accounting and financial reporting policies of the Bank conform, in all material respects, to accounting principles generally accepted in the United States (“U.S. GAAP”) and to general practices within the banking industry.

#### Basis of Presentation

The consolidated financial statements include the accounts of Glen Burnie Bancorp, The Bank of Glen Burnie and GBB Properties, Inc., a company engaged in the acquisition and disposition of other real estate. All significant intercompany transactions are eliminated in consolidation and certain reclassifications are made when necessary in order to conform the previous year’s financial statements to the current year’s presentation. In preparing the consolidated financial statements, the Company is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and revenues and expenses during the reporting periods and related disclosures. These estimates that require application of management’s subjective or complex judgments often result in the need to make estimates about the effect of matters that are inherently uncertain and may change in future periods. Management has made significant estimates in several areas, including the valuation of certain loans held for investment (Note 4, *Loans and Allowance for Credit Losses*); allowance for credit losses (Note 4, *Loans and Allowance for Credit Losses*); valuation of investment securities (Note 3, *Investment Securities*); the fair value of financial instruments (Note 16, *Fair Value of Financial Instruments*); and the valuation of deferred tax assets (Note 9, *Income Taxes*). Certain amounts in the financial statements from prior periods have been reclassified to conform to the current financial statement presentation. The Parent Only financial statements (see Note 18, *Parent Company Financial Information*) of the Company account for the subsidiary using the equity method of accounting.

#### Investment Securities

We classify investment securities as trading, held to maturity (“HTM”), or available for sale (“AFS”) at the date of acquisition. Purchases and sales of securities are generally recorded on a trade-date basis.

Investment securities that we might not hold until maturity are classified as AFS and are reported at fair value in the statement of financial condition. Fair value measurement is based upon quoted market prices in active markets, if available. If quoted prices in active markets are not available, fair value is measured using pricing models or other model-based valuation techniques such as the present value of future cash flows, which consider prepayment assumptions and other factors such as credit losses and market liquidity. Unrealized gains and losses are excluded from earnings and reported, net of tax, in other comprehensive income (“OCI”). Purchase premiums and discounts are recognized in interest income using the effective interest method over the life of the securities. Purchase premiums or discounts related to mortgage-backed securities are amortized or accreted using projected prepayment speeds. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Debt securities are classified as HTM if the Company has both the intent and ability to hold those securities to maturity regardless of changes in market conditions, liquidity needs or changes in general economic conditions. These securities are carried at cost adjusted for amortization of purchase premiums and accretion of purchase discounts.

Transfers of securities from available for sale to held to maturity are accounted for at fair value as of the date of the transfer. The difference between the fair value and the par value at the date of transfer is considered a premium or



discount and is accounted for accordingly. Any unrealized gain or loss at the date of the transfer is reported in OCI, and is amortized over the remaining life of the security as an adjustment of yield in a manner consistent with the amortization of any premium or discount, and will offset or mitigate the effect on interest income of the amortization of the premium or discount for that held to maturity security.

Impairment may result from credit deterioration of the issuer or collateral underlying the security. In performing an assessment of recoverability, all relevant information is considered, including the length of time and extent to which fair value has been less than the amortized cost basis, the cause of the price decline, credit performance of the issuer and underlying collateral, and recoveries or further declines in fair value subsequent to the balance sheet date.

AFS debt securities are measured at fair value rather than amortized cost. Although ASC 326 replaced the legacy other-than-temporary impairment (“OTTI”) model with a credit loss model, it retained the fundamental nature of the legacy OTTI model. For AFS debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell, the security before recovery of its amortized cost basis. If either criteria is met, the security’s amortized cost basis is written down to fair value through income. For AFS debt securities where neither of the criteria are met, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the credit rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited to the amount that the fair value is less than the amortized cost basis. Any remaining discount that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. Under the guidance, an entity may no longer consider the length of time fair value has been less than amortized cost. Changes in the allowance for credit losses are recorded as a provision for (or release of) credit losses. Losses are charged against the allowance when management believes the collectability of an AFS security is considered below the amortized cost basis of the security. As of December 31, 2024 and 2023, the Company determined that the unrealized loss positions in AFS securities were not the result of credit losses, and therefore, an allowance for credit losses was not recorded.

#### Federal Home Loan Bank Stock

As a borrower from the Federal Home Loan Bank of Atlanta (“FHLB”), the Bank is required to purchase an amount of FHLB stock based on our outstanding borrowings with the FHLB. This stock is used as collateral to secure the borrowings from the FHLB and is accounted for as a cost-method investment. FHLB stock is an equity interest that does not necessarily have a readily determinable fair value for purposes of the ASC Topic 320, *Accounting for Certain Investments in Debt and Equity Securities*, because its ownership is restricted and lacks a market. FHLB stock can be sold back only at its par value of \$100 per share and only to the FHLB or another member institution.

#### Loans Held for Investment

Loans held for investment are reported at the principal amount outstanding, net of cumulative charge-offs, interest applied to principal (for loans accounted for using the cost recovery method), unamortized net deferred loan origination fees and costs and unamortized premiums or discounts on purchased loans. Interest on loans is accrued and recognized as interest income at the contractual rate of interest. When a loan is designated as held for investment, the intent is to hold these loans for the foreseeable future or until maturity or pay off.

From time to time, the Company will originate loans to facilitate the sale of other real estate owned (OREO). Such loans are accounted for using the installment method and any gain on sale is deferred. The Bank financed no sales of OREO for 2024 or 2023.

### Loan Fees and Costs

Loan origination fees, commitment fees, direct loan origination costs and purchase premiums and discounts on loans are deferred and recognized as an adjustment of yield, to be amortized to interest income over the contractual term of the loan.

### Nonaccrual Loans

Loans are placed on nonaccrual status when the full and timely collection of principal and interest is doubtful, generally when the loan becomes 90 days or more past due for principal or interest payment or if part of the principal balance has been charged off. When a loan is placed on nonaccrual status all interest previously accrued but not collected is reversed against current period interest income.

All payments received on nonaccrual loans are accounted for using the cost recovery method. Under the cost recovery method, all cash collected is applied to first reduce the principal balance. A loan may be returned to accrual status if all delinquent principal and interest payments are brought current and the collectability of the remaining principal and interest payments in accordance with the loan agreement is reasonably assured. Loans that are well-secured and in the process of collection are maintained on accrual status, even if they are 90 days or more past due.

### Impaired Loans

A loan is considered impaired when it is probable that all contractual principal and interest payments due will not be collected in accordance with the terms of the loan agreement. Factors considered by management in determining whether a loan is impaired include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. The carrying value of impaired loans is based on the present value of the loan's expected future cash flows or, alternatively, the observable market price of the loan or the fair value of the collateral.

### Modifications with Borrowers Experiencing Financial Difficulty

Management evaluates loan restructurings according to the accounting guidance for loan modifications. We may, for economic or legal reasons, grant a concession to a borrower experiencing financial difficulty that we would not otherwise consider. Management strives to identify borrowers in financial difficulty early and works with them to modify to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. A restructuring that results in only an insignificant delay in payment is not considered a concession. A delay may be considered insignificant if the payments subject to the delay are insignificant relative to the unpaid principal or collateral value and the contractual amount due, or the delay in timing of the restructured payment period is insignificant relative to the frequency of payments, the debt's original contractual maturity or original expected duration.

Loan modifications with borrowers experiencing financial difficulty are designated as impaired because interest and principal payments will not be received in accordance with the original contract terms. Loans that are performing and on accrual status as of the date of the modification remain on accrual status. Loans that are nonperforming as of the date of modification generally remain as nonaccrual until the prospect of future payments in accordance with the modified loan agreement is reasonably assured, generally demonstrated when the borrower maintains compliance with the restructured terms for a predetermined period, normally at least six months. Loans with temporary below-market concessions remain designated as a loan to borrower experiencing financial difficulty and impaired regardless of the accrual or performance status until the loan is paid off. However, if the loan has been modified in a subsequent restructure with market terms and the borrower is not currently experiencing financial difficulty, then the loan may be de-designated as being made to a borrower experiencing financial difficulty.

### Allowance for Credit Losses – Loans Receivable

Effective January 1, 2021, the Company applied ASU 2016-13, Financial Instruments - Credit Losses ("ASC 326"), such that the allowance calculation is based on the CECL methodology. Prior to January 1, 2021, the calculation

was based on incurred loss methodology. See Note 4, *Loans and Allowance for Credit Losses* for details. The Company maintains an allowance for credit losses (“ACL”) for the expected credit losses of the loan portfolio as well as unfunded loan commitments. The amount of ACL is based on ongoing, quarterly assessments by management. The CECL methodology requires an estimate of the credit losses expected over the life of an exposure (or pool of exposures) and replaces the incurred loss methodology’s threshold that delayed the recognition of a credit loss until it was probable a loss event was incurred.

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

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

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

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

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

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

#### *Impaired Loans*

The specific credit allocations are based on regular analysis of all loans over a fixed-dollar amount where the internal credit rating is at or below a predetermined classification. When a loan is identified as impaired, impairment is measured based on net realizable value, and the recorded investment balance of the loan. For impaired loans, we recognize impairment if we determine that the net realizable value of the impaired loan is less than the recorded investment of the loan (net of previous charge-offs and deferred loan fees and costs), except when the sole remaining source of collection is the underlying collateral. In these cases, impairment is measured as the difference between the recorded investment balance of the loan and the fair value of the collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral.

Once the impairment amount is determined, an asset-specific allowance is provided that is equal to the calculated impairment and included in the allowance for credit losses - loans. If the calculated impairment is determined to be permanent or not recoverable, the impairment will be charged off. Factors considered by management in determining if impairment is permanent or not recoverable include whether management judges the loan to be uncollectible, repayment is deemed to be protracted beyond reasonable time frames or the loss becomes evident owing to the borrower's lack of assets.

#### *Estimate of Probable Credit Losses - Loans*

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

#### Reserve for Unfunded Commitments

The Company maintains a separate allowance for losses on unfunded loan commitments, which is included in accrued expenses and other liabilities on the consolidated statements of financial condition. The reserve for unfunded commitments (off-balance sheet financial instruments) is established through a provision for credit losses - unfunded commitments, the changes of which are recorded in noninterest expense. The reserve for unfunded commitments is an amount that management believes will be adequate to absorb probable losses inherent in existing commitments, including unused portions of revolving lines of credit and other loans, standby letters of credit, and unused deposit

account overdraft privileges. The reserve for unfunded commitments is based on evaluations of the collectability, and prior loss experience of unfunded commitments. The evaluations take into consideration such factors as changes in the nature and size of the loan portfolio, overall loan portfolio quality, loan concentrations, specific problem loans and related unfunded commitments, and current economic conditions that may affect the borrower's or depositor's ability to pay.

