UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2024
OR

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

Commission File Number 001-41505

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

Pennsylvania	**82-5130531**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1250 Camp Hill Bypass, Suite 202
Camp Hill, PA 17011
(Address of principal executive offices)

Registrant's telephone number, including area code: (855) 569-2265

Former name, former address, and former fiscal year, if changed since last report: NA

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	**LNKB**	**The NASDAQ Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ NO ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES ☐ NO ☒

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

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

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

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-Accelerated Filer	☒	Smaller Reporting Company	☒
		Emerging Growth Company	☒

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock as reported on NASDAQ as of June 30, 2024 was $152,003,380. For this purpose, executive officers and directors of the Registrant are considered affiliates.

The number of shares of Registrant's Common Stock outstanding as of March 24, 2025 was 37,377,342.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2025 Annual Meeting of Shareholders are incorporated by reference in Part III of this Form 10-K

LINKBANCORP, Inc.

ANNUAL REPORT ON FORM 10-K

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Forward Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 ("Exchange Act"), which can be identified by the use of words such as “estimate,” “project,” “believe,” “intend,” “anticipate,” “plan,” “seek,” “expect” or words of similar meaning, or future or conditional verbs, such as “will,” “would,” “should,” “could,” or “may.” A forward-looking statement is neither a prediction nor a guarantee of future events. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

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

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

- inflation and changes in market interest rates that reduce our margins and yields, reduce the fair value of financial instruments or reduce our volume of loan originations, or increase the level of defaults, losses and prepayments on loans we have made and make, whether held in portfolio or sold in the secondary market;
- general economic conditions, either nationally or in our market area, that are worse than expected;
- competition within our market area that is stronger than expected;
- changes in the level and direction of loan delinquencies and charge-offs and changes in estimates of the adequacy of the allowance for credit losses;
- our ability to access cost-effective funding;
- fluctuations in real estate values and both residential and commercial real estate market conditions;
- demand for loans and deposits in our market area;
- our ability to continue to implement our business strategies;
- competition among depository and other financial institutions;
- any future FDIC insurance premium increases, or special assessment may adversely affect our earnings;
- adverse changes in the securities markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;
- our ability to manage market risk, credit risk and operational risk;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- the imposition of tariffs or other domestic or international governmental polices impacting the value of the products of our borrowers;
- our ability to successfully integrate into our operations Partners' assets, liabilities or systems we acquired, as well as new management personnel or customers, and our ability to realize related revenue synergies and cost savings within expected time frames and any goodwill charges related thereto;
- changes in consumer spending, borrowing and savings habits;
- our ability to maintain our reputation;
- our ability to prevent or mitigate fraudulent activity;

- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission or the Public Company Accounting Oversight Board;
- our ability to retain key employees and our existing customers;
- a breach in security of our information systems, including the occurrence of a cyber incident or a deficiency in cyber security;
- political instability or civil unrest;
- risks related to a pandemic and resulting governmental and societal responses and its effects on our business and operations;
- acts of war or terrorism;
- our ability to evaluate the amount and timing of recognition of future tax assets and liabilities;
- our compensation expense associated with equity benefits allocated or awarded to our employees; and
- changes in the financial condition, results of operations or future prospects of issuers of securities that we own.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. We disclaim any obligation to revise or update any forward-looking statements contained in this Annual Report on Form 10-K to reflect future events or developments.

Item 1. Business.

Description of Business

LINKBANCORP, Inc. (“LINKBANCORP” or the “Company”) was incorporated under the laws of the Commonwealth of Pennsylvania on April 6, 2018 and is a bank holding company under the Bank Holding Company Act of 1956, as amended. In October 2018, LINKBANCORP became a bank holding company when it completed the acquisition of Stonebridge Bank, which was subsequently renamed LINKBANK.

On September 18, 2021, the Company completed its merger with GNB Financial Services, Inc. (“GNBF”) and its wholly owned subsidiary, The Gratz Bank pursuant to which GNBF merged with and into the Company with the Company as the surviving corporation and LINKBANK merged with and into The Gratz Bank, with The Gratz Bank as the surviving institution (collectively, the "Gratz Merger"). Effective November 4, 2022, The Gratz Bank legally changed its name and began to operate under one brand under the name LINKBANK (the "Bank").

In September 2022, the Company completed its initial public offering ("IPO") whereby it issued and sold 5,101,205 shares of common stock at a public offering price of $7.50 per share and thereafter the Company's common shares began trading on the Nasdaq Capital Market. The Company received net proceeds of $34.7 million after deducting underwriting discounts and commissions of $2.5 million and other offering expenses of $1.1 million. The Company contributed $20.0 million in capital to the Bank in October 2022.

On November 30, 2023, the Company completed its merger with Partners Bancorp ("Partners"), and its wholly owned subsidiaries, The Bank of Delmarva and Virginia Partners Bank, pursuant to which Partners merged with and into the Company with the Company as the surviving corporation (the "Partners Merger"). The Bank of Delmarva and Virginia Partners Bank merged with and into LINKBANK with LINKBANK as the surviving bank (the "Bank Mergers"). In connection with the announcement of the Partners Merger in the first quarter of 2023, LINKBANCORP completed a private placement of $10.0 million with certain directors of LINKBANCORP as well as other accredited investors.

On May 9, 2024, the Bank entered into a purchase and assumption agreement (the “Agreement”) with American Heritage Federal Credit Union (“AHFCU”) pursuant to which AHFCU will purchase certain assets and assume certain liabilities (the “Transaction”) of the New Jersey operations of the Bank, including all three branch locations (including two branch leases).

Under the Agreement, AHFCU will acquire substantially all of the loans, three branch locations (along with associated personal property and fixtures) and will assume substantially all of the deposits. The Federal Deposit Insurance Corporation ("FDIC") and the National Credit Union Administration ("NCUA") have approved the Transaction which remains subject to customary closing conditions. The Bank anticipates the Transaction will be completed on March 31, 2025.

LINKBANCORP has no material operations and conducts no business on its own other than owning the Bank. In December 2023, the GNB Investment Corp. subsidiary was dissolved.

LINKBANCORP common stock is traded on the Nasdaq Capital Market under the trading symbol “LNKB” and is subject to Nasdaq's rules for listed companies.

LINKBANK, a Pennsylvania-chartered, non-Federal Reserve member bank, is subject to regulation and supervision by the Pennsylvania Department of Banking and Securities ("PADOBS") and the FDIC. LINKBANCORP is the Bank’s sole shareholder.

The Bank is a full-service commercial bank providing personal and business lending and deposit services to individuals, families, nonprofit and business clients, through its digital presence on the internet and client solutions centers. The Bank has eight solutions centers in Chester, Cumberland, Dauphin, Lancaster, Northumberland and Schuylkill counties in Pennsylvania, and loan production offices in Chester and York Counties in Pennsylvania, eight solutions centers in Wicomico, Charles, Anne Arundel, and Worcester counties in Maryland, four solutions centers and a loan production office in Sussex county in Delaware, three solutions centers in Camden and Burlington counties in New Jersey, three solutions centers in Spotsylvania and Fairfax counties in Virginia, and one solutions center in the city of Fredericksburg, Virginia.

As of December 31, 2024, the Company had total consolidated assets of approximately $2.88 billion, total loans of approximately $2.26 billion, total deposits of approximately $2.36 billion and total consolidated shareholders’ equity of approximately $280.2 million.

LINKBANCORP’s principal executive offices are located at 1250 Camp Hill Bypass, Suite 202, Camp Hill, PA 17011, its phone number is 855-569-2265 and its website is ir.linkbancorp.com.

The Company is subject to the disclosure and regulatory requirements of the Exchange Act and, in accordance with the Exchange Act, it files annual, quarterly, and current reports, proxy statements, and other information with the SEC. The SEC maintains an Internet web site that contains reports, proxy statements, and other information about issuers, like us, who file electronically with the SEC. The address of the site is www.sec.gov.

Strategy and Recent Growth

Our core strategy is to further our mission of "positively impacting lives" through community banking by building strong relationships that bring value to our customers, employees, the communities we serve and our shareholders. In pursuing this mission, the Company specifically seeks to invest in the development of strong future leaders for the banking industry and our communities, to contribute to economically and socially flourishing communities, and to demonstrate the continued viability and integral role of community banking for our economic and social development. As one example of these efforts, in 2019 we launched and continue to support The LINK Foundation, established as a separate legal entity and governed by a distinct board of directors, but fully aligned with the Company's mission. The LINK Foundation provides financial support to organizations within our markets focused on three funding priorities - developing future leaders, promoting financial literacy and fortifying personal growth.

Our business strategy seeks to provide our customers with personal service, financial sophistication and the full array of product offerings of a larger regional bank, focusing on developing local lending relationships funded by the generation of local retail and business deposits. We believe our culture of highly engaged employees enhances productivity and results in lower employee turnover, ultimately leading to greater operational efficiencies and customer loyalty. We differentiate ourselves based on high touch relationship building service, supported by the convenience of technology. We are committed to increasing our market share in the communities we serve by continuing to leverage available technology, existing branch locations, and new branch locations, and by considering other strategic growth opportunities throughout Central and Southeastern Pennsylvania, the counties of Wicomico, Charles, Anne Arundel, and Worcester counties in Maryland, Sussex county in Delaware, Spotsylvania and Fairfax counties in Virginia, and the city of Fredericksburg, Virginia and surrounding areas.

The Bank provides traditional lending, deposit gathering and cash services to retail customers, small businesses and nonprofit organizations. We offer a full array of technology solutions to our clients and continually evaluate new technologies that enhance the customer experience and allow the Bank to operate more efficiently.

The Bank does not rely on significant noninterest income growth. The management team has experience running many different product sets and subsidiaries but is focused on core deposit and loan growth.

During the year ended December 31, 2024, the Company achieved the following accomplishments:

- Total deposits grew from $2.20 billion at December 31, 2023 to $2.36 billion at December 31, 2024, resulting in a growth rate of 7.36%;
- Total loans held for investment grew 5.99% from $2.13 billion at December 31, 2023 to $2.26 billion at December 31, 2024;
- Maintained strong credit quality, with total nonperforming assets at 0.60% of total assets at December 31, 2024; and
- Net interest margin for the year ended December 31, 2024 was 3.88% compared to 3.09% for the year ended December 31, 2023.

The Company's management team has significant experience in successfully executing bank growth strategies, including through bank mergers and acquisitions. Accordingly, as opportunities arise, we will consider growth through acquisition including whole institutions, branches or additional lines of business that are aligned with our strategy and mission, as demonstrated by our merger with Partners completed on November 30, 2023.

Current Market Area

We currently conduct our business principally through eight customer solutions centers located in Dauphin, Chester, Cumberland, Lancaster, Northumberland, and Schuylkill Counties, and loan production offices located in Chester and York Counties, in Pennsylvania, eight solutions centers in Wicomico, Charles, Anne Arundel, and Worcester counties in Maryland, four solutions centers and a loan production office in Sussex county in Delaware, three solutions centers in Camden and Burlington counties in New Jersey, three solutions centers in Spotsylvania and Fairfax counties in Virginia, and one solutions center in the city of Fredericksburg, Virginia. We will continue to consider other strategic locations in the markets we serve to further our objective to become the bank of choice in those markets. We occasionally make loans secured by properties located outside of our primary lending market, usually to borrowers with whom we have an existing relationship and who have a presence within our primary market.

While we manage our banking operations as separate regions, we operate in only one segment. Our regions are based on geographic markets, which allows each region to retain flexibility and local leadership in the unique communities we serve. We believe that this approach gives our Bank greater flexibility to better serve our markets and increases responsiveness to the needs of local customers.

Lending Activities

Our principal lending activity has been the origination of commercial real estate loans, commercial business loans, and to a lesser extent, commercial real estate construction and land development loans, residential real estate loans, home equity loans, consumer loans and agriculture loans. The Bank classifies its loan portfolio based on the collateral securing the loan, consistent with the reporting requirements of the Call Report filed with the FDIC. The Bank is predominantly oriented towards commercial customers, with approximately 79.28% of the portfolio in various types of commercial loans and 20.72% in residential real estate, consumer, and other loans at December 31, 2024. Our commercial customers are primarily small- and medium-sized businesses. Approximately 36% of the loan portfolio earns interest at a fixed rate and the remaining approximately 64% of the loan portfolio earns interest at a rate that varies or adjusts based on an underlying index at December 31, 2024.

The following table sets forth the composition of the Bank's loan portfolio by type of loan held for investment as of December 31, 2024:

(In Thousands)	December 31, 2024	Percent
Agriculture loans	$ 67,741	3.00%
Construction loans	152,619	6.77
Commercial & industrial loans	245,833	10.90
Commercial real estate loans		
Multifamily	211,778	9.39
Owner occupied	477,742	21.19
Non-owner occupied	628,237	27.86
Residential real estate loans		
First liens	373,469	16.56
Second liens and lines of credit	76,713	3.40
Consumer and other loans	17,086	0.76
Municipal loans	3,886	0.17
	2,255,104	**100%**
Deferred costs	645	
Allowance for credit losses	(26,435)	
Total	**$ 2,229,314**	

Commercial Real Estate Lending. As of December 31, 2024, we had $1.32 billion in commercial real estate and multi-family loans, representing 58.4% of total loans. Our commercial real estate and multi-family loans generally have amortization terms of 15 to 25 years and have adjustable interest rates. The adjustable rate loans are typically fixed for the first five years and either adjust annually thereafter or have a balloon payment due at the end of the fixed term. Our commercial real estate and multi-family loans are generally tied to a margin at or above the appropriate three or five year treasury or the Prime Rate. The maximum loan-to-value ratio of our commercial real estate and multifamily loans is generally 80% of the lower of cost or appraised value of the property securing the loan. Our commercial real estate loans are typically secured by multi-family, hotel, agricultural, medical, retail, churches or other commercial properties. At December 31, 2024, our commercial real estate loans were 47.67% non-owner occupied, 36.25% owner-occupied, and 16.08% multifamily.

We consider a number of factors in originating commercial real estate and multi-family loans. We evaluate the qualifications and financial condition of the borrower, including project-level and global cash flows, credit history, and management expertise, as well as the value and condition of the property securing the loan. When evaluating the qualifications of the borrower, we consider the financial resources of the borrower, the borrower's experience in owning or managing similar property and the borrower's payment history with us and other financial institutions. In evaluating the property securing the loan, the factors we consider include the net operating income of the mortgaged property before debt service and depreciation, the ratio of the loan amount to the appraised value of the mortgaged property and the debt service coverage ratio (the ratio of net operating income to debt service). We generally require a debt service ratio of at least 1.25x.

Personal guarantees are generally obtained from the principals of commercial real estate and multi-family loan borrowers, although this requirement may be waived in limited circumstances depending upon the loan-to-value ratio and the debt service ratio associated with the loan. We require property and casualty insurance and flood insurance if the property is in a flood zone area. In addition, borrowers are required to obtain title insurance unless the balance of the loan is less than $250,000. In such cases, we will require an ownership and encumbrance report relating to the title of the property.

Commercial Business (C&I) Lending. As of December 31, 2024, we had $245.8 million in commercial business loans, representing 10.9% of total loans. Our business strategy is to increase our originations of commercial business loans. We offer commercial term loans, lines of credit, agricultural production, equipment financing, and revolving lines of credit with a target loan size of $100,000 to $5.0 million to small businesses in our market area to finance short-term working capital needs such as accounts receivable and inventory. Our commercial lines of credit are typically adjustable-rate and are generally priced on a floating rate basis utilizing the prime rate. We generally obtain personal guarantees with respect to all commercial business lines of credit.

We typically originate commercial business loans on the basis of the borrower’s ability to make repayment from the cash flow of the borrower’s business, the experience and stability of the borrower’s management team, earnings projections and the underlying assumptions, and the value and marketability of any collateral securing the loan. As a result, the availability of funds for the repayment of commercial business loans may be substantially dependent on the success of the business itself and the general economic environment in our market area. Therefore, commercial business loans that we originate generally have greater credit risk than one-to-four family residential real estate loans or consumer loans. In addition, commercial business loans often result in larger outstanding balances to single borrowers, or related groups of borrowers, and also generally require substantially greater evaluation and oversight efforts.

Construction and Land Development Lending. At December 31, 2024, $152.6 million, or 6.8% of our total loan portfolio, consisted of construction and land loans. Of these, $108.8 million were for commercial development and land loans and $43.8 million were for residential development. We offer both fixed-rate and adjustable-rate construction and land loans, although most of these loans have fixed interest rates. The maximum loan-to-value of these loans is generally 80% of the lesser of the appraised value or the purchase price of the property.

Construction and land lending generally involves greater credit risk than long-term financing on improved, owner-occupied real estate. Risk of loss on a construction or land loan depends largely upon the accuracy of the initial estimate of the value of the property at completion of construction compared to the estimated cost (including interest) of construction and other assumptions. If the estimate of construction cost is inaccurate, we may be required to advance additional funds beyond the amount originally committed in order to protect the value of the property. Moreover, if the estimated value of the completed project is inaccurate, the borrower may hold a property with a value that is insufficient to assure full repayment of the construction loan upon the sale of the property. Construction and land loans also expose us to the risk that improvements will not be completed on time in accordance with specifications and projected costs. In addition, the ultimate sale or rental of the property may not occur as anticipated. Land loans pose additional risk because the property generally does not produce income and may be relatively illiquid.

One-to-four family Residential Real Estate Lending. At December 31, 2024, we had $373.5 million in residential real estate loans, representing 16.6% of total loans. These loans are originated by the Bank and underwritten by the correspondent lender in accordance with secondary market standards and The Federal National Mortgage Association, commonly known as Fannie Mae, underwriting guidelines to comply with ability to repay and qualified mortgage rules. Certain mortgage loans such as adjustable rate jumbo loans may be retained in the Bank’s loan portfolio. Based on the nature of the borrower and the related size of the loan, we may choose to retain these loans as part of our loan portfolio or sell these loans to the secondary market, which could include sales to the Federal Home Loan Bank of Pittsburgh ("FHLB").

In underwriting residential real estate loans, we evaluate both the borrower’s ability to make monthly payments and the value of the property securing the loan. Properties securing real estate loans we make are appraised by independent appraisers. We generally require borrowers to obtain an attorney’s title opinion or title insurance, and fire and property insurance (including flood insurance, if necessary) in an amount not less than the amount of the loan.

Home Equity Loans. At December 31, 2024, we had $76.7 million of home equity loans reported within residential real estate loans, representing 3.4% of our total loan portfolio. Home equity loans consists of either revolving lines of credit, term, or second mortgage loans secured by one-to-four family residential real estate. These loans are underwritten based on repayment capacity and source, value of the underlying property, and credit history. Home equity loans are generally considered to have more credit risk than traditional one-to-four family residential loans because the Bank tends to have a subordinate lien position. Our home equity loans are secured by a first or second mortgage on the borrower’s principal residence or their second/vacation home (excluding investment/rental property) generally at a maximum current loan-to-value ratio of 80%. There are minimum credit score standards, maximum debt to income ratios and credit requirements on each home equity product that is defined in the Bank’s credit policy. All credit decisions for home equity loans are made centrally by the Bank’s consumer lending department.

Consumer Lending. To a much lesser extent, we offer a variety of consumer loans to individuals who reside or work in our market area. At December 31, 2024, our consumer loan portfolio totaled $17.1 million, or 0.8% of our total loan portfolio, and $6.8 million of our consumer loans were unsecured (excluding overdraft accounts).

Consumer loans can have either a variable rate based on the index of Wall Street Journal Prime rate or a fixed-rate of interest for a term of up to 10 years, depending on the type of collateral, product and the creditworthiness of the borrower. Our lending policy allows for unsecured, non-real estate secured, and real estate secured loan products that are either installment or open end credit. Our consumer loans may be secured with deposits, automobiles, motorcycles, or real property.

Our consumer loan policy sets forth our underwriting guidelines overall for all loan applications and addresses specific guidelines such as acceptable loan amounts, credit score, debt-to-income ratios, loan-to-value ratios, and collateral allowable by product type. The policy guidelines address applications, structuring, stability, credit standards, collateral, consumer compliance, insurance requirements and appraisal requirements.

Other Loans. In addition to the loan types discussed above, the Company also originates agricultural loans and municipal loans. At December 31, 2024, our agricultural loan portfolio totaled $67.7 million or 3.0% of our total loan portfolio and municipal loans totaled

$3.9 million or 0.2% of our total loan portfolio. The agricultural loan portfolio consists of loans to local farmers and agricultural businesses that are generally secured by farmland and equipment. The municipal loan portfolio consists of loans to qualified local municipalities, which are generally supported by the taxing authority of the borrowing municipality, and is frequently secured by collateral.

Lending Concentrations

The federal banking regulators have issued guidance for those institutions which are deemed to have concentrations in commercial real estate lending. Pursuant to the supervisory criteria contained in the guidance for identifying institutions with a potential commercial real estate concentration risk, institutions which have (1) total reported loans for construction, land development and other land acquisitions which represent 100% or more of an institution’s total risk-based capital; or (2) total commercial real estate loans representing 300% or more of the institution’s total risk-based capital and the institution’s commercial real estate loan portfolio has increased 50% or more during the prior 36 months are identified as having potential commercial real estate concentration risk. Institutions which are deemed to have concentrations in commercial real estate lending are expected to employ heightened levels of risk management with respect to their commercial real estate portfolios and may be required to hold higher levels of capital. The Company, like many community banks, has a concentration in commercial real estate loans, and the Company has experienced growth in its commercial real estate portfolio in recent years, including through the Partners Merger.

At December 31, 2024, non-owner-occupied commercial real estate loans (including construction, land and land development loans, and multifamily) represented 365.65% of total risk based capital. Construction, land and land development loans represented 55.97% of total risk based capital. Management has implemented and continues to maintain heightened risk management procedures and prudent underwriting criteria with respect to its commercial real estate portfolio. Loan monitoring practices include but are not limited to periodic stress testing analysis to evaluate changes to cash flows and changes in collateral values to determine the loan level of stress over key underwriting metrics such as debt service coverage ratios, loan-to-value ratios, etc. Nevertheless, we may be required to maintain higher levels of capital as a result of our commercial real estate concentrations, which could require us to obtain additional capital and may adversely affect shareholder returns. The Company's Capital Policy and Capital Plan has established internal minimum targets for regulatory capital ratios that are in excess of well capitalized ratios.

At December 31, 2024, the Company had no concentrations of loans in any one industry exceeding 10% of its total loan portfolio. An industry for this purpose is defined as a group of businesses that are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Credit Risk Management

Loan Approval Procedures and Authority. Pursuant to applicable law, the aggregate amount of loans that we are permitted to make to any one borrower or a group of related borrowers is generally limited to 15% of the Bank’s unimpaired capital and surplus (25% if the amount in excess of 15% is secured by “readily marketable highly liquid collateral” or 30% for certain residential development loans). Our legal lending limit was $42.4 million at December 31, 2024. In addition, we have established an in-house target that is less than the legal limits on loans to one borrower. Our in-house target was $25.0 million at December 31, 2024. At December 31, 2024, our largest credit relationship totaled $24.1 million, comprised of four separate facilities, most of which are secured by real estate. Each of these loans was performing in accordance with its terms at December 31, 2024.

Our lending activities follow written, nondiscriminatory underwriting standards and loan origination procedures established by our board of directors and management. The Bank has established the Senior Loan Committee (SLC) to be able to more efficiently service our commercial customers, prudently manage credit risks, and effectively insure that credit policies are followed. The SLC requires a quorum of the Chief Executive Officer, Holding Company President, Bank President, Chief Credit Officer, Senior Credit Officers, and Market Chief Executive Officers. Each of these individuals have extensive experience in the approval of commercial loans. The SLC has authority to approve loans beginning over $7.5 million up to and including $15 million. In addition, the Directors Loan Committee (DLC) has authority to approve loans over $15 million up to the legal lending limit of the Bank (with the exception of Regulation O (insider) loans which need to be approved by the Board of Directors).

The loan approval structure prohibits any single signature loan authority. Dual signatures are in effect up to $7.5 million. The Chief Executive Officer and Chief Credit Officer have been given dual signature authority up to $15 million in situations where timing is essential. These approvals must be ratified by SLC at the next meeting.

Ongoing Credit Risk Management. In addition to the underwriting process referenced above, we perform ongoing risk monitoring and review processes for all credit exposures. Although we grade and classify our loans internally, we have an independent third-party professional firm perform regular loan reviews to confirm loan classifications. We strive to identify potential problem loans early in an effort to aggressively seek resolution of these situations before the loans create a loss, record any necessary charge-offs promptly and maintain adequate allowance for credit losses levels.

Although we maintain a cautious credit outlook due to continued uncertainty in the economic environment, we believe the Bank is very well positioned for the months ahead given a strong credit loss reserve, application of prudent underwriting standards and a diverse loan portfolio, which does not include a significant concentration of loans in office, restaurants, lodging or other industries that are perceived to be at higher risk in the current economic environment.

Allowance for Credit Losses. The allowance for credit losses is evaluated on a quarterly basis by management, with assistance from a third-party provider and primarily incorporates a discounted cash flow model utilizing Federal Open Market Committee forecasts and is impacted by the size and composition of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. As of December 31, 2024, the allowance for credit losses was 1.17% of total loans.

Investments

The Company's board of directors is responsible for approving and overseeing the investment policy. The investment policy is reviewed at least annually by management and any changes to the policy are recommended to the board of directors and are subject to its approval. This policy dictates that investment decisions be made based on the safety of the investment, regulatory standards, liquidity requirements, potential returns and consistency with our interest rate risk management strategy. The Company also uses the investment portfolio to collateralize municipal deposits. The asset liability management committee, which consists of our Chief Executive Officer, LINKBANCORP President, LINKBANK President and Executive Vice President of LINKBANCORP, Chief Financial Officer, Chief Credit Officer, Chief Risk Officer, Chief Operations and Technology Officer, Treasurer, and other market leaders oversees the Company's investing activities and strategies.

The current investment policy authorizes the Company to invest in debt securities issued by the U.S. government and its agencies or government sponsored enterprises. In addition, management is authorized to invest in investment grade state and municipal obligations. The policy also permits investments in mortgage-backed securities, including pass-through securities, issued and guaranteed by Fannie Mae, Freddie Mac and Ginnie Mae, as well as investments in corporate debentures, federal funds and deposits in other insured institutions. The Company also is required to maintain an investment in FHLB stock, which investment is based primarily on the level of the Company's FHLB borrowings. Additionally, the Company is required to maintain an investment in Federal Reserve Bank of Philadelphia stock equal to six percent of its capital and surplus. The Company does not engage in any investment hedging activities or trading activities, nor does it purchase any high-risk mortgage derivative products, corporate junk bonds, and certain types of structured notes.

At December 31, 2024, the Company had a portfolio of investment securities available for sale which is reported at fair value and a portfolio of held to maturity investment securities that were carried at amortized cost.

Source of Funds

Generally, deposits are the Company's primary source of funds for use in lending and investment activities. We may also use borrowings, primarily FHLB advances, to supplement cash flow needs, as necessary. In addition, we receive funds from scheduled loan payments, loan prepayments, and income on interest-earning assets. While scheduled loan payments and income on interest-earning assets are a relatively stable source of funds, deposit inflows and outflows can vary widely and are influenced by prevailing interest rates, market conditions and levels of competition.

