ANNUAL REPORT 2023

NMB FINANCIAL CORPORATION

Message to the Shareholders

Special greetings to all of you –

Fellow Shareholders and Friends, 2023 was another successful year for NMB Financial Corporation ("Company") and its subsidiary New Millennium Bank ("NMB").

As we announced in 2022, the Company became a beneficiary of the US Treasury Department's (the "Treasury") Emergency Capital Investment Program ("ECIP"), and received ECIP funding qualifying as Tier 1 capital for NMB in the amount of $79.1 million, which will remain with the Company in the form of perpetual preferred stock.

In 2023, the Company further enhanced capital with another profitable year generating $8.2 million in net income, a near record setting net profit since the Company commenced its operations in 1999. This successful result afforded the Company to pay its second dividend of $1.2 million to shareholders.

The Company's capital position is indeed strong – as of December 31, 2023, the Company had $147.3 million in total stockholders' equity representing over 18% of total assets of $783.8 million, which provides sufficient capital to propel future growth.

The Company completed December 31, 2023 with $783.8 million in total assets compared to $774.3 million in total assets as of December 31, 2022. Net loans increased $35.9 million, or 5.6%, to $678.8 million from $642.8 million, and total deposits remained strong at $629.4 million at December 31, 2023 compared to $627.4 million at December 31, 2022.

The increase in the loan portfolio included continued growth in residential mortgage lending, increasing the size of the portfolio $33.4 million, or 12.1%, from $276.6 million as of December 31, 2022 to $310.0 million as of December 31, 2023. Commercial real estate loans also grew by $6.0 million, or 1.9%, from $323.7 million as of December 31, 2022 to $329.7 million as of December 31, 2023.

The Board of Directors and Management have been focused on the Bank's asset quality and liquidity positions maintaining strong levels in both categories. This has become so important in maintaining the confidence of depositors and shareholders during some turbulent times in the banking industry in 2023.

Further, we continue to maintain good status and relations with the Federal Reserve Bank of New York, the Federal Deposit Insurance Corporation, and the New Jersey Department of Banking and Insurance. The Bank's status as a Minority Depositary Institution is considered one of our most important designations as we continue to serve the Korean American community throughout New Jersey, New York, and Georgia, as well as the growing presence in Texas and Washington. Further we are happy to announce the January 2024 opening of our Los Angeles, California Loan Production Office. We look forward to growing in all our communities during 2024 and beyond.

The Board of Directors and Management of NMB Financial Corporation would like to express our sincere appreciation for your continued support. We look forward to continuing our relationship through growth in all the communities that we serve during 2024 and beyond.

Until next time, remain safe and healthy –

Byungkuk Lee Chairman of the Board NMB Financial Corporation	Dong Hwan Kim Chairman of the Board New Millennium Bank	Hong Sik Hur President and CEO New Millennium Bank

NMB FINANCIAL CORPORATION

FORT LEE, NEW JERSEY

AUDIT REPORT

DECEMBER 31, 2023

NMB FINANCIAL CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

SNODGRASS
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors Stockholders
NMB Financial Corporation
Fort Lee, New Jersey

Opinion

We have audited the accompanying consolidated financial statements of NMB Financial Corporation and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022; the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended; and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Company changed its method of accounting for credit losses effective January 1, 2023, due to the adoption of Accounting Standards Codification (ASC) Topic 326, *Financial Instruments – Credit Losses*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Responsibilities of Management for the Financial Statements (Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

S. R. Snodgrass, P.C.

Cranberry Township, Pennsylvania
April 18, 2024

NMB FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except share amounts)

	December 31, 2023	December 31, 2022
ASSETS		
Cash and due from banks	$ 2,944	$ 2,245
Interest-bearing deposits with other institutions	70,366	86,117
Total cash and cash equivalents	73,310	88,362
Interest-earning time deposits	2,181	365
Investment securities available for sale	2,006	20,940
Investment securities held to maturity, net of allowance for credit losses of $2 for 2023, fair value of $ 654 and $ 827, respectively	677	872
Loans held for sale	520	3,250
Loans receivable, net of allowance for credit losses, of $9,064 and net of allowance for loan losses $8,490, respectively	678,752	642,848
Restricted stock, at cost	792	413
Premises and equipment, net	1,410	1,568
Accrued interest receivable	2,808	2,555
Foreclosed assets	137	696
Other assets	21,239	12,451
TOTAL ASSETS	$ 783,832	$ 774,320
LIABILITIES		
Deposits:		
Noninterest-bearing demand	$ 103,149	$ 119,584
Interest-bearing demand	526,265	507,780
Total deposits	629,414	627,364
Accrued interest payable	878	604
Other liabilities	6,216	6,952
TOTAL LIABILITIES	636,508	634,920
STOCKHOLDERS' EQUITY		
Senior Non-Cumulative Perpetual Preferred Stock, Series ECIP, $1,000 liquidation value per share; 79,062 and zero shares authorized, issued and outstanding	79,062	79,062
Common stock, no par value per share; authorized 20,000,000 shares; issued and outstanding 4,989,389 and 4,957,889 respectively	45,623	44,841
Retained earnings	22,735	15,748
Accumulated other comprehensive loss	(96)	(251)
TOTAL STOCKHOLDERS' EQUITY	147,324	139,400
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 783,832	$ 774,320

See accompanying notes to the consolidated financial statements.

NMB FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(dollars in thousands, except share and per share amounts)

	Year Ended December 31, 2023	Year Ended December 31, 2022
INTEREST AND DIVIDEND INCOME		
Loans receivable, including fees	$ 39,909	$ 24,766
Investment securities:		
Taxable	576	372
Other	4,549	1,552
Total interest and dividend income	45,034	26,690
INTEREST EXPENSE		
Deposits	19,023	4,510
Borrowings	-	29
Total interest expense	19,023	4,539
NET INTEREST INCOME	26,011	22,151
CREDIT LOSS EXPENSE		
Provision for credit loss expense - loans	418	-
Provision for credit loss expense - held to maturity securities	2	-
Provision for credit loss expense - off-balance sheet commitments	430	-
Total credit loss expense	850	-
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	25,161	22,151
OTHER INCOME		
Loan servicing fees	794	925
Customer service fees	313	251
Net realized gains on sale of foreclosed assets	132	-
Net realized gains on sale of loans	832	1,820
Other	178	481
Total other income	2,249	3,477
OTHER EXPENSE		
Salaries and employee benefits	9,292	8,700
Occupancy	1,833	1,782
Data processing and telephone	1,128	1,040
Professional fees	711	714
Furniture and equipment	342	342
Foreclosed assets	58	192
FDIC assessment	471	220
Advertising	177	218
Other	1,421	1,443
Total other expense	15,433	14,651
Income before income tax expense	11,977	10,977
Income tax expense	3,743	2,625
NET INCOME	$ 8,234	$ 8,352
EARNINGS PER SHARE		
Basic weighted-average common share outstanding	4,988,875	4,838,551
Diluted weighted-average common shares outstanding	5,058,746	4,891,651
Basic net income per common share	$ 1.65	$ 1.73
Diluted net income per common share	$ 1.63	$ 1.71

See accompanying notes to the consolidated financial statements.

NMB FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(dollars in thousands)

	Year Ended December 31, 2023	Year Ended December 31, 2022
Net income	$ 8,234	$ 8,352
Other comprehensive income (loss):		
Unrealized gains (losses) on available for sale securities arising during the year of $221 and ($395), net of tax (expense) benefit of ($66) and $119, respectively	155	(276)
Other comprehensive income (loss)	155	(276)
Comprehensive income	$ 8,389	$ 8,076

See accompanying notes to the consolidated financial statements.

NMB FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(dollars in thousands)

	Preferred Stock	Common Stock	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
Balance, December 31, 2021	$ -	$ 42,730	$ 8,631	$ 25	$ 51,386
Issuance of 79,062 of preferred stock	79,062	-	-	-	79,062
Exercise of 361,500 stock options	-	1,808	-	-	1,808
Share based compensation	-	303	-	-	303
Net income	-	-	8,352	-	8,352
Cash dividend	-	-	(1,235)	-	(1,235)
Other comprehensive loss	-	-	-	(276)	(276)
Balance, December 31, 2022	79,062	44,841	15,748	(251)	139,400
Exercise of 31,500 stock options	-	160	-	-	160
Share based compensation	-	622	-	-	622
Net income	-	-	8,234	-	8,234
Cash dividend	-	-	(1,247)	-	(1,247)
Other comprehensive income	-	-	-	155	155
Balance, December 31, 2023	$ 79,062	$ 45,623	$ 22,735	$ (96)	$ 147,324

See accompanying notes to consolidated financial statements.

NMB FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	Year Ended December 31, 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 8,234	$ 8,352
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	850	-
Provision for depreciation	387	330
Amortization and provision for servicing assets	955	924
Accretion of discounts on retained SBA loans	(841)	(822)
Net amortization of securities	2	8
Net realized gain on sale of foreclosed assets	(132)	-
Accretion of net loan origination fees and costs	(26)	(933)
Deferred tax expense	(276)	86
Loans originated for sale	(16,663)	(19,672)
Proceeds from sales of loans	20,225	24,908
Gains on sales of loans	(832)	(1,820)
Stock options expense	622	303
Increase in accrued interest receivable and other assets	(9,787)	(955)
Decrease in accrued interest payable and other liabilities	(892)	(496)
Net cash provided by operating activities	1,826	10,213
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(917)	(21,004)
Proceeds from calls, maturities of and principal repayments on securities available for sale	20,072	116
Proceeds from calls, maturities of and principal repayments on securities held to maturity	189	219
Purchase of interest earning time deposits	(2,000)	(365)
Redemption of interest-earning time deposits	184	996
Net increase in loans	(35,453)	(292,768)
(Purchase) Redemption of restricted stock	(379)	186
Purchase of premises and equipment	(228)	(284)
Proceeds from sale of foreclosed real estate	691	-
Net cash used for investing activities	(17,841)	(312,904)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in deposits, net	2,050	150,659
Repayments of long-term borrowings	-	(5,000)
Issuance of preferred stock	-	79,062
Cash dividends	(1,247)	(1,235)
Exercise of stock options	160	1,808
Net cash provided by financing activities	963	225,294
Decrease in cash and cash equivalents	(15,052)	(77,397)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	88,362	165,759
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 73,310	$ 88,362

See accompanying notes to the consolidated financial statements.