#### Other Real Estate Owned

Other real estate owned ("OREO") represents real estate acquired in partial or total satisfaction of debts previously contracted with the Company, generally through the foreclosure of loans. These properties are initially recorded at the net realizable value (fair value of collateral less estimated costs to sell). Upon transfer of a loan to OREO, an appraisal is obtained and any excess of the loan balance over the net realizable value is charged against the allowance for credit losses - loans. Subsequent declines in net realizable value identified from the ongoing analysis of such properties as well as gains and losses realized from the sale of OREO are recognized in current period earnings within noninterest expense as foreclosed property expense. The net realizable value of these assets is reviewed and updated as circumstances warrant. Loans transferred to OREO through foreclosure proceedings totaled \$0 for the year ended December 31, 2023, and 2024.

#### Premises and Equipment

Bank premises and equipment are stated at cost less accumulated depreciation and depreciated over the estimated useful life of the related asset or the term of the lease using the straight-line method. Expenditures for improvements that extend the life of an asset are capitalized and depreciated over the asset's remaining useful life. Gains or losses realized on the disposition of premises and equipment are reflected in the consolidated statements of income. Expenditures for repairs and maintenance are charged to occupancy and equipment expense as incurred. Computer software is recorded at cost and amortized over three to five years. Management periodically evaluates the carrying value of long-lived assets and certain identifiable intangibles, including goodwill, furniture and equipment and leasehold improvements for impairment.

#### Income Taxes

Our income tax expense, and deferred tax assets and liabilities reflect management's best assessment of estimated current and future taxes to be paid. Significant judgments and estimates are required in determining the consolidated income tax expense.

Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, which will result in taxable or deductible amounts in the future. Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes and are reflected as discrete tax items in the Company's tax provision.

The Company records net deferred tax assets to the extent it is believed that these assets will more likely than not be realized. In making this determination, the Company considers all available evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, and recent financial operations. A tax position that meets the more likely than not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority.

The Company files a consolidated federal income tax return and separate company state tax returns.

For a more detailed description of income taxes see Note 8, *Income Taxes* of the Notes to Consolidated Financial Statements.

### Fair Value Measurement

The term "fair value" is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The Company's approach is to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements. The degree of management judgment involved in estimating the fair value of a financial instrument or other asset is dependent upon the availability of quoted market prices or observable market value inputs for internal valuation models used for estimating fair value. For financial instruments that are actively traded in the marketplace or whose values are based on readily available market data, little judgment is necessary when estimating the instrument's fair value. When observable market prices and data are not readily available, significant management judgment often is necessary to estimate fair value. In those cases, different assumptions could result in significant changes in valuation. See Note 16, *Fair Value Measurement*.

### Cash and Cash Equivalents

The Bank has included cash and due from banks, interest-bearing deposits in other financial institutions, and federal funds sold as cash and cash equivalents for the purpose of reporting cash flows. The carrying value of cash and cash equivalents approximates its fair value due to its short-term nature.

### Earnings Per Share

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

### Advertising Expense

Advertising costs, which we consider to be media and marketing materials, are expensed as incurred. We incurred \$0.1 million in advertising expense during the years ended December 31, 2024 and 2023.

### Bank Owned Life Insurance

The Company has purchased bank owned life insurance policies on certain current and former employees as a means to generate tax-exempt income which is used to offset a portion of current and future employee benefit costs. Bank owned life insurance is recorded at the cash surrender value of the policies. Changes in the cash surrender value are included in noninterest income.

### Other Comprehensive Income (Loss)

Other comprehensive income includes unrealized gains and losses, net of tax, on AFS securities and derivative instruments. Unrealized gains and losses, net of tax, are excluded from net income, and are reflected as a direct charge or credit to shareholders' equity. Comprehensive income (loss) and the related components are disclosed in the consolidated statements of comprehensive income.

### Recent Accounting Pronouncements and Developments

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

15, 2023. The Company currently has no leases which are subject to this guidance and therefore the impact of adopting the new guidance did not have a material impact upon the Company's financial position and results of operations.

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

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

ASU No. 2023-06. Disclosure Improvements – "Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative." The amendments in this Update represent changes to clarify or improve disclosure and presentation requirements of a variety of Topics. Many of the amendments allow users to more easily compare entities subject to the SEC's existing disclosures with those entities that were not previously subject to the SEC's requirements. Also, the amendments align the requirements in the Codification with the SEC's regulations. The effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. The amendments in this Update should be applied prospectively. If by June 30, 2027, the SEC has not removed the applicable requirement from Regulation S-X or Regulation S-K, the pending content of the related amendment will be removed from the Codification and will not become effective for any entity.

ASU No. 2023-07. "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures ("ASU 2023-04"). This update requires public entities with reportable segments to provide additional and more detailed disclosures. This standard is effective for annual periods beginning after December 15, 2023. The Company is not currently required to report segment information and, as such, the adoption did not have an impact on its consolidated financial statements.

ASU No. 2023-08. "Intangibles – Goodwill and Other – Crypto Assets (Subtopic 350-60): Accounting for and disclosure of Crypto Assets ("ASU 2023-08")." This update provides guidance for crypto assets to be carried at fair value and requires additional disclosures. This standard is effective for all entities for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted. The Company does not expect the adoption of ASU 2023-08 to have an impact on its consolidated financial statements. The Company currently does not hold crypto assets or carry goodwill on its balance sheet.

ASU No. 2023-09. "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." This update requires more detailed disclosures of income taxes paid net of refunds received, income from continuing operations before income tax expense or benefit, and income tax expense from continuing operations. This standard is to be applied on a prospective basis, with retrospective application permitted, and will be effective for the Company for annual periods beginning after December 15, 2024. We do not expect adoption of this standard to have a material impact on the Company's financial position or results of operations.

ASU No. 2024-03. "Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40)." This standard is to be applied to annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027 (as amended by ASU 2025-01). This update requires additional detailed information be disclosed—on an annual and interim basis—about purchase of inventory, employee compensation, depreciation and intangible assets amortization expenses included in each relevant

expense caption. Disclosure of the total amount of selling expenses on an interim and annual basis would be required, including definition of selling expenses in annual reporting periods. We do not expect adoption of this standard to have a material impact on the Company's financial position or results of operations.

## Note 2. Restrictions on Cash and Amounts Due from Banks

On March 26, 2020 the Board of Governors of the Federal Reserve System set the reserve requirement ratios to zero percent and reserve requirements have not been administered since.

## Note 3. Investment Securities

A summary of the amortized cost and market value of securities available for sale at December 31, 2024 and 2023 is as follows:

(dollars in thousands)	At December 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Collateralized mortgage obligations	\$ 14,439	\$ 21	\$ (2,402)	\$ 12,058
Agency mortgage-backed securities	44,252	—	(5,651)	38,601
Municipal securities	42,607	5	(10,201)	32,411
U.S. Government agency securities	31,368	—	(7,830)	23,538
Corporate securities	1,500	—	(159)	1,341
U.S. Treasury securities	—	—	—	—
<b>Total securities available for sale</b>	<b>\$ 134,166</b>	<b>\$ 26</b>	<b>\$ (26,243)</b>	<b>\$ 107,949</b>

(dollars in thousands)	At December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Collateralized mortgage obligations	\$ 15,962	\$ 8	\$ (2,309)	\$ 13,661
Agency mortgage-backed securities	51,930	—	(5,816)	46,114
Municipal securities	42,990	4	(9,265)	33,729
U.S. Government agency securities	45,406	—	(7,712)	37,694
Corporate securities	1,500	—	(216)	1,284
U.S. Treasury securities	6,999	—	(54)	6,945
<b>Total securities available for sale</b>	<b>\$ 164,787</b>	<b>\$ 12</b>	<b>\$ (25,372)</b>	<b>\$ 139,427</b>

Investment securities are accounted for according to their purpose and holding period. Trading securities are those that are bought and held principally for the purpose of selling them in the near term. The Company held no trading securities at December 31, 2024 or December 31, 2023. Available-for-sale investment securities, comprised of debt and mortgage-backed securities, are those that may be sold before maturity due to changes in the Company's interest rate risk profile or funding needs, and are reported at fair value with unrealized gains and losses, net of taxes, reported as a component of other comprehensive income or loss. Held-to-maturity investment securities are those that management has the positive intent and ability to hold to maturity and are reported at amortized cost. The Company held no held-to-maturity securities at December 31, 2024 or December 31, 2023.

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



The following tables show the fair value and gross unrealized losses associated with the investment portfolio, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2024 and 2023:

(dollars in thousands)	At December 31, 2024					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Collateralized mortgage obligations	\$ 118	\$ —	\$ 9,456	\$ (2,402)	\$ 9,574	\$ (2,402)
Agency mortgage-backed securities	66	(1)	38,535	(5,650)	38,601	(5,651)
Municipal securities	1,615	(20)	30,291	(10,181)	31,906	(10,201)
U.S. Government agency securities	—	—	23,538	(7,830)	23,538	(7,830)
Corporate securities	—	—	1,341	(159)	1,341	(159)
U.S. Treasury securities	—	—	—	—	—	—
	<u>\$ 1,799</u>	<u>\$ (21)</u>	<u>\$ 103,161</u>	<u>\$ (26,222)</u>	<u>\$ 104,960</u>	<u>\$ (26,243)</u>

(dollars in thousands)	At December 31, 2023					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Collateralized mortgage obligations	\$ 492	\$ (1)	\$ 11,927	\$ (2,308)	\$ 12,419	\$ (2,309)
Agency mortgage-backed securities	5	—	46,109	(5,816)	46,114	(5,816)
Municipal securities	2,978	(39)	28,667	(9,226)	31,645	(9,265)
U.S. Government agency securities	220	(1)	37,474	(7,711)	37,694	(7,712)
Corporate securities	—	—	1,284	(216)	1,284	(216)
U.S. Treasury securities	—	—	6,944	(54)	6,944	(54)
	<u>\$ 3,695</u>	<u>\$ (41)</u>	<u>\$ 132,405</u>	<u>\$ (25,331)</u>	<u>\$ 136,100</u>	<u>\$ (25,372)</u>

At December 31, 2024 and 2023, the Company did not have any securities that had impairment charges.

The Company's investment securities portfolio consists primarily of debt securities issued by U.S. Government agencies, U.S. Government-sponsored agencies, Corporate securities, state governments and local municipalities. There were no private label mortgage-backed securities ("MBS") or collateralized mortgage obligations ("CMO") held in the investment securities portfolio as of December 31, 2024 and December 31, 2023.