Deposits. We obtain most of our deposits from small- and medium-sized businesses, retail customers, and non-profit customers within our market area. We solicit deposits through our relationship-driven team of dedicated and accessible bankers and through community-focused marketing. We emphasize obtaining deposit relationships at loan origination. We have invested in personnel, business and compliance processes and technology that enable us to acquire, and efficiently and effectively serve, a wide array of business deposit accounts, while continuing to provide the level of customer service for which we are known. We currently offer a comprehensive range of business deposit products and services to assist with the banking needs of our business customers, including a variety of remote deposit and cash management products along with commercial transaction accounts. We also provide online banking, mobile banking, and direct deposit services.

We offer a selection of deposit accounts, including demand accounts (interest-bearing and noninterest-bearing), money market deposit accounts, savings accounts and certificates of deposit. Deposit account terms vary, with the principal differences being the minimum balance required, the amount of time the funds must remain on deposit and the interest rate. At December 31, 2024, our core deposits (which includes all deposits except for time deposit accounts greater than $250,000, brokered deposits, and the deposits currently classified as held for sale) totaled $2.09 billion or 88.62% of our total deposits. At December 31, 2024, we had $103.6 million in brokered deposits, all maturing in the first half of 2025. Our reciprocal CDARS and ICS deposits totaled $221.4 million at December 31, 2024. Management utilizes brokered deposits as a supplement to core deposit funding from time to time and does not consider brokered deposits to be a primary source of funding.

The following table sets forth the distribution of total deposits for the Bank by account type as of December 31, 2024.

	December 31, 2024	
(In Thousands)	Amount	%
Demand, noninterest-bearing	$ 658,646	27.89%
Demand, interest-bearing	525,173	22.25
Money market and savings	540,030	22.88
Time deposits, $250 and over	164,901	6.99
Time deposits, other	368,217	15.60
Brokered time deposits	103,615	4.39
Total Deposits	**$ 2,360,582**	**100.00%**

The above table does not include deposits that are held for sale related to the New Jersey branch sale.

Other than reciprocal CDARS and ICS deposits, and brokered deposits, all deposits are generated from in-market relationships through our Client Solutions Centers.

Borrowings. We obtain advances from the FHLB upon the security of our capital stock in the FHLB and certain of our loans. Such advances may be made pursuant to several different credit programs, each of which has its own interest rate and range of maturities. As of December 31, 2024 we had $50.0 million in outstanding FHLB advances, of which $10 million matured in January 2025 and $40 million matures in February 2026. At December 31, 2024, we had remaining available capacity with FHLB, subject to certain collateral restrictions, of approximately $723.8 million.

At December 31, 2024, the Company had subordinated notes outstanding with a carrying value of $62.0 million. Of this amount, $20.1 million was acquired in the Gratz Merger and bear interest at a fixed interest rate of 5.0% per year for five years and then float at an index tied to the Secured Overnight Finance Rate ("SOFR"). The notes have a term of ten years, with a maturity date of October 1, 2030. The notes are redeemable at the option of the Company, in whole or in part, subject to any required regulatory approvals after five years or October 1, 2025.

Subordinated notes with carrying value of $21.9 million were assumed in the Partners Merger within two tranches of debt issuances. The first tranche has a face value of $4.5 million and bear interest at a fixed rate of 6.875% per year for four years. The second tranche has a face value of $18.05 million and bear interest at a fixed rate of 6.0% per year for 18 additional months.

The remaining subordinated notes of $20.0 million bear interest at a fixed interest rate of 4.5% per year for five years and then float at an index tied to the Secured Overnight Finance Rate ("SOFR"). The notes have a term of ten years, with a maturity date of April 15, 2032. The notes are redeemable at the option of the Company, in whole or in part, subject to any required regulatory approvals after five years, or April 15, 2027.

Competition

Commercial banking in our locations is extremely competitive. For example, as of June 30, 2024 (the most recent date for which data is available), data provided by the FDIC Deposit Market Share Report indicated that within the Company's current physical locations, there were 112 different FDIC-insured institutions operating a total of 1,307 offices.

The Company’s market areas are served by branches of the largest banks in the Mid-Atlantic region, some of which are among the largest institutions in the United States. We must compete in our current and future growth market areas with large regional and nationwide banking organizations, other federally and state-chartered financial institutions such as savings and loan institutions and credit unions, mortgage companies, and other lenders engaged in the business of extending commercial credit. Many of the Company’s competitors have broader geographic markets and higher lending limits than we do and are also able to provide more services and make greater use of media advertising. Competitive threats also continue to emerge from in- and out-of-market providers and entities with powerful non-traditional and sometimes unregulated products, services, and technology, including numerous new fintech firms. The Bank’s comparatively small branch network will be a competitive disadvantage in attracting retail customers since a number of large national bank and regional state bank franchises have significant branch office coverage in the Bank’s market area.

Human Capital

We believe our employees are our most valuable asset. We are committed to building a culture of integrity and excellence and seek to provide a challenging and rewarding work environment in which employees are supported professionally. Our team members receive benefits including competitive compensation, comprehensive medical, dental and vision coverage, 401(k) plan with employer contributions and short-term and long-term disability coverage.

As of December 31, 2024, the Company had 298 full-time and 29 part time employees.

REGULATION AND SUPERVISION

LINKBANCORP, is a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (the “BHC Act”). As such, it is registered with, subject to examination and supervision by, and otherwise required to comply with the rules and regulations of the Board of Governors of the Federal Reserve System (the “Federal Reserve”).

The Bank is a Pennsylvania-chartered commercial bank subject to extensive regulation by the PADOBS and the FDIC. The Bank’s deposit accounts are insured up to applicable limits by the FDIC. The Bank must file reports with the PADOBS and the FDIC concerning its activities and financial condition, in addition to obtaining regulatory approvals prior to entering into certain transactions, such as mergers or acquisitions with other depository institutions. There are periodic examinations of the Bank by the PADOBS and the FDIC to review the Bank’s compliance with various regulatory requirements. This regulation and supervision establishes a comprehensive framework of activities in which a commercial bank can engage and is intended primarily for the protection of the insurance fund and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Any change in such regulation, whether by the PADOBS, the FDIC, the Federal Reserve Board or Congress could have a material impact on the operations of the Bank.

Set forth below is a brief description of material regulatory requirements that are or will be applicable to LINKBANCORP, and the Bank. The description is limited to certain material aspects of the statutes and regulations addressed, is not intended to be a complete description of such statutes and regulations and their effects on LINKBANCORP and the Bank, and is qualified in its entirety by reference to the actual statutes and regulations involved.

Bank Regulation

Capital Requirements

Federal regulations require FDIC-insured depository institutions to meet several minimum capital standards: a common equity Tier 1 capital to risk-based assets ratio of 4.5%, a Tier 1 capital to risk-based assets ratio of 6.0%, a total capital to risk-based assets of 8%, and a 4% Tier 1 capital to total assets leverage ratio.

For purposes of the regulatory capital requirements, common equity Tier 1 capital is generally defined as common shareholders' equity and retained earnings. Tier 1 capital is generally defined as common equity Tier 1 and additional Tier 1 capital. Additional Tier 1 capital includes certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries. Total capital includes Tier 1 capital (common equity Tier 1 capital plus additional Tier 1 capital) and Tier 2 capital. Tier 2 capital is comprised of capital instruments and related surplus, meeting specified requirements, and may include cumulative preferred stock and long-term perpetual preferred stock, mandatory convertible securities, intermediate preferred stock and subordinated debt. Also included in Tier 2 capital is the allowance for loan and lease losses limited to a maximum of 1.25% of risk-weighted assets and, for institutions such as the Bank, that have exercised an opt-out election regarding the treatment of Accumulated Other Comprehensive Income ("AOCI"), up to 45% of net unrealized gains on available for sale equity securities with readily determinable fair market values. Calculation of all types of regulatory capital is subject to deductions and adjustments specified in the regulations.

In determining the amount of risk-weighted assets for purposes of calculating risk-based capital ratios, all assets, including certain off-balance sheet assets (e.g., recourse obligations, direct credit substitutes, residual interests) are multiplied by a risk weight factor assigned by the regulations based on the risks believed inherent in the type of asset. Higher levels of capital are required for asset categories believed to present greater risk. For example, a risk weight of 0% is assigned to cash and U.S. government securities, a risk weight of 50% is generally assigned to prudently underwritten first lien one-to four-family residential mortgages, a risk weight of 100% is assigned to commercial and consumer loans, a risk weight of 150% is assigned to certain past due loans and a risk weight of between 0% to 600% is assigned to permissible equity interests, depending on certain specified factors.
In addition to establishing the minimum regulatory capital requirements, the regulations limit capital distributions and certain discretionary bonus payments to management if the institution does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets above the amount necessary to meet its minimum risk-based capital requirements.

In assessing an institution's capital adequacy, the FDIC takes into consideration, not only these numeric factors, but qualitative factors as well, and has the authority to establish higher capital requirements for individual institutions where deemed necessary.

Notwithstanding the foregoing, the FDIC established the community bank leverage ratio (tier 1 capital to average consolidated assets) at 9% for institutions under $10 billion in assets that such institutions may elect to utilize in lieu of the general applicable risk-based capital requirements under Basel III. Such institutions that meet the community bank leverage ratio and certain other qualifying criteria will automatically be deemed to be well-capitalized. Eligible institutions may opt into and out of the community bank ratio framework on their quarterly call report. The Bank did not elect to follow the community bank leverage ratio as of December 31, 2024.

At December 31, 2024, the Bank exceeded all regulatory capital requirements and was considered to be well-capitalized based on FDIC guidelines.

Loans-to-One Borrower

Generally, a Pennsylvania-chartered commercial bank may not make a loan or extend credit to a single or related group of borrowers in excess of 15% of capital. An additional amount may be loaned, equal to 10% of unimpaired capital and surplus, if the loan is secured by readily marketable collateral, which generally does not include real estate. As of December 31, 2024, the Bank was in compliance with the loans-to-one borrower limitations.

Capital Distributions

The Pennsylvania Banking Code states, in part, that dividends may be declared and paid only out of accumulated net earnings and may not be declared or paid unless surplus is at least equal to capital. Dividends may not reduce surplus without the prior consent of the PADOBS. In addition, the Federal Deposit Insurance Act provides that an insured depository institution may not make any capital distribution if, after making such distribution, the institution would fail to meet any applicable regulatory capital requirement.

Community Reinvestment Act and Fair Lending Laws

All insured institutions have a responsibility under the Community Reinvestment Act and related regulations to help meet the credit needs of their communities, including low- and moderate-income borrowers. The FDIC is required to assess the Bank’s record of compliance with the Community Reinvestment Act. Failure to comply with the provisions of the Community Reinvestment Act could, at a minimum, result in denial of certain corporate applications, such as branches or mergers, or in restrictions on its activities. In addition, the Equal Credit Opportunity Act and the Fair Housing Act prohibit lenders from discriminating in their lending practices on the basis of characteristics specified in those statutes. The failure to comply with the Equal Credit Opportunity Act and the Fair Housing Act could result in enforcement actions by the FDIC, as well as other federal regulatory agencies and the Department of Justice.

On October 24, 2023, the FDIC and the other federal bank regulatory agencies issued a final rule to strengthen and modernize the federal CRA regulations. Under the final rule, banks with assets of at least $2 billion as of December 31 in both of the prior two calendar years will be a “large bank.” The FDIC will evaluate large banks under four performance tests: the Retail Lending Test, the Retail Services and Products Test, the Community Development Financing Test, and the Community Development Services Test. The applicability date for the majority of the provisions in the CRA regulations is January 1, 2026, and additional requirements will be applicable on January 1, 2027. However, the new CRA regulations are subject to ongoing litigation, including a preliminary injunction preventing the agencies from enforcing the rule and delaying its applicability dates while the injunction remains in effect. Ultimately, if and when the injunctive effect of the litigation is lifted, the implementation date will subject to an additional tolling period commensurate with the period the preliminary injunction was in effect.

The Community Reinvestment Act requires all institutions insured by the FDIC to publicly disclose their rating. The Bank received a “satisfactory” rating in its most recent federal examination.

Cybersecurity

Banking organizations are required to notify their primary federal regulator as soon as possible, and no later than 36 hours after, the banking organization determines that a "computer-security incident" rising to the level of a "notification incident" has occurred. Notification is required for incidents that have materially affected or are reasonably likely to materially affect the viability of a banking organization's operations, its ability to deliver banking products and services, or the stability of the financial sector. Service providers are required under the rule to notify affected banking organization customer as soon as possible when the provider determines that it is experienced a computer-security incident that has materially affected or is reasonably likely to materially affect the banking organization's customers for four or more hours.

Transactions with Related Parties

A state-chartered bank’s authority to engage in transactions with its affiliates is limited by Sections 23A and 23B of the Federal Reserve Act and federal regulation. An affiliate is generally a company that controls or is under common control with an insured depository institution, such as the Bank. The Company is an affiliate of the Bank because of its control of the Bank. In general, transactions between an insured depository institution and its affiliates are subject to certain quantitative limits and collateral requirements. In addition, federal regulations prohibit a state-chartered bank from lending to any of its affiliates that are engaged in activities that are not permissible for bank holding companies and from purchasing the securities of any affiliate, other than a subsidiary. Finally, transactions with affiliates must be consistent with safe and sound banking practices, not involve the purchase of low-quality assets and be on terms that are as favorable to the institution as comparable transactions with non-affiliates.

The Bank's authority to extend credit to its directors, executive officers and 10% shareholders, as well as to entities controlled by such persons, is currently governed by the requirements of Sections 22(g) and 22(h) of the Federal Reserve Act and Regulation O of the Federal Reserve. Among other things, these provisions generally require that extensions of credit to insiders be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons and that do not involve more than the normal risk of repayment or present other unfavorable features; and not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of the Bank's capital. In addition, extensions of credit in excess of certain limits must be approved by the Bank's Board. Extensions of credit to executive officers are subject to additional limits based on the type of extension involved.

Standards for Safety and Soundness

Federal law requires each federal banking agency to prescribe certain standards for all insured depository institutions. These standards relate to, among other things, internal controls, information systems and audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, compensation, and other operational and managerial standards as the agency deems appropriate. Interagency guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. If the appropriate federal banking agency determines that an institution fails to meet any standard prescribed by the guidelines, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard. If an institution fails to meet these standards, the appropriate federal banking agency may require the institution to implement an acceptable compliance plan. Failure to implement such a plan can result in further enforcement action, including the issuance of a cease and desist order or the imposition of civil money penalties.

Prompt Corrective Regulatory Action

Federal law requires, among other things, that federal bank regulatory authorities take "prompt corrective action" with respect to banks that do not meet minimum capital requirements. For these purposes, the law establishes five capital categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized.

An institution is deemed to be "well capitalized" if it has a total risk-based capital ratio of 10.0% or greater, a Tier 1 risk-based capital ratio of 8.0% or greater, a leverage ratio of 5.0% or greater and a common equity Tier 1 ratio of 6.5% or greater. An institution is "adequately capitalized" if it has a total risk-based capital ratio of 8.0% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, a leverage ratio of 4.0% or greater and a common equity Tier 1 ratio of 4.5% or greater. An institution is "undercapitalized" if it has a total risk-based capital ratio of less than 8.0%, a Tier 1 risk-based capital ratio of less than 6.0%, a leverage ratio of less than 4.0% or a common equity Tier 1 ratio of less than 4.5%. An institution is deemed to be "significantly undercapitalized" if it has a total risk-based capital ratio of less than 6.0%, a Tier 1 risk-based capital ratio of less than 4.0%, a leverage ratio of less than 3.0% or a common equity Tier 1 ratio of less than 3.0%. An institution is considered to be "critically undercapitalized" if it has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2.0%.

Generally, the PADOBS is required to appoint a receiver or conservator for a state-chartered bank that is "critically undercapitalized" within specific time frames. The regulations also provide that a capital restoration plan must be filed with the FDIC within 45 days of the date that an institution is deemed to have received notice that it is "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." Any bank holding company of an institution that is required to submit a capital restoration plan must guarantee performance under the plan in an amount of up to the lesser of 5% of the institution's assets at the time it was deemed to be undercapitalized by the FDIC or the amount necessary to restore the institution to adequately capitalized status. This guarantee remains in place until the FDIC notifies the institution that it has maintained adequately capitalized status for each of four consecutive calendar quarters. Institutions that are undercapitalized become subject to certain mandatory measures, such as restrictions on capital distributions and asset growth. The PADOBS may also take any one of a number of discretionary supervisory actions against undercapitalized institutions, including the issuance of a capital directive and the replacement of senior executive officers and directors.

At December 31, 2024, the Bank met the criteria for being considered "well capitalized."

Enforcement

The PADOBS maintains enforcement authority over the Bank, including the power to issue cease and desist orders and civil money penalties and to remove directors, officers or employees. It also has the power to appoint a conservator or receiver for a bank upon insolvency, imminent insolvency, unsafe or unsound condition or certain other situations. The FDIC has primary federal enforcement responsibility over non-member state banks and has authority to bring actions against the institution and all institution-affiliated parties, including shareholders, and any attorneys, appraisers and accountants who knowingly or recklessly participate in wrongful actions likely to have an adverse effect on the bank. Formal enforcement action may range from the issuance of a capital directive or cease and desist order to removal of officers and/or directors. Civil penalties cover a wide range of violations and can amount to $25,000 per day, or even $1 million per day in especially egregious cases. In general, regulatory enforcement actions occur with respect to situations involving unsafe or unsound practices or conditions, violations of law or regulation or breaches of fiduciary duty. Federal and Pennsylvania laws also establish criminal penalties for certain violations.

Federal Insurance of Deposit Accounts

The maximum amount of deposit insurance for banks, savings institutions and credit unions is $250,000 per depositor. Assessments for most insured depository institutions are now based on financial measures and supervisory ratings derived from statistical modeling estimating the probability of failure within three years. The assessment range (inclusive of possible adjustments) is for institutions of the Bank’s size 2.5 basis points to 32 basis points as of December 31, 2024. The FDIC has authority to increase insurance assessments and also to issue special assessments. Any significant increases would have an adverse effect on the operating expenses and results of operations of the Bank. Management cannot predict what assessment rates will be in the future.

Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. We do not currently know of any practice, condition or violation that may lead to termination of our deposit insurance.

Prohibitions Against Tying Arrangements

State-chartered banks are prohibited, subject to some exceptions, from extending credit to or offering any other service, or fixing or varying the consideration for such extension of credit or service, on the condition that the customer obtain some additional service from the institution or its affiliates or not obtain services of a competitor of the institution.

FHLB System

The Bank is a member of the FHLB System, which consists of 11 regional FHLBs. The FHLB System provides a central credit facility primarily for member institutions as well as other entities involved in home mortgage lending. As a member of the FHLB of Pittsburgh, the Bank is required to acquire and hold shares of capital stock in the FHLB. As of December 31, 2024, the Bank was in compliance with this requirement. The Bank is able to borrow from the FHLB of Pittsburgh, which provides an additional source of liquidity for the Bank.

Other Regulations

Interest and other charges collected or contracted for by the Bank are subject to state usury laws and federal laws concerning interest rates. The Bank's operations are also subject to federal laws applicable to credit transactions, such as the:

- Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;
- Real Estate Settlement Procedures Act, requiring that borrowers for mortgage loans for one-to four-family residential real estate receive various disclosures, including good faith estimates of settlement costs, lender servicing and escrow account practices, and prohibiting certain practices that increase the cost of settlement services;
- Home Mortgage Disclosure Act, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- Fair Credit Reporting Act, governing the use and provision of information to credit reporting agencies;
- Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies; and
- Rules and regulations of the various federal agencies charged with the responsibility of implementing such federal laws.

The operations of the Bank also are subject to the:

- Truth In Savings Act, which requires banks to provide consumers with disclosures about terms and cost of deposit accounts and imposes requirements for deposit account advertisements;

- Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;

- Electronic Funds Transfer Act and Regulation E promulgated thereunder, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services;

- Check Clearing for the 21st Century Act (also known as "Check 21"), which gives "substitute checks," such as digital check images and copies made from that image, the same legal standing as the original paper check;

- USA PATRIOT Act, which requires banks operating to, among other things, establish broadened anti-money laundering compliance programs, due diligence policies and controls to ensure the detection and reporting of money laundering. Such required compliance programs are intended to supplement existing compliance requirements, also applicable to financial institutions, under the Bank Secrecy Act and the Office of Foreign Assets Control regulations; and

- Gramm-Leach-Bliley Act, which places limitations on the sharing of consumer financial information by financial institutions with unaffiliated third parties. Specifically, the Gramm-Leach-Bliley Act requires all financial institutions offering financial products or services to retail customers to provide such customers with the financial institution's privacy policy and provide such customers the opportunity to "opt out" of the sharing of certain personal financial information with unaffiliated third parties.

Bank Holding Company Regulation

General

The Company, as a bank holding company controlling the Bank, is subject to regulation and supervision by the Federal Reserve under the BHC Act. The Company is periodically examined by and required to submit reports to the Federal Reserve and must comply with the Federal Reserve’s rules and regulations. Among other things, the Federal Reserve has authority to restrict activities by a bank holding company that are deemed to pose a serious risk to the subsidiary bank.

Permissible Activities

A bank holding company is generally prohibited from engaging in non-banking activities, or acquiring direct or indirect control of more than 5% of the voting securities of any company engaged in non-banking activities. One of the principal exceptions to this prohibition is for activities found by the Federal Reserve to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Some of the principal activities that the Federal Reserve has determined by regulation to be so closely related to banking are: (i) making or servicing loans; (ii) performing certain data processing services; (iii) providing discount brokerage services; (iv) acting as fiduciary, investment or financial advisor; (v) leasing personal or real property; (vi) making investments in corporations or projects designed primarily to promote community welfare; and (vii) acquiring a savings and loan association whose direct and indirect activities are limited to those permitted for bank holding companies.

The Gramm-Leach-Bliley Act of 1999 authorized a bank holding company that meets specified conditions, including being “well capitalized” and “well managed,” to opt to become a “financial holding company” and thereby engage in a broader array of financial activities than previously permitted. Such activities can include insurance underwriting and investment banking. A “financial holding company” may engage in a broader array of financial activities than permitted a typical bank holding company. Such activities can include insurance underwriting and investment banking. The Company has not elected “financial holding company” status.

Capital

Bank holding companies are subject to consolidated regulatory capital requirements, which have historically been similar to, though less stringent than, those of the for the Bank. The Dodd Frank Act, however, required the Federal Reserve to promulgate consolidated capital requirements for depository institution holding companies that are no less stringent, both quantitatively and in terms of components of capital, than those applicable to institutions themselves. As a result, consolidated regulatory capital requirements identical to those applicable to the subsidiary banks generally apply to bank holding companies. However, the Federal Reserve has provided a “Small Bank Holding Company” exception to its consolidated capital requirements, and subsequent legislation and the related issuance of regulations by the Federal Reserve have increased the threshold for the exception to $3.0 billion of consolidated assets. Consequently, bank holding companies such as the Company with less than $3.0 billion of consolidated assets are not subject to the consolidated holding company capital requirements unless otherwise directed by the Federal Reserve.

Source of Strength

The Federal Reserve has issued regulations requiring that all bank holding companies serve as a source of strength to their subsidiary depository institutions by providing financial, managerial and other support in times of an institution's distress.

Dividends and Stock Repurchases

The Federal Reserve has issued a policy statement regarding the payment of dividends by holding companies. In general, the policy provides that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the holding company appears consistent with the organization's capital needs, asset quality and overall supervisory financial condition. Separate regulatory guidance provides for prior consultation with Federal Reserve staff concerning dividends in certain circumstances such as where the company's net income for the past four quarters, net of dividends previously paid over that period, is insufficient to fully fund the dividend or the company's overall rate or earnings retention is inconsistent with the company's capital needs and overall financial condition. The ability of a bank holding company to pay dividends may be restricted if a subsidiary bank becomes undercapitalized.

The regulatory guidance also states that a bank holding company should consult with Federal Reserve supervisory staff prior to redeeming or repurchasing common stock or perpetual preferred stock if the bank holding company is experiencing financial weaknesses or the repurchase or redemption would result in a net reduction, at the end of a quarter, in the amount of such equity instruments outstanding compared with the beginning of the quarter in which the redemption or repurchase occurred.
There is a separate requirement that a bank holding company give the Federal Reserve prior written notice of any purchase or redemption of then outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding 12 months, is equal to 10% or more of the company's consolidated net worth. The Federal Reserve may disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe and unsound practice, or would violate any law, regulation, Federal Reserve order or directive, or any condition imposed by, or written agreement with, the Federal Reserve. There is an exception to this approval requirement for well-capitalized bank holding companies that meet certain other conditions.

These regulatory policies may affect the ability of the Company to pay dividends, repurchase shares of common stock or otherwise engage in capital distributions.

Acquisition of Control of the Company

Under the Change in Bank Control Act, no person or group of persons may acquire control of a bank holding company such as the Company unless the Federal Reserve has prior written notice and has not issued a notice disapproving the proposed acquisition. In evaluating such notices, the Federal Reserve takes into consideration such factors as the financial resources, competence, experience and integrity of the acquirer, the future prospects the bank holding company involved and its subsidiary bank and the competitive effects of the acquisition. Control, as defined under federal law, means ownership, control of or holding irrevocable proxies representing more than 25% of any class of voting stock. Acquisition of more than 10% of any class of a bank holding company's voting stock constitutes a rebuttable presumption of control under the regulations under certain circumstances including where, as is the case with the Company, the issuer has registered securities under Section 12 of the Securities Exchange Act of 1934.

Emerging Growth Company Status

The Jumpstart Our Business Startups Act (the "JOBS Act"), made numerous changes to the federal securities laws to facilitate access to capital markets. Under the JOBS Act, a company with total annual gross revenues of less than $1.235 billion during its most recently completed fiscal year qualifies as an "emerging growth company." The Company qualifies as an emerging growth company under the JOBS Act.

An "emerging growth company" may choose not to hold shareholder votes to approve annual executive compensation (more frequently referred to as "say-on-pay" votes) or executive compensation payable in connection with a merger (more frequently referred to as "say-on-golden parachute" votes). An emerging growth company also is not subject to the requirement that its auditors attest to the effectiveness of the company's internal control over financial reporting, and can provide scaled disclosure regarding executive compensation; however, the Company will also not be subject to additional executive compensation disclosure so long as it remains a "smaller reporting company" under Securities and Exchange Commission regulations (generally less than $250 million of voting and non-voting equity held by non-affiliates or less than $100.0 million in annual revenue). Finally, an emerging growth company may elect to comply with new or amended accounting pronouncements in the same manner as a private company, but must make such election when the company is first required to file a registration statement. The Company has elected to comply with new or amended accounting pronouncements in the same manner as a private company.

A company loses emerging growth company status on the earlier of: (i) the last day of the fiscal year of the company during which it had total annual gross revenues of $1.235 billion or more; (ii) the last day of the fiscal year of the issuer following the fifth anniversary of the date of the first sale of common equity securities of the company pursuant to an effective registration statement under the Securities Act of 1933; (iii) the date on which such company has, during the previous three-year period, issued more than $1.0 billion in non-convertible debt; or (iv) the date on which such company is deemed to be a “large accelerated filer” under Securities and Exchange Commission regulations (generally, at least $700 million of voting and non- voting equity held by non-affiliates).

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 is intended to improve corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws. The Company has policies, procedures and systems designed to comply with these regulations, and will review and document such policies, procedures and systems to ensure continued compliance with these regulations.