NMB FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(dollars in thousands)

		Year Ended December 31, 2023		2022
SUPPLEMENTAL CASH FLOW DISCLOSURES				
Cash paid:				
Interest	$	18,749	$	4,014
Income taxes		3,915		3,238
SUPPLEMENTARY SCHEDULE OF NONCASH INVESTING ACTIVITIES				
Other real estate acquired in settlement of loans	$	-	$	559
Initial recognition of right-of-use asset		-		411
Initial recognition of lease liability		-		411

See accompanying notes to the consolidated financial statements.

1. Organization and Nature of Operations

NMB Financial Corporation (the "Company"), is a New Jersey corporation and bank holding company whose sole business is the ownership and operation of New Millennium Bank (the "Bank"). The Company is subject to the regulations of the Federal Reserve Bank of New York.

The Bank, incorporated on November 3, 1998, was granted a New Jersey state charter on July 12, 1999, and commenced operations on July 19, 1999. The Bank generates commercial, mortgage, and consumer loans and receives deposits from customers primarily in Bergen, Middlesex, and Somerset Counties, New Jersey and New York City, New York. The Bank's customers are predominantly small and middle-market businesses and professionals. The Bank is subject to regulation of the New Jersey Department of Banking and Insurance (NJDOBI) and the Federal Deposit Insurance Corporation (FDIC). On May 8, 2009, the Bank formed a real estate holding company, New Millennium Bank Realty Company, to hold foreclosed assets.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of NMB Financial Corporation and its wholly owned subsidiary, New Millennium Bank, and its wholly owned subsidiary, New Millennium Bank Realty Company. All significant intercompany accounts and transactions have been eliminated.

Estimates and Assumptions

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses, the valuation of foreclosed assets and loan servicing rights, the determination of other-than-temporary impairment on securities, the fair value of financial instruments, and the valuation of deferred tax assets.

Significant Group Concentrations of Credit Risk

The concentrations of credit by type of loan are set forth in Note 4. Although the Company has a diversified loan portfolio, its debtors' ability to honor their contracts is influenced by the regional and national economy. Note 3 discusses the types of securities in which the Company invests. The Company does not have any significant concentrations in any one industry or customer.

2. Summary of Significant Accounting Policies (Continued)

Presentation of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, interest-bearing deposits with banks, and federal funds sold, all with original maturities of 90 days or less. Generally, federal funds are purchased and sold for one-day periods.

Interest-Earning Time Deposits

Interest-earning time deposits are carried at cost. The Company's time deposits mature within one year and are maintained with major financial institutions in the United States.

Investment Securities

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each balance sheet date.

Securities classified as available for sale are those debt securities that the Company intends to hold for an indefinite period of time, but not necessarily to maturity. Any decision to sell a security classified as available for sale would be based on various factors, including significant movement in interest rates, changes in maturity mix of the Company’s assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors. Securities available for sale are carried at fair value. Unrealized gains or losses are reported as increases or decreases in other comprehensive income, net of the related deferred tax effect. Realized gains or losses, determined on the basis of the cost of the specific securities sold, are included in earnings. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

Investment securities classified as held to maturity are those debt securities that the Company has both the intent and ability to hold to maturity, regardless of changes in market conditions, liquidity needs, or changes in general economic conditions. These securities are carried at cost adjusted for the amortization of premium and accretion of discount, computed by a method that approximates the interest method over their contractual lives.

Allowance for Credit Losses – Held-to-Maturity Securities

The Company measures expected credit losses on held-to-maturity debt securities, which are comprised of U.S. government - sponsored enterprise residential mortgage-backed securities and corporate securities. The Company’s residential mortgage-backed security holdings are issued by U.S. government entities and agencies and are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have a long history of no credit losses.

Accrued interest receivable on held-to-maturity debt securities totaled $4,000 and $4,000 at December 31, 2023 and 2022, respectively, are included within accrued interest receivable on the Consolidated Balance Sheets. This amount is excluded from the estimate of expected credit losses. Held-to-maturity debt securities are typically classified as nonaccrual when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about the further collectability of principal or interest. When held-to-maturity debt securities are placed on nonaccrual status, unpaid interest credited to income is reversed.

2. Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses – Available for Sale Securities

The Company measures expected credit losses on available-for-sale debt securities when the Company does not intend to sell, or when it is not more likely than not that it will be required to sell, the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For available-for-sale debt securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Company considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this evaluation indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are 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, equal to the amount that the fair value is less than the amortized cost basis. Economic forecast data is utilized to calculate the present value of expected cash flows. Management evaluates the various scenarios to determine a reasonable and supportable scenario, and utilizes a single scenario in the model. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

The allowance for credit losses on available-for-sale debt securities is included within investment securities available-for-sale on the Consolidated Balance Sheet. Changes in the allowance for credit losses are recorded within provision for credit losses on the Consolidated Statements of Income. Losses are charged against the allowance when the Company believes the collectability of an available-for-sale security is in jeopardy or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available-for-sale debt securities totaled $25,000 and $22,000 at December 31, 2023 and 2022, respectively, are included within accrued interest receivable on the Consolidated Balance Sheets. This amount is excluded from the estimate of expected credit losses. Available-for-sale debt securities are typically classified as nonaccrual when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about the further collectability of principal or interest. When available-for-sale debt securities are placed on nonaccrual status, unpaid interest credited to income is reversed.

Credit Losses on Investment Securities – Prior to adopting ASU 2016-13

The Company adapted Accounting Standards Update (“ASU”) 2016-13, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,” effective January 1, 2023. Financial statement amounts related to Investment Securities recorded as of December 31, 2022 and for the periods ending December 31, 2022 are presented in accordance with the accounting policies described in the following sections.

Other-than-temporary impairment accounting guidance specifies that (a) if a company does not have the intent to sell a debt security prior to recovery and (b) it is more likely than not that it will not have to sell the debt security prior to recovery, the security would not be considered other-than-temporarily impaired unless there is a credit loss. When an entity does not intend to sell the debt security, and it is more likely than not that the entity will not have to sell the security before recovery of its cost basis, it will recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income. For held-to-maturity debt securities, the amount of an other-than-temporary impairment recorded in other comprehensive income for the noncredit portion of a previous other-than-temporary impairment should be amortized prospectively over the remaining life of the security on the basis

2. Summary of Significant Accounting Policies (Continued)

of the timing of future estimated cash flows of the security. The Company did not recognize any other-than-temporary impairment changes during the years ended December 31, 2022.

Investment in Restricted Stock, at Cost

Investment in restricted stock, at cost, is principally comprised of restricted stock in the Federal Home Loan Bank of New York, which is carried at cost. Federal law requires a member institution of the Federal Home Loan Bank to hold stock according to a predetermined formula. The Federal Home Loan Bank stock was carried at $755,300 and $376,000 at December 31, 2023 and 2022, respectively. Restricted stock also includes stock of the Atlantic Community Bankers Bank in the amount of $37,000 at both December 31, 2023 and 2022. Management reviews for impairment based on the ultimate recoverability of the cost basis in the restricted stock.

Loans Held for Sale

Loans held for sale are carried at the lower of cost or fair value, as determined on an aggregate basis. Gains and losses on sales of loans held for sale are recognized on settlement dates and are determined by the difference between the sale proceeds and the carrying value of loans. All sales are made with limited recourse.

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for credit losses and any deferred fees or costs. Accrued interest receivable on loan receivable totaled $2,762,000 and $2,259.000 at December 31, 2023 and 2022, respectively, and was reported in accrued interest receivable on the Consolidated Balance Sheets and is excluded from the estimate of credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the yield (interest income) of the related loans. The Bank is generally amortizing these amounts over the contractual life of the loan. Premiums and discounts on purchased loans are amortized as adjustments to interest income using the effective yield method.

The loans receivable portfolio is segmented into commercial and consumer loans. Commercial loans consist of the following classes: commercial and industrial, commercial real estate, and construction. Consumer loans consist of the following classes: residential real estate and other consumer loans.

For all classes of loans receivable, the accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed, and unpaid interest accrued in prior years is charged against the allowance for credit losses. Interest received on nonaccrual loans is generally either applied against principal or reported as interest income, according to management’s judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time (generally six months), and the ultimate collectability of the total contractual principal and interest is no longer in doubt. The past-due status of all classes of loans receivable is determined based on contractual due dates for loan payments.

Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses – Loans

The allowance for credit losses ("ACL") is a valuation reserve established and maintained by charges against income and is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. Loans, or portions thereof, are charged off against the ACL when they are deemed uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

The ACL is an estimate of expected credit losses, measured over the contractual life of a loan, that considers our historical loss experience, current conditions and forecasts of future economic conditions. Determination of an appropriate ACL is inherently subjective and may have significant changes from period to period.

The methodology for determining the ACL has two main components: evaluation of expected credit losses for certain groups of homogeneous loans that share similar risk characteristics and evaluation of loans that do not share risk characteristics with other loans.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist.

The Company utilizes a Weighted Average Remaining Life (WARM) method to calculate the expected losses for each portfolio segment. The WARM method is also known as Remaining Life method, is conceptually similar to the previous incurred loss methodology used to calculate the current expected credit losses ("CECL"), and as such, it is also based on historical loss experience. This method is preferable by small to mid-size financial institutions as it does not require historical loan level details, which may not be available or technologically feasible for the smaller financial institutions. WARM methodology calculates an average historical charge-off rate on an average annual asset pool balance over its lifetime. The average historical charge-off rate is applied to estimated annual paydown of the current asset pool portfolio balance, over its lifetime. The forecast of the estimated paydown includes prepayment experience for that asset pool. The accumulation of the forecasted charge-offs is used to calculate unadjusted historical charge-off rate for the asset pool's actual amortized cost.

After consideration of the historic loss calculation, management applies qualitative adjustments to reflect the current conditions and reasonable and supportable forecasts not already reflected in the historical loss information at the balance sheet date. To determine its reasonable and supportable forecast, management accesses the level of risk based on certain criteria related to each qualitative factor.

The qualitative adjustments for current conditions are based upon changes in lending policies and practices, experience and ability of lending staff, past due, nonaccrual and classified loans, quality of the bank's loan review system, value of underlying collateral, the existence of and changes in concentrations, economic factors, and other external factors. These modified historical loss rates are multiplied by the outstanding principal balance of each loan to calculate a required reserve.

The Company has elected to exclude accrued interest receivable from the measurement of its ACL. When a loan is placed on non-accrual status, any outstanding accrued interest is reversed against interest income.

2. Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses – Loans (Continued)

The ACL for individual loans begins with the use of normal credit review procedures to identify whether a loan no longer shares similar risk characteristics with other pooled loans and therefore, should be individually assessed. We evaluate all loans that meet the following criteria: 1) when it is determined that foreclosure is probable, 2) when a loan is classified as a substandard, doubtful or nonperforming loan, 3) when it is determined by management that a loan does not share similar risk characteristics with other loans. Specific reserves are established based on the following three acceptable methods for measuring the ACL: 1) the present value of expected future cash flows discounted at the loan's original effective interest rate; 2) the loan's observable market price; or 3) the fair value of the collateral when the loan is collateral dependent. Our individual loan evaluations consist primarily of the fair value of collateral method because most of our loans are collateral dependent. Collateral values are discounted to consider disposition costs when appropriate. A specific reserve is established or a charge-off is taken if the fair value of the loan is less than the loan balance.

Allowance for Loan Losses – Prior to adopting ASU 2016-13

Prior to the adoption of ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", the Company calculated our allowance for loan losses ("ALL") using an incurred loan loss methodology. The following policy related to the ALL in prior periods.

The allowance for loan losses represents management's estimate of losses inherent in the loan portfolio as of the balance sheet date and is recorded as a reduction to loans. The allowance for loan losses is increased by the provision for loan losses and decreased by credit for loan losses and charge-offs, net of recoveries. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance. All, or part, of the principal balance of loans receivable is charged off to the allowance as soon as it is determined that the repayment of all, or part, of the principal balance is highly unlikely. Because all identified losses are immediately charged off, no portion of the allowance for loan losses is restricted to any individual loan or groups of loans, and the entire allowance is available to absorb any and all loan losses.

The allowance for loan losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management performs a quarterly evaluation of the adequacy of the allowance. The allowance is based on the Company's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions, and other relevant factors. This evaluation is inherently subjective, as it requires material estimates that may be susceptible to significant revision as more information becomes available.

The allowance consists of specific, general, and unallocated components. The specific component relates to loans that are classified as impaired. For loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers pools of loans by loan class, including commercial loans not considered impaired, as well as smaller balance homogeneous loans, such as residential real estate, home equity, and other consumer loans. These pools of loans are evaluated for loss exposure based upon historical loss rates for each of these categories of loans, adjusted for qualitative factors. These qualitative risk factors include:

2. Summary of Significant Accounting Policies (Continued)

Allowance for Loan Losses – Prior to adopting ASU 2016-13 (Continued)

- Lending policies and procedures, including underwriting standards and collection, charge-off, and recovery practices
- National, regional, and local economic and business conditions, as well as the condition of various market segments, including the value of underlying collateral for collateral-dependent loans
- Nature and volume of the portfolio and terms of loans
- Experience, ability, and depth of lending management and staff
- Volume and severity of past-due, classified, and nonaccrual loans, as well as other loan modifications
- Quality of the Company's loan review system, and the degree of oversight by the Company's Board of Directors
- Existence and effect of any concentrations of credit and changes in the level of such concentrations
- Effect of external factors, such as competition and legal and regulatory requirements

Each factor is assigned a value to reflect improving, stable, or declining conditions based on management's best judgment using relevant information available at the time of the evaluation. Adjustments to the factors are supported through documentation of changes in conditions in a narrative accompanying the allowance for loan loss calculation.

An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

The Company engages in a variety of lending activities, including commercial, residential real estate, and consumer/installment transactions. The Company focuses its lending activities on individuals, professionals, and small- to medium-sized businesses.

Commercial and industrial loans are also made to entrepreneurs, proprietors, professionals, partnerships, LLPs, LLCs and corporations. The assets financed are used within the business for its ongoing operation. Repayment of these kinds of loans generally comes from the cash flow of the business or the ongoing conversions of assets, such as accounts receivable and inventory, to cash. Commercial-term loans may have maturities up to ten years and generally have fixed interest rates for up to five years. Commercial lines of credit are renewed annually and generally carry variable interest rates. Typical collateral for commercial loans includes the borrower's accounts receivable, inventory, and machinery and equipment.

Commercial real estate loans include long-term loans financing commercial properties, either owner-occupied or rental properties. Repayment of this kind of loan is dependent upon either the ongoing cash flow of the borrowing entity or the resale of or lease of the subject property. Commercial real estate loans require a loan-to-value ratio of not greater than 80 percent at origination. Loan amortizations vary from 1 year to 25 years, and terms typically do not exceed 10 years. Interest rates can be either floating or adjustable periods for up to five years with either a rate reset provision or a balloon payment.

2. Summary of Significant Accounting Policies (Continued)

Allowance for Loan Losses – Prior to adopting ASU 2016-13 (Continued)

Commercial construction loan terms are 1 year to 18 months and have a floating rate tied to the Wall Street Journal prime rate. The Company requires a loan-to-value ratio of not less than 75 percent before, during, and after the construction. At this time, the Bank does not finance any speculative commercial construction projects and only considers construction projects that are pre-leased or owner-occupied, with cash flow meeting Bank policy.

Residential real estate loans are secured by the borrower's residential real estate in a first lien position. These loans have varying loan rates depending on the financial condition of the borrower and the loan-to-value ratio. Residential mortgages have terms up to 10 years with amortizations varying from 20 to 30 years. The Company also offers home equity lines of credit and home equity loans. Risks associated with loans secured by residential properties are generally lower than commercial loans and include general economic risks, such as the strength of the job market, employment stability, and the strength of the housing market. Since most loans are secured by a primary or secondary residence, the borrower's continued employment is the greatest risk to repayment.

The Company offers a variety of loans to individuals for personal and household purposes. Consumer loans are generally considered to have greater risk than first or second mortgages on real estate because they may be unsecured, or, if they are secured, the value of the collateral may be difficult to assess and more likely to decrease in value than real estate.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and industrial loans, commercial real estate loans, and commercial construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral-dependent.

An allowance for loan losses is established for an impaired loan if its carrying value exceeds its estimated fair value. The estimated fair values of substantially all of the Company's impaired loans are measured based on the estimated fair value of the loan's collateral.

For commercial loans secured by real estate, estimated fair values are determined primarily through third-party appraisals. When a real estate-secured loan becomes impaired, a decision is made regarding whether an updated certified appraisal of the real estate is necessary. This decision is based on various considerations, including the age of the most recent appraisal, the loan-to-value ratio based on the original appraisal, and the condition of the property. Appraised values are discounted to arrive at the estimated selling price of the collateral, which is considered to be the estimated fair value. The discounts also include estimated costs to sell the property.

For commercial loans secured by non-real estate collateral, such as accounts receivable, inventory, and equipment, estimated fair values are determined based on the borrower's financial statements, inventory reports, accounts receivable agings, or equipment appraisals or invoices. Indications of value from these sources are generally discounted based on the age of the financial information or the quality of the assets.

2. Summary of Significant Accounting Policies (Continued)

Allowance for Loan Losses – Prior to adopting ASU 2016-13 (Continued)

The allowance calculation methodology includes further segregation of loan classes into risk rating categories. The borrower's overall financial condition, repayment sources, guarantors, and value of collateral, if appropriate, are evaluated annually for commercial loans or when credit deficiencies arise, such as delinquent loan payments, for commercial and consumer loans. Credit quality risk ratings include regulatory classifications of special mention, substandard, doubtful, and loss. Loans classified special mention have potential weaknesses that deserve management's close attention. If uncorrected, the potential weaknesses may result in deterioration of the repayment prospects. Loans classified substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They include loans that are inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified doubtful have all the weaknesses inherent in loans classified substandard with the added characteristic that collection or liquidation in full, on the basis of current conditions and facts, is highly improbable. Loans classified as a loss are considered uncollectible and are charged to the allowance for loan losses. Loans not classified are rated pass.

In addition, federal banking agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses and may require the Bank to recognize additions to the allowance based on their judgments about information available to them at the time of their examination, which may not be currently available to management. Based on management's comprehensive analysis of the loan portfolio, management believes the current level of the allowance for loan losses is adequate.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

The Company estimates expected credit losses over the contractual period in which the Bank is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet credit exposures is adjusted through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

Accounting Pronouncements Adopted in 2023

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" and subsequent related updates. This ASU replaces the incurred loss methodology for recognizing credit losses and requires businesses and other organizations to measure CECL on financial assets measured at amortized cost, including loans and held-to-maturity securities, net investments in leases, off-balance sheet credit exposures such as unfunded commitments, and other financial instruments. In addition, Accounting Standards Codification ("ASC") 326 requires credit losses on available-for-sale debt securities to be presented as an allowance rather than as a write-down when management does not intend to sell or believes that it is not more likely than not they will be required to sell. This guidance became effective on January 1, 2023 for the Company. The results reported for periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable accounting standards.

The Company adopted this guidance, and subsequent related updates, using the modified retrospective approach for all financial assets measured at amortized cost, including loans and held-to-maturity debt securities, unfunded commitments. Management determined that there was no material effect upon the adoption of this guidance, and no adjustment was necessary on January 1, 2023.

2. Summary of Significant Accounting Policies (Continued)

Accounting Pronouncements Adopted in 2023 (Continued)

The Company adopted the provisions of ASC 326 related to presenting other-than-temporary impairment on available-for-sale debt securities prior to January 1, 2023 using the prospective transition approach, though no such changes had been recorded on the securities held by the Company as of the date of adoption.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the following estimated useful lives of the related assets:

	Years
Leasehold improvements	5–20
Furniture, fixtures, and equipment	3–10
Equipment	3–20

Foreclosed Assets

Foreclosed assets are comprised of property acquired through a foreclosure proceeding or acceptance of a deed-in-lieu of foreclosure and loans classified as in-substance foreclosure. A loan is classified as in-substance foreclosure when the Company has taken possession of the collateral, regardless of whether formal foreclosure proceedings take place. Foreclosed assets initially are recorded at fair value, net of estimated selling costs, at the date of foreclosure, establishing a new cost basis. After foreclosure, valuations are periodically performed by management, and the assets are carried at the lower of cost or fair value minus estimated costs to sell. Revenues and expenses from operations and changes in the valuation allowance are included in other expenses. Any gain or loss upon the sale of foreclosed assets is charged to operations as incurred.