The fair value of investment securities is impacted by interest rates, credit spreads, market volatility and liquidity conditions. Net unrealized gains and losses in the available for sale portfolio are included in shareholders' equity as a component of accumulated other comprehensive income or loss, net of tax. An unrealized loss exists when the current fair value of an individual security is less than the amortized cost basis.

The Company does not believe that the available-for-sale debt securities that were in an unrealized loss position have any credit loss impairment upon adoption of ASC 326 on January 1, 2021 or as of December 31, 2024. As of December 31, 2024, the Company did not intend to sell the investment securities that were in an unrealized loss position. It is more likely than not that the Company will not be required to sell the investment securities before recovery of their amortized cost basis, which may be at maturity. Available-for-sale debt securities issued by U.S. government agencies or U.S. government sponsored enterprises carry the explicit and/or implicit guarantee of the U.S. government and have a long history of zero credit loss. Municipal bonds are considered to have issuer(s) of high credit quality (rated A or higher) and the decline in fair value is due to changes in interest rates and other market conditions. Corporate securities are non-rated investments that are booked as a debt security where rating agencies do not provide a rating. The absence of a rating does not imply substandard quality. Non-rated corporate securities may be purchased from issuers operating

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

The Company held fifty-three U.S. Government agency, sixty-three collateralized mortgage obligations and seventy-nine agency mortgage-backed securities that were in an unrealized loss position at December 31, 2024. Principal and interest payments of the underlying collateral for each of these securities are backed by U.S. Government sponsored agencies and carry minimal credit risk. Management found no evidence of credit loss impairment on any of these securities and believes the unrealized losses are due to fluctuations in fair values resulting from changes in market interest rates and are considered temporary as of December 31, 2024.

The Company held one corporate security that was in an unrealized loss position at December 31, 2024. Management believes the unrealized losses were the result of movements in long-term interest rates and are not reflective of any credit deterioration.

All municipal securities held in the investment portfolio are reviewed on at least a quarterly basis for credit loss impairment. Each bond carries an investment grade rating by either Moody's or Standard & Poor's. In addition, the Company periodically conducts its own independent review on each issuer to ensure the financial stability of the municipal entity. The largest geographic concentration was in Maryland and consisted of either general obligation or revenue bonds backed by the taxing power of the issuing municipality. At December 31, 2024, the investment portfolio included thirty-four municipal securities that were in an unrealized loss position. Management believes the unrealized losses were the result of movements in long-term interest rates and are not reflective of any credit deterioration.

At December 31, 2024, investment securities in the amount of approximately \$33.4 million were pledged as collateral under the Federal Reserve's Discount Window Borrowing Program. At December 31, 2023, investment securities in the amount of approximately \$13.2 million were pledged as collateral under the Federal Reserve's Bank Term Funding Program.

Unrealized losses on securities in the investment portfolio amounted to \$26.2 million with a total fair value of \$105.0 million as of December 31, 2024 compared to unrealized losses of \$25.4 million with a total fair value of \$136.1 million as of December 31, 2023. The Company believes the unrealized losses presented in the tables above are temporary in nature and primarily related to market interest rates or limited trading activity in a particular type of security rather than the underlying credit quality of the issuers. The Company does not believe that these losses are other than temporary and does not currently intend to sell or believe it will be required to sell securities in an unrealized loss position prior to maturity or recovery of the amortized cost bases.

The following table presents investment securities by stated maturity at December 31, 2024. Collateralized mortgage obligations and agency mortgage-backed securities have expected maturities that differ from contractual maturities because borrowers have the right to call or prepay obligations with or without prepayment penalties and, therefore, these securities are classified separately with no specific maturity date.

(dollars in thousands)	At December 31, 2024	
	Amortized Cost	Fair Value
Due within one year	\$ 1,003	\$ 1,002
Due over one to five years	4,012	3,640
Due over five to ten years	16,288	13,790
Due over ten years	54,172	38,858
Collateralized mortgage obligations	14,439	12,058
Agency mortgage-backed securities	44,252	38,601
<b>Total securities available for sale</b>	<b>\$ 134,166</b>	<b>\$ 107,949</b>

No investment securities were sold in 2024 or 2023.

#### Note 4. Loans and Allowance for Credit Losses - Loans

The following table sets forth the Company's gross loans by major categories as of December 31, 2024 and 2023:

(dollars in thousands)	December 31,	
	2024	2023
<b>Loans Secured by Real Estate</b>		
Construction and land	\$ 8,882	\$ 4,636
Farmland	315	325
Single-family residential	98,993	86,887
Multi-family	5,022	5,165
Commercial	48,726	39,217
Total loans secured by real estate	161,938	136,230
<b>Commercial and Industrial</b>		
Commercial and industrial	16,705	10,850
SBA guaranty	5,691	5,924
Total commercial and industrial loans	22,396	16,774
<b>Consumer Loans</b>		
Consumer	2,880	2,039
Automobile	18,005	21,264
Total consumer loans	20,885	23,303
Loans, net of deferred fees and costs	205,219	176,307
Less: Allowance for credit losses	(2,839)	(2,157)
Loans, net	<u>\$ 202,380</u>	<u>\$ 174,150</u>

The Bank's net loans totaled \$202.4 million on December 31, 2024, compared to \$174.2 million on December 31, 2023, an increase of \$28.2 million, or 16.2%. Construction and land loans increased from \$4.6 million on December 31, 2023, to \$8.9 million on December 31, 2024, an increase of \$4.2 million, or 91.6%. Farmland loans were \$0.3 million at December 31, 2024 and December 31, 2023. Single-family residential loans increased from \$86.9 million on December 31, 2023, to \$99.0 million on December 31, 2024, an increase of \$12.1 million, or 13.9%. Multi-family residential loans were \$5.0 million on December 31, 2024, and \$5.2 on December 31, 2023, a decrease of \$0.1 million, or 2.8%. Commercial real estate loans increased \$9.5 million, or 24.2%, to \$48.7 million at December 31, 2024, compared to \$39.2 million on December 31, 2023. Commercial and industrial loans increased by \$5.9 million, or 54.0%, to \$16.7 million on December 31, 2024, compared to \$10.9 million on December 31, 2023. SBA guaranty loans were \$5.7 million on December 31, 2024, a decrease of \$0.2 million, or 3.9%, compared to \$5.9 million at December 31, 2023. Consumer loans increased by \$0.8 million, or 41.3% to \$2.9 million on December 31, 2024, compared to \$2.0 million on December 31, 2023. Automobile loans decreased from \$21.3 million on December 31, 2023, to \$18.0 million on December 31, 2024, a decrease of \$3.3 million or 15.3%.

The Company currently manages its credit products and the respective exposure to credit losses by specific portfolio segments and classes, which are levels at which the Company develops and documents its systematic methodology to determine the allowance for credit losses. The Company believes each portfolio segment has unique risk characteristics. The Company's loans held for investment is divided into three portfolio segments: loans secured by real estate, commercial and industrial loans, and consumer loans. Each of these segments is further divided into loan classes for purposes of estimating the allowance for credit losses. The Bank has an automotive indirect lending program where loans, collateralized by vehicles, made by car dealers to consumers are acquired by the Bank. The Bank's indirect loan group included \$18.0 million and \$21.3 million of such loans at December 31, 2024 and 2023, respectively.

The Bank makes loans to customers located primarily in Anne Arundel County and surrounding areas of Central Maryland. Although the loan portfolio is diversified, its performance will be influenced by the economy of the region.

In June of 2024, the Bank purchased a portfolio of home equity loans from a nationally recognized broker. The loans were originated by a community bank with \$825 million in total assets located in Camden, New Jersey. The portfolio was comprised of 156 revolving home equity notes with a total commitment of \$21.6 million of which \$14.4 million was funded at the time of our purchase. The loans are ten-year draw and 20-year maturity products. The terms and credit quality of the loans are similar to the home equity loans presently held by the Bank. The loans are geographically distributed between eastern Pennsylvania and central New Jersey. Prior to purchasing the notes, the Bank performed credit risk due diligence on the portfolio and qualitatively assessed compliance, documentation, underwriting and repayment risks. The broker conducted their customary file review and their findings were substantially similar to the Bank's independent file review. There were no loans included in the acquired portfolio that were classified as credit deteriorated. As of December 31, 2024 there were 138 loans remaining in the purchased portfolio with an aggregate total commitment of \$19.2 million of which \$12.3 million was outstanding and one loan that was 30-89 days past due with a balance of \$744,000.

Included in loans are loans due from directors, executive officers and other related parties of \$2.6 million and \$0.2 million, at December 31, 2024 and December, and 2023, respectively. These loans are made on the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with unrelated borrowers. The Board of Directors approves loans to directors, executive officers and other related parties to confirm that collateral requirements, terms and rates are comparable to other borrowers and are in compliance with underwriting policies. The following presents the activity in amount due from directors and other related parties for the years ended December 31, 2024 and 2023.

(dollars in thousands)	December 31,	
	2024	2023
Balance at beginning of year	\$ 150	\$ —
Additions	2,600	150
Repayments	(29)	—
Reduction due to retirement	(150)	—
Balance at end of year	<u>\$ 2,571</u>	<u>\$ 150</u>

### **Allowance for Credit Losses**

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

On January 1, 2021, the Company early adopted ASU 2016-13, Financial Instruments - Credit Losses ("ASC 326") which replaces the "incurred loss approach" for estimating credit losses with an expected loss methodology. The incurred loss model delayed the recognition of credit losses until it was probable that a loss had occurred, while the CECL model requires the immediate recognition of expected credit losses over the contractual term for financial instruments that fall within the scope of CECL at the date of origination or purchase of the financial instrument. The CECL model, which is applicable to the measurement of credit losses on financial assets measured at amortized cost and certain off-balance sheet credit exposures, affects the Company's estimates of the allowance for credit losses for our loan portfolio and the reserve for our off-balance sheet credit exposures related to loan commitments. The allowance for

credit losses - loans is established through a provision for credit losses charged to expense. Loans are charged against the allowance for credit losses - loans when management believes that the collectability of the principal is unlikely. The allowance, based on all available information from internal and external sources, relevant to assessing the collectability of loans over their contractual terms, adjusted for expected prepayments when appropriate, is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible. The evaluations are performed for each class of loans and take into consideration factors such as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, value of collateral securing the loans and current economic conditions and trends that may affect the borrowers' ability to pay. For example, delinquencies in unsecured loans and indirect automobile installment loans will be reserved for at significantly higher ratios than loans secured by real estate. Finally, the Company considers forecasts about future economic conditions or changes in collateral values that are reasonable and supportable. Based on that analysis, the Bank deems its allowance for credit losses - loans in proportion to the total nonaccrual loans and past due loans to be sufficient.