Item 1A. Risk Factors.

An investment in our common stock is subject to risks inherent in our business. The material risks and uncertainties that management believes affect us are described below. You should carefully consider the risks and uncertainties described below together with all of the other information included or incorporated by reference in this report and our other filings with the Securities and Exchange Commission. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that management is not aware of or focused on or that management currently deems immaterial may also impair our business operations. This report is qualified in its entirety by these risk factors.

Risks Related to Our Business

The Company may be unable to effectively manage its rapid growth.

The Company's business strategy anticipates the rapid expansion of its business to pursue existing and potential market opportunities. On November 30, 2023, the Company completed the acquisition of Partners Bancorp which more than doubled the size of the Company. This high pace of growth places significant demands on the Company’s management and operational resources. In order to manage such growth effectively, the Company must implement effective operational systems, procedures and internal controls. Failure to implement these systems, procedures and controls on a timely basis could materially and adversely affect the Company’s results of operation or financial condition. Further, the Company’s continued expansion of its business may include entering new lines of business or introducing new products and services. We cannot assure you that the Company will be successful in such expansion efforts and any failure could materially and adversely affect the Company’s results of operation or financial condition.

The merger with Partners Bancorp and any future acquisitions could disrupt the Company’s business and adversely affect our results of operations, financial condition and cash flows.

On November 30, 2023, the Company completed the acquisition of Partners Bancorp. The Company may choose to expand in the future by making additional acquisitions, including other financial institutions, branches or fee- based businesses, that could be material to its business, results of operations, financial condition and cash flows. Acquisitions, including the merger with Partners Bancorp, involve many risks, including the following:

- an acquisition may negatively affect the Company’s results of operations, financial condition or cash flows because it may require us to incur charges or assume substantial debt or other liabilities, may cause adverse tax consequences or unfavorable accounting treatment, may expose us to claims and disputes by third parties, or may not generate sufficient financial return to offset additional costs and expenses related to the acquisition;
- the Company may encounter difficulties or unforeseen expenditures in integrating the operations of any company that it acquires, particularly if key personnel of the acquired company decide not to work for us;
- an acquisition may disrupt our ongoing business, divert resources, increase our expenses and distract our management;
- an acquisition, and in particular the Partners Merger, will involve the entry into geographic or business markets in which the Company has little or no prior experience or where competitors have stronger market positions;
- if the Company incurs debt to fund such acquisition, such debt may subject us to material restrictions on our ability to conduct our business as well as financial maintenance covenants; and
- the Company issued a significant amount of equity securities in connection with the Partners Merger, such that existing shareholders will be diluted and earnings per share may decrease.

The occurrence of any of these risks could have a material adverse effect on the Company’s business, results of operations, financial condition and cash flows.

A significant portion of the Company’s loan portfolio is secured by real estate, and events that negatively impact the real estate market could hurt its business.

The vast majority of the Company’s loans have real estate as a primary or secondary component of collateral. The real estate collateral in each case provides an alternate source of repayment in the event of default by the borrower and may deteriorate in value during the time the credit is extended. A weakening of the real estate market in the Company’s primary market areas could result in an increase in the number of borrowers who default on their loans and a reduction in the value of the collateral securing their loans, which in turn could have an adverse effect on the Company’s profitability and asset quality. If the Company is required to liquidate the collateral securing a loan to satisfy the debt during a period of reduced real estate values, the Company’s earnings and capital could be adversely affected. Acts of nature, including hurricanes, tornadoes, earthquakes, fires and floods, which may cause uninsured damage and other loss of value to real estate that secures these loans, may also negatively impact the Company's financial condition.

The Company's loan portfolio contains a number of real estate loans with relatively large balances.

The Company's loan portfolio contains a number of real estate loans with relatively large balances. The deterioration of one or a few of these loans could cause a significant increase in nonperforming loans, which could result in a net loss of earnings, an increase in the provision for credit losses and an increase in loan charge-offs, all of which could have a material adverse effect on the Company's financial condition and results of operations.

Commercial real estate loans may increase the Company's exposure to credit risk.

At December 31, 2024, the Company's commercial real estate loans totaled $1.32 billion, or 58.4%, of our total loan portfolio. Loans secured by commercial real estate are generally viewed as having more risk of default than loans secured by residential real estate or consumer loans because repayment of the loans often depends on the successful operation of the property, the income stream of the borrowers, the accuracy of the estimate of the property's value at completion of construction, and the estimated cost of construction. Such loans are generally more risky than loans secured by consumer loans because those loans are typically not secured by real estate collateral. An adverse development with respect to one lending relationship can expose the Company to a significantly greater risk of loss compared with a single-family residential mortgage loan because the Company typically has more than one loan with such borrowers. Additionally, these loans typically involve larger loan balances to single borrowers or groups of related borrowers compared with single-family residential mortgage loans. Therefore, the deterioration of one or a few of these loans could cause a significant decline in the related asset quality. If the Company's primary market areas experience an economic slowdown, these loans represent higher risk and could result in a sharp increase in loans charged off and could require the Company to significantly increase its allowance for credit losses, which could have a material adverse impact on its business, financial condition, results of operations, and cash flows.

Repayment of commercial business loans is often dependent on the cash flows of the borrower, which may be unpredictable, and the collateral securing these loans may fluctuate in value.

At December 31, 2024, $245.8 million, or 10.90% of our total loan portfolio, consisted of commercial business loans. The Company's commercial business loans are originated primarily based on the identified cash flow and general liquidity of the borrower and secondarily on the underlying collateral provided by the borrower and/or repayment capacity of any guarantor. The borrower's cash flow may be unpredictable, and collateral securing these loans may fluctuate in value. Although commercial business loans are often collateralized by equipment, inventory, accounts receivable, or other business assets, the liquidation of collateral in the event of default is often an insufficient source of repayment because accounts receivable may be uncollectible and inventories may be obsolete or of limited use. In addition, business assets may depreciate over time, may be difficult to appraise, and may fluctuate in value based on the success of the business. Accordingly, the repayment of commercial business loans depends primarily on the cash flow and credit worthiness of the borrower and secondarily on the underlying collateral value provided by the borrower and liquidity of the guarantor.

A portion of the Bank's loan portfolio consists of loan participations. Loan participations may have a higher risk of loss than loans the Bank originates because it is not the lead lender, and the Bank has limited control over credit monitoring.

The Bank participates in commercial real estate loans with other financial institutions from time to time in which it is not the lead lender. The Bank's commercial real estate loan participations are generally located in Pennsylvania although the Bank has from time to time participated in loans located in the states of Maryland, Delaware and Virginia. The Bank also occasionally participates in commercial business loans with other financial institutions in which it is not the lead lender. These loans are limited to our geographic lending market and are generally secured by blanket UCC liens. At December 31, 2024, commercial real estate loan participations for which the Bank was not the lead lender totaled $74.8 million, or 5.7% of our commercial real estate loan portfolio. Commercial business loan participations for which the Bank was not the lead lender totaled $14.1 million, or 5.7% of our commercial business loan portfolio. Construction loan participations for which the Bank was not the lead lender totaled $4.7 million, or 3.1% of our construction loan portfolio.

The Bank underwrites each commercial real estate loan, commercial business loan and commercial construction loan that it participates in and establishes the loan classification and loan provision using the same criteria it uses for loans the Bank originates. Loan participations may have a higher risk of loss than loans the Bank originates because the Bank relies on the lead lender to service and to monitor the performance of the loan. Moreover, decisions regarding the classification of a loan participation and loan loss provisions associated with a loan participation are made in part based upon information provided by the lead lender. A lead lender also may not monitor a participation loan in the same manner as the Bank would for loans that it originates. At December 31, 2024, no loan participations were delinquent 60 days or more. If the Bank underwriting of these participation loans is not sufficient, non-performing loans may increase, and earnings may decrease.

The Company may be exposed to risk of environmental liabilities with respect to properties to which it takes title.

In the course of the Company's business, it may foreclose and take title to real estate, potentially becoming subject to environmental liabilities associated with the properties. The Company may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs or the Company may be required to investigate or clean up hazardous or toxic substances or chemical releases at a property. Costs associated with investigation or remediation activities can be substantial. If the Company is the owner or former owner of a contaminated site, the Company may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. These costs and claims could adversely affect the Company's business, results of operations, financial condition, and the value of its securities.

The Company's decisions regarding allowance for credit losses and credit risk may materially and adversely affect its business.

Making loans and other extensions of credit is an essential element of the Company's business. Although the Company seeks to mitigate risks inherent in lending by adhering to specific underwriting practices, the Company's loans and other extensions of credit may not be repaid. The risk of nonpayment is affected by a number of factors, including:

- the duration of the credit;
- credit risks of a particular customer;
- changes in economic and industry conditions; and
- in the case of a collateralized loan, risks resulting from uncertainties about the future value of the collateral.

The Company attempts to maintain an appropriate allowance for credit losses to provide for estimated losses over the life of the loan portfolio. The Company periodically determines the amount of the allowance based on consideration of several factors, including but not limited to:

- an ongoing review of the quality, mix, and size of the Company's overall loan portfolio;
- the Company's historical loan loss experience;
- evaluation of economic conditions;
- regular reviews of loan delinquencies and loan portfolio quality;
- ongoing review of financial information provided by borrowers; and
- the amount and quality of collateral, including guarantees, securing the loans.

The determination of the appropriate level of the allowance for credit losses inherently involves a high degree of subjectivity and requires the Company to make significant estimates of current credit risks and future trends, all of which may undergo material changes. Deterioration in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of the Company's control, may require an increase in the allowance for credit losses. In addition, regulatory agencies periodically review the Company's allowance for credit losses and may require an increase in the provision for credit losses or the recognition of further loan charge-offs, based on judgments different than those of management. In addition, if charge-offs in future periods exceed the allowance for credit losses, the Company will need additional provisions to increase the allowance for credit losses. Any increases in the allowance for credit losses will result in a decrease in net income and, possibly, capital, and may have a material adverse effect on the Company's financial condition and results of operations.

If the Company's non-performing assets increase, earnings will be adversely affected.

At December 31, 2024, non-performing assets, which consist of non-performing loans and other real estate owned, were $17.2 million, or 0.60% of total assets. The Company's non-performing assets adversely affect net income in various ways:

- the Company records interest income only on the cash basis or cost-recovery method for nonaccrual loans and it does not record interest income for other real estate owned;
- the Company must provide for estimated credit losses through a current period charge to the provision for credit losses;
- noninterest expense increases when the Company writes down the value of properties in its other real estate owned portfolio to reflect changing market values;
- there are legal fees associated with the resolution of problem assets, as well as carrying costs, such as taxes, insurance, and maintenance fees; and
- the resolution of non-performing assets requires the active involvement of management, which can distract them from more profitable activity.

If additional borrowers become delinquent and do not pay back their loans and the Company is unable to successfully manage its non-performing assets, losses and troubled assets could increase significantly, which could have a material adverse effect on the Company’s financial condition and results of operations.

The Company may have higher loan losses than it has allowed for in its allowance for credit losses.

The Company’s actual loan losses could exceed its allowance for credit losses and therefore its allowance for credit losses may not be adequate. A significant portion of the Company’s loan portfolio is secured by commercial real estate. Repayment of such loans is generally considered more subject to market risk than residential mortgage loans. Industry experience shows that a portion of loans will become delinquent and a portion of loans will require partial or entire charge-off. Regardless of the underwriting criteria utilized, losses may be experienced as a result of various factors beyond the Company’s control, including among other things, changes in market conditions affecting the value of loan collateral and problems affecting borrower credit.

Inflation can have an adverse impact on our business and on our customers.

The national economy continues to experience elevated levels of inflation, but not at levels seen in 2022 and 2023. As of December 31, 2024, the year over year consumer price index (“CPI”) increase was 2.9%, primarily driven by increases in food prices. The Federal Reserve raised interest rates by 100 basis points through July 2023 to combat rising inflation, and reduced rates by 100 basis points beginning in September 2024. High inflation, if sustained, could have an adverse effect on our business. The increase in interest rates in response to elevated levels of inflation has decreased the value of our securities portfolio, resulting in an increase in unrealized losses recorded in accumulated other comprehensive income (loss) in the shareholders’ equity section of our balance sheet. In addition, inflation-driven increases in our levels of non-interest expense could negatively impact our results of operations. High inflation and increasing interest rates could also cause increased volatility in the business environment, which could adversely affect loan demand and borrowers’ ability to repay loans.

The Company relies heavily on its senior management team and the unexpected loss of any of those personnel could adversely affect its operations.

The Company is a customer-focused and relationship-driven organization. The Company expects its future growth to be driven in a large part by the relationships maintained with its customers by its chief executive officer and by other senior officers. The unexpected loss of any of the Company’s key employees could have a material adverse effect on its business and operations, which would have an adverse effect on its business, results of operations, financial condition, and the value of its securities.

The success of the Company’s strategy depends on its ability to identify and retain individuals with experience and relationships in its markets.

In order to be successful, the Company must identify and retain experienced key management members with local expertise and relationships. Competition for qualified personnel is intense and there are a limited number of qualified persons with knowledge of and experience in the community banking industry in the Company’s chosen geographic markets. Even if the Company identifies individuals that it believes could assist the Company in building its franchise, the Company may be unable to recruit these individuals away from more established banks. In addition, the process of identifying and recruiting individuals with the combination of skills and attributes required to carry out the Company’s strategy is often lengthy. The Company’s inability to identify, recruit, and retain talented personnel could limit its growth and could materially adversely affect its business, results of operations, financial condition, and the value of its securities.

Changes in economic conditions, in particular an economic slowdown in Pennsylvania, Maryland, Delaware, Northern Virginia, and Southern New Jersey could materially and negatively affect the Company's business.

The Company primarily serves individuals, businesses and municipalities located in Chester, Cumberland, Dauphin, Lancaster, Northumberland, Schuylkill, and York Counties in Pennsylvania, Wicomico, Charles, Anne Arundel, and Worcester counties in Maryland, Sussex county in Delaware, Camden and Burlington counties in New Jersey, Spotsylvania and Fairfax counties in Virginia, and the city of Fredericksburg, Virginia (the "local market").

As of December 31, 2024, a majority of our loan portfolio was secured by real estate and other assets located in the local market. The Company's business is directly impacted by factors such as economic, political and market conditions, broad trends in industry and finance, legislative and regulatory changes, changes in government monetary and fiscal policies and inflation, all of which are beyond the Company's control. Any deterioration in economic conditions, whether caused by national or local concerns, in particular any further economic slowdown in the local market, could result in the following consequences, any of which could hurt the Company's business materially: loan delinquencies may increase; problem assets and foreclosures may increase; demand for the Company's products and services may decrease; low cost or noninterest bearing deposits may decrease; and collateral for loans made by the Company, especially real estate, may decline in value, in turn reducing customers' borrowing power, and reducing the value of assets and collateral associated with the Company's existing loans.

The Company's success significantly depends upon the growth in population, income levels, deposits, and housing starts in the Company's local market. If the communities in which the Company operates do not grow or if prevailing economic conditions locally or nationally are unfavorable, the Company's business may not succeed. An economic downturn or prolonged recession would likely result in further deterioration of the quality of the Company's loan portfolio and reduce the Company's level of deposits, which in turn would hurt its business. If the Company experiences an economic downturn or a prolonged economic recession occurs in the economy as a whole, borrowers will be less likely to repay their loans as scheduled. Unlike many larger institutions, the Company is not able to spread the risks of unfavorable local economic conditions across a large number of diversified economies. An economic downturn could, therefore, result in losses that materially and adversely affect the Company's business.

The small- and medium-sized business target market may have fewer financial resources to weather a downturn in the economy.

The Company targets its commercial development and marketing strategy to serve the banking and financial services needs of small- and medium-sized businesses. These businesses generally have fewer financial resources in terms of capital or borrowing capacity than larger entities. If general economic conditions negatively impact this major economic sector in the markets in which the Company operates, its results of operations and financial condition, as well as the value of its securities, may be adversely affected.

Higher FDIC deposit insurance premiums or special assessments could adversely impact the Company's financial condition.

The Bank's deposits are insured up to applicable limits by the Deposit Insurance Fund ("DIF") of the FDIC and are subject to deposit insurance assessments to maintain deposit insurance. As an FDIC-insured institution, the Bank is required to pay quarterly deposit insurance premium assessments to the FDIC. The FDIC issued a final rule in October 2022 to increase initial base deposit insurance assessment rates by 2 basis points beginning in the first quarterly assessment period of 2023. If there are financial institution failures, the Bank may be required to pay higher FDIC premiums or special assessments. For example, in 2023, the FDIC issued a special assessment for banks with total consolidated assets of $5 billion or more in order to recover losses sustained by the DIF as a result of the March 2023 failures of Silicon Valley Bank and Signature Bank. Although the Bank cannot predict if there will be future increases to insurance assessment rates or special assessments, either a deterioration in its risk-based capital ratios or further adjustments to the base assessment rates could have a material adverse impact on its business, financial condition, results of operations, and cash flows.

The Company depends on the accuracy and completeness of information about clients and counterparties and its financial condition could be adversely affected if it relies on misleading information.

In deciding whether to extend credit or to enter into other transactions with clients and counterparties, the Company may rely on information furnished to it by or on behalf of clients and counterparties, including financial statements and other financial information, which it does not independently verify. The Company also may rely on representations of clients and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. For example, in deciding whether to extend credit to clients, the Company may assume that a customer's audited financial statements conform with GAAP and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. The Company's financial condition and results of operations could be negatively impacted to the extent it relies on financial statements that do not comply with GAAP or are materially misleading.

Changes in prevailing interest rates may reduce the Company's profitability.

The Company's results of operations depend in large part upon the level of its net interest income, which is the difference between interest income from interest-earning assets, such as loans and investment securities, and interest expense on interest-bearing liabilities, such as deposits and other borrowings. Depending on the terms and maturities of the Company's assets and liabilities, a significant change in interest rates could have a material adverse effect on its profitability. Many factors cause changes in interest rates, including governmental monetary policies and domestic and international economic and political conditions. While the Company intends to manage the effects of changes in interest rates by adjusting the terms, maturities, and pricing of its assets and liabilities, its efforts may not be effective and its financial condition and results of operations could suffer.

The Company is subject to interest rate risk, and fluctuations in market interest rates may affect its interest margin and income, demand for products, defaults on loans, loan prepayments and the fair value of its financial instruments.

The Company's earnings and cash flows depend largely upon its net interest income. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and policies of governmental and regulatory agencies, particularly the Federal Reserve. Changes in monetary policy, including changes in interest rates, could influence the interest the Company receives on loans and investments and the amount of interest it pays on deposits and borrowings, which may affect net interest margin. Such changes could also affect (i) demand for products and services and price competition, in turn affecting our ability to originate loans and obtain deposits; (ii) the fair value of the Company's financial assets and liabilities; (iii) the average duration of its mortgage-backed securities portfolio and other interest-earning assets; (iv) levels of defaults on loans; and (v) loan prepayments.

During 2023, in response to accelerated inflation, the Federal Reserve continued to implement monetary tightening policies, resulting in increased interest rates. By the end of 2024, following several interest rate cuts, the Federal Reserve has signaled that interest rates may remain elevated. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, net interest income, and therefore earnings, could be adversely affected. In addition, the Company's net interest margin may contract in a rising rate environment because its funding costs may increase faster than the yield earned on its interest-earning assets. In a rising rate environment, demand for loans may decrease and loans with adjustable interest rates are more likely to experience a higher rate of default. Additionally, changes in interest rates also affect the fair value of the securities portfolio. Generally, the value of securities moves inversely with changes in interest rates. The combination of these events may adversely affect the Company's financial condition and results of operations.

Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings. In addition, in a falling rate environment or the recent pandemic-related environment where the Federal Reserve held the federal reference rate near 0.00%, loans may be prepaid sooner than the Company expects, which could result in a delay between when the Company receives the prepayment and when it is able to redeploy the funds into new interest-earning assets and in a decrease in the amount of interest income the Company is able to earn on those assets. If the Company is unable to manage these risks effectively, its financial condition and results of operations could be materially adversely affected.

Any substantial, unexpected or prolonged change in market interest rates could have a material adverse effect on the Company's financial condition and results of operations. Also, the Company's interest rate risk modeling techniques and assumptions likely may not fully predict or capture the impact of actual interest rate changes on its balance sheet.

The Company may be adversely affected by the soundness of other financial institutions.

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. The Company has exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks, and other institutional clients. Many of these transactions expose the Company to credit risk in the event of a default by a counterparty or client. In addition, the Company's credit risk may be exacerbated when the collateral held by the Bank cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due to the Bank. Any such losses could have a material adverse effect on the Company's financial condition and results of operations.

Competition with other financial institutions may have an adverse effect on the Company’s ability to retain and grow its client base, which could have a negative effect on its financial condition or results of operations.

The banking and financial services industry is very competitive and includes services offered from other banks, savings and loan associations, credit unions, mortgage companies, other lenders, and institutions offering uninsured investment alternatives. Legal and regulatory developments have made it easier for new and sometimes unregulated competitors to compete with the Company. The financial services industry has and is experiencing an ongoing trend towards consolidation in which fewer large national and regional banks and other financial institutions are replacing many smaller and more local banks. These larger banks and other financial institutions hold a large accumulation of assets and have significantly greater resources and a wider geographic presence or greater accessibility. In some instances, these larger entities operate without the traditional brick and mortar facilities that restrict geographic presence. Some competitors have more aggressive marketing campaigns and better brand recognition, and are able to offer more services, more favorable pricing or greater customer convenience than the Bank. In addition, competition has increased from new banks and other financial services providers that target the Company’s existing or potential customers. As consolidation continues among large banks, the Company expects other smaller institutions to try to compete in the markets the Company plans to serve. This competition could reduce the Company's net income by decreasing the number and size of the loans that it originates and the interest rates it charges on these loans. Additionally, these competitors may offer higher interest rates, which could decrease the deposits the Company attracts or require it to increase rates to retain existing deposits or attract new deposits. Increased deposit competition could adversely affect the Company’s ability to generate the funds necessary for lending operations which could increase its cost of funds.

The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Banks, securities firms and insurance companies can merge as part of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Technological developments have allowed competitors, including some non-depository institutions, to compete more effectively in local markets and have expanded the range of financial products, services and capital available to the Company’s target customers. If the Company is unable to implement, maintain and use such technologies effectively, it may not be able to offer products or achieve cost-efficiencies necessary to compete in the industry. In addition, some of these competitors have fewer regulatory constraints and lower cost structures.

Liquidity needs could adversely affect the Company’s financial condition and results of operation.

The primary sources of funds of the Bank are customer deposits and loan repayments. While scheduled loan repayments are a relatively stable source of funds, they are subject to the ability of borrowers to repay the loans. The ability of borrowers to repay loans can be adversely affected by a number of factors, including changes in economic conditions, adverse trends or events affecting business industry groups, reductions in real estate values or markets, business closings or lay-offs, inclement weather, which could be exacerbated by potential climate change, natural disasters and international instability.

Market conditions may impact the competitive landscape for deposits in the banking industry. The high interest rate environment and future actions the Federal Reserve may take may impact pricing and demand for deposits in the banking industry. Additionally, deposit levels may be affected by a number of factors, including rates paid by competitors, general interest rate levels, regulatory capital requirements, returns available to customers on alternative investments and general economic conditions. The withdrawal of more deposits than the Company anticipates could have an adverse impact on profitability as the Company may be required from time to time to rely on secondary sources of liquidity to meet withdrawal demands or otherwise fund operations. Such sources include proceeds from FHLB advances, sales of investment securities and loans, and federal funds lines of credit from correspondent banks, as well as out-of-market time deposits which could cause the Company's overall cost of funding to increase. While the Company believes that these sources are currently adequate, there can be no assurance they will be sufficient to meet future liquidity demands, particularly if the Company continues to grow and experience increasing loan demand. The Company may be required to slow or discontinue loan growth, capital expenditures or other investments or liquidate assets should such sources not be adequate.

Technological advances impact the Company’s business; its information systems may experience an interruption or breach in security.

To conduct the Company’s business, it relies heavily on new technology-driven products and services and on communications and information systems. The Company’s future success will depend, in part, on its ability to address the needs of the Bank’s customers by using technology to provide products and services that will satisfy customer demands for convenience as well as to create additional efficiencies in operations. Furthermore, any failure, interruption or breach of the security of the Company’s information systems could result in failures or disruptions in its customer relationship management, general ledger, deposit, loan and other systems. While the Company has policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of the Company’s information systems, there can be no assurance that the Company can prevent any such failures, interruptions or security breaches or, if they do occur, that they will be adequately addressed. During the normal course of the Company’s business, it has experienced and it expects to continue to experience attempts to breach its systems, none of which has been material to the Company to date, and it may be unable to protect sensitive data and the integrity of its systems. The occurrence of any failures, interruptions or security breaches of the Company's information systems could damage its reputation, result in a loss of customer business, subject it to additional regulatory scrutiny, or expose it to civil litigation and possible financial liability, any of which could have a material adverse effect on its financial condition and results of operations as well as the value of its securities.

The Company's controls and procedures may fail or be circumvented.

The Company regularly reviews and updates its internal controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well-designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of the Company's controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on its business, results of operations and financial condition.

The Bank is subject to risks and losses resulting from fraudulent activities that could adversely impact its financial performance and results of operations.

The Bank is susceptible to fraudulent activity that may be committed against it or its clients, which may result in financial losses or increased costs to the Bank or its clients, disclosure or misuse of its information or its client's information, misappropriation of assets, privacy breaches against its clients, litigation or damage to the Bank's reputation. The Bank is most subject to fraud and compliance risk in connection with the origination of loans, ACH transactions, wire transactions, ATM transactions, checking transactions, and debit cards that it has issued to its customers and through its online banking portals.

The Company maintains a system of internal controls and insurance coverage to mitigate against such risks, including data processing system failures and errors, and customer fraud. If its internal controls fail to prevent or detect any such occurrence, or if any resulting loss is not insured or exceeds applicable insurance limits, it could have a material adverse effect on the Company's business, financial condition and results of operations.

Negative public opinion surrounding the Company and the financial institutions industry generally could damage its reputation and adversely impact its earnings.

Reputation risk, or the risk to the Company's business, earnings and capital from negative public opinion surrounding the Company and the financial institutions industry generally, is inherent in its business. Negative public opinion can result from the Company's actual or alleged conduct in any number of activities, including lending practices, corporate governance and acquisitions, and from actions taken by government regulators and community organizations in response to those activities. Negative public opinion can adversely affect the Company's ability to keep and attract clients and employees and can expose it to litigation and regulatory action. Although the Company takes steps to minimize reputation risk in dealing with its clients and communities, this risk will always be present given the nature of its business.

Severe weather, natural disasters, public health emergencies and pandemics, acts of war or terrorism, and other external events could significantly impact our business.

Severe weather, natural disasters, public health emergencies and pandemics, acts of war or terrorism, geopolitical conflicts, and other adverse external events could have a significant impact on the Company's ability to conduct business. Such events could affect the operations of the bank branches, stability of the Bank's deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue, and/or cause the Company to incur additional expenses. Additionally, demand for the Company's products and services may decline; loan delinquencies, problem assets, and foreclosures may increase, resulting in increased charges and reduced income; collateral for loans may decline in value, which could increase loan losses; the allowance for credit losses may have to be increased if borrowers experience financial difficulties; a material decrease in net income could affect the Company's ability to pay cash dividends; cybersecurity risks may be increased as the result of employees working remotely; critical services provided by third-party vendors may become unavailable; government actions and mandates may affect the Company's workforce and infrastructure; and the Company may experience staffing shortages and unanticipated unavailability or loss of key employees. The occurrence of any such event or a combination of the foregoing factors could have a material adverse effect on the Company's business, which, in turn, could have a material adverse effect on its financial condition and results of operations.