Transfers of Financial Assets

Transfers of financial assets, including loan and loan participation sales, are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

2. Summary of Significant Accounting Policies (Continued)

Loan Servicing Rights

When loans are sold with servicing retained, servicing rights are initially recorded at fair value with the income statement effect recorded in net gain on sales of loans. Fair value is based on market prices for comparable servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income.

The Company subsequently measures servicing rights using the amortization method. It evaluates servicing rights for impairment at each reporting date and reports impairment charges and subsequent recoveries in earnings. Such changes are included with loan servicing fees on the income statement.

Servicing fee income, which is reported on the income statement as loan servicing fees, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal, or a fixed amount per loan and are recorded as income when earned. Servicing fees totaled approximately $1,748,000 and $1,848,000 for the years ended December 31, 2023 and 2022, respectively. Late fees and ancillary fees related to loan servicing are not material.

Advertising Costs

The Company follows the policy of charging the costs of advertising to expense as incurred.

Income Taxes

Deferred income taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences and net operating losses and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and net operating loss carryforwards and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company follows the accounting guidance related to the accounting for uncertainty in income taxes. Under the "more likely than not" threshold guidelines, the Company believes no significant uncertain tax positions exist, either individually or in the aggregate, that would give rise to the non-recognition of an existing tax benefit. As of December 31, 2023 and 2022, the Company had no material unrecognized tax benefits or accrued interest and penalties. The Company's policy is to account for interest as a component of interest expense and penalties as a component of other expense. The Company is no longer subject to examination by taxing authorities for the years before January 1, 2020.

2. Summary of Significant Accounting Policies (Continued)

Off-Balance-Sheet Financial Instruments

In the ordinary course of business, the Company has entered into off-balance-sheet financial instruments consisting of commitments to extend credit and letters of credit. Such financial instruments are recorded in the Consolidated Balance Sheets when they are funded.

Earnings Per Share

Basic earnings per share represents the net income by the weighted-average number of common shares outstanding during the period. Diluted income per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate solely to outstanding stock options and are determined using the treasury stock method.

The following table presents the potential common shares related solely to the Company's outstanding stock options.

	2023	2022
Net income (in thousands)	$ 8,234	$ 8,352
Weighted-average shares outstanding	4,988,875	4,838,551
Dilutive effect of potential common shares, stock options	69,871	53,100
Diluted weighted-average common shares outstanding	5,058,746	4,891,651
Basic net income per common share	$ 1.65	$ 1.73
Diluted net income per common share	$ 1.63	$ 1.71

For the years ended December 31, 2023 and 2022, 612,500 and 764,000 stock options were anti-dilutive, respectively, and not included in diluted earnings per share.

Stock Compensation Plans

The Company has stock option plans in place for employees and directors. The Company recognizes the cost of services received in exchange for stock option awards based on the grant date fair value of the award. A Black-Scholes model is used to estimate the fair value of stock options. The model requires the use of subjective assumptions that can materially affect fair value estimates. The fair value of each option is amortized into compensation expense on a straight-line basis between the grant date for the option and each vesting date. There were no stock options granted in 2023. The fair value of each stock option granted was estimated using the following weighted-average assumptions for grants in 2022 (1) no dividends were expected; (2) risk-free interest rate of 3.36 percent; (3) expected volatility of 17.30 percent; and (4) expected lives of options of 7.0 years.

Revenue Recognition

ASC Topic 606 implements a common revenue standard that clarifies the principles for recognizing revenue from contracts. The majority of the Company's revenues come from interest income and other sources, including loans and securities that are outside the scope of Topic 606. The Company's services that fall within the scope of Topic 606 are presented within other income and are recognized as revenue as the Company satisfies its obligation to the customer. Services within the scope of Topic 606 include service charges on deposits, interchange income. The Company generally acts in a principal capacity, on its own behalf, in most of its contracts with customers. In such transactions, revenue is recognized and the related costs to provide services is recognized on a gross basis in the financial statements.

2. Summary of Significant Accounting Policies (Continued)

Reclassification of Comparative Amounts

Certain comparative amounts for the prior year have been reclassified to conform to current-year classifications. Such reclassifications had no effect on stockholders' equity or net income.

3. Investment Securities

The amortized cost, gross unrealized gains and losses, approximate fair value, and allowance for credit losses of investment securities as of December 31, 2023, are summarized as follows (in thousands):

	December 31, 2023			
	Amortized Cost[2]	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for Sale				
U.S. Treasury	$ -	$ -	$ -	$ -
Corporate securities	1,000	-	(126)	874
U.S. government-sponsored enterprises, residential mortgage-backed securities	1,144	1	(13)	1,132
Total	$ 2,144	$ 1	$ (139)	$ 2,006

	December 31, 2023			
	Amortized Cost,net[1]	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held to Maturity				
Corporate securities	$ 247	$ -	$ (11)	$ 236
U.S. government-sponsored enterprises, residential mortgage-backed securities	430	6	(18)	418
Total	$ 677	$ 6	$ (29)	$ 654

(1) Amortized cost is reported net of ACL of $2 at December 31, 2023.
(2) At December 31, 2023, there was no allowance for creidt losses on available for sale securiteis.

3. Investment Securities (Continued)

The amortized cost and approximate fair value of investment securities as of December 31, 2022 are summarized as follows (in thousands):

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for Sale				
U.S. Treasury	$ 19,999	$ -	$ (299)	$ 19,700
Corporate securities	1,000	-	(57)	943
U.S. government-sponsored enterprises, residential mortgage-backed securities	300	1	(4)	297
Total	$ 21,299	$ 1	$ (360)	$ 20,940

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held to Maturity				
Corporate securities	$ 249	$ -	$ (20)	$ 229
U.S. government-sponsored enterprises, residential mortgage-backed securities	623	5	(30)	598
Total	$ 872	$ 5	$ (50)	$ 827

3. Investment Securities (Continued)

The following tables show the Company's investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position (in thousands):

	2023					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities available for sale:						
U.S. treasury	$ -	$ -	$ -	$ -	$ -	$ -
Corporate securities	-	-	874	(126)	874	(126)
U.S. government-sponsored enterprises, residential mortgage-backed securities	1,002	(11)	89	(2)	1,091	(13)
	$ 1,002	$ (11)	$ 963	$ (128)	$ 1,965	$ (139)

	2022					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities available for sale:						
U.S. treasury	$ 19,700	$ (299)	$ -	$ -	$ 19,700	$ (299)
Corporate securities	943	(57)	-	-	943	(57)
U.S. government-sponsored enterprises, residential mortgage-backed securities	221	(4)	-	-	221	(4)
	$ 20,864	$ (360)	$ -	$ -	$ 20,864	$ (360)

	2022					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities held to maturity:						
Corporate securities	$ -	$ -	$ 229	$ (20)	$ 229	$ (20)
U.S. government-sponsored enterprises, residential mortgage-backed securities	358	(23)	82	(7)	440	(30)
	$ 358	$ (23)	$ 311	$ (27)	$ 669	$ (50)

3. Investment Securities (Continued)

The Company had 6 securities and 3 securities in a gross unrealized loss position for less than 12 months with 35.5% and 97.1% at December 31, 2023 and 2022, respectively. The Company had 5 securities and 2 securities in a gross unrealized loss position for 12 months or more with 34.1% and 1.42% at December 31, 2023 and 2022, respectively.

The unrealized losses on the Company's available-for-sale debt securities have not been recognized into income because management does not intend to sell and it is not more-likely-than-not it will be required to sell any of the available-for-sale debt securities before recovery of its amortized cost basis. Furthermore, the unrealized losses are due to changing interest rates and other market condition, were not reflective of credit events and the issuers continue to make timely principal and interest payments on the bonds. Agency-backed and government-sponsored enterprise securities have a long history with no credit losses, including during times of severe stress. The principal and interest payments on agency-guaranteed debt is backed by the U.S. government. Government-sponsored enterprises similarly guarantee principal and interest payments and carry an implicit guarantee from the U.S. Department of the Treasury. Additionally, government-sponsored enterprise securities are exceptionally liquid, readily marketable, and provide a substantial amount of price transparency and price parity, indicating a perception of zero credit losses.

Unrealized losses on the Company's available-for-sale corporate securities have not been recognized into income management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. 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 following table presents the activity in the allowance for credit losses for debt securities held-to maturity by major security type for the year ended December 31, 2023:

	Beginning Balance	Impact of adopting ASC 326	Charge-offs	Recoveries	Provisions (Reductions)	Ending Balance
Allowance for credit losses:						
Corporate securities	$ -	$ -	$ -	$ -	$ 2	$ 2
U.S.goverment-soponsored enterprises, residential mortgage-backed securities	-	-	-	-	-	-
	$ -	$ -	$ -	$ -	$ 2	$ 2

3. Investment Securities (Continued)

The Company monitors the credit quality of debt securities held-to-maturity primarily through utilizing credit rating. The Bank monitors the credit rating on a quarterly basis. The following table summarizes the amortized cost of debt securities held-to-maturity at December 31, 2023, aggregated by credit quality indicator:

Held to Maturity	U.S. government-sponsored enterprises, residential mortgage-backed securities	Corporate Securities[(1)]
Credit Rating		
AAA/AA/A	$ 430	$ -
BBB/BB/B	-	247
Lower that B	-	-
Total	$ 430	$ 247

[(1)]Amortized cost is reported net of ACL of $2 at December 31, 2023.

The amortized cost and carrying value of securities are shown below by contractual maturity at December 31, 2023. Actual maturities may differ from contractual maturities, as issuers may have to call or prepay obligations with or without call or prepayment penalties (in thousands).

	Held to Maturity		Available for Sale	
	Amortized Cost, net[(1)]	Fair Value	Amortized Cost	Fair Value
Due one year or less	$ -	$ -	$ -	$ -
Due after one year through five years	247	236	-	-
Due after five years through ten years	-	-	1,000	874
Due after ten years	-	-	-	-
U.S.government-sponsored enterprises, residential mortgage-backed securities	430	418	1,144	1,132
Total	$ 677	$ 654	$ 2,144	$ 2,006

[(1)]Amortized cost is reported net of ACL of $2 at December 31, 2023.

There were no sales of securities in 2023 and 2022.

Investment securities with a carrying value of approximately $660,000 and $940,000 at December 31, 2023 and 2022, respectively, were pledged to secure public deposits and for other purposes required or permitted by applicable laws and regulations.