The following table presents the total allowance by loan segment:

December 31, 2024 (dollars in thousands)	Loans Secured By Real Estate					Commercial and Industrial Loans		Consumer Loans		
	Construction and Land	Farmland	Single-family Residential	Multi-family	Commercial	Commercial and Industrial	SBA Guaranty	Consumer	Automobile	Total
Balance, beginning of year	\$ 31	\$ 18	\$ 1,290	\$ 96	\$ 190	\$ 304	\$ 21	\$ 30	\$ 177	\$ 2,157
Charge-offs	—	—	—	—	—	—	(299)	(18)	(67)	(384)
Recoveries	—	—	—	—	—	—	—	133	89	222
Provision (release) for credit losses	9	(2)	239	128	317	(32)	316	(100)	(31)	844
Balance, end of year	\$ 40	\$ 16	\$ 1,529	\$ 224	\$ 507	\$ 272	\$ 38	\$ 45	\$ 168	\$ 2,839
Individually evaluated for impairment:										
Balance in allowance	\$ —	\$ —	\$ 18	\$ —	\$ —	\$ 121	\$ —	\$ —	\$ —	\$ 139
Related loan balance	—	—	26	—	—	773	—	—	—	799
Collectively evaluated for impairment:										
Balance in allowance	\$ 40	\$ 16	\$ 1,511	\$ 224	\$ 507	\$ 151	\$ 38	\$ 45	\$ 168	\$ 2,700
Related loan balance	8,882	315	98,967	5,022	48,726	15,932	5,691	2,880	18,005	204,420

December 31, 2023 (dollars in thousands)	Loans Secured By Real Estate					Commercial and Industrial Loans		Consumer Loans		
	Construction and Land	Farmland	Single-family Residential	Multi-family	Commercial	Commercial and Industrial	SBA Guaranty	Consumer	Automobile	Total
Balance, beginning of year	\$ 44	\$ 20	\$ 1,230	\$ 103	\$ 221	\$ 174	\$ 22	\$ 23	\$ 325	\$ 2,162
Charge-offs	—	—	—	—	—	—	—	(79)	(124)	(203)
Recoveries	—	—	—	—	—	—	—	1	101	102
(Release) provision for credit losses	(13)	(2)	60	(7)	(31)	130	(1)	85	(125)	96
Balance, end of year	\$ 31	\$ 18	\$ 1,290	\$ 96	\$ 190	\$ 304	\$ 21	\$ 30	\$ 177	\$ 2,157
Individually evaluated for impairment:										
Balance in allowance	\$ —	\$ —	\$ 21	\$ —	\$ —	\$ 179	\$ —	\$ —	\$ —	\$ 200
Related loan balance	—	—	30	—	—	299	—	—	—	329
Collectively evaluated for impairment:										
Balance in allowance	\$ 31	\$ 18	\$ 1,269	\$ 96	\$ 190	\$ 125	\$ 21	\$ 30	\$ 177	\$ 1,957
Related loan balance	4,636	325	86,857	5,165	39,217	10,551	5,924	2,039	21,264	175,978

Management believes the allowance for credit losses is at an appropriate level to absorb inherent probable losses in the portfolio.

During the 12 months ended December 31, 2024, loans to 13 borrowers and related entities totaling approximately \$384,000 were determined to be uncollectible and were charged off. During the 12 months ended December 31, 2023, loans to 12 borrowers and related entities totaling approximately \$203,000 were determined to be uncollectible and were charged off.

The following table provides gross charge-offs for the year 2024 by the year of origination:

December 31, 2024 (dollars in thousands)	Gross Charge-offs							
	Term Loans by Origination Year						Revolving Loans	Total
	2024	2023	2022	2021	2020	Prior		
Commercial and Industrial Loans	\$ —	\$ —	\$ —	\$ 299	\$ —	\$ —	\$ —	\$ 299
Consumer Loans								
Consumer	—	\$ —	\$ 13	\$ —	\$ —	\$ 5	\$ —	18
Automobile	—	—	—	—	51	16	—	67
Total consumer	—	—	13	—	51	21	—	85
Total gross charge-offs this period	\$ —	\$ —	\$ 13	\$ 299	\$ 51	\$ 21	\$ —	\$ 384

The following table rolls forward the Company's activity for nonaccrual loans during the years 2024 and 2023:

(dollars in thousands)	Loans Secured By Real Estate		Commercial and Industrial Loans			Consumer Loans		
	Single-family		Commercial					
	Residential	Multi-family	Commercial and Industrial	SBA Guaranty	Consumer	Automobile	Total	
<b>December 31, 2022</b>	\$ 104	\$ —	\$ —	\$ 299	\$ —	\$ —	\$ 85	\$ 488
Transfers into nonaccrual	307	—	—	—	—	—	175	482
Loans paid down/payoffs	(266)	—	—	—	—	—	(35)	(301)
Loans returned to accrual status	—	—	—	—	—	—	(18)	(18)
Loans charged off	—	—	—	—	—	—	(124)	(124)
<b>December 31, 2023</b>	\$ 145	\$ —	\$ —	\$ 299	\$ —	\$ —	\$ 83	\$ 527
Transfers into nonaccrual	52	—	140	—	—	—	93	285
Loans paid down/payoffs	(48)	—	(16)	—	—	—	(35)	(99)
Loans returned to accrual status	—	—	—	—	—	—	(1)	(1)
Loans charged off	—	—	—	(299)	—	—	(53)	(352)
<b>December 31, 2024</b>	\$ 149	\$ —	\$ 124	\$ —	\$ —	\$ —	\$ 87	\$ 360

### Credit Quality Information

In addition to monitoring the performance status of the loan portfolio, the Company utilizes a risk rating scale (1-8) to evaluate loan asset quality for all loans. Loans that are rated 1-4 are classified as "pass" credits. For the pass rated loans, management believes there is a low risk of loss related to these loans and as necessary, credit may be strengthened through improved borrower performance and/or additional collateral. Loans rated a 5 (Special Mention) are pass credits, but are loans that have been identified that warrant additional attention and monitoring and represent "criticized" assets. Loans rated a 6 (Substandard) or higher are considered "criticized" loans and represent an increased level of credit risk. The use and application of these risk ratings by the Bank conform to the Bank's policy and regulatory definitions.

The Bank's internal risk ratings are as follows:

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

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

6 (Substandard) - Substandard credits are inadequately protected by the current worth and paying capacity of the obligor or by the collateral pledged. Financial statements normally reveal some or all of the following: poor

trends, lack of earnings and cash flow, excessive debt, lack of liquidity, and the absence of creditor protection. Credits so classified must have a well-defined weakness, or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

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

In the normal course of loan portfolio management, loan originators are responsible for continuous assessment of credit risk arising from the individual borrowers within their portfolio and assigning appropriate risk ratings. Credit Administration is responsible for ensuring the integrity and operation of the risk rating system and maintenance of the watch list. The Bank contracts with an independent third-party loan review firm that reviews and validates the internal credit risk program on an annual basis. Results of these reviews are presented to the Audit Committee for approval and then to management for implementation. The loan review process complements and reinforces the risk identification and assessment decisions made by the lenders and credit personnel as well as the Bank's policies and procedures.

The following table provides information with respect to the Company's risk ratings by loan portfolio segment:

December 31, 2024 (dollars in thousands)	Loans Secured By Real Estate					Commercial and Industrial Loans		Consumer Loans		
	Construction and Land	Farmland	Single-family Residential	Multi-family	Commercial	Commercial and Industrial	SBA Guaranty	Consumer	Automobile	Total
Pass	\$ 8,882	\$ 315	\$ 98,844	\$ 5,022	\$ 47,829	\$ 16,705	\$ 5,219	\$ 2,880	\$ 17,918	\$ 203,614
Special mention	—	—	—	—	—	—	472	—	—	472
Substandard	—	—	149	—	897	—	—	—	87	1,133
Doubtful	—	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—	—
	<u>\$ 8,882</u>	<u>\$ 315</u>	<u>\$ 98,993</u>	<u>\$ 5,022</u>	<u>\$ 48,726</u>	<u>\$ 16,705</u>	<u>\$ 5,691</u>	<u>\$ 2,880</u>	<u>\$ 18,005</u>	<u>\$ 205,219</u>
Nonaccrual	\$ —	\$ —	\$ 149	\$ —	\$ 124	\$ —	\$ —	\$ —	\$ 87	\$ 360
Restructured loans to borrowers with financial difficulty	\$ —	\$ —	\$ 26	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 26
Number restructured loans to borrowers with financial difficulty	—	—	1	—	—	—	—	—	—	1
Non-performing restructured loans to borrowers with financial difficulty	\$ —	\$ —	\$ 26	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 26
Number of non-performing restructured loan accounts	—	—	1	—	—	—	—	—	—	1

December 31, 2023 (dollars in thousands)	Loans Secured By Real Estate					Commercial and Industrial Loans		Consumer Loans		
	Construction and Land	Farmland	Single-family Residential	Multi-family	Commercial	Commercial and Industrial	SBA Guaranty	Consumer	Automobile	Total
Pass	\$ 4,636	\$ 325	\$ 86,743	\$ 5,165	\$ 39,217	\$ 10,551	\$ 5,924	\$ 2,039	\$ 21,110	\$ 175,709
Special mention	—	—	—	—	—	—	—	—	—	—
Substandard	—	—	145	—	—	299	—	—	154	598
Doubtful	—	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—	—
	<u>\$ 4,636</u>	<u>\$ 325</u>	<u>\$ 86,887</u>	<u>\$ 5,165</u>	<u>\$ 39,217</u>	<u>\$ 10,850</u>	<u>\$ 5,924</u>	<u>\$ 2,039</u>	<u>\$ 21,264</u>	<u>\$ 176,307</u>
Nonaccrual	\$ —	\$ —	\$ 145	\$ —	\$ —	\$ 299	\$ —	\$ —	\$ 83	\$ 527
Restructured loans to borrowers with financial difficulty	\$ —	\$ —	\$ 30	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 30
Number restructured loans to borrowers with financial difficulty	—	—	1	—	—	—	—	—	—	1
Non-performing restructured loans to borrowers with financial difficulty	\$ —	\$ —	\$ 30	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 30
Number of non-performing restructured loan accounts	—	—	1	—	—	—	—	—	—	1

The following tables provide information about credit quality indicators by the year of origination at December 31, 2024 and 2023:

December 31, 2024	Origination Year						
	2024	2023	2022	2021	2020	Prior	Total
(dollars in thousands)							
Loans Secured By Real Estate:							
Pass	\$ 37,899	\$ 14,919	\$ 13,565	\$ 14,959	\$ 8,287	\$ 71,263	\$ 160,892
Special mention	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	773	773
Nonaccrual	—	—	—	—	—	273	273
Doubtful	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—
	\$ 37,899	\$ 14,919	\$ 13,565	\$ 14,959	\$ 8,287	\$ 72,309	\$ 161,938
Commercial and Industrial Loans:							
Pass	\$ 5,734	\$ 3,493	\$ 903	\$ 301	\$ 3,434	\$ 8,059	\$ 21,924
Special mention	—	—	—	—	—	472	472
Substandard	—	—	—	—	—	—	—
Nonaccrual	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—
	\$ 5,734	\$ 3,493	\$ 903	\$ 301	\$ 3,434	\$ 8,531	\$ 22,396
Consumer Loans:							
Pass	\$ 7,917	\$ 1,786	\$ 3,128	\$ 3,174	\$ 1,721	\$ 3,072	\$ 20,798
Special mention	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—
Nonaccrual	—	—	40	34	12	1	87
Doubtful	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—
	\$ 7,917	\$ 1,786	\$ 3,168	\$ 3,208	\$ 1,733	\$ 3,073	\$ 20,885



	Origination Year						
December 31, 2023	2023	2022	2021	2020	2019	Prior	Total
(dollars in thousands)							
Loans Secured By Real Estate:							
Pass	\$ 15,316	\$ 12,507	\$ 16,675	\$ 9,739	\$ 9,457	\$ 72,391	\$ 136,085
Special mention	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—
Nonaccrual	—	—	—	—	—	145	145
Doubtful	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—
	\$ 15,316	\$ 12,507	\$ 16,675	\$ 9,739	\$ 9,457	\$ 72,536	\$ 136,230
Commercial and Industrial Loans:							
Pass	\$ 3,515	\$ 1,099	\$ 153	\$ 3,834	\$ 711	\$ 7,163	\$ 16,475
Special mention	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—
Nonaccrual	—	—	299	—	—	—	299
Doubtful	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—
	\$ 3,515	\$ 1,099	\$ 452	\$ 3,834	\$ 711	\$ 7,163	\$ 16,774
Consumer Loans:							
Pass	\$ 2,140	\$ 4,598	\$ 5,697	\$ 3,364	\$ 3,481	\$ 3,940	\$ 23,220
Special mention	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—
Nonaccrual	—	27	40	9	—	7	83
Doubtful	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—
	\$ 2,140	\$ 4,625	\$ 5,737	\$ 3,373	\$ 3,481	\$ 3,947	\$ 23,303

## Asset Quality

The following table presents the loan portfolio segments summarized by aging categories of performing loans and nonaccrual loans as of December 31, 2024 and 2023:

<b>December 31, 2024</b>	<b>Current</b>	<b>30-89 Days Past Due</b>	<b>90 Days or More and Still Accruing</b>	<b>Nonaccrual</b>	<b>Total</b>
(dollars in thousands)					
<b>Loans Secured by Real Estate</b>					
Construction and land	\$ 8,882	\$ —	\$ —	\$ —	\$ 8,882
Farmland	315	—	—	—	315
Single-family residential	97,742	1,102	—	149	98,993
Multi-family	5,022	—	—	—	5,022
Commercial	48,602	—	—	124	48,726
Total loans secured by real estate	160,563	1,102	—	273	161,938
<b>Commercial and Industrial</b>					
Commercial and industrial	16,233	472	—	—	16,705
SBA guaranty	5,691	—	—	—	5,691
Total commercial and industrial loans	21,924	472	—	—	22,396
<b>Consumer Loans</b>					
Consumer	2,879	1	—	—	2,880
Automobile	17,613	305	—	87	18,005
Total consumer loans	20,492	306	—	87	20,885
	<u>\$ 202,979</u>	<u>\$ 1,880</u>	<u>\$ —</u>	<u>\$ 360</u>	<u>\$ 205,219</u>
<b>December 31, 2023</b>	<b>Current</b>	<b>30-89 Days Past Due</b>	<b>90 Days or More and Still Accruing</b>	<b>Nonaccrual</b>	<b>Total</b>
(dollars in thousands)					
<b>Loans Secured by Real Estate</b>					
Construction and land	\$ 4,636	\$ —	\$ —	\$ —	\$ 4,636
Farmland	325	—	—	—	325
Single-family residential	86,233	509	—	145	86,887
Multi-family	5,165	—	—	—	5,165
Commercial	39,217	—	—	—	39,217
Total loans secured by real estate	135,576	509	—	145	136,230
<b>Commercial and Industrial</b>					
Commercial and industrial	10,551	—	—	299	10,850
SBA guaranty	5,924	—	—	—	5,924
Total commercial and industrial loans	16,475	—	—	299	16,774
<b>Consumer Loans</b>					
Consumer	1,981	58	—	—	2,039
Automobile	20,794	387	—	83	21,264
Total consumer loans	22,775	445	—	83	23,303
	<u>\$ 174,826</u>	<u>\$ 954</u>	<u>\$ —</u>	<u>\$ 527</u>	<u>\$ 176,307</u>

Loans on which the accrual of interest has been discontinued totaled \$0.4 million at December 31, 2024 and \$0.5 million at December 31, 2023. The Bank recognizes interest income on non-accrual loans using a cash basis method for the time they are on non-accrual. Interest income that was recognized on these non-accrual loans totaled \$30,000 and \$15,000 for the years ended December 31, 2024 and 2023, respectively. Loans past due 90 days or more and still accruing interest totaled \$0 at December 31, 2024 and 2023. Management believes these particular loans are well secured and in the process of full collection of all amounts owed.

Nonaccrual loans with specific reserves at December 31, 2024 are comprised of:

Single-family residential – One loan in the amount of \$26,000 with \$18,000 of specific reserve established for the loan.

Commercial real estate – One loan in the amount of \$773,000 with specific reserve of \$121,000 established for the loan.

## Impaired Loans

The following table presents information with respect to impaired loans. Management determined the specific reserve in the allowance based on the present value of expected future cash flows, discounted at the loan's effective interest rate, except when the remaining source of repayment for the loan is the operation or liquidation of the collateral. In those cases, the current fair value of the collateral, less estimated selling costs is used to determine the specific allowance recorded.

December 31, 2024 (dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Interest Income Recognized	Specific Reserve	Average Recorded Investment
Impaired loans with specific reserves:					
<b>Loans Secured by Real Estate</b>					
Construction and land	\$ —	\$ —	\$ —	\$ —	\$ —
Farmland	—	—	—	—	—
Single-family residential	8	26	4	18	48
Multi-family	—	—	—	—	—
Commercial	652	773	—	121	2,270
Total loans secured by real estate	660	799	4	139	2,318
<b>Commercial and Industrial</b>					
Commercial and industrial	—	—	—	—	—
SBA guaranty	—	—	—	—	—
Total commercial and industrial loans	—	—	—	—	—
<b>Consumer Loans</b>					
Consumer	—	—	—	—	—
Automobile	—	—	—	—	—
Total consumer loans	—	—	—	—	—
Total impaired loans with specific reserves	<u>\$ 660</u>	<u>\$ 799</u>	<u>\$ 4</u>	<u>\$ 139</u>	<u>\$ 2,318</u>
Impaired loans with no specific reserve:					
<b>Loans Secured by Real Estate</b>					
Construction and land	\$ —	\$ —	\$ —	\$ n/a	\$ —
Farmland	—	—	—	n/a	—
Single-family residential	123	123	12	n/a	91
Multi-family	—	—	—	n/a	—
Commercial	125	125	8	n/a	138
Total loans secured by real estate	248	248	20	—	229
<b>Commercial and Industrial</b>					
Commercial and industrial	—	—	—	n/a	—
SBA guaranty	—	—	—	n/a	—
Total commercial and industrial loans	—	—	—	—	—
<b>Consumer Loans</b>					
Consumer	—	—	—	n/a	—
Automobile	86	86	6	n/a	102
Total consumer loans	86	86	6	n/a	102
Total impaired loans with no specific reserve	<u>\$ 334</u>	<u>\$ 334</u>	<u>\$ 26</u>	<u>\$ —</u>	<u>\$ 331</u>

December 31, 2023 (dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Interest Income Recognized	Specific Reserve	Average Recorded Investment
Impaired loans with specific reserves:					
<b>Loans Secured by Real Estate</b>					
Construction and land	\$ —	\$ —	\$ —	\$ —	\$ —
Farmland	—	—	—	—	—
Single-family residential	9	30	4	21	48
Multi-family	—	—	—	—	—
Commercial	—	—	—	—	—
Total loans secured by real estate	9	30	4	21	48
<b>Commercial and Industrial</b>					
Commercial and industrial	120	299	—	179	499
SBA guaranty	—	—	—	—	—
Total commercial and industrial loans	120	299	—	179	499
<b>Consumer Loans</b>					
Consumer	—	—	—	—	—
Automobile	—	—	—	—	—
Total consumer loans	—	—	—	—	—
Total impaired loans with specific reserves	<u>\$ 129</u>	<u>\$ 329</u>	<u>\$ 4</u>	<u>\$ 200</u>	<u>\$ 547</u>
Impaired loans with no specific reserve:					
<b>Loans Secured by Real Estate</b>					
Construction and land	\$ —	\$ —	\$ —	\$ n/a	\$ —
Farmland	—	—	—	n/a	—
Single-family residential	115	115	5	n/a	130
Multi-family	—	—	—	n/a	—
Commercial	—	—	—	n/a	—
Total loans secured by real estate	115	115	5	—	130
<b>Commercial and Industrial</b>					
Commercial and industrial	—	—	—	n/a	—
SBA guaranty	—	—	—	n/a	—
Total commercial and industrial loans	—	—	—	—	—
<b>Consumer Loans</b>					
Consumer	—	—	—	n/a	—
Automobile	154	154	6	n/a	104
Total consumer loans	154	154	6	n/a	104
Total impaired loans with no specific reserve	<u>\$ 269</u>	<u>\$ 269</u>	<u>\$ 11</u>	<u>\$ —</u>	<u>\$ 234</u>

## Note 5. Premises and Equipment

A summary of premises and equipment is as follows:

(dollars in thousands)	Useful lives	December 31,	
		2024	2023
Land		\$ 685	\$ 685
Buildings	30-40 years	6,793	6,823
Equipment and fixtures	5-7 years	8,691	8,671
Construction in progress		66	25
Operating Lease Assets		48	210
		16,283	16,414
Accumulated depreciation		(13,605)	(13,368)
		<u>\$ 2,678</u>	<u>\$ 3,046</u>

Depreciation expense totaled \$0.3 million for the years ended December 31, 2024 and 2023. Amortization of software totaled \$0.1 million for the years ended December 31, 2024 and 2023.