Regulatory and Legal Risks

The Company and the Bank are subject to extensive government regulation and supervision that could interfere with their ability to conduct their business and may negatively impact their financial results, restrict their activities, have an adverse impact on their operations, and impose financial requirements or limitations on the conduct of their business.

The Company, primarily through the Bank, is subject to extensive federal and state regulation and supervision. Banking regulations are primarily intended to protect depositors' funds, the Deposit Insurance Fund and the safety and soundness of the banking system as a whole, not shareholders. These regulations affect the Company's lending practices, capital structure, investment practices, dividend policy and growth, among other things. Congress and federal regulatory agencies continually review banking laws, regulations and policies for possible changes. Changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could affect the Company in substantial and unpredictable ways. Such changes could subject the Company to additional costs, limit the types of financial services and products it may offer, and/or limit the pricing it may charge on certain banking services, among other things. The Company will have to apply resources to ensure that it is in compliance with any changes to statutes, regulations or regulatory policies, including changes in interpretations or implementation, which may increase its costs of operations and adversely impact its earnings.

Imposition of limits by bank regulators on commercial real estate lending activities could curtail our growth and adversely affect our earnings.

In 2006, the Office of the Comptroller of the Currency, the FDIC and the Federal Reserve (collectively, the "Agencies") issued joint guidance entitled "Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices" (the "CRE Guidance"). Although the CRE Guidance did not establish specific lending limits, it provides that a bank's commercial real estate lending exposure could receive increased supervisory scrutiny where total non-owner-occupied commercial real estate loans, including loans secured by apartment buildings, investor commercial real estate, and construction and land loans, represent 300% or more of an institution's total risk-based capital, and the outstanding balance of the commercial real estate loan portfolio has increased by 50% or more during the preceding 36 months. Non-owner-occupied commercial real estate loans represent 365.7% of our risk-based capital at December 31, 2024 and the outstanding balance of our commercial real estate loan portfolio has increased by greater than 50% during the 36 months preceding December 31, 2024.

In December 2015, the Agencies released a new statement on prudent risk management for commercial real estate lending (the "2015 Statement"). In the 2015 Statement, the Agencies, among other things, indicate the intent to continue "to pay special attention" to commercial real estate lending activities and concentrations going forward. If the Bank's regulators were to impose restrictions on the amount of such loans it can hold in its portfolio or require it to implement additional compliance measures, for reasons noted above or otherwise, the Company's earnings would be adversely affected as would earnings per share.

The Bank faces a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti-money laundering statutes and regulations.

The Bank Secrecy Act, as amended by the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "Patriot Act"), and other laws and regulations require financial institutions, among other duties, to institute and maintain effective anti-money laundering programs and file suspicious activity and currency transaction reports as appropriate. The Financial Crimes Enforcement Network, established by the U.S. Treasury to administer the Bank Secrecy Act, is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the U.S. Department of Justice, Drug Enforcement Administration and Internal Revenue Service. There is also increased scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control (the "OFAC"). Federal and state bank regulators also have begun to increase focus on compliance with Bank Secrecy Act and anti-money laundering regulations. If the Company's policies, procedures and systems are deemed deficient or the policies, procedures and systems of the financial institutions that it has already acquired or may acquire in the future are deficient, it would be subject to liability, including fines and regulatory actions such as restrictions on its ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of its business plan, including its acquisition plans, which would negatively impact its business, financial condition and results of operations. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for the Company.

Regulations relating to privacy, information security and data protection could increase the Company’s and the Bank’s costs, affect or limit how they collect and use personal information and adversely affect their business opportunities.

The Company is subject to various privacy, information security and data protection laws, including requirements concerning security breach notification, and it could be negatively impacted by these laws. For example, the Company’s business is subject to the Financial Services Modernization Act of 1999, also known as the Gramm-Leach-Bliley Act, which, among other things: (i) imposes certain limitations on its ability to share nonpublic personal information about its customers with nonaffiliated third parties; (ii) requires that it provide certain disclosures to customers about its information collection, sharing and security practices and afford customers the right to “opt out” of any information sharing by the Company with nonaffiliated third parties (with certain exceptions) and (iii) requires it develop, implement and maintain a written comprehensive information security program containing safeguards appropriate based on its size and complexity, the nature and scope of its activities, and the sensitivity of customer information it processes, as well as plans for responding to data security breaches. Various state and federal banking regulators and states have also enacted data security breach notification requirements with varying levels of individual, consumer, regulatory or law enforcement notification in certain circumstances in the event of a security breach. Moreover, legislators and regulators in the United States are increasingly adopting or revising privacy, information security and data protection laws that potentially could have a significant impact on the Company’s current and planned privacy, data protection and information security-related practices, the Company’s collection, use, sharing, retention and safeguarding of consumer or employee information, and some of its current or planned business activities. This could also increase the Company’s costs of compliance and business operations and could reduce income from certain business initiatives. This includes increased privacy-related enforcement activity at the federal level, by the Federal Trade Commission, as well as at the state level, such as with regard to mobile applications.

Compliance with current or future privacy, data protection and information security laws (including those regarding security breach notification) affecting customer or employee data to which the Company is subject could result in higher compliance and technology costs and could restrict its ability to provide certain products and services, which could have a material adverse effect on its business, financial conditions or results of operations. The Company’s failure to comply with privacy, data protection and information security laws could result in potentially significant regulatory or governmental investigations or actions, litigation, fines, sanctions and damage to its reputation, which could have a material adverse effect on its business, results of operations, financial condition, and the value of its securities.

The Company's and the Bank’s use of third party vendors and their other ongoing third party business relationships are subject to increasing regulatory requirements and attention.

The Company regularly uses third party vendors as part of its business. The Bank also has substantial ongoing business relationships with other third parties. These types of third party relationships are subject to increasingly demanding regulatory requirements and attention by the Company’s federal bank regulators. Regulatory guidance requires all banking organizations to enhance due diligence, ongoing monitoring and control over organizations’ third party vendors and other ongoing third party business relationships. The Company expects that its regulators will hold it responsible for any deficiencies in its oversight and control of its third party relationships and in the performance of the parties with which it has these relationships. As a result, if the Company’s regulators conclude that it has not exercised adequate oversight and control over its third party vendors or other ongoing third party business relationships or that such third parties have not performed appropriately, the Company could be subject to enforcement actions, including civil money penalties or other administrative or judicial penalties or fines as well as requirements for customer remediation, any of which could have a material adverse effect on its business, results of operations, financial condition, and the value of its securities.

The Bank is limited in the amount it can lend to one borrower.

The Bank is limited in the amount it can lend to a single borrower. The legal lending limit is 15% of such bank’s capital and surplus with an additional 10% available for certain loans meeting heightened collateral requirements. However, the Company generally imposes an internal limit that is more conservative than the legal maximum. The Bank’s lending limit may be less than the limit for some of its competitors and may affect its ability to seek relationships with larger businesses in its market area. From time to time, the Company attempts to accommodate larger loans by selling participations in those loans to other financial institutions. However, the Company cannot assure you that it will be able to attract or maintain customers seeking larger loans or that it will be able to sell participations in such loans on terms it considers favorable. The Company’s inability to attract and maintain these customers or its inability to sell loan participations on favorable terms could adversely impact its business, financial condition, results of operation, and the value of its securities.

Federal, state and local consumer lending laws may restrict the Bank's ability to originate certain mortgage loans or increase its risk of liability with respect to such loans and could increase its cost of doing business.

Federal, state and local laws have been adopted that are intended to eliminate certain lending practices considered "predatory." These laws prohibit practices such as steering borrowers away from more affordable products, selling unnecessary insurance to borrowers, repeatedly refinancing loans and making loans without a reasonable expectation that the borrowers will be able to repay the loans irrespective of the value of the underlying property. Loans with certain terms and conditions and that otherwise meet the definition of a "qualified mortgage" may be protected from liability to a borrower for failing to make the necessary determinations. The Company may find it necessary to tighten its mortgage loan underwriting standards in response to these rules, which may constrain its ability to make loans consistent with its business strategies. It is the Company's policy not to make predatory loans and to determine borrowers' ability to repay, but the law and related rules create the potential for increased liability with respect to the Company's lending and loan investment activities. They increase the Company's cost of doing business and, ultimately, may prevent it from making certain loans and cause it to reduce the average percentage rate or the points and fees on loans that it does make.

The Bank is subject to federal and state fair lending laws, and failure to comply with these laws could lead to material penalties.

Federal and state fair lending laws and regulations, such as the Equal Credit Opportunity Act and the Fair Housing Act, impose nondiscriminatory lending requirements on financial institutions. The Department of Justice, Consumer Financial Protection Bureau ("CFPB") and other federal and state agencies are responsible for enforcing these laws and regulations. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation. A successful challenge to the Company's performance under the fair lending laws and regulations could adversely impact its rating under the Community Reinvestment Act and result in a wide variety of sanctions, including the required payment of damages and civil money penalties, injunctive relief, imposition of restrictions on merger and acquisition activity and restrictions on expansion activity, which could negatively impact its reputation, business, financial condition and results of operations. The Bank's current Community Reinvestment Act rating is "Satisfactory."

The Federal Reserve may require the Company to commit capital resources to support the Bank.

The Federal Reserve requires a bank holding company to act as a source of financial and managerial strength to a subsidiary bank and to commit resources to support such subsidiary bank. Under the "source of strength" doctrine, the Federal Reserve may require a bank holding company to make capital injections into a troubled subsidiary bank and may charge the bank holding company with engaging in unsafe and unsound practices for failure to commit resources to such a subsidiary bank. In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") directs the federal bank regulators to require that all companies that directly or indirectly control an insured depository institution serve as a source of financial strength for the institution. Under these requirements, in the future, the Company could be required to provide financial assistance to the Bank, if it experiences financial distress.

A capital injection may be required at times when the Company does not have the resources to provide it, and therefore the Company may be required to borrow the funds. In the event of a bank holding company's bankruptcy, the bankruptcy trustee will assume any commitment by the holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank. Moreover, bankruptcy law provides that claims based on any such commitment will be entitled to a priority of payment over the claims of the holding company's general unsecured creditors, including the holders of its note obligations. Thus, any borrowing that must be done by the holding company in order to make the required capital injection becomes more difficult and expensive and will adversely impact the holding company's cash flows, financial condition, results of operations and prospects.

Changes in the Federal Reserve's monetary or fiscal policies could adversely affect the Company's results of operations and financial conditions.

The Company's earnings will be affected by domestic economic conditions and the monetary and fiscal policies of the United States government and its agencies. The Federal Reserve has, and is likely to continue to have, an important impact on the operating results of banks through its power to implement national monetary policy, among other things, in order to curb inflation or combat a recession. The Federal Reserve's actions affect the levels of bank loans, investments and deposits through its control over the issuance of United States government securities, its regulation of the discount rate applicable to member banks, and its influence on other monetary and fiscal policies. The monetary policies of the Federal Reserve may be affected by certain policy initiatives of the new Administration, which has announced tariffs on certain U.S. trading partners (and has indicated additional tariffs and retaliatory tariffs against U.S. trading partners may be announced in the future) and has implemented stricter immigration policies. Although forecasts have varied, many economists are projecting that such policy initiatives may halt productivity growth and reduce available labor, creating inflationary pressures. Under such a scenario, the Federal Reserve may decide to maintain the federal funds rate at a relatively elevated level for a prolonged period of time. The extent and timing of the new Administration's policy changes and their impact on the policies of the Federal Reserve, as well as the Company's business and financial results, are uncertain at this time.

The Company may be subject to more stringent capital requirements in the future.

From time to time, the Company's banking regulators change the regulatory capital adequacy guidelines applicable to it and its banking subsidiary. In December 2010 and January 2011, the Basel Committee on Banking Supervision published the final texts of reforms on capital and liquidity generally referred to as "Basel III." The federal regulatory agencies adopted capital rules implementing the Basel III capital framework in the United States. Under these rules, the Bank is required to satisfy additional, more stringent, capital adequacy standards than it has in the past. If the Company's consolidated assets were to exceed $3.0 billion or larger, the Company would be subject to consolidated holding company capital requirements similar to those applicable to the Bank. The Bank has met all of the requirements of the Basel III-based capital rules to date, but the Bank may fail to do so in the future. In addition, these requirements could have a negative impact on the Bank's ability to lend, grow deposit balances, make acquisitions or make capital distributions in the form of dividends or share repurchases. Higher capital levels could also lower the Company's return on equity, which may negatively impact its business, results of operations, financial condition, and the value of its securities.

The Bank may be a party to various lawsuits. Litigation is subject to many uncertainties such that the expenses and ultimate exposure with respect to many of these matters cannot be ascertained.

From time to time, customers and others make claims and take legal action pertaining to the Company's performance of its ongoing obligations to customers or other matters. Whether customer claims and legal action are legitimate or unfounded, if such claims and legal actions are not resolved in the Company's favor they may result in significant financial liability and/or adversely affect the market perception of it and its products and services as well as impact customer demand for those products and services. Any financial liability or reputation damage could have a material adverse effect on the Company's business, which, in turn, could have a material adverse effect on its financial condition and results of operations.

<u>Risks Related to an Investment in the Company's Securities</u>

There is a limited trading market in the Company's common stock, which will hinder your ability to sell our common stock and may lower the market price of the stock.

Although the Company's common stock is traded on the Nasdaq Capital Market, there is currently a limited trading market for the Company's common stock. An active trading market for shares of the Company's common stock may never develop or be sustained. This limited trading market for the Company's common stock may reduce the market value of our common stock. Before investing in shares of the Company's common stock you should consider the limited trading market for our common stock and be financially prepared and able to hold your shares for an indefinite period.

The Company can provide no assurance regarding whether it will continue to make dividend payments in the future.

The Company currently pays a quarterly dividend of $0.075 per share. All future dividends will be dependent on the Company's financial condition, results of operations, and cash flows, as well as capital regulations and dividend restrictions from the PADOBS, the FDIC, and the Federal Reserve. The Federal Reserve and the FDIC have issued policy statements, which provide that bank holding companies and insured banks should generally only pay dividends out of current operating earnings. The FDIC also has the authority under federal law to enjoin a bank from engaging in what in its opinion constitutes an unsafe or unsound practice in conducting its business, including the payment of a dividend under certain circumstances. The Company can provide no assurance regarding whether it will continue to make dividend payments in the future.

The Company may issue additional shares of common stock, and this would result in dilution of a shareholder's ownership percentage and potentially the per share book value of the common stock.

The Company may, in the future, determine that it is advisable, or it may encounter circumstances where it determines it is necessary, to issue additional shares of common stock, preferred stock, securities convertible into, exchangeable for or that represent an interest in common stock, or common stock-equivalent securities to fund strategic initiatives or other business needs or to build additional capital. In September 2022, the Company completed its IPO whereby it issued and sold 5,101,205 shares of common stock. In February 2023, the Company completed a private placement of $10.0 million in common stock. On November 30, 2023, the Company completed its acquisition of Partners Bancorp and issued 20,683,158 shares of common stock. These issuances diluted and future issuances may dilute the ownership interests of shareholders and could potentially dilute the per share book value of the common stock if the issuances are done at a lower per share offering price.

Furthermore, in recognition of the financial risk and efforts undertook in organizing the Company, certain founding investors were granted warrants to purchase four shares of common stock at a purchase price of $10 per share for every one share the individual purchased during the Company’s initial offering in 2018-2019. In the aggregate, warrants to purchase 1,537,484 shares of common stock were granted to these individuals, which are exercisable for ten years from the date of grant. The exercise of such warrants would dilute the ownership interests of the Company's shareholders.

The Company's securities are not FDIC insured and may lose value.

Shares of the Company's common stock are not savings accounts or deposits and are not insured or guaranteed by the FDIC, or any other governmental agency, and involve investment risk, including the possible loss of principal.

The Company’s common stock is subordinate to existing and future indebtedness.

Shares of the Company’s common stock are equity interests and do not constitute indebtedness. As such, the Company’s common stock ranks junior to all our customer deposits and indebtedness, and other non-equity claims on the Company, with respect to assets available to satisfy claims. In addition, the shares of common stock rank junior to the $20.0 million in subordinated debt that the Company assumed in connection with the Gratz Merger, $22.6 million in subordinated debt that the Company assumed in connection with the Partners Merger, and $20.0 million of subordinated debt that the Company issued in April 2022.

Other Risks

The use of estimates and valuations may be different from actual results, which could have a material adverse effect on the Company’s consolidated financial statements.

The Company makes various estimates that affect reported amounts and disclosures. Broadly, those estimates are used in measuring the fair value of certain financial instruments, establishing provision for credit losses and potential litigation liability. Market volatility may make it difficult to determine the fair value for certain of the Company’s assets and liabilities. Subsequent valuations, in light of factors then prevailing, may result in significant changes in the values of these financial instruments in future periods. In addition, at the time of any sales and settlements of these assets and liabilities, the price the Company ultimately realizes will depend on the demand and liquidity in the market at that time for that particular type of asset or liability and may be materially lower than its estimate of their current fair value. Estimates are based on available information and judgment. Therefore, actual values and results could differ from the Company’s estimates and that difference could have a material adverse effect on its consolidated financial statements.

The Company's shareholders have limited control over changes in the Company’s policies and operations, which increases the uncertainty and risks that shareholders face.

The Board of Directors of the Company determine the major policies of the Company, including its policies regarding growth and distributions. The Board of Directors may amend or revise these and other policies without a vote of the shareholders. The Board of Directors’ broad discretion in setting policies and shareholders’ inability to exert control over those policies increases the uncertainty and risks the shareholders face.

The Company's articles of incorporation permit the Board of Directors to issue stock with terms that may subordinate the rights of the holders of the Company's common stock or discourage a third party from acquiring the Company in a manner that could result in a premium price to shareholders.

The Board of Directors may classify or reclassify any unissued shares of the Company's common stock, classify any unissued shares of the Company's preferred stock and reclassify any previously classified but unissued shares of the Company's preferred stock into other classes or series of stock and set the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption of any such stock. Thus, the Board of Directors could authorize the issuance of preferred stock with priority as to distributions and amounts payable upon liquidation over the rights of the holders of the Company's common stock. Such preferred stock could also have the effect of delaying, deferring or preventing a change in control of the Company, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of the Company’s assets) that might provide a premium price to holders of the Company's common stock.

The Company's articles of incorporation and bylaws, and certain banking laws applicable to us, could have an anti-takeover effect that decreases the Company's chances of being acquired, even if an acquisition is in the shareholders' best interests.

Certain provisions of the Company's articles of incorporation and bylaws, and federal and state banking laws, including regulatory approval requirements, could make it more difficult for a third party to acquire control of our organization or conduct a proxy contest, even if those events were perceived by many of the Company's shareholders as beneficial to their interests. These provisions, and the corporate and banking laws and regulations applicable to us:

- enable the board of directors to increase the size of the board and fill the vacancies created by the increase;
- provide that directors may only be removed for cause and by a majority of the votes entitled to be cast;
- enable the board of directors to amend our bylaws without shareholder approval, subject, however, to any provision of the articles of incorporation, bylaws, or the Pennsylvania Business Corporation Law that requires action to be taken by the shareholders and the general power of the shareholders to change such action in accordance with the Bylaws and Pennsylvania Business Corporation Law;
- require advance notice for shareholder proposals and director nominations;
- require a supermajority vote of the shareholders to approve a merger that has not been approved by the board of directors, and to amend certain provisions in the articles of incorporation and the bylaws; and
- require prior regulatory approval of any transaction involving control of our organization.

The foregoing may discourage potential acquisition proposals and could delay or prevent a change in control.

The Company is an "emerging growth company" under the JOBS Act, and the Company cannot be certain whether the reduced disclosure requirements applicable to emerging growth companies will make the Company's common stock less attractive to investors.

The Company is an "emerging growth company" under the Jumpstart Our Business Startups Act (the "JOBS Act"), and is, therefore, permitted to, and intends to, take advantage of certain exemptions from certain disclosure requirements. The Company will be an "emerging growth company" until the earliest of: (i) the last day of the fiscal year during which the Company had total annual gross revenues of $1.235 billion or more, (ii) December 31, 2026, (iii) the date on which the Company has, during the previous three-year period, issued more than $1.0 billion in non-convertible debt or (iv) the date on which the Company is deemed a "large accelerated filer," as defined under the federal securities laws. For so long as the Company remains an "emerging growth company," the Company may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended, reduced disclosure obligations regarding executive compensation in the Company's periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on certain executive compensation matters, such as "say on pay" and "say on frequency." As a result, the Company's shareholders may not have access to certain information that they may deem important. Although the Company intends to rely on the exemptions provided in the JOBS Act, the exact implications of the JOBS Act for the Company are still subject to interpretations and guidance by the SEC and other regulatory agencies.

In addition, Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised financial accounting standards. The Company has elected to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies.

The Company cannot predict whether investors will find its common stock less attractive as a result of the Company taking advantage of these exemptions. If some investors find the Company's common stock less attractive as a result of these choices, there may be a less active trading market for the Company's common stock, and the Company's stock price may be more volatile.

Item 1B. Unresolved Staff Comments.

None

Item 1C. Cybersecurity.

Cybersecurity is a significant and integrated component of the Company's risk management strategy. As a financial services company, cyber threats are present and growing, and the potential exists for a cybersecurity incident to occur, which could disrupt business operations or compromise sensitive data. The Company takes very seriously the responsibilities to protect sensitive client information, technology resources, and shareholder value from the risk of cyber threats and incidents. The Company has not identified risks from cybersecurity threats, including as a result of previous cybersecurity incidents, that have materially affected or are reasonably likely to materially affect the Company, including its business strategy, financial condition or results of operation. Risks relating to cybersecurity and their potential impact are discussed more fully in "Risk Factors" in Part I, Item 1A herein.

Cybersecurity Risk Management and Strategy

The Company maintains an enterprise-wide and Board-approved Information Security Program (the "Program"), which includes policies, procedures, guidelines and standards to address the assessment, identification and management of cybersecurity risks. The Company designed the Program to be consistent with industry standards that include National Institute of Standards and Technology ("NIST") Cybersecurity Framework, the Financial Services Sector Cybersecurity Risk ("CRI") Profile, and the Federal Financial Institutions Examination Council Cyber Security Assessment. Core activities supporting the Company's strategy include leveraging people, technology and processes to manage and maintain cybersecurity controls.

People play a significant role in our defense against cybersecurity threats. We have established policies, training, and client education to mitigate cyber risk.

Additionally, we employ innovative technology solutions designed to identify, protect, detect, and mitigate cybersecurity threats through the use of firewalls, intrusion detection systems, patching, endpoint detection and response, encryption, multi factor authentication, and data backups to immutable storage.

We regularly engage third-party assessors, auditors, and solutions to test and evaluate our controls for managing cybersecurity threats. These engagements include penetration testing, vulnerability assessments, internal and external audits, security framework maturity assessments for continued focus and improvement, and social engineering tests of the effectiveness of our employee training to monitor our security posture. We leverage a managed security service provider to monitor users, application, infrastructure, and network activity on a 24/7/365 basis to detect and alert the cyber security operation team of cyber threats and potential cybersecurity events of concern.

The Company relies on third-party vendor solutions to support its operations; many of these vendors have access to sensitive and proprietary information. We exercise a detailed vendor due diligence evaluation during the onboarding and periodically review vendors with access to sensitive Company data. The Company requires contracts with third parties to incorporate industry and regulatory standard clauses requiring reporting to the Company of the occurrence and mitigation of cybersecurity threats and incidents as well as to maintain adequate levels of cybersecurity insurance coverage.

In the event of a cyber incident, the Company created and maintains a Business Contingency Program. This program provides guidance to prepare, detect, analyze, remediate and recover business operations with the least impact to the Company and its customers.

Cybersecurity Governance

The Company has established an Information Security Committee consisting of the Chief Operations & Technology Officer, Chief Risk Officer, and department representatives across multiple functional areas of the Company to focus on cybersecurity strategic and tactical delivery, policy oversight, monitoring of key cybersecurity risk indicators, and the assessment and management of cyber risk threats. The Committee is assisted by a Virtual Chief Information Security Officer (the "vCISO") which is provided by a contracted third-party security firm. The Committee's activities support the overall protection of data and information assets of the Company in accordance with the Information Security Program, regulatory requirements and Federal Financial Institutions Examination Council guidance. The Committee submits a quarterly report, together with the minutes of its meetings, to the Enterprise Risk Management Committee of the Board of Directors.

The Chief Operations & Technology Officer, among other duties, is responsible for the security and integrity of infrastructure, applications and databases and coordinates security implementations, monitoring and enforcement in conjunction with the vCISO and our risk management department. Our Chief Operations & Technology Officer has over 25 years of relevant experience in information technology and information security, building and leading technical organizations of various sizes, including in the banking industry. The vCISO has 15 years of information technology and security-based experience, and holds certifications relevant to cybersecurity, including CMMC CCP (Certified Cybersecurity Maturity Model Certification Professional) and CISSP (Certified Information Systems Security Professional). During the first quarter of 2025, the Company hired an Information Security Manager who is a CISSP-certified cybersecurity professional with over 20 years of experience in information technology, security engineering, and risk management. The Information Security Manager has also been added to the Information Security Committee mentioned above.

The Board of Directors receives periodic training related to cybersecurity and annually reviews comprehensive risk assessments of the Company’s information technology, privacy and cybersecurity programs. The Board of Directors formally approves the Company’s cybersecurity policies and program annually, and more frequently if material changes are adopted. Oversight of the Company’s Information Security Program has been delegated to the Enterprise Risk Management Committee of the Board of Directors. The Enterprise Risk Management Committee reviews comprehensive risk assessments of the Company's information technology, privacy, and cybersecurity programs annually and receives quarterly reports on the effectiveness and overall performance of the cybersecurity program and provides a report of the same to the full Board of Directors.

The Company engages external independent parties to perform independent audit engagements, as well as other assessments of the Company’s information security and third-party risk management program and information systems. Material findings and recommendations arising from these assessments are reported to the Audit Committee of the Board of Directors.

Item 2. Properties.

The Company's principal offices are located at 1250 Camp Hill Bypass, Suite 202, Camp Hill, Pennsylvania. This facility is leased by the Bank.

We own or lease other premises for use as Solutions Centers and loan production offices in Dauphin, Chester, Cumberland, Lancaster, Northumberland, Schuylkill, and York Counties within Pennsylvania, Wicomico, Charles, Anne Arundel, and Worcester Counties in Maryland, Sussex County in Delaware, Camden and Burlington Counties in New Jersey, Spotsylvania County, Virginia, and the city of Fredericksburg, Virginia. We believe that the properties currently owned or leased are adequate for present levels of operation. The following table sets forth the locations of Bank facilities as of December 31, 2024.