4. Loans Receivable and Allowance for Credit Losses

The components of loans receivable are as follows (in thousands):

	2023	2022
Commercial and industrial	$ 48,887	$ 49,761
Commercial real estate	329,712	323,663
Construction	2,782	4,919
Residential real estate	309,999	276,633
Consumer, other	240	95
	691,620	655,071
Allowance for credit losses	(9,064)	(8,490)
Unearned net loan origination fees and costs	(3,804)	(3,733)
Total	$ 678,752	$ 642,848

During 2020, the Company participated in the Paycheck Protection Program (PPP), administered directly by the U.S. Small Business Administration (SBA). The PPP provides loans to small businesses that were affected by economic conditions as a result of COVID-19 to provide cash-flow assistance to employers who maintain their payroll (including healthcare and certain related expenses), mortgage interest, rent, leases, utilities, and interest on existing debt during the COVID-19 emergency. As of December 31, 2023 and 2022, the Company had outstanding principal balances of $1.9 million and $2.8 million, respectively. The PPP loans are fully guaranteed by the SBA and may be eligible for forgiveness by the SBA to the extent that the proceeds are used to cover eligible payroll costs, interest costs, rent, and utility costs over a period of up to 24 weeks after the loan is made as long as certain conditions are met regarding employee retention and compensation levels. PPP loans deemed eligible for forgiveness by the SBA will be repaid by the SBA to the Company. PPP loans are included in the commercial and industrial loan category.

In accordance with the SBA terms and conditions on these PPP loans, the Company received approximately $5.5 million in fees associated with the processing of these loans. Upon funding of the loan, these fees were deferred and accreted over the life of the loan. The Company recognized $31,000 and $787,000 in income for 2023 and 2022, respectively.

For purposes of determining the ACL on loans, the Company disaggregates its loans into portfolio segments. Each portfolio segment possesses unique risk characteristics that are considered when determining the appropriate level of allowance. As of December 31, 2023, the Company's loan portfolio segments, as determined based on the unique risk characteristics of each, included the following:

Commercial and industrial: Loans in this segment are made to businesses and are generally secured by assets of the business. Repayment is expected from the cash flows of the business. A weakened economy, and resultant decreased consumer spending, will have an effect on the credit quality in this segment.

Commercial real estate: Loans in this segment are primarily financing commercial properties, either owner-occupied or rental properties. The underlying cash flows generated by the properties are adversely impacted by a downturn in the economy as evidenced by increased vacancy rates or a general slowdown in business which, in turn, will have an effect on the credit quality of this segment. Management obtains rent rolls and business financial statements on an annual basis at least and continually monitors the cash flows of these loans.

Construction: Loans in this segment are a short-term loan used to finance the building of a home or another real estate project. After completion of the project, loans are converted to permeant commercial real estate loans. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality of this segment.

4. Loans Receivable and Allowance for Credit Losses (Continued)

Residential real estate: All loans in this segment are collateralized by owner-occupied residential real estate and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality of this segment.

Multifamily: Loans in this segment are collateralized by 5 or more residential real estate property. The underlying cash flows generated by the properties are adversely impacted by a downturn in the economy as evidenced by increased vacancy rates, will have an effect on the credit quality of this segment. Management obtains rent rolls and its financial statements on an annual basis at least and continually monitors the cash flows of these loans.

Consumer: Consumer loan products include personal lines of credit and amortizing loans made to qualified individuals for various purposes such as education, auto loans, debt consolidation, personal expenses, or overdraft protection. The Company currently has deposit overdraft in this segment, which mostly recovered the following business day. There is a minimal credit loss risk.

The following table presents the activity in the allowance for credit losses by portfolio segment for the year ended December 31 (in thousands):

December 31, 2023	Beginning Balance	Charge-offs	Recoveries	Provison for (Reversal of) Credit Losses	Ending Balance	Ending Balance Individually Evaluated	Ending Balance Collectively Balance
Allowance for credit losses:							
Commercial and industrial	$ 932	$ 13	$ 233	$ 540	$ 1,692	$ 190	$ 1,502
Commercial real estate	3,915	275	65	322	4,027	15	4,012
Construction	57	-	-	(33)	24	-	24
Residential real estate	3,491	-	149	(332)	3,308	-	3,308
Consumer, other	-	3	-	4	1	-	1
Unallocated	95	-	-	(83)	12	-	12
Total	$ 8,490	$ 291	$ 447	$ 418	$ 9,064	$ 205	$ 8,859

December 31, 2022	Beginning Balance	Charge-offs	Recoveries	Provision for Loan Losses	Ending Balance	Ending Balance Individually Evaluated	Ending Balance Collectively Evaluated
Allowance for loan losses:							
Commercial and industrial	$ 2,264	$ 160	$ 328	$ (1,500)	$ 932	$ 233	$ 699
Commercial real estate	4,143	203	15	(40)	3,915	113	3,802
Construction	108	-	100	(151)	57	-	57
Residential real estate	1,553	-	-	1,938	3,491	-	3,491
Home equity	4	-	10	(14)	-	-	-
Consumer, other	1	3	-	2	-	-	-
Unallocated	330	-	-	(235)	95	-	95
Total	$ 8,403	$ 366	$ 453	$ -	$ 8,490	$ 346	$ 8,144

4. Loans Receivable and Allowance for Credit Losses (Continued)

The following tables present the loan segments by individually evaluated and collectively evaluated as of December 31:

	Loans Receivable		
December 31, 2023	Total	Individually Evaluated For Impairment	Collectively Evaluated For Impairment
Commercial and industrial	$ 48,887	$ 396	$ 48,491
Commercial real estate	329,712	873	328,839
Construction	2,782	-	2,782
Residential real estate	309,999	992	309,007
Consumer, other	240	-	240
Total	$ 691,620	$ 2,261	$ 689,359

	Loans Receivable		
December 31, 2022	Total	Individually Evaluated For Impairment	Collectively Evaluated For Impairment
Commercial and industrial	$ 49,761	$ 685	$ 49,076
Commercial real estate	323,663	1,520	322,143
Construction	4,919	-	4,919
Residential real estate	276,633	1,115	275,518
Consumer, other	95	-	95
Total	$ 655,071	$ 3,320	$ 651,751

The following table present the amortized cost basis of loans on nonaccrual status and loans past due over 90 days still accruing interest as of December 31, 2023, (in thousand):

	Nonaccrual with no ACL	Nonaccrual with ACL	Total Nonaccrual	Past Due Over 90 Days and Accruing	Total Nonperforming
Commercial and industrial	$ 174	$ 222	$ 396	$ -	$ 396
Commercial real estate	789	84	873	-	873
Residential real estate	992	-	992	-	992
Total	$ 1,955	$ 306	$ 2,261	$ -	$ 2,261

4. Loans Receivable and Allowance for Credit Losses (Continued)

The following table presents nonaccrual loans by classes of the loan portfolio as of December 31, 2022, (in thousands):

		2022
Commercial and industrial	$	685
Commercial real estate		1,520
Construction		-
Residential real estate		1,115
Consumer, other		-
Total	$	3,320

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. The Company analyzes loans individually to classify the loans as to credit risk. This analysis includes all loans risk rated special mention, substandard or doubtful, or 60 or more days past due. The Company uses the following definitions for risk ratings:

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

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

Doubtful. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Based on the most recent analysis performed, the following table presents the recorded investment in non-homogeneous loans by internal risk rating system as of December 31, 2023 (in thousands)

4. Loans Receivable and Allowance for Credit Losses (Continued)

	Term Loans Amortized Costs Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	
December 31, 2023	2023	2022	2021	2020	2019	Prior			Total
Commercial and industrial					-				
Risk Rating									
Pass	$ 15,395	$ 10,482	$ 5,904	$ 1,624	$ 2,215	$ 5,744	$ 3,879	$ -	$ 45,243
Special Mention	-	1,341	-	-	1,045	382	-	460	3,228
Substandard	-	-	-	-	154	262	-	-	416
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 15,395	$ 11,823	$ 5,904	$ 1,624	$ 3,414	$ 6,388	$ 3,879	$ 460	$ 48,887
Commercial and industrial									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ 13	$ -	$ -	$ 13
Commercial real estate									
Risk Rating									
Pass	$ 59,455	$ 118,667	$ 44,722	$ 20,802	$ 14,722	$ 42,316	$ -	$ -	$ 300,684
Special Mention	-	10,410	3,934	6,050	2,280	3,703	-	-	26,377
Substandard	-	-	-	-	-	2,651	-	-	2,651
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 59,455	$ 129,077	$ 48,656	$ 26,852	$ 17,002	$ 48,670	$ -	$ -	$ 329,712
Commercial real estate									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ 275	$ -	$ -	$ 275
Construction									
Risk Rating									
Pass	$ 1,284	$ 1,498	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,782
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 1,284	$ 1,498	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,782
Construction									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total					-				
Risk Rating									
Pass	$ 76,134	$ 130,647	$ 50,626	$ 22,426	$ 16,937	$ 48,060	$ 3,879	$ -	$ 348,709
Special Mention	-	11,751	3,934	6,050	3,325	4,085	-	460	29,605
Substandard	-	-	-	-	154	2,913	-	-	3,067
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 76,134	$ 142,398	$ 54,560	$ 28,476	$ 20,416	$ 55,058	$ 3,879	$ 460	$ 381,381
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ 288	$ -	$ -	$ 288

4. Loans Receivable and Allowance for Credit Losses (Continued)

The following tables present the classes of the loan portfolio summarized by the aggregate pass rating and the classified ratings of special mention, substandard, and doubtful within the Company's internal risk rating system as of December 31, 2022 (in thousands):

	2022		
	Commercial and Industrial	Commercial Real Estate	Construction Loans
Pass	$ 46,961	$ 303,215	$ 4,082
Special Mention	2,086	16,899	837
Substandard	714	3,549	-
	$ 49,761	$ 323,663	$ 4,919

There were no loans classified as doubtful or loss as of December 31, 2023 and 2022.