Operating lease Right-of-Use (“ROU”) assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. ROU assets also include any initial direct costs incurred and any lease payments made at or before the lease commencement date, less lease incentives received. The Bank leases its Severna Park and Linthicum branches. Minimum lease obligations under the Severna Park branch are \$25,000 through September 2025. Minimum lease obligations under the Linthicum branch are \$13,000 through January 2025, adjusted annually on a pre-determined basis. The Bank is also required to pay all maintenance costs under all these leasing arrangements. Income from rent totaled \$73,000 and \$76,000 and rent expense totaled \$200,000 and \$198,000 for the years ended December 31, 2024 and 2023, respectively. The Bank uses its incremental borrowing rate based on the information available at the commencement date in determining the lease liabilities as the Company’s leases generally do not provide an implicit rate. Lease terms may include options to extend or terminate when the Company is reasonably certain that the option will be exercised.

Future minimum payments of the Bank’s operating leases as of December 31, 2024 are as follows:

Year ending December 31,	Amount
	(dollars in thousands)
2025	\$ 49
2026	9
2027	6
2028	—
2029	—
Thereafter	—
Total	<u>\$ 64</u>

## Note 6. Federal Home Loan Bank, Short- and Long-term Borrowings

The Bank owned 16,713 shares of common stock of the FHLB at December 31, 2024. The Bank is required to maintain an investment of 0.07% of total assets with a dollar cap of \$18.0 million, adjusted annually, plus 4.75% of total advances, adjusted for advances and repayments. The credit available under this facility is determined at 25% of the Bank’s total assets, or approximately \$92.1 million at December 31, 2024. Short- and long-term advances totaled \$30.0 million and \$0, respectively, under this credit arrangement at December 31, 2024, and short- and long-term advances totaled \$30.0 million and \$0, respectively, at December 31, 2023. This credit facility is secured by a floating lien on the Bank’s residential mortgage loan portfolio and pledged securities. Average short-term borrowings approximated \$14.4 million and \$5.2 million for 2024 and 2023, respectively and the weighted average interest rate was 5.11% and 5.43%, respectively. Average long-term borrowings approximated \$0 for 2024 and 2023, respectively.

At December 31, 2024 the Bank had available unsecured federal funds lines of credit from two financial institutions for \$9.0 million and \$8.0 million.

## Note 7. Deposits

The following table summarizes the major classifications of deposit balances as of the dates indicated:

	December 31,	
	2024	2023
(dollars in thousands)		
Noninterest-bearing deposits	\$ 100,747	\$ 116,922
Interest-bearing deposits:		
Interest-bearing checking	25,487	28,571
Money Market	81,513	26,836
Savings	75,444	93,104
Time deposits, \$250,000 or more	1,133	2,501
Time deposits below \$250,000	24,865	32,133
Total interest- bearing deposits	208,442	183,145
Total Deposits	<u>\$ 309,189</u>	<u>\$ 300,067</u>

Interest expense on deposits for the years ended December 31, 2024 and 2023 is as follows:

	2024	2023
(dollars in thousands)		
Interest-bearing checking	\$ 50	\$ 10
Money Market	2,154	76
Savings	42	89
Time deposits, \$250,000 or more	15	47
Time deposits below \$250,000	272	291
Total Interest Expense	<u>\$ 2,533</u>	<u>\$ 513</u>

The Bank recognized \$0.2 million of fee income from deposits for the years ended December 31, 2024 and 2023.

At December 31, 2024, the scheduled maturities of time deposits are approximately as follows:

(dollars in thousands)	Amount
<u>Maturing in:</u>	
2025	\$ 13,711
2026	6,272
2027	1,633
2028	1,829
2029	2,318
2030 and thereafter	235
Total Time Deposits	<u>\$ 25,998</u>

Deposit balances of executive officers and directors and their affiliated interests totaled approximately \$1.7 million and \$2.4 million at December 31, 2024 and 2023, respectively.

The Bank had no brokered deposits at December 31, 2024 and 2023.

The aggregate amount of time deposit accounts that equal or exceed the \$250,000 insured limit totaled \$1.1 million and \$2.5 million at December 31, 2024 and 2023, respectively.

<b>(dollars in thousands)</b>	<b><u>Amount</u></b>
<b><u>Maturing in:</u></b>	
Three months or less	\$ —
Over three months through six months	—
Over six months through twelve months	552
Over twelve months	581
Total Time Deposits of \$250,000 or More	<u>\$ 1,133</u>

## **Note 8. Income Taxes**

The components of income tax expense are as follows for the years ended December 31, 2024 and 2023:

<b>(dollars in thousands)</b>	<b><u>2024</u></b>	<b><u>2023</u></b>
<b>Current income tax expense:</b>		
Federal	\$ —	\$ 128
State	<u>(110)</u>	<u>28</u>
Total current tax expense	<u>(110)</u>	<u>156</u>
<b>Deferred income tax expense:</b>		
Federal	(320)	(59)
State	<u>(95)</u>	<u>(25)</u>
Total deferred tax expense	<u>(415)</u>	<u>(84)</u>
Total Income tax expense	<u>\$ (525)</u>	<u>\$ 72</u>

A reconciliation of income tax expense computed at the statutory rate of 21% at December 31, 2024 and December 31, 2023 to the actual income tax expense for the years ended December 31, 2024 and 2023 is as follows:

<b>(dollars in thousands)</b>	<b><u>2024</u></b>	<b><u>2023</u></b>
Income tax expense at federal statutory rate	\$ (134)	\$ 315
(Decrease) increase resulting from:		
Tax-exempt income	(192)	(212)
Bank owned life insurance	(37)	(34)
State income taxes, net of Federal income tax benefit	<u>(162)</u>	<u>3</u>
Total income tax expense	<u>\$ (525)</u>	<u>\$ 72</u>



Deferred tax assets and liabilities resulting from the tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes at December 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
<b>(dollars in thousands)</b>		
Deferred income tax benefits:		
Accrued deferred compensation	\$ 91	\$ 89
Allowance for credit losses	676	480
Accumulated depreciation	(18)	(12)
Accrued Liabilities	75	110
Reserve for unfunded commitments	161	130
Accounting standard 310-20	(174)	(151)
Right of use asset	(13)	(58)
Lease liability	13	58
Accumulated securities discount accretion	283	272
Net operating loss carryforward	239	—
Net unrealized depreciation on investment securities available for sale	7,215	6,979
Net deferred income tax benefits	<u>\$ 8,548</u>	<u>\$ 7,897</u>

Management has determined that no valuation allowance is required as it believes it is more likely than not that all of the deferred tax assets will be fully realizable in the future. At December 31, 2024 and 2023, management believes there are no uncertain tax positions under ASC Topic 740 *Income Taxes*. We file income tax returns in the US federal jurisdictions. We are no longer subject to state or US federal income tax examinations by tax authorities for years ended before 2021.

Income tax (benefit) / expense was \$ (0.52) million and \$0.07 million at December 2024 and 2023, respectively.

#### **Note 9. Pension and Profit Sharing Plans**

The Bank has a defined contribution retirement plan qualifying under Section 401(k) of the Internal Revenue Code that is funded through a profit sharing agreement and voluntary employee contributions. Annual contributions, included in employee benefit expense, totaled \$258,000 and \$479,000 for the years ended December 31, 2024 and 2023, respectively.

#### **Note 10. Other Benefit Plans**

The Company is the owner and beneficiary of BOLI policies on certain current and former employees. Cash value totaled \$8.8 million and \$8.7 million at December 31, 2024 and 2023, respectively. Income on insurance investment totaled \$0.2 million for years ended 2024 and 2023.

The Bank has an unfunded grantor trust, as part of a change in control severance plan, covering substantially all employees. Participants in the plan are entitled to cash severance benefits upon termination of employment, for any reason other than just cause, should a “change in control” of the Company occur.

## Note 11. Other Noninterest Expenses

Other noninterest expenses include the following:

	Year Ended December 31,	
	2024	2023
(dollars in thousands)		
Loan related expenses	\$ 165	\$ 164
Other ATM expenses	33	34
Directors and other fees	264	277
Postage, delivery and courier expenses	77	83
Office supplies expenses	35	44
Credit report fees	34	21
Dues and subscription fees	93	94
Examination and assessment fees	43	47
Federal Reserve and correspondent bank services	28	28
Liability insurance	141	124
Provision (release) for unfunded commitments	111	(4)
Card services	108	111
NASDAQ registration	50	50
Investor services	32	23
Other	184	107
Total Other Noninterest Expense	\$ 1,398	\$ 1,203

## Note 12. Commitments and Contingencies

Financial instruments:

The Bank is a party to financial instruments in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit, which involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated financial statements.

Outstanding loan commitments, unused lines of credit and letters of credit are as follows:

	December 31,	
	2024	2023
(dollars in thousands)		
Loan commitments:		
Other mortgage loans	\$ 2,239	\$ 8,952
Unused lines of credit:		
Home-equity lines	\$ 18,658	\$ 10,817
Commercial lines	9,913	12,862
Unsecured consumer lines	522	532
	\$ 29,093	\$ 24,210
Letters of credit:	\$ 255	\$ 45

Loan commitments and lines of credit are agreements to lend to customers as long as there is no violation of any conditions of the contracts. Loan commitments generally have interest rates fixed at current market amounts, fixed expiration dates, and may require payment of a fee. Lines of credit generally have variable interest rates. Many of the loan commitments and lines of credit are expected to expire without being drawn upon; accordingly, the total

commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral or other security obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include deposits held in financial institutions, U.S. Treasury securities, other marketable securities, accounts receivable, inventory, property and equipment, personal residences, income-producing commercial properties, and land under development. Personal guarantees are also obtained to provide added security for certain commitments.

Letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to guarantee the installation of real property improvements and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank holds collateral and obtains personal guarantees supporting those commitments for which collateral or other securities is deemed necessary.

The Bank's exposure to credit loss in the event of nonperformance by the customer is the contractual amount of the commitment. Loan commitments, lines of credit, and letters of credit are made on the same terms, including collateral, as outstanding loans. As of December 31, 2024 and December 31, 2023, the Bank accrued \$584,000 and \$473,000, respectively, as a reserve for losses on unfunded commitments related to these financial instruments with off balance sheet risk, which is included in other liabilities.

### **Note 13. Stockholders' Equity**

#### **Restrictions on Dividends**

The Company's ability to pay dividends to its stockholders may be affected by both general corporate law considerations and policies of the Federal Reserve applicable to bank holding companies. Banking regulations limit the amount of dividends that may be paid without prior approval of the Bank's regulatory agencies. Regulatory approval is required to pay dividends that exceed the Bank's net profits for the current year plus its retained net profits for the preceding two years.