Description	Address	Owned / Leased
Pennsylvania Locations:		
Camp Hill Headquarters	1250 Camp Hill Bypass, Suite 202 Camp Hill, PA 17011	Leased
Camp Hill Solutions Center	3045 Market Street Camp Hill, PA 17011	Leased
Gratz Solutions Center	32 West Market Street Gratz, PA 17030	Owned
Harrisburg Solutions Center	2057 EG Drive Harrisburg, PA 17110	Leased
Herndon Solutions Center	4231 State Route 147 Herndon, PA 17830	Owned
Lancaster Solutions Center	2010 Fruitville Pike Lancaster, PA 17601	Leased
Pottsville Solutions Center	2221 West Market Street Pottsville, PA 17901	Owned
Valley View Solutions Center	1625 West Main Street Valley View, PA 17983	Owned
West Chester Loan Production Office	535 N. Church Street, Suite 350 West Chester, PA 19380	Leased
West Chester Solutions Center	1436 Pottstown Pike West Chester, PA 19380	Leased
York Loan Production Office	155 North George Street, Suite 201 York, PA 17401	Leased
Delaware Locations:		
Dagsboro Solutions Center	28280 Clayton Street Dagsboro, DE 19939	Owned
Laurel Solutions Center	200 E. Market Street Laurel, DE 19956	Owned
Rehoboth Solutions Center	18572 Coastal Highway, Rehoboth Beach, DE 19971	Leased
Rehoboth Loan Production Office	19264 Miller Road, Unit A, Rehoboth Beach, DE 19971	Leased
Seaford Solutions Center	910 Norman Eskridge Highway, Seaford, DE 19973	Leased
Maryland Locations:		
Annapolis Solutions Center (opened February 2025)	900 Bestgate Road, Suite 104, Annapolis, MD 21401	Leased
Delmar Solutions Center	9550 Ocean Highway Delmar, MD 21875	Owned
Delmarva Regional Headquarters	2245 Northwood Dr. Salisbury, MD 21801	Owned
East Salisbury Solutions Center	241 Beaglin Park Drive Salisbury, MD 21804	Owned
Eastern Shore Drive Solutions Center	921 Eastern Shore Drive Salisbury, MD 21804	Owned
La Plata Solutions Center	115 East Charles Street, La Plata, MD 20646	Land Leased; Building Owned
North Salisbury Solutions Center	2727 N. Salisbury Boulevard Salisbury, MD 21801	Owned
Pecan Square Solutions Center	1206 Nanticoke Road Salisbury, MD 21801	Owned
26th Street Ocean City Solutions Center	201 B 26th Street, Ocean City, MD 21842	Leased
New Jersey Locations:		
Cherry Hill Solutions Center	2099 Route 70 East, Cherry Hill, NJ 08003	Leased
Evesham Solutions Center	145 North Maple Avenue, Marlton, NJ 08053	Owned

Moorestown Client Solutions Center	227 West Camden Avenue, Moorestown, NJ 08057	Leased
Virginia Locations:		
Reston Solutions Center	1821 Michael Faraday Drive, Suite 101, Reston, VA 20190	Leased
Salem Church Solutions Center	4210 Plank Road, Fredericksburg, VA 22407	Leased
Spotsylvania Solution Center	7415 Laughlin Boulevard, Spotsylvania, VA 22553	Leased
William Street Solutions Center	410 William Street, Fredericksburg, VA 22401	50% Owned / 50% Leased

Item 3. Legal Proceedings.

At December 31, 2024, the Company is not involved in any pending legal proceedings other than routine legal proceedings occurring in the ordinary course of business, which involve amounts in the aggregate believed by management to be immaterial to the financial condition and operating results of the Company.

Item 4. Mine Safety Disclosures.

Not applicable

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information
The common stock of LINKBANCORP, Inc. is traded under the symbol "LNKB" on the Nasdaq Capital Market. As of the close of business on March 24, 2025, there were approximately 820 shareholders of record.

The Company declared and paid cash dividends equal to $0.30 per share of common stock for the years ended December 31, 2024 and 2023, respectively. The merger agreement with GNBF provides that, for three years following the effective time of the Gratz Merger (September 2021), the Company will pay a quarterly cash dividend in an amount equal to or greater than $0.30 per share per year, provided sufficient funds are legally available therefore and that the Company and the Bank remain “well-capitalized” in accordance with applicable regulatory guidelines. The Company anticipates that it will continue to pay cash dividends on a quarterly basis in an amount equal to or greater than $0.30 per share per year. The payment and amount of any dividend payments will be subject to statutory and regulatory limitations, and will depend upon a number of factors, including the following: regulatory capital requirements; our financial condition and results of operations; our other uses of funds for the long-term value of shareholders; tax considerations; and general economic conditions.

During the quarter ended December 31, 2024, the Company repurchased no shares of its common stock.

Item 6.

Reserved.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This discussion and analysis reflects the Company’s audited consolidated financial statements and other relevant statistical data and is intended to enhance your understanding of the Company’s consolidated financial condition and results of operations. This Management’s Discussion and Analysis is presented in the following sections:

- Pending Sale of New Jersey Solutions Centers
- Completion of Partners Merger
- Overview and Strategy
- Recent Market Conditions
- Comparison of Financial Condition at December 31, 2024 and 2023
- Comparison of Operating Results for the Years Ended December 31, 2024 and 2023
- Liquidity, Commitments, and Capital Resources
- Off-Balance Sheet Arrangements
- Critical Accounting Estimates
- Recently Issued Accounting Standards

Pending Sale of New Jersey Solutions Centers

On May 9, 2024, the Bank entered into a purchase and assumption agreement (the “Agreement”) with American Heritage Federal Credit Union (“AHFCU”) pursuant to which AHFCU will purchase certain assets and assume certain liabilities (the “Transaction” or "New Jersey Branch Sale") of the New Jersey operations of the Bank, including all three branch locations (including two branch leases).

Under the Agreement, AHFCU will acquire substantially all of the loans, three branch locations (along with associated personal property and fixtures) and will assume substantially all of the deposits. The total deposit premium to be paid by AHFCU equates to approximately 7.0% of all deposits assumed at closing. With respect to the acquired loans, AHFCU will pay an amount equal to the principal balances plus any accrued but unpaid interest and late charges on the loans measured as of the closing date. AHFCU will pay book value for fixed assets, real estate and any other assets located at the owned branch. As of December 31, 2024, approximately $91.8 million in loans and $93.6 million in deposits were classified as held for sale in connection with the Transaction. The FDIC and the NCUA have approved the Transaction which remains subject to customary closing conditions. We anticipate the Transaction will be completed on March 31, 2025, subject to satisfaction or waiver of customary closing conditions.

Completion of Partners Merger

On November 30, 2023, LINKBANCORP completed its merger with Partners Bancorp ("Partners"), and its wholly owned subsidiaries, The Bank of Delmarva and Virginia Partners Bank, pursuant to which Partners merged with and into the Company with the Company as the surviving corporation (the "Partners Merger"). The Bank of Delmarva and Virginia Partners Bank merged with and into LINKBANK with LINKBANK as the surviving bank (the "Bank Mergers"). In connection with the announcement of the Partners Merger in the first quarter of 2023, LINKBANCORP completed a private placement of $10.0 million with certain directors of LINKBANCORP as well as other accredited investors.

Overview and Strategy

The Company’s core strategy is to further its mission of “positively impacting lives” through community banking by building strong relationships that bring value to its customers, employees, the communities it serves and its shareholders. In pursuing this mission, the Company specifically desires to invest in the development of strong future leaders for the banking industry and our communities, to contribute to economically and socially flourishing communities, and to demonstrate the continued viability and integral role of community banking for our economic and social development.

The Company operates primarily through its subsidiary, LINKBANK (the "Bank"), which provides traditional lending, deposit gathering and cash services to retail customers, small businesses and nonprofit organizations. The Bank focuses its lending activities on small businesses, targeted to create a diverse loan portfolio in relation to its underlying collateral and different business segments with unique cash flow generation and varied interest rate sensitivity. The Bank offers a full suite of deposit products and cash management services focused on the small business and nonprofit segments.

Our revenues consist primarily of interest income earned on loans and investments. Interest income is partially offset by interest expense incurred on deposits, borrowings and other interest-bearing liabilities. Net interest income is affected by the balances of interest-earning assets and interest-bearing liabilities and their relative interest rates. Net interest income is typically further reduced by a provision for credit losses.

Non-interest income also contributes to our operating results, consisting of service charges on deposit accounts, earnings on bank-owned life insurance, revenue from the sale of residential mortgage loans to the secondary market and related servicing fees and gains on sales of securities. Non-interest expenses, which include salaries and employee benefits, occupancy and equipment costs, data processing, professional fees, FDIC insurance and other general and administrative expenses, are the Company's primary expenditures incurred as a result of operations.

Financial institutions, in general, are significantly affected by economic conditions, competition, and the monetary and fiscal policies of the federal government. Lending activities are influenced by the demand for and supply of housing and commercial real estate, competition among lenders, interest rate conditions, and funds availability. Our operations and lending are concentrated in South Central Pennsylvania in Dauphin, Chester, Cumberland, Lancaster, Northumberland, and Schuylkill Counties. In 2023 as a result of the completion of the Partners Merger, we entered the counties of Wicomico, Charles, Anne Arundel, and Worcester counties in Maryland, Sussex county in Delaware, Camden and Burlington counties in New Jersey, Spotsylvania and Fairfax counties in Virginia, and the city of Fredericksburg, Virginia. Our operations and lending are influenced by local economic conditions. Deposit balances and cost of funds are influenced by prevailing market rates on competing investments, customer preferences, and levels of personal income and savings in our primary market area. Operations are also significantly impacted by government policies and actions of regulatory authorities. Future changes in applicable law, regulations or government policies may materially impact the Company.

Recent Market Conditions

The Company's financial condition and performance are all highly dependent on the business environment in the market area in which we operate and in the United States as a whole.

The calendar year 2024 presented several headwinds to the U.S. economy which included a dynamic market interest rate environment, the continuation of the war in Ukraine and the Israeli/Hamas war in Gaza, uncertain inflation rates, and the election of a new presidential administration. This caused financial markets to remain cautious about future economic growth as the yield curve remained inverted until December of 2024. Many forecasters have predicted a recession in the future even while the Federal Reserve began cutting interest rates in the latter half of the year.

In spite of uncertainty, the U.S. economy was surprisingly resilient, not only avoiding a recession, but growing as measured by several indicators such as gross domestic product (GDP), the unemployment rate, personal consumption expenditures (PCE), disposable personal income, and private nonresidential investment.

Real GDP increased by 2.3% during the year. The unemployment rate remained below 4.5% for the entire year. Labor force participation rates were relatively stable from 2023 to 2024. Resilience in consumer spending measured by retail sales (excluding auto and gas) increased 3.4%. Consumer spending largely accounted for the increase in GDP growth over the past year. Sound household balance sheets and a strong labor markets have allowed U.S. consumers to increase their spending at a pace similar to prior expansions. Residential investment continued to be a drag on GDP, as high mortgage rates and the short supply of single-family homes continues to weigh on the housing market. The year's growth was also supported by a jump in government spending, especially at the state and local level. The S&P 500 finished 2024 up 23.3% and the Russell 2000 index finished 2024 up 10.0%. Meanwhile, progress in lowering inflation was substantial. From 2023 to 2024, Consumer Price Index ("CPI") decreased by 50 basis points and core CPI inflation, which excludes the more volatile categories of energy and food, decreased by 70 basis points.

A resilient labor market and strong economic activity along with a lower stabilized inflation rate are consistent with a "soft landing" scenario. But challenges remain. The impact of elevated interest rates, consumer sentiment, a cooling labor market, and geopolitical conflicts all remain highly uncertain. Particularly at the end of the year, monthly inflation was seen to be rising almost back to 3%, which could indicate an even more uncertain and difficult interest rate environment going forward. This has the potential to lead to other economic factors including a slowing of economic growth which would affect businesses and consumers alike.

In 2024, financial markets were impacted by the rate on the benchmark 10-year Treasury note remaining high relative to the past 10 years. This trend has resulted in higher borrowing costs for businesses, consumers, and the government. By some estimates, the average corporate borrowing rate had increased to around 7% by the end of 2024, up from a low of 2.3% in 2020. The effect of a higher-rate environment produced steep unrealized losses for fixed-rate security holders such as banks. This has also led to a tightening of credit conditions and caused many financial institutions to have a renewed focus on liquidity and increased deposit gathering costs. Structural changes in markets and the economy may have changed the ways that firms and individuals respond to higher rates since the last similar rate environment, about 15 years ago.

The general sentiment among market participants based on the Federal Open Market Committee (FOMC) "dot plot" and other expectations is that the target rate will be relatively stable in 2025 with rate cuts currently being paused. However, analysts suggest that the Federal Reserve could gradually cut rates throughout the next three years as the economy continues to stabilize.

Comparison of Financial Condition at December 31, 2024 and December 31, 2023

Total assets at December 31, 2024, were $2.88 billion, an increase of $209.5 million, or 7.8%, from $2.67 billion at December 31, 2023. The increase in total assets was primarily attributable to the increases in loans receivable of 6.0%, from $2.13 billion at December 31, 2023 to $2.26 billion at December 31, 2024 and cash and cash equivalents which increased $85.9 million, from $80.2 million at December 31, 2023 to $166.1 million at December 31, 2024.

Cash and cash equivalents increased $85.9 million, or 107.1%, from $80.2 million at December 31, 2023 to $166.1 million at December 31, 2024. The increase was primarily due to:

Primary Cash Inflows

- Net increase in deposits of $153.4 million;
- Proceeds from long-term borrowings of $40.0 million;
- Cash from operating activities of $25.4 million;
- Net cash from investment securities (calls, maturities, and principal repayments) of $28.5 million; and
- Proceeds from sales of available for sale investment securities of $1.7 million.

Primary Cash Outflows

- Net increase in loans receivable of $91.4 million;
- Purchase of investment securities available for sale of $57.3 million; and
- Payment of dividends of $11.1 million.

Securities available-for-sale increased by $30.1 million, or 26.1%, to $145.6 million at December 31, 2024 from $115.5 million at December 31, 2023 due to purchases of $57.3 million. The securities available-for-sale portfolio had a net unrealized loss of $7.5 million at December 31, 2024 compared with a net unrealized loss of $4.9 million at December 31, 2023. Partially offsetting the increase in securities available-for-sale were proceeds from principal repayments, sales, calls, and maturities of $25.2 million.

The following table summarizes the maturity distribution schedule with corresponding weighted-average yields of securities available for sale and held-to-maturity as of December 31, 2024, at carrying value. Weighted average yields have been computed on a fully taxable-equivalent basis using a tax rate of 21%. Mortgage-backed securities are included in maturity categories based on their contractual maturity date. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations. The table below excludes certain investment securities that have no scheduled maturity date.

	Within 1 Year		1-5 Years		After 5-10 Years		After 10 Years		Total	
(in thousands)	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield
Available for Sale:										
US Government Agency securities	$ —	—	$ 4,823	4.85%	$ 7,154	5.22%	$ 1,096	6.12%	$ 13,073	5.16%
Obligations of state and political subdivisions	655	2.95%	8,956	2.89%	13,774	3.24%	23,816	3.95%	47,201	3.53%
Mortgage-backed securities in government-sponsored entities	39	2.47%	367	2.70%	16,691	2.25%	67,686	4.62%	84,783	4.15%
Other securities	—	—	377	5.31%	—	—	156	(13.75)%	533	(2.00)%
Total	$ 694	2.93%	$14,523	3.58%	$37,619	3.18%	$92,754	4.44%	$145,590	4.02%
Held to Maturity:										
Corporate debentures	$3,000	8.50%	$ 3,000	4.38%	$ 9,250	5.29%	$ —	—	$ 15,250	5.81%
Structured mortgage-backed securities	—	—	—	—	—	—	16,717	4.63%	16,717	4.63%
Total	$3,000	8.50%	$ 3,000	4.38%	$ 9,250	5.31%	$16,717	4.63%	$ 31,967	5.19%

In 2024, the Company purchased an investment security classified as held to maturity of $250 thousand. During 2024, return of principal on held to maturity securities totaled $5.1 million.

Net loans receivable increased during the year ended December 31, 2024 as shown in the table below:

(dollars in thousands)	**December 31, 2024**	**December 31, 2023**	**Change**	**%**
Agriculture loans	$ 67,741	$ 65,861	$ 1,880	2.85%
Construction loans	152,619	161,825	(9,206)	(5.69)
Commercial loans	245,833	232,412	13,421	5.77
Commercial real estate loans				
Multifamily	211,778	176,843	34,935	19.75
Owner occupied	477,742	474,964	2,778	0.58
Non-owner occupied	628,237	551,481	76,756	13.92
Residential real estate loans				
First liens	373,469	376,092	(2,623)	(0.70)
Second liens and lines of credit	76,713	66,648	10,065	15.10
Consumer and other loans	17,086	16,740	346	2.07
Municipal loans	3,886	5,244	(1,358)	(25.90)
Total Loans	**2,255,104**	**2,128,110**	126,994	5.97
Deferred costs	645	174	471	270.69
Allowance for credit losses	(26,435)	(23,767)	(2,668)	11.23
Total	**$ 2,229,314**	**$ 2,104,517**	124,797	5.93%

The above table does not include loans that are held for sale related to the New Jersey Branch Sale.

The majority of the loan growth in net loans resulted from a $114.5 million, or 9.51% increase in commercial real estate loans, from $1.20 billion at December 31, 2023 to $1.32 billion at December 31, 2024. Multifamily loans increased by $35.0 million, primarily due to loans originated in 2024 contributing to the year end balance of $34.7 million, and loans converted from construction to permanent status of $9.6 million. Non-owner occupied commercial real estate increased $76.8 million primarily due to loans originated in 2024 contributing to the year end balance of $77.3 million, and loans converted from construction to permanent status of $26.0 million.

The following table presents the contractual maturity distribution of our loan portfolio at December 31, 2024. The table further presents the breakdown of our loans between those loans that earn interest at a fixed interest rate and those loans that earn an interest rate that currently fluctuates in accordance with changes to a specific interest rate index.

(In Thousands)	Due in One Year or Less	After One but Within Five Years	After Five but Within Fifteen Years	After Fifteen Years	Total due after One Year	Total
Agriculture loans	$ 5,677	$ 18,793	$ 23,812	$ 19,459	$ 62,064	$ 67,741
Construction loans	73,978	35,532	29,593	13,516	78,641	152,619
Commercial & industrial	30,905	84,386	47,640	82,902	214,928	245,833
Commercial real estate loans						
Multifamily	5,186	45,514	125,504	35,574	206,592	211,778
Owner occupied	21,577	168,633	188,174	99,358	456,165	477,742
Non-owner occupied	14,145	200,066	281,262	132,764	614,092	628,237
Residential real estate loans						
First liens	26,678	84,267	92,488	170,036	346,791	373,469
Second liens	4,180	5,542	17,078	49,913	72,533	76,713
Consumer and other loans	540	4,231	11,277	1,038	16,546	17,086
Municipal loans	410	1,248	644	1,584	3,476	3,886
Total	$ 183,276	$ 648,212	$ 817,472	$ 606,144	$ 2,071,828	$ 2,255,104
Loans with fixed interest rates						
Agriculture loans	$ 752	$ 6,060	$ 11,488	$ —	$ 17,548	$ 18,300
Construction loans	29,558	14,239	5,151	4,761	24,151	53,709
Commercial & industrial	4,203	59,213	28,322	404	87,939	92,142
Commercial real estate loans						
Multifamily	1,993	24,615	29,421	1,217	55,253	57,246
Owner occupied	14,300	114,326	47,377	3,386	165,089	179,389
Non-owner occupied	7,692	144,935	94,095	2,401	241,431	249,123
Residential real estate loans						
First liens	16,458	67,502	23,279	26,865	117,646	134,104
Second liens	346	1,775	740	—	2,515	2,861
Consumer and other loans	538	2,662	7,818	278	10,758	11,296
Municipal loans	355	1,248	471	305	2,024	2,379
Total	$ 76,195	$ 436,575	$ 248,162	$ 39,617	$ 724,354	$ 800,549
Loans with floating or adjustable interest rates						
Agriculture loans	$ 4,925	$ 12,733	$ 12,324	$ 19,459	$ 44,516	$ 49,441
Construction loans	44,420	21,293	24,442	8,755	54,490	98,910
Commercial & industrial	26,702	25,173	19,318	82,498	126,989	153,691
Commercial real estate loans						
Multifamily	3,193	20,899	96,083	34,357	151,339	154,532
Owner occupied	7,277	54,307	140,797	95,972	291,076	298,353
Non-owner occupied	6,453	55,131	187,167	130,363	372,661	379,114
Residential real estate loans						
First liens	10,220	16,765	69,209	143,171	229,145	239,365
Second liens	3,834	3,767	16,338	49,913	70,018	73,852
Consumer and other loans	2	1,569	3,459	760	5,788	5,790
Municipal loans	55	—	173	1,279	1,452	1,507
Total	$ 107,081	$ 211,637	$ 569,310	$ 566,527	$ 1,347,474	$ 1,454,555

Non-accrual loans are presented in the table below. The table below does not include loans that are held for sale related to the New Jersey Branch Sale. Also see Note 5 - Allowance for Credit Losses in the accompanying notes to the consolidated financial statements included elsewhere in this report.

	December 31, 2024		
		Non-Accrual Loans	
(In Thousands)	Total Loans	Amount	Percent of Loans in Category
Agriculture loans	$ 67,741	$ —	—
Construction loans	152,619	9	0.01%
Commercial & industrial loans	245,833	132	0.05%
Commercial real estate loans			
Multifamily	211,778	—	—
Owner occupied	477,742	9,752	2.04%
Non-owner occupied	628,237	4,329	0.69%
Residential real estate loans			
First liens	373,469	1,975	0.53%
Second liens and lines of credit	76,713	482	0.63%
Consumer and other loans	17,086	—	—
Municipal loans	3,886	—	—
Total	$ 2,255,104	$ 16,679	0.74%
Allowance for credit losses		$ 26,435	
Ratio of allowance for credit losses to total loans		1.17%	
Ratio of non-accrual loans to total loans		0.74%	
Ratio of allowance for credit losses to non-accrual loans		158.49%	

	December 31, 2023		
		Non-Accrual Loans	
	Total Loans	Amount	Percent of Loans in Category
Agriculture loans	$ 65,861	$ —	—
Construction loans	161,825	191	0.12%
Commercial & industrial loans	232,412	61	0.03%
Commercial real estate loans			
Multifamily	176,843	—	—
Owner occupied	474,964	2,548	0.54%
Non-owner occupied	551,481	1,229	0.22%
Residential real estate loans			
First liens	376,092	2,707	0.72%
Second liens and lines of credit	66,648	294	0.44%
Consumer and other loans	16,740	7	0.04%
Municipal loans	5,244	—	—
Total	$ 2,128,110	$ 7,037	0.33%
Allowance for credit losses		$ 23,767	
Ratio of allowance for credit losses to total loans		1.12%	
Ratio of non-accrual loans to total loans		0.33%	
Ratio of allowance for credit losses to non-accrual loans		337.74%	

The table below provides an allocation of the allowance for credit losses by loan category at December 31, 2024 and 2023. The table below does not include loans that are held for sale related to the New Jersey branch sale.

(In Thousands)	Amount of Allowance Allocated	Percent of Loans in Each Category to Total Loans	Total Loans	Ratio of Allowance Allocated to Loans in Each Category
December 31, 2024				
Agriculture loans	$ 11	3.00%	$ 67,741	0.02%
Construction loans	893	6.77%	152,619	0.59%
Commercial & industrial loans	4,093	10.90%	245,833	1.66%
Commercial real estate loans				
Multifamily	1,805	9.39%	211,778	0.85%
Owner occupied	5,611	21.19%	477,742	1.17%
Non-owner occupied	9,345	27.86%	628,237	1.49%
Residential real estate loans				
First liens	3,395	16.56%	373,469	0.91%
Second liens and lines of credit	1,154	3.40%	76,713	1.50%
Consumer and other loans	80	0.76%	17,086	0.47%
Municipal loans	48	0.17%	3,886	1.24%
Total	$ 26,435	100.00%	$ 2,255,104	1.17%
December 31, 2023				
Agriculture loans	$ 12	3.10%	$ 65,861	0.02%
Construction loans	959	7.60%	161,825	0.59%
Commercial & industrial loans	2,940	10.92%	232,412	1.26%
Commercial real estate loans				
Multifamily	1,483	8.31%	176,843	0.84%
Owner occupied	6,572	22.32%	474,964	1.38%
Non-owner occupied	5,773	25.91%	551,481	1.05%
Residential real estate loans				
First liens	4,778	17.67%	376,092	1.27%
Second liens and lines of credit	1,072	3.13%	66,648	1.61%
Consumer and other loans	99	0.79%	16,740	0.59%
Municipal loans	79	0.25%	5,244	1.51%
Total	$ 23,767	100.00%	$ 2,128,110	1.12%

The allowance for credit losses increased $2.7 million from $23.8 million at December 31, 2023 to $26.4 million at December 31, 2024. The primary driver of the increased allowance for credit losses was a measurement period adjustment resulting in a $2.3 million addition related to a loan from the Partners Merger that experienced credit deterioration that existed at acquisition and was considered purchase-credit deteriorated. Provision for credit losses-loans was $642 thousand for the year ended December 31, 2024, of which $332 thousand was shifted from the Allowance for credit losses on unfunded commitments. The Company experienced increases in both overall loan delinquencies and non-performing loans when comparing December 31, 2024 to December 31, 2023 and attributed the majority of these increases to loans acquired in the Partners Merger. The balance of loan delinquencies increased $6.5 million at December 31, 2024 when compared to December 31, 2023, and as a percentage of total loans, delinquencies increased from 0.35% at December 31, 2023 to 0.61% at December 31, 2024. Total nonperforming loans increased $9.9 million when comparing December 31, 2024 to December 31, 2023. As a percentage of total loans non-performing loans increased from 33 basis points at December 31, 2023 to 76 basis points at December 31, 2024. The loans that were individually assessed required a specific reserve of $4.9 million at December 31, 2024, compared to $133 thousand December 31, 2023. The primary driver of the increase in specific reserves was the aforementioned measurement period adjustment resulting in a $2.3 million specific reserve on a single loan. The other loans requiring specific reserves span multiple loan segments and industries as of December 31, 2024.

Asset quality remained strong at December 31, 2024 with non-performing assets, which is defined as non-accrual loans, loans delinquent greater than 90 days and still accruing interest, and other real estate owned, was $17.2 million or 0.76% of total gross loans. This is compared to $7.3 million of non-performing assets at December 31, 2023, which equated to 0.34% of gross loans. The increase in non-performing assets was due primarily to loans acquired in the Partners Merger.

Additional information related to the provision for credit losses and net (charge-offs) recoveries is presented in the table below. Also see Note 5 - Allowance for Credit Losses in the accompanying notes to the consolidated financial statements included in this report.