The Company monitors the credit risk profile by payment activity for residential and consumer loan classes. Loans past due 90 days or more and loans on nonaccrual status are considered nonperforming. Nonperforming loans are reviewed monthly. The following table presents the amortized cost in residential and consumer loans based on payment activity:

	Term Loans Amortized Costs Basis by Origination Year						Revolving Loans Amortized	Revolving Loans Converted	
December 31, 2023	2023	2022	2021	2020	2019	Prior	Cost Basis	to Term	Total
Residential real estate									
Payment Performance									
Performing	$ 45,730	$ 211,699	$ 31,200	$ 9,219	$ 1,914	$ 9,123	$ 122	$ -	$ 309,007
Nonperforming	-	-	-	554	-	438	-	-	992
Total	$ 45,730	$ 211,699	$ 31,200	$ 9,773	$ 1,914	$ 9,561	$ 122	$ -	$ 309,999
Residential real estate									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer					-				
Payment Performance									
Performing	$ 240	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 240
Nonperforming	-	-	-	-	-	-	-	-	-
Total	$ 240	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 240
Consumer									
Current period gross charge-offs	$ 3	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3
					-				
Payment Performance									
Performing	$ 45,970	$ 211,699	$ 31,200	$ 9,219	$ 1,914	$ 9,123	$ 122	$ -	$ 309,247
Nonperforming	-	-	-	554	-	438	-	-	992
Total	$ 45,970	$ 211,699	$ 31,200	$ 9,773	$ 1,914	$ 9,561	$ 122	$ -	$ 310,239
Current period gross charge-offs	$ 3	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3

4. Loans Receivable and Allowance for Credit Losses (Continued)

The following table presents performing and nonperforming loans based solely on payment activity that has not been assigned an internal risk grade as of December 31,2022 (in thousands):

	2022	
	Residential Real Estate	Consumer, Other
Performing	$ 275,518	$ 95
Nonperforming	1,115	-
Total	$ 276,633	$ 95

The following table summarize information in regard to impaired loans by loan portfolio class as of December 31, 2022 (in thousands):

	2022				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial and industrial	$ 408	$ 649	$ -	$ 404	$ -
Commercial real estate	985	1,116	-	775	-
Construction	-	-	-	-	-
Residential real estate	1,102	1,102	-	527	-
Home equity	13	13	-	15	-
Consumer, other	-	-	-	-	-
Total	2,508	2,880	-	1,721	-
With an allowance recorded:					
Commercial and industrial	277	498	233	298	-
Commercial real estate	535	535	113	535	-
Construction	-	-	-	-	-
Residential real estate	-	-	-	-	-
Home equity	-	-	-	-	-
Consumer, other	-	-	-	-	-
Total	812	1,033	346	833	-
Total					
Commercial and industrial	685	1,147	233	702	-
Commercial real estate	1,520	1,651	113	1,310	-
Construction	-	-	-	-	-
Residential real estate	1,102	1,102	-	527	-
Home equity	13	13	-	15	-
Consumer, other	-	-	-	-	-
Total	$ 3,320	$ 3,913	$ 346	$ 2,554	$ -

4. Loans Receivable and Allowance for Credit Losses (Continued)

The performance and credit quality of the loan portfolio is also monitored by analyzing the age of the loans receivable, as determined by the length of time a recorded payment is past due. The following tables present the classes of the loan portfolio summarized by the past-due status (in thousands):

	2023					
	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Total Loans Receivable
Commercial and industrial	$ 48,088	$ 536	$ 5	$ 258	$ 799	$ 48,887
Commercial real estate	328,677	628	-	407	1,035	329,712
Construction	2,782	-	-	-	-	2,782
Residential real estate	309,569	-	430	-	430	309,999
Consumer, other	240	-	-	-	-	240
Total	$ 689,356	$ 1,164	$ 435	$ 665	$ 2,264	$ 691,620

	2022					
	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Total Loans Receivable
Commercial and industrial	$ 49,275	$ 177	$ -	$ 309	$ 486	$ 49,761
Commercial real estate	322,143	541	-	979	1,520	323,663
Construction	4,919	-	-	-	-	4,919
Residential real estate	275,123	799	-	511	1,310	276,433
Home equity	200	-	-	-	-	200
Consumer, other	95	-	-	-	-	95
Total	$ 651,755	$ 1,517	$ -	$ 1,799	$ 3,316	$ 655,071

4. Loans Receivable and Allowance for Credit Losses (Continued)

Modifications to Borrowers Experiencing Financial Difficulty

Occasionally, the Company modifies loans to borrowers in financial distress by providing interest rate reductions, extensions of maturity, principal forgiveness, or payment modifications. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

In some cases, the Company provides multiple types of concessions on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted.

The following table shows the amortized cost basis at the end of the reporting period of the loans modified to borrowers experiencing financial difficulty, disaggregated by class of financing receivable and type of concession granted (in thousands):

Loan Modifications Made to Borrowers Experiencing Financial Difficulty

	Payment deferral	
	Amortized Cost Basis at December 31, 2023	% of Total Class of Financing Receivable
Commercial and industrial	$ 237	0.48 %
Commercial real estate	380	0.12
Total	$ 617	

The Company has no additional amounts of commitment to the borrowers included in the previous table.

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty during the year ended December 31, 2023:

Payment deferral	
Loan Type	Financial Effect
Coomercial and industrial	Provided six-month payment deferrals to borrowers through our standard deferral program. Deferred payments were not added to the end of the term of the loans for these borrowers.
Comercial real estate	Provided six-month payment deferrals to borrowers through our standard deferral program. Deferred payments were not added to the end of the term of the loans for these borrowers.

4. Loans Receivable and Allowance for Credit Losses (Continued)

Modifications to Borrowers Experiencing Financial Difficulty (Continued)

The Company did not have any modification loans that subsequently defaulted, within 12 months of the original modification, during the year ended December 31, 2023.

Upon the Company's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

The Company closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table depicts the performance of loans that have been modified in the last 12 months (in thousands):

	Current	31-60 Days Past Due	61-90 Days Past Due	Greater Than 90 Days Past Due	Total
Commercial and industrial	$ 150	$ -	$ -	$ 87	$ 237
Commercial real estate	380	-	-	-	380
Total	$ 530	$ -	$ -	$ 87	$ 617

Prior to adopting ASU 2016-13, the Company may grant a concession or modification for economic or legal reasons related to a borrower's financial condition that it would not otherwise consider, resulting in a modified loan, which is then identified as a troubled debt restructuring (TDR). The Company may modify loans through rate reductions, extensions of maturity, interest-only payments, or payment modifications to better match the timing of cash flows due under the modified terms with the cash flows from the borrowers' operations. Loan modifications are intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. TDRs are considered impaired loans for purposes of calculating the Bank's allowance for loan losses.

The Company identifies loans for potential restructure primarily through direct communication with the borrower and evaluation of the borrower's financial statements, revenue projections, tax returns, and credit reports. Even if the borrower is not presently in default, management will consider the likelihood that cash flow shortages, adverse economic conditions, and negative trends may result in a payment default in the near future.

4. Loans Receivable and Allowance for Credit Losses (Continued)

Modifications to Borrowers Experiencing Financial Difficulty (Continued)

The following are loans modified as a TDR during the year ended December 31, 2022 (in thousands):

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial and industrial	1	$ 35	$ 33
Total	1	$ 35	$ 33

The Company had $391,000 in total performing TDRs as of December 31, 2022. During the years ended December 31, 2022, the Bank did not have any loans classified as TDRs that subsequently defaulted.

Allowance for Credit Losses on Off-Balance Sheet Commitments

The following table presents the activity in the allowance for credit losses related to off-balance sheet commitments, that is included in Other Liabilities on the Consolidated Balance Sheets for the end of December 31, 2023.

	Allowance for Credit Loss
Balance - December 31, 2022	$ -
Provision for credit loss	430
Balance - December 31, 2023	$ 430

5. Loan Servicing Rights

The Company originated and sold loans guaranteed by the SBA. The Company retained the unguaranteed portion of the loans and the servicing on the loans sold and received a fee based upon the principal balance outstanding. Loans serviced totaled $163,892,000 and $179,523,000 at December 31, 2023 and 2022, respectively.

Whether sold or not, the guarantee associated with SBA loans is contingent upon the Company following specific policies and procedures set by the SBA. This creates off-balance-sheet risk should the SBA determine the Company is not in compliance with these policies and procedures.

The amortization of loan servicing assets is netted against loan servicing fee income in the Consolidated Statements of Income. The Company obtains updated fair values from an independent third party, and to the extent that the carrying value exceeds fair value, the adjustments to fair value are presented in the loan servicing fees in the Consolidated Statements of Income.

5. Loan Servicing Rights (Continued)

The following table presents changes in the servicing assets, net of valuation allowance (in thousands):

	2023	2022
Balance, beginning of year	$ 2,925	$ 3,352
Additions	428	497
Amortization	(955)	(924)
Recovery for valuation allowance of servicing	-	-
Balance, end of year	$ 2,398	$ 2,925

For the purposes of measuring impairment, servicing assets were stratified into commercial and industrial and commercial real estate loan categories, and fair value was determined.

6. Premises and Equipment

The components of premises and equipment are as follows (in thousands):

	2023	2022
Leasehold improvements	$ 1,757	$ 1,483
Furniture and fixtures	638	599
Equipment	3,063	3,147
	5,458	5,229
Less accumulated depreciation	(4,048)	(3,661)
Total	$ 1,410	$ 1,568

Depreciation and amortization expense was $387,000 and $330,000 for the years ended December 31, 2023 and 2022, respectively.

7. Deposits

The components of deposits were as follows (in thousands):

	2023 Amount	2022 Amount
Demand, noninterest bearing	$ 103,149	$ 119,584
Demand, interest bearing	15,391	27,401
Savings	67,106	93,178
Time, less than $250	255,643	231,331
Time, over $250	188,125	155,870
	$ 629,414	$ 627,364

7. Deposits (Continued)

At December 31, 2023, the scheduled maturities of time deposits are as follows (in thousands):

Year Ending December 31,		Amount
2024		$ 413,479
2025		29,157
2026		645
2027		274
2028		213
	Total	$ 443,768

8. Borrowings

There were no outstanding borrowings at December 31, 2023 and 2022.

The Company has reserve lines totaling $29 million at three of our correspondent banks as of December 31, 2023. During 2020, the Company secured a line of credit at FHLBNY, collateralized by residential real estate loans. The Company has a line of credit in the amount of $124.9 million as of December 31, 2023. The Company does not have any loans outstanding against the lines as of December 31, 2023 and 2022.

9. Lease Commitments and Total Rental Expense

The Company has historically entered into a number of lease arrangements under which it is the lessee. Specifically, all of our leases for our branches and our corporate headquarters facility are subject to operating leases. In addition, we have elected the short-term lease practical expedient related to leases of various equipment used in our locations. All of our leases include optional renewal periods. Upon opening a new branch location, we typically install brand-specific leasehold improvements with a useful life of ten years. To the extent that the initial lease term of the related lease is less than the useful life of the leasehold improvements, we conclude that it is reasonably certain that a renewal option will be exercised, and thus that renewal period is included in the lease term, and the related payments are reflected in the right-of-use (ROU) asset and lease liability. Generally, we do not consider any additional renewal periods to be reasonably certain of being exercised, as comparable locations could generally be identified within the same trade areas for comparable lease rates.