Retained earnings from which dividends may not be paid without prior approval totaled approximately \$22.4 million at December 31, 2024 and \$21.2 million at December 31, 2023 based on the earnings restrictions and minimum capital ratio requirements noted below.

The payment of dividends by any financial institution or its holding company is affected by the requirement to maintain adequate capital pursuant to applicable capital adequacy guidelines and regulations, and a financial institution generally is prohibited from paying any dividends if, following payment thereof, the institution would be undercapitalized. Notwithstanding the availability of funds for dividends, however, the Federal Reserve may prohibit the payment of any dividends by the subsidiary banks if the Federal Reserve determines such payment would constitute an unsafe or unsound practice.

#### **Employee Stock Purchase Benefit Plans**

The Company has a stock-based compensation plan, which is described below. There were no options issued or activity under this plan since August 2007.

Employees who have completed one year of service are eligible to participate in the employee stock purchase plan. The number of shares of common stock granted under options will bear a uniform relationship to compensation. The plan allows employees to buy stock under options granted at 85% of the fair market value of the stock on the date of grant. Options are vested when granted and will expire no later than 27 months from the grant date or upon termination of employment.

At December 31, 2024, shares of common stock reserved for issuance under the plan totaled 25,739.

The Board of Directors may suspend or discontinue the plan at its discretion.

### **Dividend Reinvestment and Stock Purchase Plan**

The Company's dividend reinvestment and stock purchase plan allows all participating stockholders the opportunity to receive additional shares of common stock in lieu of cash dividends at 95% of the fair market value on the dividend payment date.

During 2024 and 2023, shares of common stock purchased under the plan totaled 18,054 and 17,581, respectively. At December 31, 2024, shares of common stock reserved for issuance under the plan totaled 167,896.

The Board of Directors may suspend or discontinue the plan at its discretion.

### **Stockholder Purchase Plan**

The Company's stockholder purchase plan allows participating stockholders the option to purchase newly issued shares of common stock. The Board of Directors shall determine the number of shares that may be purchased pursuant to options. Options granted will expire no later than three months from the grant date. Each option will entitle the stockholder to purchase one share of common stock, and will be granted in proportion to stockholder share holdings. At the discretion of the Board of Directors, stockholders may be given the opportunity to purchase unsubscribed shares.

There was no activity under this plan since June 23, 2000.

At December 31, 2024, shares of common stock reserved for issuance under the plan totaled 183,348.

The Board of Directors may suspend or discontinue the plan at its discretion.

Under all three plans, options granted, exercised, and expired, shares issued and reserved, and grant prices have been restated for the effects of any stock dividends or stock splits.

### **Regulatory Capital Requirements**

The Bank's primary regulator is the Federal Deposit Insurance Corporation ("FDIC") and is subject to regulation, supervision and regular examination by the Maryland Commissioner of Financial Regulation (the "Commissioner") and the FDIC. The Company is subject to regulation, examination and supervision by the Federal Reserve Board under the Bank Holding Company Act of 1956, as amended (the "BHCA"), and the regulations of the Federal Reserve Board.

On January 1, 2015, the Bank became subject to the new Basel III Capital Rules with full compliance with all of the final rule's requirements phased in over a multi-year schedule, to be fully phased-in by January 1, 2019. However, the new Basel III Capital Rules do not apply to the Company since it is a small bank holding company with less than \$1.0 billion in total consolidated assets. In July 2013, the final rules were published establishing a new comprehensive capital framework for U.S. banking organizations. The rules implement the Basel Committee's December 2010 framework known as "Basel III" for strengthening international capital standards as well as certain provisions of the Dodd-Frank Act. The Basel III Capital Rules substantially revise the risk-based capital requirements applicable to bank holding companies and depository institutions compared to the previous U.S. risk-based capital rules. The Basel III Capital Rules define the components of capital and address other issues affecting the numerator in banking institutions' regulatory capital ratios. The Basel III Capital Rules also address risk weights and other issues affecting the denominator in banking institutions' regulatory capital ratios and replace the existing risk-weighting approach with a more risk-sensitive approach. The Basel III Capital Rules also implement the requirements of Section 939A of the Dodd-Frank Act to remove references to credit ratings from the federal banking agencies' rules.

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

and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

The rules include a new common equity Tier 1 capital to risk-weighted assets minimum ratio of 4.5%, raise the minimum ratio of Tier 1 capital to risk-weighted assets from 4.0% to 6.0%, require a minimum ratio of Total Capital to risk-weighted assets of 8.0%, and require a minimum Tier 1 leverage ratio of 4.0%. A new capital conservation buffer is also established above the regulatory minimum capital requirements. This capital conservation buffer began its phase-in period beginning January 1, 2016 at 0.625% of risk-weighted assets and increased each subsequent year by an additional 0.625% until reaching its final level of 2.5% on January 1, 2019. The capital conservation buffer is designed to absorb losses during periods of economic stress and, as detailed above, effectively increases the minimum required risk-weighted capital ratios. Strict eligibility criteria for regulatory capital instruments were also implemented under the final rules.

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

As of December 31, 2024 and 2023, the Bank was well-capitalized under the regulatory framework for prompt corrective action under the new Basel III Capital Rules. Management believes, as of December 31, 2024 and 2023, that the Bank met all capital adequacy requirements to which they were subject. The following table presents actual and required capital ratios as of December 31, 2024 and 2023 for the Bank under the Basel III Capital Rules. The minimum required capital amounts presented include the minimum required capital levels as of December 31, 2024 and December 31, 2023 based on the phased-in provisions of the Basel III Capital Rules. Capital levels required to be considered well capitalized are based upon prompt corrective action regulations, as amended to reflect the changes under the Basel III Capital Rules.

The Company and Bank are subject to regulatory capital requirements administered by federal banking agencies. Management has determined that the Company's risk-based capital ratios are not materially different than the Bank's and are not reflected in the table below.

(dollars in thousands)	Actual		To Be Considered Adequately Capitalized		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>As of December 31, 2024</b>						
Common Equity Tier 1 Capital	\$ 36,481	15.15 %	\$ 10,837	4.50 %	\$ 15,653	6.50 %
Total Risk-Based Capital	\$ 39,496	16.40 %	\$ 19,265	8.00 %	\$ 24,082	10.00 %
Tier 1 Risk-Based Capital	\$ 36,481	15.15 %	\$ 14,449	6.00 %	\$ 19,265	8.00 %
Tier 1 Leverage	\$ 36,481	9.97 %	\$ 14,640	4.00 %	\$ 18,300	5.00 %

(dollars in thousands)	Actual		To Be Considered Adequately Capitalized		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>As of December 31, 2023</b>						
Common Equity Tier 1 Capital	\$ 37,975	17.37 %	\$ 9,840	4.50 %	\$ 14,213	6.50 %
Total Risk-Based Capital	\$ 40,237	18.40 %	\$ 17,493	8.00 %	\$ 21,867	10.00 %
Tier 1 Risk-Based Capital	\$ 37,975	17.37 %	\$ 13,120	6.00 %	\$ 17,493	8.00 %
Tier 1 Leverage	\$ 37,975	10.76 %	\$ 14,113	4.00 %	\$ 17,641	5.00 %

#### Note 14. Earnings Per Common Share

The calculation of net income per common share for the years ended December 31, 2024 and 2023 are as follows:

	Year Ended December 31,	
	2024	2023
Basic earnings per share:		
Net income	\$ (111,563)	\$ 1,429,094
Weighted average common shares outstanding	2,893,871	2,873,500
Basic net income per share	<u>\$ (0.04)</u>	<u>\$ 0.50</u>

Diluted earnings per share calculations were not required for 2024 and 2023 as there were no options outstanding at December 31, 2024 and 2023.

#### Note 15. Fair Values of Financial Instruments

ASC Topic 825, *Disclosure about Fair Value of Financial Instruments*, requires the disclosure of the estimated fair values of financial instruments. Quoted market prices, where available, are shown as estimates of fair values. Because no quoted market prices are available for a significant part of the Company's financial instruments, the fair values of such instruments have been derived based on the amount and timing of future cash flows and estimated discount rates.

Present value techniques used in estimating the fair value of the Company's financial instruments are significantly affected by the assumptions used. Fair values derived from using present value techniques are not substantiated by comparisons to independent markets, and in many cases, could not be realized in immediate settlement of the instruments.

ASC Topic 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The following table presents the estimated fair value and the related carrying values of the Company's financial instruments as December 31, 2024 and 2023. Items that are not financial instruments are not included.

(dollars in thousands)	December 31, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and due from banks	\$ 2,012	\$ 2,012	\$ 1,940	\$ 1,940
Interest-bearing deposits in other financial institutions	22,134	22,134	12,189	12,189
Federal funds sold	318	318	1,112	1,112
Investment securities available for sale	107,949	107,949	139,427	139,427
Investments in restricted stock	1,671	1,671	1,217	1,217
Ground rents	123	123	130	130
Loans, less allowance for credit losses	202,380	191,685	174,150	161,802
Accrued interest receivable	1,345	1,345	1,192	1,192
Cash value of life insurance	8,834	8,834	8,657	8,657
Financial liabilities:				
Deposits	309,189	260,368	300,067	252,707
Short-term borrowings	30,000	30,053	30,000	30,000
Accrued interest payable	153	153	366	366
Unrecognized financial instruments:				
Commitments to extend credit	31,332	31,332	33,162	33,162
Standby letters of credit	255	255	45	45

The following table presents the carrying amount, fair value, and placement in the fair value hierarchy of the Company's financial instruments.

(dollars in thousands)

<u>December 31, 2024</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Financial instruments - Assets</b>					
Cash and cash equivalents	\$ 24,464	\$ 24,464	\$ 24,464	\$ —	\$ —
Loans receivable, net	202,380	191,685	—	—	191,685
Cash value of life insurance	8,834	8,834	—	8,834	—
<b>Financial instruments - Liabilities</b>					
Deposits	309,189	260,368	25,545	234,823	—
Short-term debt	30,000	30,053	—	30,053	—

For purposes of the disclosures of estimated fair value, the following assumptions were used.

**Loans.** The estimated fair value for loans is determined by discounting future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

**Investment securities.** Fair values for investment securities are based on quoted market prices, where applicable. When quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

**Deposits.** The estimated fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, savings, NOW accounts and money market accounts, is equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The fair value of certificates of deposit is based on the rates currently offered for deposits of similar maturities. The fair value estimates do not include the benefit that results from the low-cost funding provided by the deposit liabilities compared to the cost of borrowing funds in the market.