(In Thousands)	Provision Expense (Benefit)	Net (Charge-Offs) Recoveries	Average Loans	Ratio of Annualized Net (Charge-Offs) Recoveries to Average Loans
2024				
Agriculture and farmland loans	$ (1)	$ —	$ 66,156	— %
Construction loans	(70)	4	183,336	0.00
Commercial & industrial loans	1,216	(63)	239,797	(0.03)
Commercial real estate loans				
Multifamily	320	2	199,993	0.00
Owner occupied	(933)	(28)	494,221	(0.01)
Non-owner occupied	1,315	(43)	609,536	(0.01)
Residential real estate loans				
First liens	(1,405)	22	403,828	0.01
Second liens and lines of credit	77	5	72,613	0.01
Consumer and other loans	154	(173)	16,677	(1.04)
Municipal loans	(31)	—	4,461	—
Total	$ 642	$ (274)	$ 2,290,618	(0.01)%
2023				
Agriculture and farmland loans	$ (77)	$ —	$ 53,708	— %
Construction loans	133	—	66,230	—
Commercial & industrial loans	1,970	(199)	118,923	(0.17)
Commercial real estate loans				
Multifamily	566	—	117,786	—
Owner occupied	3,361	—	170,825	—
Non-owner occupied	(475)	—	296,944	—
Residential real estate loans				
First liens	3,018	54	193,648	0.03
Second liens and lines of credit	589	61	33,895	0.18
Consumer and other loans	69	—	11,352	—
Municipal loans	73	—	4,365	—
Total	$ 9,227	$ (84)	$ 1,067,676	(0.01)%

Total deposits grew by $161.8 million or 7.4%, from $2.20 billion at December 31, 2023 to $2.36 billion at December 31, 2024. Changes in the deposit types are presented in the table below:

(in thousands)	December 31, 2024	December 31, 2023	Change	%
Demand, noninterest-bearing	$ 658,646	$ 624,780	$ 33,866	5.4%
Demand, interest-bearing	525,173	425,551	99,622	23.4
Money market and savings	540,030	554,204	(14,174)	(2.6)
Time deposits, $250,000 and over	164,901	128,334	36,567	28.5
Time deposits, other	368,217	346,519	21,698	6.3
Brokered time deposits	103,615	119,411	(15,796)	(13.2)
Total deposits	**$ 2,360,582**	**$ 2,198,799**	**$ 161,783**	**7.4%**

The above table does not include deposits that are held for sale related to the New Jersey Branch Sale.

The increase in deposits was due to the increase in demand deposits both interest-bearing and non-interest bearing, due to the Company's focus on opening commercial deposit accounts, both interest-bearing and noninterest-bearing. The brokered time deposits mature in the first quarter of 2025. Management utilizes brokered deposits as a supplement to core deposit funding from time to time and does not consider brokered deposits to be a primary source of funding.

During the second quarter of 2023 the Company entered into a pay fixed/received variable interest rate swap with a notional amount of $75 million which has a fixed rate of 3.28%, and a maturity of five years. As part of the transaction, the Company will receive an offset to the interest incurred on either a mix of one-month FHLB advances or brokered certificates of deposit at a rate equal to one-month SOFR. Our brokered time deposits balance as of December 31, 2024 and 2023 each included a $75 million brokered deposit with a one-month maturity, however, as part of our interest rate swap transaction, the Company has committed to maintain either one-month advances from the FHLB or brokered deposits with a duration of one month through May of 2028.

The table below presents the daily average balances by deposit type and weighted average rates paid thereon for the years ended December 31, 2024 and 2023.

	December 31, 2024		December 31, 2023	
(In Thousands)	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
Demand, noninterest-bearing	$ 653,966	0.00%	$ 245,703	0.00%
Demand, interest-bearing	476,686	2.17%	269,615	2.11%
Money market and savings	579,232	2.24%	278,418	2.53%
Time deposits, other	617,894	4.48%	301,101	3.29%
Total Deposits	**$ 2,327,778**	**2.19%**	**$ 1,094,837**	**2.07%**

The Company has deposits that exceed the FDIC insurance limit of $250,000 of $807.5 million and $713.4 million at December 31, 2024 and 2023, respectively. Total uninsured deposits are calculated based on regulatory reporting requirements and reflects the portion of any deposit of a customer at an insured depository institution that exceeds the applicable FDIC insurance coverage for that depositor at that institution and amounts in any other uninsured investment or deposit accounts that are classified as deposits and not subject to any federal or state deposit insurance regime. As of December 31, 2024, the total uninsured deposits includes $44.2 million of municipal deposits that exceed the FDIC insurance limits. These municipal deposits are fully secured with pledged securities from our available for sale securities portfolio. At December 31, 2024, the scheduled maturities of time deposits that meet or exceed the FDIC insurance limit or otherwise uninsured were as follows:

(In Thousands)	December 31, 2024
Due within 3 months or less	$ 38,059
Due after 3 months and within 6 months	61,288
Due after 6 months and within 12 months	47,456
Due after 12 months	9,986
	$ 156,789

At both December 31, 2024 and 2023, short-term borrowings were $10.0 million, in short-term FHLB advances. The FHLB advances outstanding at December 31, 2024 matured in January 2025.

At December 31, 2024 and 2023, long-term borrowings consisted of $40.0 million and $0, respectively in long-term FHLB advances. In the first quarter of 2024, the Company replaced some of its existing overnight borrowings at a lower cost, $40.0 million term advance with a fixed interest rate of 4.827%, maturing in February 2026.

As part of the Partners Merger, the Company assumed one-half undivided interest in 410 William Street, Fredericksburg, Virginia. Partners purchased a one-half interest in the land for cash, plus additional settlement costs, and assumption of one-half of the remaining deed of trust loan on December 14, 2012. Partners indemnified the indemnities, who are the personal guarantors of the deed of trust loan in the amount of $886 thousand, which was one-half of the outstanding balance of the loan as of the purchase date. The Company has a remaining obligation under the note payable of $565 thousand as of December 31, 2024. The loan was refinanced on April 30, 2015 with a twenty-five year amortization. The interest rate is fixed at 3.60% for the first 10 years, and then becomes a variable rate of 3.0% plus the 10 year Treasury rate until maturity.

Subordinated debt with a carrying value of $21.9 million was assumed as part of the Partners Merger. The first tranche has a face value of $4.5 million and bear interest at a fixed rate of 6.875%, and matures in April 2028. The second tranche has a face value of $18.05 million and bears interest at a fixed rate of 6.0% until July 1, 2025, then floats at the three-month Secured Overnight Finance Rate ("SOFR") plus 590 basis points. Beginning July 1, 2025 through maturity, these notes may be redeemed by the Company. The subordinated notes mature on July 1, 2030.

Subordinated debt with a carrying value of $20.1 million was assumed as part of the Gratz Merger. These notes bear interest at a fixed interest rate of 5.0% per year for five years or until October 1, 2025 and then float at an index tied to SOFR. The notes have a term of ten years, with a maturity date of October 1, 2030. The notes are redeemable at the option of the Company, in whole or in part, subject to any required regulatory approvals after five years.

Additionally, on April 8, 2022, the Company issued subordinated debt with a carrying value of $20.0 million. These notes bear interest at a fixed annual rate of 4.50% per year up to April 15, 2027 and then float to an index tied to the three-month SOFR, plus 203 basis points. Subject to limited exceptions, the Company cannot redeem the notes before the fifth anniversary of the issuance date.

The balance of subordinated debt was $62.0 million and $61.4 million at December 31, 2024 and 2023, respectively.

Total shareholders' equity increased by $14.4 million, or 5.43%, from $265.8 million at December 31, 2023, to $280.2 million at December 31, 2024. The increase was primarily attributable to net income of $26.2 million for the year ended December 31, 2024. This increase was partially offset by dividends of $11.1 million and an increase in accumulated other comprehensive loss of $1.3 million.

Comparison of Results of Operations for the Years Ended December 31, 2024 and 2023

General: Net income was $26.2 million for the year ended December 31, 2024, or $0.71 per diluted share, an increase of $38.2 million compared to a net loss of $12.0 million, or ($0.67) per diluted share, for the year ended December 31, 2023.

The increase in net income for the year ended December 31, 2024 as compared to the prior year was primarily the result of an increase in interest and dividend income of $93.5 million and an increase in noninterest income of $7.8 million. These gains were partially offset by an increase in interest expense of $32.3 million and an increase in noninterest expense of $29.1 million.

Analysis of Net Interest Income

Net interest income represents the difference between the interest the Company earns on its interest-earning assets, such as loans and investment securities, and the expense the Company pays on interest-bearing liabilities, such as deposits and borrowings. Net interest income depends on both the volume of our interest-earning assets and interest-bearing liabilities and the interest rates the Company earns or pays on them.

Average Balances, Interest and Average Yields: The following table sets forth certain information relating to average balance sheets and reflects the average annualized yield on interest-earning assets and average annualized cost of interest-bearing liabilities, interest earned and interest paid for the years indicated. Such yields and costs are derived by dividing income or expense by the average balance of interest-earning assets or interest-bearing liabilities, respectively, for the years presented. Average balances are derived from daily balances over the years indicated. The average balances for loans are net of allowance for credit losses, but include non-accrual loans. The loan yields include net amortization of certain deferred fees and costs that are considered adjustments to yields, but were not material adjustments to the yields. Yields on earning assets are shown on a fully taxable-equivalent basis assuming a tax rate of 21%.

	For the Year Ended December 31,					
	2024			2023		
(Dollars in thousands)	**Avg Bal**	**Interest [2]**	**Yield/Rate**	**Avg Bal**	**Interest [2]**	**Yield/Rate**
Int. Earn. Cash	$ 111,790	$ 4,890	4.37%	$ 55,501	$ 1,966	3.54%
Securities						
Taxable [1]	128,140	6,206	4.84%	84,860	3,260	3.84%
Tax-Exempt	43,134	1,839	4.26%	38,591	1,495	3.87%
Total Securities	171,274	8,045	4.70%	123,451	4,755	3.85%
Total Cash Equiv. and Investments	283,064	12,935	4.57%	178,952	6,721	3.76%
Total Loans [3][4]	2,290,618	146,175	6.38%	1,071,864	58,791	5.48%
Total Interest-Earning Assets	**2,573,682**	**159,110**	**6.18%**	**1,250,816**	**65,512**	**5.24%**
Other Assets	205,568			106,267		
Total Assets	**$ 2,779,250**			**$ 1,357,083**		
Interest bearing demand[5]	$ 476,686	$ 10,344	2.17%	$ 269,615	$ 5,684	2.11%
Money market demand[5]	579,232	12,981	2.24%	278,418	7,053	2.53%
Time deposits[5]	617,894	27,708	4.48%	301,101	9,901	3.29%
Total Borrowings [6]	149,572	7,797	5.21%	90,468	3,849	4.25%
Total Interest-Bearing Liabilities	1,823,384	58,830	3.23%	939,602	26,487	2.82%
Non Int Bearing Deposits[5]	653,966			245,703		
Total Cost of Funds	**$ 2,477,350**	**$ 58,830**	**2.37%**	**$ 1,185,305**	**$ 26,487**	**2.23%**
Other Liabilities	29,515			19,850		
Total Liabilities	**$ 2,506,865**			**$ 1,205,155**		
Shareholders' Equity	**$ 272,385**			**$ 151,928**		
Total Liabilities & Shareholders' Equity	**$ 2,779,250**			**$ 1,357,083**		
Net Interest Income/Spread (FTE)		**100,280**	**2.95%**		**39,025**	**2.42%**
Tax-Equivalent Basis Adjustment		**(386)**			**(314)**	
Net Interest Income		**$ 99,894**			**$ 38,711**	
Net Interest Margin			**3.88%**			**3.09%**

(1) Taxable income on securities includes income from available for sale securities and income from certificates of deposits with other banks.

(2) Income stated on a tax equivalent basis which is non-GAAP and is reconciled to GAAP at the bottom of the table.

(3) Includes the balances of nonaccrual loans.

(4) Includes the balances of loans held for sale

(5) Includes the balances of deposits held for sale

(6) Includes the effect of the interest rate swap, which reduced interest expense by $1.42 million during the year.

Rate/Volume Analysis

The following table reflects the sensitivity of the Company's interest income and interest expense to changes in volume and in yields on interest-earning assets and costs of interest-bearing liabilities during the years indicated.

	Year Ended December 31, 2024 vs. 2023 Increase (Decrease) Due To:		
(Dollars in thousands)	**Rate**	**Volume**	**Net**
Interest Income:			
Int. Earn. Cash	$ 928	$ 1,996	$ 2,924
Securities			
Taxable	1,281	1,665	2,946
Tax-Exempt	168	176	344
Total Securities	1,449	1,841	3,290
Total Loans	20,616	66,768	87,384
Total Interest-Earning Assets	22,993	70,605	93,598
Interest Expense:			
Interest bearing demand	286	4,374	4,660
Money market demand	(1,680)	7,608	5,928
Time deposits	7,353	10,454	17,807
Total Borrowings	1,436	2,512	3,948
Total Interest-Bearing Liabilities	7,395	24,948	32,343
Change in Net Interest Income	$ 15,598	$ 45,657	$ 61,255

Net Interest Income: Net interest income before provision for credit losses increased by $61.2 million, or 158.05%, to $99.9 million for the year ended December 31, 2024, compared to $38.7 million for the year ended December 31, 2023. This increase can be attributed to an increase in interest income resulting from a higher average balance in interest-earning assets and an increase in the average yield on interest earning assets as compared to the year ended December 31, 2023. This increase was partially offset by an increase in interest expense resulting from increased average rates paid on interest-bearing liabilities due to the higher interest rate environment and an increase in the average balance of interest bearing liabilities. The increase in average balances of interest earning assets and interest bearing liabilities was a result of the completion of the Partners Merger. The net interest margin increased 79 basis points to 3.88% for the year ended December 31, 2024 from 3.09% for the year ended December 31, 2023.

Interest Income: Interest income increased to $158.7 million for the year ended December 31, 2024, compared with $65.2 million for the year ended December 31, 2023 primarily due to an increase in interest income on loans as a result of the growth in average loans as well as the increase in average yields earned on all categories of interest earning assets. The growth in the average balance of interest earning assets which increased $1.32 billion to $2.57 billion for the year ended December 31, 2024 compared to $1.25 billion for the year ended December 31, 2023 contributed $70.6 million in growth of interest income. The growth in the average balance of interest earning assets was due primarily to the increase in the average balance of loans which increased $1.22 billion to $2.29 billion for the year ended December 31, 2024 as compared to 2023 as a result of growth in the commercial loan portfolio primarily due to the completion of the Partners Merger. The average yield of loans increased 90 basis points from 5.48% for the year ended December 31, 2023 to 6.38% for the year ended December 31, 2024 which contributed $20.6 million to the increase in interest income. Normal amortization of net loan discounts recorded as part of purchase accounting adjustments to acquired loans contributed $14.7 million to interest income during the year ended December 31, 2024. Overall the average yield of interest earning assets increased 94 basis points on an annualized basis to 6.18% for the year ended December 31, 2024 as compared to 2023 due primarily to a larger concentration of interest earning assets in loans along with a higher average yield on interest earning cash, securities, and loans.

Interest Expense: Interest expense increased by $32.3 million or 122.11% to $58.8 million for the year ended December 31, 2024, compared to $26.5 million for the year ended December 31, 2023. The increase in interest expense was primarily due to the increase in the average balance of interest-bearing liabilities, which increased $883.8 million to $1.82 billion for the year ended December 31, 2024 compared to $939.6 million for the year ended December 31, 2023 as a result of the increase in the average balance of our deposits and borrowings due to the completion of the Partners Merger. The increase in interest expense was also impacted by an increase in the interest rate paid on interest bearing liabilities. The average rate paid on interest bearing liabilities increased 41 basis points from 2.82% for the year ended December 31, 2023 to 3.23% for the year ended December 31, 2024 due to the higher interest rate environment and in particular its impact on deposit costs, specifically time deposits. Normal amortization of net discounts on acquired interest bearing liabilities recorded as part of purchase accounting adjustments through the Partners Merger contributed $2.2 million to the increase in interest expense during the year ended December 31, 2024. Interest expense on time deposits increased $17.8 million, primarily due to the increase in the average balance of time deposits, which increased $316.8 million to $617.9 million for the year ended December 31, 2024 compared to $301.1 million for the year ended December 31, 2023, as a result of the Partners Merger.

The increase in interest expense on time deposits was also impacted by an increase in average interest rate paid, which increased 119 basis points from 3.29% for the year ended December 31, 2023 to 4.48% for the year ended December 31, 2024. Interest expense on borrowings increased $3.9 million, primarily due to increased borrowings which included subordinated debt acquired in the Partners Merger and a $40 million 2-year FHLB advance entered into in February 2024. Also contributing to increased interest expense on borrowings was a 96 basis points increase in the average interest rate paid on borrowings, from 4.25% for the year ended December 31, 2023 to 5.21% for the year ended December 31, 2024.

Provision for Credit Losses: The provision for credit losses decreased by $9.0 million from $9.3 million for the year ended December 31, 2023 to $257 thousand for the year ended December 31, 2024. For the year ended December 31, 2024, the provision for credit losses consisted of $642 thousand related to loans, a credit of $332 thousand related to unfunded commitments, and a credit of $53 thousand related to securities. The decrease in provision for credit losses was primarily due to the required $9.7 million provision for credit losses on non-PCD loans acquired in the Partners Merger in 2023, with no such provision required in 2024.

The Company completes a comprehensive quarterly evaluation to determine its provision for credit losses. The evaluation reflects analyses of individual borrowers and historical loss experience, and changes in net loan balances, supplemented as necessary by credit judgment that considers observable trends, conditions, and other relevant environmental and economic factors.

Refer to Note 5 of the Notes to the Consolidated Financial Statements for additional details on the provision for credit losses.

Non-interest Income: Non-interest income increased by $7.8 million to $8.9 million for the year ended December 31, 2024, from $1.1 million for the year ended December 31, 2023. The increase was primarily the result of an increase in service charges on deposit accounts of $3.1 million, from $978 thousand for the year ended December 31, 2023 to $4.0 million for the year ended December 31, 2024, primarily as a result of the Partners Merger. Additionally, the Company recognized a loss on the sale of an investment in the subordinated notes of Signature Bank which was taken into FDIC receivership in the first quarter of 2023. The Company sold our investment and recognized a loss of $2.4 million during the year ended December 31, 2023. Bank-owned life insurance ("BOLI") income increased $895 thousand, primarily due to increased income from BOLI acquired in the Partners Merger. Gains on sales of debt securities during the year ended December 31, 2024 were $4 thousand.

Non-interest Expenses: Non-interest expenses increased $29.1 million or 63.4%, from $45.8 million for the year ended December 31, 2023, to $74.9 million for the year ended December 31, 2024. The increase was primarily due to: (1) an increase in salaries and employee benefits of $20.4 million related to an increase in the number of employees due to the completion of the Partners Merger; (2) an increase of $4.1 million of amortization of intangible assets as a result of intangibles acquired from the Partners Merger; and (3) an increase of $3.4 million in equipment and data processing costs. These increases were offset by a decrease in merger and system conversion expenses of $10.3 million as most of the merger and system conversion expenses of the Partners Merger were incurred in 2023.

Income Tax Expense/Benefit: Income tax expense for the year ended December 31, 2024 totaled $7.4 million compared to an income tax benefit of $3.4 million for 2023 primarily as a result of an increase in income before income tax expense. The income tax expense recognized for the year ended December 31, 2024 was the direct result of our net income adjusted for tax free income and non-deductible merger related expenses. We recognized income tax expense for the year ended December 31, 2024 at an effective tax rate of 22.0% which is greater than our statutory tax rate of 21%. As a result of the Partners Merger, the Company now has nexus in states with applicable state corporate income taxes which is adding to the effective tax rate and resulting in a rate greater than our statutory federal tax rate of 21%. This is as compared to an income tax benefit for the year ended December 31, 2023 as a result of our net loss, which resulted in an effective tax rate of 21.9%.

Liquidity, Commitments, and Capital Resources

The Company's liquidity, represented by cash and due from banks, is a product of our operating, investing and financing activities. The Company's primary sources of funds are deposits, principal repayments of securities and outstanding loans, and funds provided from operations. In addition, the Company invests excess funds in short-term interest-earnings assets such as overnight deposits or U.S. agency securities, which provide liquidity to meet lending requirements. While scheduled payments from the amortization of loans and securities and short-term investments are relatively predictable sources of funds, general interest rates, economic conditions and competition greatly influence deposit flows and repayments on loans and mortgage-backed securities.

The Company strives to maintain sufficient liquidity to fund operations, loan demand and to satisfy fluctuations in deposit levels. The Company is required to have enough investments that qualify as liquid assets in order to maintain sufficient liquidity to ensure safe and sound banking operations. Liquidity may increase or decrease depending upon the availability of funds and comparative yields on investments in relation to the return on loans. Our attempts to maintain adequate liquidity, and liquidity management is both a daily and long-term function of the Company's business management. We manage our liquidity in accordance with a board of directors-approved asset liability policy, which is administered by the Company’s asset-liability committee (“ALCO”). ALCO reports interest rate sensitivity, liquidity, capital and investment-related matters on a quarterly basis to the Company’s board of directors.

The Company reviews cash flow projections regularly and updates them in order to maintain liquid assets at levels believed to meet the requirements of normal operations, including loan commitments and potential deposit outflows from maturing certificates of deposit and savings withdrawals. Certificates of deposit due within one year of December 31, 2024 totaled $582.0 million, or 91.4% of our certificates of deposit, and 24.7% of total deposits. Of these certificates of deposits, $103.6 million are brokered deposits, of which $75 million relate to our interest rate swap. If these deposits do not remain with us, we will be required to seek other sources of funds, including other deposits and FHLB advances. Depending on market conditions, we may be required to pay higher rates on such deposits or borrowings than we currently pay. We believe, however, based on past experience that a significant portion of such deposits will remain with us. We have the ability to attract and retain deposits by adjusting the interest rates offered. While deposits are the Company’s primary source of funds, when needed the Company is also able to generate cash through borrowings from the FHLB. At December 31, 2024, the Company had remaining available capacity with the FHLB, subject to certain collateral restrictions, of approximately $723.8 million. There were $10.0 million in short-term FHLB advances outstanding at December 31, 2024, which matured in the first quarter of 2025. There were $40.0 million in long-term FHLB advances outstanding at December 31, 2024, scheduled to mature in February 2026.

In addition to our available borrowing capacity at the FHLB, the Company has bank-level lines of credit with multiple financial institutions and a line at the Federal Reserve Bank Discount Window that provides additional liquidity at December 31, 2024.

The following table shows the Company’s available borrowing capacity at December 31, 2024.

(In Thousands)

Liquidity Source	Capacity	Outstanding	Available
Federal Home Loan Bank	$ 773,832	$ 50,000	$ 723,832
Federal Reserve Bank Discount Window	24,070	—	24,070
Correspondent Banks	77,000	—	77,000
Total	**$ 874,902**	**$ 50,000**	**$ 824,902**

Consistent with the Company’s goals to operate as a sound and profitable financial institution, the Company actively seeks to maintain the Bank's status as a well-capitalized institution in accordance with regulatory standards. As of December 31, 2024 and 2023, the Bank met the capital requirements to be considered “well capitalized.” See Note 16 within the Notes to the Consolidated Financial Statements for more information regarding our capital resources.

Off-Balance Sheet Arrangements and Contractual Obligations

See Note 17 within the Notes to the Consolidated Financial Statements beginning for more information regarding the Company’s off-balance sheet arrangements.

For disclosures of the Company’s future obligations under operating leases, please see Note 7 within the Notes to the Consolidated Financial Statements. For disclosures of the Company’s contractual obligations related to certificates of deposits, please see Note 9 within the Notes to the Consolidated Financial Statements.

Critical Accounting Estimates

It is management’s opinion that accounting estimates covering certain aspects of the Company’s business have more significance than others due to the relative importance of those areas to overall performance, or the level of subjectivity required in making such estimate, which have a material impact on the carrying value of certain assets and liabilities. The judgments and assumptions used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances. The more significant areas in which the Company's management applies critical assumptions and estimates include the following:

Allowance for credit losses: The loan portfolio is the biggest asset on the Company's balance sheet. The allowance for credit losses represents management's estimate of credit losses in the loan portfolio at the balance sheet date. A provision for credit losses is recorded to adjust the level of the allowance for credit losses as deemed necessary by management. The allowance for credit losses consists of reserves on loans that share similar risk characteristics, and reserves on loans that do not share similar risk characteristics. Expected credit losses are estimated over the contractual term of the loan, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a restructured loan will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancelable by the

Company. Management’s determination of the adequacy of the allowance for credit losses is based on periodic evaluations of past events, including historical credit loss experience on financial assets with similar risk characteristics, historical credit losses experienced by peer institutions on financial assets with similar risk characteristics, current conditions, and reasonable and supportable forecasts that affect the collectability of the remaining cash flows over the contractual term of the financial assets. This evaluation has subjective components requiring material estimates, including forecasted national economic conditions such as U.S. GDP and U.S civilian unemployment rate, expected default probabilities, the expected loss given default, and the amounts and timing of expected future cash flows. This evaluation is also subject to adjustment through qualitative factor considerations. All of these factors may be susceptible to significant change.

Changes in the FOMC's median forecasted year over year U.S. civilian unemployment rate, the year over year change in U.S. GDP, and S&P/Case-Shiller U.S. National Home Price Index ("HPI") could have a material impact on the model's estimation of the allowance. FOMC projections are sourced from a quarterly Summary of Projections, which accompanies select FOMC meetings. An immediate "shock" or increase of 25% in the FOMC's projected rate of U.S. civilian unemployment, a decrease of 25% in the FOMC's projected rate of U.S. GDP growth, and 25% decrease in the HPI would increase the model's total calculated allowance by approximately $3.5 million, or 13.4%, to $30.0 million as of December 31, 2024, assuming qualitative adjustments are kept at current levels. An immediate decrease of 25% in the FOMC's projected rate of U.S. civilian unemployment, an increase of 25% in the FOMC's projected rate of U.S. GDP growth, and 25% increase in the HPI would decrease the model's total calculated allowance by approximately $3.2 million, or 12.2%, to $23.2 million as of December 31, 2024, assuming qualitative adjustments are kept at current levels. While management's current evaluation of the allowance for credit losses indicates that the allowance is appropriate, the allowance may need to be increased under adversely different conditions or assumptions. Additionally, changes in those factors and inputs may not occur at the same rate and inputs may be directionally inconsistent, such that improvements in one factor may offset deterioration in others.

Generally, loans that do not share similar risk characteristics are collateral-dependent and impairment is measured through the collateral method. Appraisals of the underlying value of property securing loans are critical in determining impairment. Assumptions used in appraisals could affect the valuation of a property securing a loan and the related allowance determined. Management reviews the assumptions supporting such appraisals to determine that resulting values reasonably reflect amounts realizable on related loans.

When the measurement of these loans is less than the recorded investment in the loan, the shortfall is recorded through the allowance for credit losses. To the extent that actual results differ from management estimates, additional provisions for credit losses may be required that would adversely impact earnings in future periods.

Business Combinations: The Company accounts for acquisitions under the acquisition method of accounting. Assets acquired and liabilities assumed in a business combination are recorded at their estimated fair value on their purchase date. As provided for under accounting principles generally accepted in the United States of America, management has up to 12 months following the date of the acquisition to finalize the fair values of acquired assets and assumed liabilities. Management has finalized the fair values of acquired assets and assumed liabilities from the Partners Merger. The valuation of acquired loans involves significant estimates, assumptions and judgment based on information available as of the acquisition date. Loans acquired in a business combination transaction are evaluated either individually or in pools of loans with similar characteristics; including consideration of a credit component. A number of factors are considered in determining the estimated fair value of purchased loans including, among other things, the remaining life of the acquired loans, estimated prepayments, estimated loss ratios, estimated value of the underlying collateral, estimated holding periods, contractual interest rates compared to market interest rates, and net present value of cash flows expected to be received.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not required for smaller reporting companies.