All of our leases are fixed rental payments. While the majority of our leases are gross leases, we also have a number of leases in which we make separate payments to the lessor based on the lessor's property and casualty insurance costs and the property taxes assessed on the property, as well as a portion of the common area maintenance associated with the property. We have elected the practical expedient not to separate lease and non-lease components for all of our building leases.

As of December 31, 2023 and 2022, the weighted-average remaining lease term for all operating leases is 4.93 years and 5.63 years, respectively. Because the rate implicit in the lease is not apparent, we utilize as the discount rate our incremental borrowing rate (FHLB collateralized borrowing rate for similar term) at the later of the adoption date or lease commencement date. The weighted-average discount rate associated with operating leases in 2023 is 2.62 percent and in 2022 is 2.63 percent.

9. Lease Commitments and Total Rental Expense (Continued)

As of December 31, 2023 and 2022, amounts recognized as right-of-use assets related to operating leases of approximately $4,031,000 and $5,097,000, respectively, are included in other assets, in the accompanying Consolidated Balance Sheets, while related lease liabilities of approximately $4,504,000 and $5,619,000, respectively, are included in other liabilities.

The total rental expense, including common area maintenance changes, included in the Consolidated Statements of Income for the years ended December 31, 2023 and 2022, is approximately $1,429,000 and $1,399,000, respectively.

The future payments due under operating leases as of December 31, 2023, are as follows:

Year Ending December 31,		
2024	$	1,143
2025		994
2026		899
2027		720
2028		490
Thereafter		546
Total future minimum lease payments		4,792
Less: imputed interest		(288)
Total lease liabilities	$	4,504

10. Accumulated Other Comprehensive Loss

U.S. GAAP requires that recognized revenue, expenses, gains, and losses be included in net income or loss. Certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as components of comprehensive income.

The components of accumulated other comprehensive loss and related tax effects are as follows (in thousands):

		2023		2022
Unrealized gains (losses) on available for sale securities	$	(138)	$	(359)
Tax effect		42		108
Net of tax	$	(96)	$	(251)

11. Stockholders' Equity and Stock Option Plans

In 2014, the stockholders approved the 2014 stock option plan – A, which may grant 540,000 options under the plan. Plan A may issue incentive stock options (ISO) to employees of the Bank and 180,000 non-qualified stock options (NQO) to nonemployee directors. The plan was approved by the NJDOBI in 2015. There are 492,500 options granted under the plan, with 47,500 remaining.

In 2014, the stockholders approved the 2014 Stock Option Plan – B, which may grant 180,000 options under the plan. Plan B may issue grants for NQOs to nonemployee directors. This plan was approved by the NJDOBI in 2015. There are 176,917 options granted under the plan with 3,083 remaining.

In 2022, the stockholders approved the 2022 Stock Option Plan which may grant 720,000 options under the plan. Plan may issue incentive stock options (ISO) to employees of the Bank and 360,000 non-qualified stock options (NQO) to nonemployee directors. This plan was approved by the NJDOBI in 2022. There are 612,500 options granted under the plan with 107,500 options remaining.

The stock option plans are administered by the Compensation Committee. The committee members have the authority to determine (i) the individuals to whom and the time at which options are to be granted; (ii) whether such options are to be ISOs or NQOs (subject to requirements of the Internal Revenue Code); (iii) the terms and conditions of any option granted, including any vesting period; (iv) the exercise price; and (v) the administration of the stock option plans. There are 158,083 options available under the Stock Option Plans as of December 31, 2023.

Options granted pursuant to the stock option plans must be exercisable at a price greater than or equal to the par value of the common stock, but in no event may the option price be lower than (i) in the case of the ISO, the fair market value of the shares subject to the ISO on the date of grant; (ii) in the case of a NQO issued to a director as compensation for serving as a director or as a member of the advisory boards of the Bank, the fair market value of the shares subject to the NQO on the date of grant, and (iii) in the case of a NQO issued to a grantee as employment compensation, 85 percent of the fair market value of the shares subject to the NQO on the date of grant. In addition, no ISO may be granted to an employee who owns common stock possessing more than 10 percent of the total combined voting power of the Bank's common stock, unless the price is at least 110 percent of the fair market value (on the date of grant) of the common stock.

Total stock-based compensation related to stock options was $622,000 and $303,000 for the years ended December 31, 2023 and 2022, respectively.

11. Stockholders' Equity and Stock Option Plans (Continued)

The following summarizes changes in stock options outstanding under the plans (in thousands):

	2023			2022		
	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (In Years)	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (In Years)
Outstanding, beginning of year	944,000	$ 7.43	8.36	618,000	$ 5.37	4.40
Granted	-	-	-	687,500	8.00	9.68
Exercised	(31,500)	5.07	-	(361,500)	5.00	-
Forfeited	(88,083)	7.92	-	-	-	-
Outstanding, end of year	824,417	$ 7.47	7.49	944,000	$ 7.43	8.36
Exercisable at year-end	394,620	$ 6.98	6.26	190,600	$ 5.69	3.54

Stock options outstanding at December 31, 2023 and 2022, are exercisable between $8.00 per share and $5.00 per share. There were no options granted during the year ended December 31, 2023.

At December 31, 2023 and 2022, options outstanding and exercisable had an intrinsic value of $1,095,000 and $425,000, respectively.

At December 31, 2023, unrecognized share-based compensation expense related to nonvested options amounted to approximately $842,000. This amount is expected to be recognized over a weighted-average period of two years.

12. Employee Benefit Plan

The Company has a 401(k) defined contribution salary deferral plan that covers substantially all full-time employees. The plan provides for contributions by the Company in such amounts as its Board of Directors determines. There were $101,000 and $85,000 charged to expense for the years ended December 31, 2023 and 2022, respectively.

13. Income Taxes

The components of income tax expense are as follows (in thousands):

	2023	2022
Current payable:		
Federal	$ 2,697	$ 1,921
State	1,322	618
	4,019	2,539
Deferred	(276)	86
Total	$ 3,743	$ 2,625

13. Income Taxes (Continued)

A reconciliation of the statutory federal income tax at a rate of 21 percent to the income tax expense included in the Consolidated Statements of Income is as follows (in thousands):

	2023	2022
Federal tax expense at statutory rate	$ 2,515	$ 2,306
Meals and entertainment	18	4
State income tax, net of federal income tax effect	1,044	488
Other	166	(173)
	$ 3,743	$ 2,625

Net deferred tax assets consisted of the following components (in thousands):

	2023	2022
Deferred tax assets:		
Allowance for loan losses	$ 2,518	$ 2,217
Nonaccrual interest	19	52
Net operating loss carryforwards	516	562
Lease liability	1,212	1,526
Unrealized losses on securities available for sale	41	108
Other	203	119
Total gross deferred tax assets	4,509	4,584
Deferred tax liabilities:		
Prepaid expenses	(77)	(62)
Right-of-use asset	(1,085)	(1,384)
Total gross deferred tax liabilities	(1,162)	(1,446)
Net deferred tax assets	$ 3,347	$ 3,138

The net deferred tax assets as of December 31, 2023 and 2022, are included in other assets on the Company's Consolidated Balance Sheets.

The Company has net operating loss carryforwards available for federal income tax purposes of approximately $2.5 million, which will begin to expire in 2033.

14. Transactions with Officers, Directors, and Principal Stockholders

The Company has had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, officers, principal stockholders, their immediate families, and affiliated companies (commonly referred to as related parties). At December 31, 2023 and 2022, these persons were indebted to the Company for loans totaling $67,000 and $337,000, respectively.

As of December 31, 2023 and 2022, deposits from directors, officers, and their affiliates amounted to approximately 20.4 million and $11.6 million, respectively.

15. Financial Instruments with Off-Balance-Sheet Risk

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and letters of credit. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the Consolidated Balance Sheets.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

A summary of the Company's financial instrument commitments is as follows (in thousands):

	2023	2022
Commitments to grant loans	$ 27,934	$ 9,820
Unfunded commitments under lines of credit	21,638	19,242
Standby letter of credit	951	551
	$ 50,523	$ 29,613

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Bank evaluates each customer's creditworthiness on a case-by- case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation. Collateral held varies, but may include personal or commercial real estate, deposit accounts, accounts receivable, inventory, and equipment.

Outstanding letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The majority of these standby letters of credit expire within the next 12 months. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending other loan commitments. The Bank requires collateral supporting these letters of credit as deemed necessary. Management believes that the proceeds obtained through a liquidation of such collateral would be sufficient to cover the maximum potential amount of future payments required under the corresponding guarantees. The current amount of the liability as of December 31, 2023 and 2022, for guarantees under standby letters of credit issued is not material.

16. Regulatory Matters

As announced on March 15, 2020, the Federal Reserve Board reduced reserve requirement ratios to 0 percent effective March 26, 2020. This action eliminated reserve requirements for all depository institutions.

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth below) of total, Tier l capital, and common Tier 1 (as defined in the regulations) to risk-weighted assets and of tier 1 capital to average assets. To be categorized as well capitalized, the Bank must maintain minimum Total risk-based, Tier 1 risk-based, common Tier 1, and Tier 1 leverage ratios as set forth in the table (dollar amounts in thousands).

	2023		2022	
	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)				
Actual	$ 107,274	19.00 %	$ 67,871	12.53 %
For capital adequacy purposes	45,173	8.00	43,339	8.00
To be well capitalized	56,466	10.00	54,174	10.00
Tier 1 capital (to risk-weighted assets)				
Actual	$ 100,186	17.74 %	$ 61,078	11.27 %
For capital adequacy purposes	33,880	6.00	32,504	6.00
To be well capitalized	45,173	8.00	43,339	8.00
Common equity Tier 1 capital (to risk-weighted assets)				
Actual	$ 100,186	17.74 %	$ 61,078	11.27 %
For capital adequacy purposes	25,410	4.50	24,378	4.50
To be well capitalized	36,703	6.50	35,213	6.50
Tier 1 capital (to average assets)				
Actual	$ 100,186	13.13 %	$ 61,078	8.70 %
For capital adequacy purposes	30,512	4.00	28,085	4.00
To be well capitalized	38,140	5.00	35,107	5.00

17. Regulatory Matters (Continued)

At December 31, 2023, the Bank maintained capital levels that met or exceeded the levels required to be considered well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category. The capital position of the Company does not differ significantly from the Bank's capital position.