**Borrowings.** The estimated fair value approximates carrying value for short-term borrowings. The fair value of long-term fixed rate borrowings is estimated by discounting future cash flows using current interest rates currently offered for similar financial instruments over the same maturities.

**Other assets and liabilities.** The estimated fair values for cash and due from banks, interest-bearing deposits in other financial institutions, Federal funds sold, accrued interest receivable and payable, and short-term borrowings are considered to approximate cost because of their short-term nature. Other assets and liabilities of the Bank that are not defined as financial instruments are not included in the above disclosures, such as property and equipment. In addition, non-financial instruments typically not recognized in the financial statements nevertheless may have value but are not included in the above disclosures. These include, among other items, the estimated earnings power of core deposit accounts, the trained work force, customer goodwill, and similar items.

## **Note 16. Fair Value Measurements**

The Company follows ASC Topic 820, *Fair Value Measurements* which provides a framework for measuring and disclosing fair value under generally accepted accounting principles. ASC Topic 820 requires disclosures about the fair value of assets and liabilities recognized in the balance sheet in periods subsequent to initial recognition, whether the measurements are made on a recurring basis or on a nonrecurring basis.

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

## The Fair Value Hierarchy

Level 1 – Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets and liabilities.

Level 2 – Valuation is based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

In determining the appropriate levels, the Company performs a detailed analysis of assets and liabilities that are subject to ASC Topic 820. The Bank's securities available for sale are the only financial instruments subject to fair value measurements on a recurring basis. The Bank may also be required, from time to time, to measure certain other financial and non-financial assets and liabilities at fair value on a non-recurring basis in accordance with GAAP.

Fair value measurements on a recurring and non-recurring basis at December 31, 2024 and 2023 are as follows:

(dollars in thousands)	Level 1	Level 2	Level 3	Fair Value
<b>December 31, 2024</b>				
Recurring:				
Securities available for sale				
U.S. Treasury	\$ —	\$ —	\$ —	\$ —
State and Municipal	11,182	32,411	—	43,593
Mortgaged-backed	3,006	71,191	—	74,197
Corporate securities	—	1,341	—	1,341
Non-recurring:				
Maryland Financial Bank stock	—	—	—	—
Impaired loans	—	—	994	994
	<u>\$ 14,188</u>	<u>\$ 104,943</u>	<u>\$ 994</u>	<u>\$ 120,125</u>
<b>December 31, 2023</b>				
Recurring:				
Securities available for sale				
U.S. Treasury	\$ 6,945	\$ —	\$ —	\$ 6,945
State and Municipal	—	33,729	—	33,729
Mortgaged-backed	531	96,938	—	97,469
Corporate securities	—	1,284	—	1,284
Non-recurring:				
Impaired loans	—	—	398	398
	<u>\$ 7,476</u>	<u>\$ 131,951</u>	<u>\$ 398</u>	<u>\$ 139,825</u>

Securities available for sale and interest rate swaps are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.



Measured on a Non-Recurring Basis:

#### Financial Assets and Liabilities

The Bank is predominantly a cash flow lender with real estate serving as collateral on a majority of loans. Loans which are deemed to be impaired and foreclosed real estate assets are primarily valued on a nonrecurring basis at the fair values of the underlying real estate collateral. The Bank determines such fair values from independent appraisals. Based on these appraisals, management has applied a specific valuation allowance allocation of \$139,000 and \$201,000 in 2024 and 2023, respectively, to the impaired loans, which management considers to be level 3 inputs.

#### Fair Value Measurements

We obtain fair values for our impaired loans through a variety of data points and mostly rely on appraisals from independent appraisers. These appraisals do not include an inside inspection of the property as our loan documents do not require the borrower to allow access to the property. Therefore, the most significant unobservable inputs are the details of the amenities included within the property and the condition of the property. Further, we cannot always accurately assess the amount of time it takes to gain ownership of our collateral through the foreclosure process and the damage, as well as potential looting, of the property further decreasing our value.

We typically get independent appraisals of properties within three months from the time we determine there may be a collateral shortfall from an impaired loan. The appraisals are typically updated every 12 months from the independent appraiser and more frequently if we feel material changes in value may have occurred for this specific property. During interim periods, typically at the end of each calendar quarter, we review other data points such as a comparable from other like properties or changes in tax assessment values.

#### Non-Financial Assets and Non-Financial Liabilities

Application of ASC Topic 820 to non-financial assets and non-financial liabilities became effective January 1, 2009. The Corporation has no non-financial assets or non-financial liabilities measured at fair value on a recurring basis. Certain non-financial assets and non-financial liabilities typically measured at fair value on a non-recurring basis include foreclosed assets (upon initial recognition or subsequent impairment), non-financial assets and non-financial liabilities measured at fair value in the second step of a goodwill impairment test, and intangible assets and other non-financial long-lived assets measured at fair value for impairment assessment.

Foreclosed real estate, which are considered to be non-financial assets, have been valued using a market approach. The values were determined using market prices of similar current real estate assets in the same geographical area, which the Bank considers to be level 2 inputs.

#### **Note 17. Revenue Recognition**

On January 1, 2018, the Company adopted ASU No. 2014-09 "Revenue from Contracts with Customers" (Topic 606) and all subsequent ASUs that modified Topic 606. The implementation of the new standard did not have a material impact on the measurement or recognition of revenue; as such, a cumulative effect adjustment to opening retained earnings was not deemed necessary. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts were not adjusted and continue to be reported in accordance with our historic accounting under Topic 605.

Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. Topic 606 is applicable to noninterest revenue streams such as deposit related fees, interchange fees and merchant income. However, the recognition of these revenue streams did not change significantly upon adoption of Topic 606. Substantially all of the Company's revenue is generated from contracts with customers. Noninterest revenue streams in-scope of Topic 606 are discussed below.

*Service Charges on Deposit Accounts.* Service charges on deposit accounts consist of account analysis fees (i.e., net fees earned on analyzed business and public checking accounts), monthly service fees, check orders, and other

deposit account related fees. The Company's performance obligation for account analysis fees and monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided.

Check orders and other deposit account related fees are largely transactional based, and therefore, the Company's performance obligation is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or at the end of the month through a direct charge to customers' accounts.

*Other Noninterest Income.* Other noninterest income consists of: fees, exchange, other service charges, safety deposit box rental fees, and other miscellaneous revenue streams. Fees and other service charges are primarily comprised of debit income, ATM fees, merchant services income, and other service charges. Debit card income is primarily comprised of interchange fees earned whenever the Company's debit cards are processed through card payment networks. ATM fees are primarily generated when a Company cardholder uses a non-Company ATM or a non-Company cardholder uses a Company ATM. Merchant services income mainly represents fees charged to merchants to process their debit card transactions, in addition to account management fees. Other service charges include revenue from processing wire transfers, bill pay service, cashier's checks, and other services. The Company's performance obligation for fees, exchange, and other service charges are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month. Safe deposit box rental fees are charged to the customer on an annual basis and recognized upon receipt of payment.

#### **Note 18. Parent Company Financial Information**

The Balance Sheets, Statements of Income, and Statements of Cash Flows for Glen Burnie Bancorp (Parent Only) are presented below:

<b>Balance Sheets</b>		
<b>December 31,</b>	<b>2024</b>	<b>2023</b>
<b>(dollars in thousands)</b>		
<b>Assets</b>		
Cash	\$ 32	\$ 88
Investment in The Bank of Glen Burnie	17,726	19,227
Other assets	59	10
<b>Total assets</b>	<b>\$ 17,817</b>	<b>\$ 19,325</b>
<b>Liabilities and Stockholders' Equity</b>		
Stockholders' equity:		
Common stock	2,901	2,883
Surplus	11,037	10,964
Retained earnings	22,882	23,859
Accumulated other comprehensive loss, net of benefits	(19,003)	(18,381)
<b>Total stockholders' equity</b>	<b>17,817</b>	<b>19,325</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 17,817</b>	<b>\$ 19,325</b>

## Statements of Income

Year Ended December 31, (dollars in thousands)	2024	2023
Dividends and distributions from subsidiary	\$ 990	\$ 1,210
Other expenses	(282)	(205)
Income before income tax benefit and equity in undistributed net income of subsidiary	708	1,005
Income tax benefit	59	43
Change in undistributed equity of subsidiary	(879)	381
<b>Net (loss) income</b>	<b>\$ (112)</b>	<b>\$ 1,429</b>

## Statements of Cash Flows

Year Ended December 31, (dollars in thousands)	2024	2023
<b>Cash flows from operating activities:</b>		
Net (loss) income	\$ (112)	\$ 1,429
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Increase in other assets	(48)	(8)
Change in undistributed equity of subsidiary	879	(381)
Net cash provided by operating activities	719	1,040
<b>Cash flows from financing activities:</b>		
Proceeds from dividend reinvestment plan	91	120
Dividends paid	(865)	(1,149)
Net cash used in financing activities	(774)	(1,029)
<b>(Decrease) increase in cash</b>	<b>(55)</b>	<b>11</b>
<b>Cash, beginning of year</b>	<b>88</b>	<b>77</b>
<b>Cash, end of year</b>	<b>\$ 32</b>	<b>\$ 88</b>

**Note 19. Quarterly Results of Operations (Unaudited)**

The following is a summary of consolidated unaudited quarterly results of operations:

<b>2024</b>				
(dollars in thousands, except per share amounts)	Three months ended			
	December 31,	September 30,	June 30,	March 31,
Interest income	\$ 3,955	\$ 3,959	\$ 3,893	\$ 3,405
Interest expense	1,192	1,138	1,108	833
Net interest income	2,763	2,821	2,785	2,572
Provision for credit losses	71	79	525	169
(Loss) income before income taxes	(95)	79	(392)	(229)
Net (loss) income	(40)	129	(204)	3
Net (loss) income per share (basic and diluted)	\$ (0.02)	\$ 0.04	\$ (0.07)	\$ —
<b>2023</b>				
(dollars in thousands, except per share amounts)	Three months ended			
	December 31,	September 30,	June 30,	March 31,
Interest income	\$ 3,435	\$ 3,350	\$ 3,267	\$ 3,285
Interest expense	544	398	153	107
Net interest income	2,891	2,952	3,114	3,178
Provision for credit losses	103	(92)	127	(42)
Income before income taxes	140	539	301	521
Net income	167	552	275	435
Net income per share (basic and diluted)	\$ 0.06	\$ 0.19	\$ 0.10	\$ 0.15

**Note 20. Subsequent Event**

On January 10, 2025, The Bank of Glen Burnie (the “Bank”), a wholly owned subsidiary of Glen Burnie Bancorp, and Andrew J. Hines, Executive Vice President of the Bank since 2017 and Chief Lending Officer of the Bank since 2014, terminated their relationship effective January 10, 2025.

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