Item 8. Financial Statements and Supplementary Data.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of LINKBANCORP, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of LINKBANCORP, Inc. and subsidiaries (the “Company”) as of December 31, 2024 and 2023; the related consolidated statements of operations, comprehensive income (loss), shareholders’ 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 financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

We have served as the Company’s auditor since 2020.

/s/ S.R. Snodgrass, P.C.

Conshohocken, Pennsylvania
March 31, 2025

LINKBANCORP, Inc. and Subsidiaries
Consolidated Balance Sheets

	December 31, 2024	December 31, 2023
(In Thousands, except share and per share data)		
ASSETS		
Noninterest-bearing cash equivalents	$ 13,834	$ 13,089
Interest-bearing deposits with other institutions	152,266	67,101
Cash and cash equivalents	166,100	80,190
Securities available for sale, at fair value	145,590	115,490
Securities held to maturity (Fair value of $30,284 and $34,236, respectively)	31,967	36,735
Less: Allowance for credit losses - held to maturity securities	(459)	(512)
Securities held to maturity, net	31,508	36,223
Loans receivable	2,255,749	2,128,284
Less: Allowance for credit losses - loans	(26,435)	(23,767)
Net loans	2,229,314	2,104,517
Investments in restricted bank stock	5,209	3,965
Premises and equipment, net	18,029	20,130
Right-of-Use Asset – Premises	14,913	15,497
Bank-owned life insurance	52,079	48,847
Goodwill	58,806	56,968
Other intangible assets, net	20,955	25,733
Deferred tax asset	18,866	24,153
Assets held for sale	94,146	115,499
Accrued interest receivable and other assets	23,263	22,113
TOTAL ASSETS	**$ 2,878,778**	**$ 2,669,325**
LIABILITIES		
Deposits:		
Demand, noninterest bearing	$ 658,646	$ 624,780
Interest bearing	1,701,936	1,574,019
Total deposits	2,360,582	2,198,799
Long-term borrowings	40,000	—
Short-term borrowings	10,000	10,000
Note payable	565	590
Subordinated debt	61,984	61,444
Lease liabilities	15,666	16,361
Allowance for credit losses - unfunded commitments	1,857	2,189
Liabilities held for sale	93,777	99,777
Accrued interest payable and other liabilities	14,126	14,369
TOTAL LIABILITIES	**2,598,557**	**2,403,529**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 1, 7, and 17)		
SHAREHOLDERS' EQUITY		
Preferred stock (At December 31, 2024 and 2023: no par value; 5,000,000 shares authorized; no shares issued and outstanding.)	—	—
Common stock (At December 31, 2024 and 2023: $0.01 par value; 50,000,000 shares authorized; 37,370,917 and 37,340,700 shares issued and outstanding, respectively.)	370	369
Surplus	264,449	263,310
Retained earnings	19,947	4,843
Accumulated other comprehensive loss	(4,545)	(3,209)
Total equity attributable to parent	**280,221**	**265,313**
Noncontrolling interest in consolidated subsidiary	—	483
TOTAL SHAREHOLDERS' EQUITY	**280,221**	**265,796**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 2,878,778**	**$ 2,669,325**

See accompanying notes to the consolidated financial statements.

LINKBANCORP, Inc. and Subsidiaries
Consolidated Statements of Operations

	Year Ended December 31,	
(In Thousands, except share and per share data)	2024	2023
INTEREST AND DIVIDEND INCOME		
Loans receivable, including fees	$ 146,175	$ 58,791
Investment securities and certificates of deposit:		
Taxable	6,206	3,260
Exempt from federal income tax	1,453	1,181
Other	4,890	1,966
Total interest and dividend income	**158,724**	**65,198**
INTEREST EXPENSE		
Deposits	51,033	22,638
Other borrowings	3,977	1,923
Subordinated debt	3,820	1,926
Total interest expense	**58,830**	**26,487**
NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES	99,894	38,711
Provision for credit losses	257	9,295
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	**99,637**	**29,416**
NONINTEREST INCOME		
Service charges on deposit accounts	4,036	978
Bank-owned life insurance	1,633	738
Net realized gains (losses) on the sales of debt securities	4	(2,370)
Gain on sale of loans	270	465
Other	2,919	1,276
Total noninterest income	**8,862**	**1,087**
NONINTEREST EXPENSE		
Salaries and employee benefits	41,061	20,612
Occupancy	5,945	3,015
Equipment and data processing	7,174	3,720
Professional fees	2,830	1,698
FDIC insurance and supervisory fees	2,396	817
Bank shares tax	2,796	1,158
Intangible amortization	4,778	663
Merger & system conversion related expenses	914	11,176
Advertising	633	329
Other	6,377	2,644
Total noninterest expense	**74,904**	**45,832**
Income (loss) before income tax expense (benefit)	33,595	(15,329)
Income tax expense (benefit)	7,386	(3,361)
NET INCOME (LOSS)	**$ 26,209**	**$ (11,968)**
EARNINGS (LOSS) PER SHARE, BASIC	**$ 0.71**	**$ (0.67)**
EARNINGS (LOSS) PER SHARE, DILUTED	**$ 0.71**	**$ (0.67)**
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING,		
BASIC	36,990,672	17,753,914
DILUTED	37,105,614	17,753,914

See accompanying notes to the consolidated financial statements.

LINKBANCORP, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)

	Year Ended December 31,	
	2024	2023
(In Thousands)		
Net income (loss)	$ 26,209	$ (11,968)
Components of other comprehensive (loss) income:		
Unrealized (loss) gain on available-for-sale securities	(2,626)	3,225
Tax effect	552	(595)
Net of tax amount	(2,074)	2,630
Unrealized (loss) gain on cash flow hedges	(484)	324
Adjustment for amounts reclassified into net income	1,422	392
Tax effect	(197)	(150)
Net of tax amount	741	566
Reclassification adjustment for debt securities gains (losses) realized in net income	(4)	—
Tax effect	1	—
Net of tax amount	(3)	—
Total other comprehensive (loss) income	(1,336)	3,196
Total comprehensive income (loss)	**$ 24,873**	**$ (8,772)**

See accompanying notes to the consolidated financial statements.

LINKBANCORP, Inc. and Subsidiaries
Consolidated Statements of Shareholders' Equity

(In Thousands, except share data)	Common Stock Shares	Common Stock Amount	Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity Attributable to Parent	Noncontrolling interest in consolidated subsidiary	Total Shareholders' Equity
Balance, December 31, 2023	**37,340,700**	**$ 369**	**$263,310**	**$ 4,843**	**$ (3,209)**	**$ 265,313**	**$ 483**	**$ 265,796**
Net income	—	—	—	26,209	—	26,209	—	26,209
Dividends declared ($0.30 per share)	—	—	—	(11,105)	—	(11,105)	—	(11,105)
Exercise of stock options	2,377	—	14	—	—	14	—	14
Employee stock purchase plan	30,199	1	152	—	—	153	—	153
Stock compensation amortization	—	—	988	—	—	988	—	988
Dissolution of Minority Interest	—	—	—	—	—	—	(483)	(483)
Retirement of restricted shares	(2,359)	—	(15)	—	—	(15)	—	(15)
Other comprehensive loss	—	—	—	—	(1,336)	(1,336)	—	(1,336)
Balance, December 31, 2024	**37,370,917**	**$ 370**	**$264,449**	**$ 19,947**	**$ (4,545)**	**$ 280,221**	**$ —**	**$ 280,221**

(In Thousands, except share data)	Common Stock Shares	Common Stock Amount	Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity Attributable to Parent	Noncontrolling interest in consolidated subsidiary	Total
Balance, December 31, 2022	**14,939,640**	**$ 149**	**$117,709**	**$ 27,100**	**$ (6,405)**	**$ 138,553**	**$ —**	**$ 138,553**
Cumulative effect of change in accounting principles (Note 1)	—	—	—	(5,419)	—	(5,419)	—	(5,419)
Balance, January 1, 2023, as adjusted	**14,939,640**	**149**	**117,709**	**21,681**	**(6,405)**	**133,134**	**—**	**133,134**
Net loss	—	—	—	(11,968)	—	(11,968)	—	(11,968)
Dividends declared ($0.30 per share)	—	—	—	(4,870)	—	(4,870)	—	(4,870)
Issuance of shares of common stock, net proceeds	1,282,052	13	9,945	—	—	9,958	—	9,958
Exercise of stock options	29,632	—	150	—	—	150	—	150
Employee stock purchase plan	21,494	—	174	—	—	174	—	174
Share-based compensation expense:								
Restricted Stock Issuance	384,724	—	—	—	—	—	—	—
Stock Compensation Amortization	—	—	244	—	—	244	—	244
Impact of merger with Partners Bancorp	20,683,158	207	135,088	—	—	135,295	483	135,778
Other comprehensive income	—	—	—	—	3,196	3,196	—	3,196
Balance, December 31, 2023	**37,340,700**	**$ 369**	**$263,310**	**$ 4,843**	**$ (3,209)**	**$ 265,313**	**$ 483**	**$ 265,796**

See accompanying notes to the consolidated financial statements.

LINKBANCORP, Inc. and Subsidiaries
Consolidated Statement of Cash Flows

(In Thousands)	For the Twelve Months Ended December 31, 2024	2023
OPERATING ACTIVITIES		
Net income (loss)	$ 26,209	$ (11,968)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for credit losses	257	9,295
Depreciation	1,892	1,121
Amortization of intangible assets	4,778	663
Accretion of discounts, net	(11,747)	(204)
Origination of loans to be sold	(10,093)	(4,210)
Proceeds from loan sales	10,363	4,537
Gain on sale of loans	(270)	(465)
Share-based and deferred compensation	1,864	1,049
Bank-owned life insurance income	(1,633)	(738)
(Gain) loss on sale of debt securities	(4)	2,370
Change in accrued interest receivable and other assets	5,939	(3,800)
Change in accrued interest payable and other liabilities	(1,977)	2,340
Other, net	(136)	—
Net cash provided by (used in) operating activities	**25,442**	**(10)**
INVESTING ACTIVITIES		
Investment securities available for sale:		
Proceeds from sales	1,691	91,364
Proceeds from calls and maturities	10,230	—
Proceeds from principal repayments	13,255	8,285
Purchases	(57,322)	(9,756)
Investment securities held to maturity:		
Proceeds from principal repayments	5,055	3,436
Purchases	(250)	(11,289)
Proceeds from redemptions of certificates of deposit with other banks	—	5,623
Purchase of restricted investment in bank stocks	(16,530)	(15,624)
Redemption of restricted investment in bank stocks	15,286	21,799
Increase in loans, net	(91,433)	(65,915)
Purchase of bank-owned life insurance	(1,599)	(9,712)
Cash paid to buy-out minority interest	(483)	—
Proceeds from disposal of premises and equipment	2,967	—
Purchase of premises and equipment	(2,885)	(1,153)
Purchase of computer software	—	(220)
Net cash acquired through merger and acquisition	—	41,745
Net cash (used in) provided by investing activities	**(122,018)**	**58,583**
FINANCING ACTIVITIES		
Increase in deposits, net	153,425	51,834
Change in short-term borrowings, net	—	(65,640)
Proceeds from long-term borrowings	40,000	—
Issuance of shares from exercise of stock options	14	150
Dividends paid	(11,105)	(4,870)
Net proceeds from issuance of common stock	152	10,132
Net cash provided by (used in) financing activities	**182,486**	**(8,394)**
Increase in cash and cash equivalents	85,910	50,179
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	80,190	30,011
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$ 166,100**	**$ 80,190**

See accompanying notes to the consolidated financial statements.

LINKBANCORP, Inc. and Subsidiaries
Consolidated Statement of Cash Flows

	For the Twelve Months Ended December 31,	
	2024	**2023**
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash paid during the period for:		
Interest	$ 58,431	$ 27,874
Income taxes	—	—
Reclassification of New Jersey branch loans from portfolio loans to assets held-for-sale, net	$ (21,528)	—
Reclassification of New Jersey branch assets to assets held-for-sale	$ 175	—
Reclassification of New Jersey branch deposits to liabilities held-for-sale, net	$ 6,124	—
Reclassification of New Jersey branch liabilities to liabilities held-for-sale	$ (124)	—
MERGER AND ACQUISITION CASH FLOW DISCLOSURES		
Non-cash assets acquired:		
Securities available for sale	$ —	$ 123,440
Loans	—	1,240,334
Investments in restricted bank stock	—	6,763
Premises and equipment	—	15,504
Right-of-Use Asset	—	6,042
Bank-owned life insurance	—	19,153
Goodwill	—	21,126
Intangible Assets	—	25,344
Deferred tax assets	—	14,466
Accrued interest receivable and other assets	—	10,730
Liabilities assumed:		
Deposits	—	1,299,867
Other borrowings	—	55,292
Subordinated debt	—	21,078
Operating lease liabilities	—	6,908
Accrued interest payable and other liabilities	—	5,724
Net non-cash assets acquired	—	94,033
Cash and cash equivalents acquired	$ —	$ 41,745

See accompanying notes to the consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting and reporting policies applied in the presentation of the accompanying consolidated financial statements follows:

Nature of Operations

LINKBANCORP, Inc. (the “Company” or "LINKBANCORP") was incorporated on April 6, 2018, under the laws of the Commonwealth of Pennsylvania. The Company was formed with the intent of becoming a bank holding company through acquisition of a bank.

On September 17, 2018, the Pennsylvania Department of Banking and Securities (the "PADOBS") approved the acquisition of 100 percent of the shares of Stonebridge Bank, subject to recapitalization of the bank and continued compliance with capital ratios outlined in Note 16. On October 5, 2018, LINKBANCORP, Inc. purchased 100 percent of the outstanding shares of Stonebridge Bank, from its former parent company Stonebridge Financial Corp. under section 363 of the Bankruptcy Code. LINKBANCORP subsequently renamed the bank LINKBANK.

On December 10, 2020, the Company and its wholly owned subsidiary, LINKBANK, and GNB Financial Services, Inc. (“GNBF”), and its wholly owned subsidiary, The Gratz Bank (the "Bank”) entered into an Agreement and Plan of Merger (the “Gratz Merger Agreement”) pursuant to which GNBF merged with and into the Company, with the Company as the surviving corporation. LINKBANK merged with and into The Gratz Bank, with The Gratz Bank as the surviving institution. The merger was consummated effective September 18, 2021. In markets other than the pre-merger Gratz Bank areas, the Bank operated as "LINKBANK, a division of The Gratz Bank." Effective November 4, 2022, the Bank began to operate under one brand under the name LINKBANK.

On November 30, 2023, the Company completed its merger with Partners Bancorp ("Partners"), and its wholly owned subsidiaries, The Bank of Delmarva and Virginia Partners Bank, pursuant to which Partners merged with and into the Company with the Company as the surviving corporation (the "Partners Merger"). The Bank of Delmarva and Virginia Partners Bank merged with and into LINKBANK with LINKBANK as the surviving bank (the "Bank Mergers"). In connection with the announcement of the Partners Merger in the first quarter of 2023, LINKBANCORP completed a private placement of $10.0 million with certain directors of LINKBANCORP as well as other accredited investors.

The Bank is a full-service commercial bank providing personal and business lending and deposit services. The Bank’s operations are conducted from its eight Solutions Centers located in Dauphin, Chester, Cumberland, Lancaster, Northumberland, and Schuylkill Counties, and loan production offices located in Chester and York Counties, in Pennsylvania, eight solutions centers in Wicomico, Charles, Anne Arundel, and Worcester counties in Maryland, four solutions centers and a loan production office in Sussex county in Delaware, three solutions centers in Camden and Burlington counties in New Jersey, three solutions centers in Spotsylvania and Fairfax counties in Virginia, and one solutions center in the city of Fredericksburg, Virginia. The Company’s corporate office resides in Camp Hill, Pennsylvania. As a state chartered, non-Federal Reserve member bank, the Bank is subject to regulation and supervision by the PADOBS and the Federal Deposit Insurance Corporation (the "FDIC"). The Company is regulated by the Federal Reserve Bank of Philadelphia. The Bank’s deposits are insured up to the applicable limits by the FDIC.

Pending Sale of New Jersey Solutions Centers

On May 9, 2024, the Bank entered into a purchase and assumption agreement (the “Agreement”) with American Heritage Federal Credit Union (“AHFCU”) pursuant to which AHFCU will purchase certain assets and assume certain liabilities (the “Transaction” or "New Jersey Branch Sale") of the New Jersey operations of the Bank, including all three branch locations (including two branch leases).

Under the Agreement, AHFCU will acquire substantially all of the loans, three branch locations (along with associated personal property and fixtures) and will assume substantially all of the deposits. The total deposit premium to be paid by AHFCU equates to approximately 7.0% of all deposits assumed at closing. With respect to the acquired loans, AHFCU will pay an amount equal to the principal balances plus any accrued but unpaid interest and late charges on the loans measured as of the closing date. AHFCU will pay book value for fixed assets, real estate and any other assets located at the owned branch. As of December 31, 2024, approximately $91.8 million in loans and $93.6 million in deposits were classified as held for sale in connection with the Transaction. The FDIC and NCUA have approved the Transaction which remains subject to customary closing conditions. We anticipate the Transaction will be completed on March 31, 2025, subject to satisfaction or waiver of customary closing conditions.

Basis of Presentation

The merger of Partners with and into the Company was accounted for as an acquisition using the acquisition method of accounting, in accordance with the provisions of FASB ASC 805 Business Combinations. As such, LINKBANCORP was the accounting acquirer and Partners was the accounting acquiree. Factors considered within this guidance included, but were not limited to the following:

- the relative voting interests of LINK shareholders and Partners shareholders in the resulting company after the merger was completed;
- the composition of the board of directors of the Company after the merger was completed;
- the composition of executive and senior management of the resulting company after the merger was completed;
- the terms of the exchange of equity securities in the merger; and
- the relative size of LINK and Partners at the time of the merger.

Accordingly, LINKBANCORP's historical financial statements are the historical financial statements of the combined company for all periods prior to November 30, 2023 (the "Merger Date").

The Company’s results of operations for 2023 include the results of operations of the combined company on and after the Merger Date. Results for periods before the Merger Date reflect only those consolidated results of LINKBANCORP and do not include the results of operations of Partners. The assets and liabilities of Partners as of the Merger Date have been recorded at their estimated fair value and added to those of LINKBANCORP. See Note 2. Merger for further information.

The accompanying consolidated financial statements include the accounts of the Company and the Bank. All significant intercompany accounts and transactions have been eliminated in consolidation. The accounting and reporting practices of the Company conform to accounting principles generally accepted in the United States of America (GAAP) and to general practices within the banking industry. The following summarizes the more significant of these policies and practices.

Initial Public Offering

In September 2022, the Company completed its initial public offering ("IPO") whereby it issued and sold 5,101,205 shares of common stock at a public offering price of $7.50 per share. The Company received net proceeds of $34,650 after deducting underwriting discounts and commissions of $2,487 and other offering expenses of $1,114. The Company's common stock now trades on the Nasdaq Capital Market under the symbol "LNKB."

Reclassification of Prior Period Financial Statements

Certain previously reported items have been reclassified to conform to the current year's classifications. Assets and liabilities related to the New Jersey Branch Sale have been reclassified into assets held for sale and liabilities held for sale, respectively, within the Consolidated Balance Sheets. Also refer to the supplemental cash flow disclosures section of the Consolidated Statements of Cash Flows. Reclassifications had no effect on prior year net income or shareholders' equity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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 allowance for credit losses and the valuation of deferred tax assets.

Acquisition Method of Accounting

The Company accounts for acquisitions using the acquisition method of accounting. The acquisition method of accounting requires the Company to estimate the fair value of the tangible assets and identifiable intangible assets acquired and liabilities assumed. The estimated fair values are based on available information and current economic conditions at the date of acquisition. Fair value may be obtained from independent appraisers, discounted cash flow present value techniques, management valuation models, quoted prices on national markets or quoted market prices from brokers. These fair value estimates will affect future earnings through the disposition or amortization of the underlying assets and liabilities. Accounting for business combination under GAAP acquisition method prohibits “carrying over” valuation allowances, such as the allowance for credit losses. Uncertainties relating to the expected future cash flows are reflected in the fair value measurement of the acquired loans and reflected in the purchase price. The Company will establish credit loss allowances for the acquired loans in periods after the acquisition, but only for losses incurred on these loans due to credit deterioration after acquisition.

For business acquisitions, whereby the Company acquires loans that have shown evidence of credit deterioration since origination, the Company will classify these loans as purchased credit-deteriorated (“PCD”) loans. The Company will determine which loans will be classified as PCD loans based on borrower payment history, past due status, loan credit grading, value of underlying collateral, underwriting standards and other factors that affect the collectability of contractual cash flows. Under GAAP, purchasers are permitted to individually evaluate or collectively aggregate PCD loans into pools. PCD loans acquired in the same fiscal quarter may be assembled into one or more pools with common risk characteristics. Once pooled, a single composite interest rate is used to determine aggregate expected cash flows for each respective pool. PCD loans are recorded on the acquisition date at fair value. The Company estimates the amount and timing of expected cash flows for each individually analyzed loan. Estimated cash flows in excess of the amount paid is recorded as interest income over the remaining life of the loan.

On a quarterly basis, the Company will update the amount of loan principal and interest cash flows expected to be collected, incorporating assumptions regarding default rates, loss severities, the amounts and timing of prepayments and other factors that are reflective of current market conditions. Probable decreases in expected loan principal cash flows trigger the recognition of impairment, which is then measured as the present value of the expected principal loss plus any related foregone interest cash flows discounted at the loan’s effective interest rate. Impairments that occur after the acquisition date are recognized through the allowance for credit losses. Probable and significant increases in expected cash flows would first reverse any previously recorded allowance for credit losses; any remaining increases are recognized prospectively as interest income. The impacts of (i) prepayments, (ii) changes in variable interest rates, and (iii) any other changes in the timing of expected cash flows are recognized prospectively as adjustments to interest income. Disposals of loans, which may include sales of loans, receipt of payments in full by the borrower, or foreclosure, result in removal of the loan from the PCD portfolio.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the acquisition cost over the fair value of the net assets acquired in the acquisition. GAAP requires goodwill to be tested for impairment on an annual basis and between annual tests in certain circumstances and written down when impaired. There can be no assurance that future goodwill impairment tests will not result in a charge to income. Core deposit intangible assets (“CDI”) are initially measured at fair value and then amortized over the expected life on an accelerated basis using projected decay rates of the underlying core deposits. The expected life is generally ten years. The principal factors considered when valuing the CDI consist of the following: (1) the rate and maturity structure of the interest-bearing liabilities, (2) estimated retention rates for each deposit liability category, (3) the current interest rate environment, and (4) estimated noninterest income potential of the acquired relationship. The CDI is evaluated periodically for impairment.

Goodwill and other intangible assets are reviewed for impairment annually as of September 30 and between annual tests when events and circumstances indicate that impairment may have occurred. If there is a goodwill impairment charge, it will be the amount by which the reporting unit’s carrying amount exceeds its fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The same one-step impairment test is applied to goodwill at all reporting units.

The determination of the fair value of the Company incorporates assumptions that marketplace participants would use in their estimates of fair value of the Company in a change of control transaction, as prescribed by ASC Topic 820.

To arrive at a conclusion of fair value, we utilize both the Income and Market Approach and then apply weighting factors to each result. Weighting factors represent our best business judgment of the weightings a market participant would utilize in arriving at a fair value for the Company. In performing our analyses, we also made numerous assumptions with respect to industry performance, business, economic and market conditions, and various other matters, many of which cannot be predicted and are beyond our control. With respect to financial projections, projections reflect the best currently available estimates and judgments as to the expected future financial performance of the Company.

Cash and Cash Equivalents

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

Investment Securities

Investment securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Investment securities that will be held for indefinite periods of time, including securities that may be sold in response to changes in market interest or prepayment rates, needs for liquidity, and changes in the availability of and in the yield of alternative investments, are classified as available for sale. These investment securities are carried at fair value. Fair values of securities available for sale are determined by using Level 2 fair value measures calculated through the use of matrix pricing. Matrix pricing is a common mathematical technique that does not rely exclusively on quoted market prices for specific securities but rather utilizes the security's relationship to other benchmark quoted prices in determining fair value. The Company uses independent service providers to calculate our Level 2 fair value measures. Unrealized gains and losses are excluded from operations and are reported net of tax as a separate component of other comprehensive income until realized. Realized gains and losses on the sale of investment securities are reported in the consolidated statements of operations and determined using the adjusted cost of the specific security sold on the trade date. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either 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, management 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 assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive (loss) income.

Changes in the allowance for credit losses are recorded as a provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale debt security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Allowance for Credit Losses - Held-to-Maturity Securities

Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

Management classifies the held-to-maturity portfolio into the following major security types: Corporate debentures and structured mortgage-backed securities.

- The corporate debentures are comprised of investments in subordinated debt issued by U.S. based banks.
- All of the structured mortgage-backed securities are issued by U.S. government entities and agencies. These securities 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.

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. 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 Company 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: agriculture and farmland, commercial and industrial, commercial real estate, construction and municipal. Consumer loans consist of the following classes: residential real estate, and consumer and other. The loan segments are based on collateral type.

The accrual of interest on all portfolio classes is discontinued at the time the loan is more than ninety days delinquent unless the loan is well collateralized and in process of collection. Nonaccrual loans are reviewed for charge-off if more than ninety-days past due, except for residential loans and consumer loans. Residential loans are reviewed at 180 days and consumer loans are reviewed at 120 days past due. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered unlikely.

All interest accrued but not collected for loans placed on nonaccrual or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. In addition, a loan should be in accordance with the contractual terms for a reasonable period, usually requiring a payment history of six months.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

Allowance for Credit Losses - Loans

The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics, such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors. The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Company has identified the following portfolio segments and measures the allowance for credit losses using the following methods:

Portfolio Segment	Measurement Method
Agriculture and farmland	Remaining life
Construction	Discounted cash flow
Commercial & industrial	Discounted cash flow
Commercial real estate	
Multifamily	Discounted cash flow
Owner occupied	Discounted cash flow
Non-owner occupied	Discounted cash flow
Residential real estate	
First liens	Discounted cash flow
Second liens and lines of credit	Discounted cash flow
Municipal	Remaining life
Consumer and other loans	Remaining life

Loans that do not share risk similar risk characteristics are evaluated on an individual basis. Loans are evaluated individually generally based on nonaccrual and delinquency status. Loans evaluated individually are not included in the collective evaluation described above. When management determines that foreclosure is probable, expected credit losses are based on the fair value of collateral at the reporting date, adjusted for selling costs as appropriate.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a modification to a borrower experiencing financial difficulty will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancelable by the Company.

Investment in Restricted Stock, at Cost

The Company holds restricted stock in the FHLB and the Atlantic Community Bancshares, Inc. (“ACBB”) which is carried at cost. The Company holds $375 and $389 of ACBB stock at December 31, 2024 and 2023, respectively. The Company holds $4,834 and $3,576 of FHLB stock at December 31, 2024 and 2023, respectively. The FHLB stock is bought from and sold to the FHLB based upon its $100 par value. The stock does not have a readily determinable fair value and as such is classified as restricted stock, carried at cost, and evaluated for impairment as necessary. The stock’s value is determined by the ultimate recoverability of the par value rather than by recognizing temporary declines. The determination of whether the par value will ultimately be recovered is influenced by criteria such as the following: (a) the significance of the decline in net assets of the FHLB as compared to the capital stock amount and the length of time this situation has persisted; (b) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance; (c) the impact of legislative and regulatory changes on the customer base of the FHLB; and (d) the liquidity position of the FHLB. Management evaluated the stock and concluded that the stock was not impaired for the periods presented herein.