Information presented reflects the Basel III capital requirements that became effective January 1, 2015, for the Bank. Under these capital requirements and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk-weightings, and other factors. The rule also limits a banking organization's capital distributions and certain discretionary bonus payments if the banking organization does not hold a "capital conservation buffer" consisting of 2.5 percent of common equity Tier 1 capital to risk-weighted assets, in addition to the amount necessary to meet its minimum risk-based capital requirements. The capital conservation buffer requirement started to be phased in beginning January 1, 2016, at 0.625 percent of risk-weighted assets and increased each year until fully phased-in in January 2019, when the full capital conservation buffer requirement is effective. On January 1, 2019, the capital conservation buffer is fully phased-in at 2.50 percent.

18. Fair Value Measurements and Disclosures

The Bank uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with accounting guidance, the fair value of a financial instrument is 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. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Bank's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

Fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is determined at a reasonable point within the range that is most representative of fair value under current market conditions.

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

18. Fair Value Measurements and Disclosures (Continued)

Level I - Valuation is based on unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level I 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 or liabilities.

Level II - Valuation is based on inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or 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 III - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of assets or liabilities. Level III 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.

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

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used are as follows (in thousands):

	December 31, 2023			
	Level I	Level II	Level III	Total
Investment securities available for sale:				
U.S.Treasury	$ -	$ -	$ -	$ -
U.S. government-sponsored enterprises, residential mortgage-backed securities	-	1,132	-	1,132
Corporate securities	-	874	-	874
Total	$ -	$ 2,006	$ -	$ 2,006

	December 31, 2022			
	Level I	Level II	Level III	Total
Investment securities available for sale:				
U.S.Treasury	$ -	$ 19,700	$ -	$ 19,700
U.S. government-sponsored enterprises, residential mortgage-backed securities	-	297	-	297
Corporate securities	-	943	-	943
Total	$ -	$ 20,940	$ -	$ 20,940

18. Fair Value Measurements and Disclosures (Continued)

For financial assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used are as follows (in thousands):

	December 31, 2023			
	Level I	Level II	Level III	Total
Collateral dependent loans	$ -	$ -	$ 69	$ 69
Total	$ -	$ -	$ 69	$ 69

	December 31, 2022			
	Level I	Level II	Level III	Total
Impaired loans	$ -	$ -	$ 466	$ 466
Total	$ -	$ -	$ 466	$ 466

All collateral dependent individually evaluated loans have an independent third-party full appraisal to determine the NRV based on the fair value of the underlying collateral, less cost to sell (6%) and other costs, such as unpaid real estate taxes, that have been identified. The appraisal will be based on an "as-is" valuation and will follow a reasonable valuation method that addresses the direct sales comparison, income, and cost approaches to market value, reconciles those approaches, and explains the elimination of each approach not used. Appraisal are updated every 12 months or sooner if we have identified possible further deterioration in value.

For non-financial assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used are as follows (in thousands):

	December 31, 2023			
	Level I	Level II	Level III	Total
Foreclosed assets	$ -	$ -	$ 137	$ 137
Total	$ -	$ -	$ 137	$ 137

	December 31, 2022			
	Level I	Level II	Level III	Total
Foreclosed assets	$ -	$ -	$ 696	$ 696
Total	$ -	$ -	$ 696	$ 696

Real estate properties acquired through, or in lieu of, foreclosure are to be sold and are carried at fair value less estimated cost to sell. Fair value is based upon independent market prices or appraised value of the property. These assets are included in Level III fair value based upon the lowest level of input that is significant to the fair value measurement.

18. Fair Value Measurements and Disclosures (Continued)

Quantitative information about Level III fair value measurements is included in the table below (in thousands):

	Quantitative Information About Level III Fair Value Measurements				
December 31, 2023		Fair Value	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Collateral dependent loans	$	69	Appraisal of collateral	Appraisal adjustments	31.50%
				Liquidation expenses	6.00%
Foreclosed assets		137	Appraisal of collateral	Appraisal adjustments	19.00%
				Liquidation expenses	6.00%

	Quantitative Information About Level III Fair Value Measurements				
December 31, 2022		Fair Value	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Impaired loans	$	466	Appraisal of collateral	Appraisal adjustments	29.00%
				Liquidation expenses	6.00%
Foreclosed assets		696	Appraisal of collateral	Appraisal adjustments	19.00%
				Liquidation expenses	6.00%

Below is management's estimate of the fair value of all financial instruments, whether carried at cost or fair value on the Company's Consolidated Balance Sheets.

Fair values are made at a specific point in time, based on relevant market information and information about the financial instrument. These fair values do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Also, it is the Company's general practice and intention to hold most of its financial instruments to maturity and not to engage in trading or sales activities. Because no market exists for a significant portion of the Company's financial instruments, fair values are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These fair values are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions can significantly affect the fair values. The carrying amounts for cash and cash equivalents, interest-earning time deposits, restricted stock, accrued interest receivable and payable approximate fair value and are considered Level I measurements.

18. Fair Value Measurements and Disclosures (Continued)

Collateral Dependent Impaired Loans (Generally Carried at Fair Value)

Collateral dependent impaired loans are those for which the Company has measured impairment generally based on the fair value of the loan's collateral. Fair value is generally determined based upon independent third-party appraisals of the properties, or discounted cash flows based upon the expected proceeds. These assets are included as Level III fair values, based upon the lowest level of input that is significant to the fair value measurements.

Foreclosed Assets

Foreclosed assets consist of properties acquired as a result of deeds in lieu of foreclosure, foreclosure, or through other means related to collateral on Company loans. Costs relating to the development or improvement of assets are capitalized, and costs relating to holding the property are charged to expense. The Company had $137,000 and $696,000 of foreclosed assets as of December 31, 2023 and 2022, respectively. These assets are included as Level III fair values, based upon the highest level of input that is significant to the fair value measurements.

The estimated fair values of the Company's financial instruments were as follows (in thousands):

	2023				
	Carrying Value	Fair Value	Level I	Level II	Level III
Financial assets:					
Securities held to maturity	$ 677	$ 654	$ -	$ 654	$ -
Loans receivable, net of allowance, including loans held for sale	679,272	661,389	-	-	661,389
Loan servicing assets	2,398	3,202	-	3,202	-
Financial liabilities:					
Deposits	$ 629,414	$ 637,616	$ -	$ 637,616	$ -
Borrowings	-	-	-	-	-

	2022				
	Carrying Value	Fair Value	Level I	Level II	Level III
Financial assets:					
Securities held to maturity	$ 872	$ 827	$ -	$ 827	$ -
Loans receivable, net of allowance, including loans held for sale	646,098	638,264	-	-	638,264
Loan servicing assets	2,925	3,669	-	3,669	-
Financial liabilities:					
Deposits	$ 627,364	$ 622,459	$ -	$ 622,459	$ -
Borrowings	-	-	-	-	-

19. Emergency Capital Investment Program

Established by the Consolidated Appropriations Act, 2021, the Emergency Capital Investment Program (ECIP) was created to encourage Community Development Financial Institutions, such as the Bank, and minority depository institutions to augment their efforts to support small and minority-owned businesses and consumers in low-income and underserved communities. The Company issued $79.1 million of Senior Preferred Stock to the U.S Department of the Treasury (Treasury) pursuant to ECIP on June 7, 2022. The ECIP investment from the Treasury is intended to qualify as Tier 1 capital of the Company for regulatory capital purposes.

The Senior Preferred issued to the Treasury will pay non-cumulative dividends, payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year beginning on the first dividend payment date after the two- year anniversary of the date of issuance. The dividend rate to be paid on the Senior Preferred is 2% but may adjust annually based on certain measurements of the Company's extensions of credit to minority, rural, and urban low-income and underserved communities and low- and moderate-income borrowers. The Company is entitled to redeem the Senior Preferred on or after the fifth anniversary of the issuance of Senior Preferred, subject to approval by the Federal Reserve and in accordance with applicable regulatory capital regulations.

20. Subsequent Events

The Company has evaluated events and transactions occurring subsequent to the Consolidated Balance Sheet date of December 31, 2023, for items that should potentially be recognized or disclosed in these consolidated financial statements. No other events have occurred that would require adjustment to or disclosure in these consolidated financial statements. The evaluation was conducted through April 18, 2024, the date these consolidated financial statements were available to be issued.

ORGANIZATION

BOARD OF DIRECTORS

Byungkuk Lee
Chairman of the Board
NMB Financial Corporation
President & CEO
Leeward International Inc.

Dong Hwan Kim
Chairman of the Board
New Millennium Bank
President & CEO
Powerline Imports Inc.

Young Kil Kim
Chairman
Bethel Industries, Inc.

Donna Baik
President
Lovely Homes LLC

In Jin Choi
Private Investor

Yeong S. Shim
CEO
DHY Sonamoo, LLC

Jason Wong Chon
CEO
Missha US, Inc.

Hong Sik Hur
President & CEO
New Millennium Bank

EXECUTIVE OFFICERS

Hong Sik Hur
President & Chief Executive Officer

James S. Ryu
SVP & Chief Corporate Officer

Frank J. Gleeson
SVP & Chief Financial Officer

Justin Kim
SVP & Chief Credit Officer

Chan Park
SVP & Chief Marketing Officer

Anthony TK Suh
SVP & Chief Branch Banking Officer

RELATIONSHIP OFFICERS

Susan Oh
SVP & Chief Relationship Officer

Kwan Sop Song
SVP & LPO Manager
Seattle Office

Don Bae Lee
SVP & LPO Manager
Los Angeles Office

Keun Joo Lee
FVP & NY Regional
Loan Center Manager

Marie Lee
FVP & Senior Marketing Officer

Richard Park
FVP & LPO Manager
Dallas Office

Hitesh Patel
VP & Relationship Manager
New Brunswick Branch

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SVP & CCLO
Home Mortgage Department

Bo-Young K. Lee
SVP & Controller

Jessica Kim
SVP & Head of Operations and Compliance

Hyunjun An
SVP & Chief Accounting Officer

John Ra
SVP & Chief Banking Officer

Steven Chang
SVP & SBA Manager

Hack Chull Kim
FVP & Commercial Loan Manager

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