Bank-Owned Life Insurance

The Company invests in bank-owned life insurance ("BOLI") as a source of funding for employee benefit expenses. BOLI involves the purchasing of life insurance by the Company on a chosen group of employees. The Company is the owner and beneficiary of the policies. This life insurance investment is carried at the cash surrender value of the underlying policies. Income from the increase in cash surrender value of the policies is included in non-interest income in the Consolidated Statement of Operations, net of expenses.

Premises and Equipment

Leasehold improvements and furniture and equipment are stated at cost, less accumulated depreciation. Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives for furniture and equipment are three to ten years; leasehold improvements are amortized over the shorter of their respective lease term or estimated life of the improvement.

Leases

The Company evaluates its contracts at inception to determine if an arrangement either is a lease or contains one. Right-of-use ("ROU") assets represent the right to use an underlying asset for the lease term, and lease liabilities represent an obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Company's leases do not provide an implicit rate, so the Company's incremental borrowing rate is used based on the information available at commencement date in determining the present value of lease payments. The incremental borrowing rate is reevaluated upon lease modification. The operating lease ROU asset also includes any initial direct costs and prepaid lease payments made less any lease incentives. In calculating the present value of lease payments, the Company may include options to extend the lease when it is reasonably certain that it will exercise that option.

In accordance with ASU 2016-02, "Leases (Topic 842)" ("ASU 2016-02"), the Company keeps leases with an initial term of 12 months or less off of the balance sheet. The Company recognizes these lease payments in the consolidated statements of income on a straight-line basis over the lease term. The Company has lease agreements with lease and non-lease components and has elected the practical expedient to account for them as a single lease component.

Other Real Estate Owned

Foreclosed assets acquired in settlement of loans are carried at fair value, less estimated costs to sell. Prior to foreclosure, as the value of the underlying loan is written down to fair value of the real estate or other assets to be acquired by a charge to the allowance for credit losses, if necessary. Any subsequent write-downs are charged against operating expenses. Operating expenses of such properties, net of related income and losses on disposition, are included in other expenses and gains and losses are included in other noninterest income or other noninterest expense. As of December 31, 2024 and 2023, the Company had no other real estate owned. At December 31, 2024, the recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process was $585 thousand.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control of 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.

Income Taxes

The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Bank determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of the evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Company accounts for uncertain tax positions if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. The Bank recognizes interest and penalties on income taxes as a component of income tax expense.

Allowance for Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Bank 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.

The Company estimates expected credit losses over the contractual period in which the Company 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.

Share-based Compensation

The Bank follows the provisions of ASC 718-10, Compensation – Stock Compensation. This standard requires the Bank to recognize the cost of employee and organizer services received in share-based payment transactions and measure the cost based on the grant-date fair value of the award. The cost will be recognized over the period during which the employee or organizer is required to provide service in exchange for the award.

The stock compensation accounting guidance requires that compensation cost for all stock awards be calculated and recognized over the employee's service period, generally defined as the vesting period. For awards with graded-vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. A Black-Scholes model is used to estimate the fair value of stock options, while the fair value of the Company's common stock as the date of grant is used for restricted stock awards.

Stock Warrants

The Company issued stock purchase warrants in connection with its initial stock offering via private placement, giving organizers the right to purchase shares of common stock at the initial offering price of $10 per share. For organizers, the warrants serve as a reward for bearing the financial risk of the Company's organization by advancing "seed money" for its organizational and pre-opening expenses. The organizers' warrants are non-voting and are exercisable for a period of ten years from the date of grant. All grants were issued during 2019. These warrants are transferable in accordance with the warrant agreement, but are not puttable to the Company. These shares may be issued from previously authorized but unissued shares of stock. The Board has made no additional authorization to issue any further warrants as of December 31, 2024 and has no current plans for future issuance of warrants. To date, organizers have not exercised any warrants since their issuance.

Based on the contractual terms, the warrants do not fall within the scope of ASC 480-10, *Distinguishing Liabilities from Equity*, and they meet the requirements within ASC 815, *Derivatives and Hedging*, to be classified within shareholders' equity. The fair value of these shares upon issuance using the Black-Scholes model was zero, based on the fair value for the stock on the date of grant.

Comprehensive Loss

Comprehensive Loss consists of net income and other comprehensive (loss) income. Other comprehensive (loss) income includes unrealized gains and losses on securities available for sale, which is also recognized as a separate component of equity.

Treasury Stock

Common stock shares repurchased are recorded as treasury stock, at cost on the consolidated balance sheets, on a settlement date basis. Gains and losses on subsequent reissuance of shares are credited or charged to surplus using the average cost method.

Earnings Per Share

Basic earnings per share (EPS) represents net income available to common shareholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share includes the dilutive effect of additional potential common shares issuable under stock options. Potential common shares that may be issued related to outstanding stock options are determined using the treasury stock method.

Operating Segments

While the chief decision maker monitors the revenue streams of the various products and services, operations are managed and financial performance is evaluated on a Company-wide basis. Discrete financial information is not available other than on a Company-wide basis.

Advertising Expenses

The Company expenses advertising costs as incurred. Advertising costs for the years ended December 31, 2024 and 2023 were $633 and $329, respectively, and were included within Other Expenses within the Consolidated Statements of Operations.

Assets and Liabilities Held for Sale

The Company is holding assets and liabilities for sale in connection with the New Jersey Branch Sale, which are held at lower of their carrying value or fair value less cost to sell. Depreciation and amortization was stopped at the time the assets were classified as held for sale.

Recently Adopted Accounting Standards

In 2024, the Company adopted ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. This standard update requires additional interim and annual disclosures about a reportable segment's expenses, even for companies with only one reportable segment. The adoption of this standard did not have a material effect on the Company's operating results or financial condition. Refer to Note 23 for the Company's segment disclosures.

On January 1, 2023, the Company adopted ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which replaces the impairment model for most financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. This model is also applicable to off-balance sheet credit exposures not accounted for as insurance, such as loan commitments, standby letters of credit, financial guarantees, and other similar instruments. In addition, the amendments in ASU 2016-03 require credit losses on available-for-sale debt securities to be presented as a valuation allowance rather than as a direct write down.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost, and off-balance-sheet credit exposures. Results for reporting periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. At January 1, 2023, the Company increased the allowance for credit losses for loans by $5.7 million, the allowance for credit losses for unfunded loan commitments by $910 thousand, and the allowance on held-to-maturity securities by $602 thousand. At January 1, 2023, the Company reported a cumulative-effect adjustment of $5.4 million which decreased retained earnings.

The Company did not record an allowance for credit losses on its available-for-sale debt securities under the newly codified available-for-sale debt security impairment model, as the majority of these securities are government agency-backed securities for which the risk of loss is minimal.

The Company adopted ASC 326 using the prospective transition approach for financial assets purchased with credit deterioration (PCD) that were previously classified as purchased credit impaired and accounted for under ASC 310-30. In accordance with the standard, management did not reassess whether PCI assets met the criteria of PCD assets as of the date of the adoption. On January 1, 2023, the amortized cost basis of the PCD assets were adjusted to reflect the addition of $308 thousand to the allowance for credit losses. The remaining noncredit discount (based on the adjusted amortized cost basis) will be accreted into interest income at the effective interest rate as of January 1, 2023.

The Federal Reserve and the FDIC have adopted a rule that provides a banking organization the option to phase-in, over a three year period, the effects of CECL on its regulatory capital upon the adoption of the CECL standard. The Company has elected to exercise this phase-in option.

In March 2022, the FASB issued ASU 2022-02, Financial Instruments - Credit Losses: Troubled Debt Restructurings and Vintage Disclosures, which eliminates accounting guidance for troubled debt restructurings ("TDRs") by creditors that have adopted ASU 2016-13 and its related amendments. The amendments require that an entity evaluate whether the loan modification represents a new loan or a continuation of an existing loan, and introduce new requirements related to modifications made to borrowers experiencing financial difficulty. The amendments also require public business entities to disclose current-period gross write-offs for financing receivables by year of origination in the vintage disclosures. For entities that have adopted ASU 2016-13, the amendments in this ASU are effective for fiscal years beginning after December 15, 2022.

For entities that have not adopted ASU 2016-13, the amendments in this update are effective at the time the entity adopts ASU 2016-13. The Company adopted this standard effective January 1, 2023 in conjunction with ASC 326. The adoption of this standard did not have a material effect on the Company's operating results or financial condition.

As a result of the adoption of ASU 2016-13, the Company revised some of its existing accounting policies as described earlier in this footnote.

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.* This standard simplifies the test for goodwill impairment by eliminating the requirement to calculate the implied fair value of goodwill, which currently is Step 2 of the goodwill impairment test. Instead the goodwill impairment test will consist of a single quantitative step comparing the fair value of the reporting unit with its carrying amount. An entity should recognize a goodwill impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The new standard is effective for annual and any interim goodwill impairment tests in reporting periods beginning after December 15, 2022. The adoption of this standard did not have a material effect on the Company's operating results or financial condition upon adoption at January 1, 2023.

In January 2021, the FASB issued ASU 2021-01, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, which added to ASU 2020-04 optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate. Entities can elect not to apply certain modification accounting requirements to contracts affected by what the guidance calls “reference rate reform” if certain criteria are met. An entity that makes this election would not have to remeasure the contracts at the modification date or reassess a previous accounting determination. Also, entities can elect various optional expedients that would allow them to continue applying hedge accounting for hedging relationships affected by reference rate reform if certain criteria are met, and can make a onetime election to sell and/or reclassify held-to-maturity debt securities that reference an interest rate affected by reference rate reform. ASU 2022-06, Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848 deferred the sunset date of Topic 848 from December 31, 2022 to December 31, 2024. The amendments in this ASU are effective for all entities upon issuance through December 31, 2024. The Company identified its loan receivables that have an interest rate indexed to LIBOR, verified proper transition language existed in the contracts and executed contractual updates, as needed, with the impacted borrowers. The Company replaced LIBOR in most cases with one-month Term SOFR or Daily SOFR. The impact was not material to the financial statements of the Company.

Recent Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): *Improvements to Income Tax Disclosures*. This standard update requires additional interim and annual disclosures about a company's income taxes, including more detailed information around the annual rate reconciliation and income taxes paid. For public business entities, this Update is effective for fiscal years beginning after December 15, 2024. The adoption of this standard is not expected to have a material effect on the Company's operating results or financial condition.

In November 2024, the FASB issued ASU 2024-03, Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40).This ASU requires disclosure in the notes to financial statements of specified information about certain costs and expenses. Specific disclosures are required for (a) purchases of inventory, (b) employee compensation, (c) depreciation, (d) intangible asset amortization, and (e) depreciation, depletion, and amortization recognized as part of oil and gas producing activities. The amendments in this Update do not change or remove current expense disclosure requirements. However, the amendments affect where this information appears in the notes to financial statements because entities are required to include certain current disclosures in the same tabular format disclosure as the other disaggregation requirements in the amendments. The amendments in ASU 2024-03 apply only to public business entities and are effective for fiscal years beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027, with early adoption permitted. The adoption of this standard is not expected to have a material effect on the Company's operating results or financial condition.

In January 2025, the FASB issued ASU 2025-01, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40)*, which revises the effective date of ASU 2024-03 (on disclosures about disaggregation of income statement expenses) “to clarify that all public business entities are required to adopt the guidance in annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027.” Entities within the ASU’s scope are permitted to early adopt the ASU. The adoption of this standard is not expected to have a material effect on the Company's operating results or financial condition.

2. MERGER AND ACQUISITION

As described in Note 1. Summary of Significant Accounting Policies, effective November 30, 2023 the Company completed its merger with Partners by acquiring 100% of the outstanding common shares of Partners.

Pursuant to the Merger Agreement, Partners merged with and into LINKBANCORP with LINKBANCORP as the surviving corporation. Additionally, the Bank of Delmarva and Virginia Partners Bank merged with and into LINKBANK, with LINKBANK as the surviving bank.

The Partners Merger constituted a business combination and was accounted for using the acquisition method of accounting, in accordance with the provisions of FASB ASC 805 Business Combinations. As such, LINKBANCORP was the accounting acquirer and Partners was the accounting acquiree and the historical financial statements of the combined company are the historical financial statements of LINKBANCORP.

Net interest income and net loss for the Company were $8,897 and $11,712, respectively, since the date of acquisition through December 31, 2023 and is included in the Company's Consolidated Statement of Operations.

Under the Partners Merger Agreement, Partners shareholders received 1.150 LINKBANCORP common shares for each share they owned, and cash in lieu of fractional shares. LINKBANCORP issued 20.7 million common shares to Partners shareholders which represented approximately 55.4% of the post-merger outstanding common shares of the Company. The fair value of the common shares issued as part of the consideration paid for Partners was determined by the closing price of the Company's common shares at the acquisition date.

The total fair value consideration was $135.8 million which consisted of $133.8 million for the fair value of common stock issued and $2.0 million for the fair value of Partners restricted stock shares.

The following condensed statement reflects the amounts acquired at the acquisition date for each major class of assets acquired and liabilities assumed.

Total Consideration in the Merger		$ 135,779
Calculated Fair Value of Assets Acquired		
Cash and cash equivalents	$ 34,586	
Federal funds sold	7,159	
Securities available for sale	123,440	
Loans, net of ACL[1]	1,238,087	
Premises and equipment	15,422	
Right-of-use asset	6,042	
Core deposit intangible	25,344	
Deferred taxes	14,986	
Investments in restricted bank stock	6,763	
Accrued interest receivable and other assets	29,855	
Total Assets Acquired	1,501,684	
Calculated Fair Value of Liabilities Assumed		
Deposits	1,299,867	
Long term borrowings	55,292	
Subordinated debt	21,078	
Operating lease liabilities	6,908	
Other liabilities	5,724	
Total Liabilities Assumed	1,388,869	
Net Assets Acquired		112,815
Goodwill From the Merger		$ 22,964

[1] The Company recorded a $2.3 million measurement period adjustment to the carrying value of goodwill related to a PCD loan at June 30, 2024

The following table summarizes the Partners Merger as of November 30, 2023:

Consideration paid		
(dollars in thousands)		
Common stock consideration:		
Common shares of Partners Bancorp		17,985,577
Exchange ratio		1.15
LINKBANCORP, Inc. common stock issued		20,683,158
LINKBANCORP, Inc. stock price on acquisition date		$ 6.47
Purchase price assigned to Partners Bancorp common shares		133,820
Restricted stock consideration		
Partners Bancorp restricted stock shares		297,726
LINKBANCORP, Inc. stock price on acquisition date		$ 6.47
Total purchase price assigned to Partners Bancorp restricted shares		1,926
Cash paid in exchange for Partners Bancorp stock options and fractional shares		33
Total consideration		$ 135,779
Net Assets Acquired		
Partners Bancorp shareholders’ equity	$ 143,817	
Partners Bancorp goodwill and intangibles	(10,699)	
Fair Value Adjustments:		
Securities available for sale	(921)	
Loans		
Interest rate	(53,681)	
General credit	(11,607)	
Credit adjustment for loans acquired with deteriorated credit quality[1]	(8,263)	
Remove existing deferred loan fees, net at acquisition	2,462	
Remove the allowance for credit losses present at acquisition	16,124	
Premises and equipment	2,963	
Core deposit intangible	25,344	
Other assets	4,527	
Liabilities		
Time deposits	3,595	
Subordinated debt	1,179	
Other liabilities	(2,025)	
		112,815
Goodwill From the Merger		$ 22,964

[1] The Company recorded a $2.3 million measurement period adjustment to the carrying value of goodwill related to a PCD loan at June 30, 2024

Pursuant to accounting standards, the Company assigned a fair value to the assets acquired and liabilities assumed of Partners. ASC 820 defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.”

The assets acquired and liabilities assumed in the acquisition of Partners were recorded at their estimated fair values based on management’s best estimates using information available at the date of the acquisition and were subject to adjustment for up to one year after the closing date of the acquisition. The Company has finalized the fair values of all aspects of the acquisition. During the second quarter of 2024, management identified a loan which, at the time of acquisition, met the criteria to be considered purchase credit deteriorated. The analysis of the loan resulted in $2,300 added to the allowance for credit losses, and $1,838 added to goodwill. The resulting changes to loans, goodwill, and deferred taxes are reflected within this footnote.

Goodwill represents consideration transferred in excess of the fair value of the net assets acquired. The goodwill resulting from the acquisition represents the value expected from the expansion of the Company's market and enhancement of operations and efficiencies. Goodwill acquired in the acquisition is not deductible for tax purposes.

Investment securities available-for-sale

The estimated fair values of the investment securities available for sale, primarily comprised of U.S. Government agency mortgage-backed securities, obligations of states and political subdivisions, and obligations of U.S. Government agencies and corporations were determined using Level 1 and Level 2 inputs in the fair value hierarchy. A fair value discount of $921 was recorded and will be amortized over the estimated life of the investments using the interest rate method.

Loans

Acquired loans are classified into two categories: PCD loans and non-PCD loans. PCD loans are defined as a loan or group of loans that have experienced more than insignificant credit deterioration since origination. Non-PCD loans will have an allowance established on acquisition date, which is recognized as an expense through provision for credit losses. The allowance for credit losses on non-PCD loans of $9.7 million was recorded through the provision for credit losses within the Consolidated Statements of Operations.

For PCD loans, an allowance is recognized at acquisition by adding it to the fair value of the loan, which is the "Day 1 amortized cost". There is no provision for credit loss expense recognized on PCD loans because the initial allowance is established by grossing-up the amortized cost of the PCD loan. At the date of acquisition, of the $1.3 billion of loans acquired from Partners, $431.6 million, or 33%, of Partners' loan portfolio, was accounted for as PCD loans. The fair value of PCD loans was $408.6 million at the date of acquisition. The gross contractual amounts receivable related to the PCD loans was $431.6 million. The company estimates, on the date of acquisition, that $158 of the contractual cash flows specific to the PCD loans will not be collected.

Leased Facilities

The Company assumed leases on 11 facilities of Partners. The Company believes that the current lease costs were at market terms therefore no fair value adjustment is needed.

Owned Facilities

The Company acquired 13 locations previously owned by Partners as branches and administration offices. A fair value adjustment of $5.9 million was recorded at acquisition date.

Core Deposit Intangible

The fair value of the core deposit intangible was determined based on a discounted cash flow analysis using a discount rate commensurate with market participants. To calculate cash flows, deposit account servicing costs (net of deposit fee income) and interest expense on deposits were compared to the higher cost of alternative funding sources available through national brokered CD offering rates and FHLB advance rates. The projected cash flows were developed using expected deposit attrition. The core deposit intangible will be amortized over ten years using the sum-of-years digits method.

Time Deposits

The fair value adjustment for time deposits was based on a discounted cash flow methodology of the contract rates and contractual repayments of fixed maturity deposits using prevailing market interest rates for similar-term time deposits. The time deposit fair value adjustment will be amortized into income on a level yield amortization method over the contractual life of the deposits.

Long Term Borrowings

The Company reviewed the cost of the borrowings to market interest rates for similar instruments and believed that the rates were comparable and that no fair value adjustment was recorded.

Subordinated Debt

The fair value of the subordinated debt was determined using a discounted cash flow method using a market participant discount rate for similar instruments. The subordinated debt fair value adjustment will be amortized into income on a level yield amortization method based upon the assumed market rate and the term of the subordinated debt.

Pro Forma Combined Results of Operations (Unaudited)

The following pro forma financial information presents the consolidated results of operations of Partners and LINKBANCORP as if the Partners Merger occurred as of January 1, 2022 with pro forma adjustments. The pro forma adjustments give effect to any change in interest income due to the accretion of discounts (premiums) associated with the fair value adjustments of acquired loans, any change in interest expense due to estimated premium amortization/discount accretion associated with the fair value adjustments to acquired time deposits and other debt, and the amortization of the core deposit intangible that would have resulted had the deposits been acquired as of January 1, 2022. Merger related expenses incurred by the Company during the year ended December 31, 2023 are not reflected in the pro forma amounts. The pro forma information does not necessarily reflect the results of operations that would have occurred had Partners merged with LINKBANCORP, Inc. at the beginning of 2023. The pro forma amounts for the year ended December 31, 2023 does not reflect the anticipated cost savings that had not yet been realized.

(Dollars in thousands)	Year ended December 31, 2023	
Net interest income	$	102,941
Non-interest income		5,252
Net income		26,255
Basic earnings per common share	$	0.71
Diluted earnings per common share	$	0.71

3. INVESTMENT SECURITIES

The amortized cost, gross unrealized gains and losses, allowance for credit losses, and fair value of investment securities available for sale are summarized as follows:

	December 31, 2024				
(In Thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Available for Sale:					
US Government Agency securities	$ 13,017	$ 96	$ (40)	$ —	$ 13,073
Obligations of state and political subdivisions	51,254	10	(4,063)	—	47,201
Mortgage-backed securities in government-sponsored entities	88,289	61	(3,567)	—	84,783
Other securities	542	—	(9)	—	533
	$ 153,102	**$ 167**	**$ (7,679)**	**$ —**	**$ 145,590**

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
Held to Maturity:					
Corporate debentures	$ 15,250	$ —	$ (984)	$ 14,266	$ (459)
Structured mortgage-backed securities	16,717	6	(705)	16,018	—
	$ 31,967	**$ 6**	**$ (1,689)**	**$ 30,284**	**$ (459)**

	December 31, 2023				
(In Thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Available for Sale:					
US Government Agency securities	$ 12,711	$ 279	$ (5)	$ —	$ 12,985
US Government Treasury securities	4,925	17	—	—	4,942
Obligations of state and political subdivisions	49,640	420	(3,015)	—	47,045
Mortgage-backed securities in government-sponsored entities	50,795	515	(3,129)	—	48,181
Other securities	2,301	49	(13)	—	2,337
	$ 120,372	**$ 1,280**	**$ (6,162)**	**$ —**	**$ 115,490**

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Loss	Fair Value	Allowance for Credit Losses
Held to Maturity:					
Corporate debentures	$ 15,000	$ —	$ (1,592)	$ 13,408	$ (512)
Structured mortgage-backed securities	21,735	—	(907)	20,828	-
	$ 36,735	$ —	**$ (2,499)**	**$ 34,236**	**$ (512)**

The following tables show the Company's gross unrealized loss positions for which an allowance for credit losses has not been recorded, aggregated by investment category and length of time the individual debt securities have been in a continuous unrealized loss position.

	December 31, 2024					
	Less Than Twelve Months		Twelve Months or Greater		Total	
(In Thousands)	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Available for Sale:						
US Government Agency securities	$ 3,960	$ (40)	$ —	$ —	$ 3,960	$ (40)
Obligations of state and political subdivisions	11,433	(273)	34,345	(3,790)	45,778	(4,063)
Mortgage-backed securities in government-sponsored entities	45,629	(902)	29,877	(2,665)	75,506	(3,567)
Other securities	—	—	407	(9)	407	(9)
	$ 61,022	**$ (1,215)**	**$ 64,629**	**$ (6,464)**	**$ 125,651**	**$ (7,679)**

	December 31, 2023					
	Less Than Twelve Months		Twelve Months or Greater		Total	
(In Thousands)	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Available for Sale:						
US Government Agency Securities	$ 1,995	$ (5)	$ —	$ —	$ 1,995	$ (5)
Obligations of state and political subdivisions	4,836	(247)	27,736	(2,768)	32,572	(3,015)
Mortgage-backed securities in government-sponsored entities	4,703	(136)	31,249	(2,993)	35,952	(3,129)
Other securities	—	—	601	(13)	601	(13)
	$ 11,534	**$ (388)**	**$ 59,586**	**$ (5,774)**	**$ 71,120**	**$ (6,162)**

No allowance for credit losses on available for sale debt securities was required at December 31, 2024 or December 31, 2023. The Company reviews its position quarterly and believes that as of December 31, 2024 and 2023, the declines outlined in the above tables represent temporary declines, and the Company does not intend to sell, and does not believe it will be required to sell, these debt securities before recovery of their cost basis, which may be at maturity. There were 210 and 164 available for sale debt securities with unrealized losses at December 31, 2024 and 2023, respectively. There were 10 and 12 held-to-maturity debt securities with unrealized losses at December 31, 2024 and 2023, respectively. The Company has concluded that the unrealized losses disclosed above are the result of interest rate changes and market conditions that are not expected to result in the non-collection of principal and interest during the year. Accrued interest receivable on available for sale debt securities totaled $817 and $505 at December 31, 2024 and 2023, respectively, which is excluded from the estimate of credit losses.

Accrued interest receivable on held-to-maturity debt securities totaled $278 and $288 at December 31, 2024 and 2023, respectively, which is excluded from the estimate of credit losses.

The Company monitors the credit quality of corporate debentures held to maturity through the use of credit ratings, where available, and financial analysis, including capital monitoring and financial performance analysis. The Company monitors these securities on a quarterly basis.

The following tables presents the activity in the allowance for credit losses for corporate debentures held to maturity for the twelve months ended December 31, 2024 and 2023.

	For the Twelve Months Ended December 31,
(in Thousands)	**2024**
Balance, December 31, 2023	$ 512
Changes in the allowance for credit losses	(53)
Balance, December 31, 2024	$ 459

	For the Twelve Months Ended December 31,
(in Thousands)	**2023**
Balance, December 31, 2022	$ —
Impact of adopting ASC 326	602
Changes in the allowance for credit losses	51
Securities charged-off	(141)
Balance, December 31, 2023	$ 512

As of December 31, 2024, amortized cost and fair value by contractual maturity, where applicable, are shown below. Actual maturities may differ from contractual maturities because the borrower may have the right to prepay obligations with or without penalty.

	Available for Sale Securities		Held to Maturity Securities	
(In Thousands)	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Due within one year	$ 660	$ 655	$ 3,000	$ 2,982
Due after one year through five years	14,109	13,779	3,000	2,944
Due after five years through ten years	21,973	20,928	9,250	8,340
Due after ten years	27,529	24,912	—	—
Mortgage-backed securities and Collateralized mortgage obligations	88,289	84,783	16,717	16,018
Other securities	542	533	—	—
	$ 153,102	**$ 145,590**	**$ 31,967**	**$ 30,284**

The following table summarizes sales of debt securities:

(In Thousands)	For the year ended December 31, 2024	2023
Proceeds	$ 1,691	$ 91,364
Gross gains	4	—
Gross losses	—	2,370
Net gain (loss)	$ 4	$ (2,370)

The tax (provision) benefit related to these realized gains and losses was approximately ($1) and $498 as of December 31, 2024 and December 31, 2023, respectively.

The Company had pledged debt securities with a carrying value of $57.9 million and $65.9 million to secure public monies as of December 31, 2024 and 2023, respectively.

4. LOANS RECEIVABLE

The portfolio segments and classes of loans are as follows:

(In Thousands)	December 31, 2024	December 31, 2023
Agriculture and farmland loans	$ 67,741	$ 65,861
Construction loans	152,619	161,825
Commercial & industrial loans	245,833	232,412
Commercial real estate loans		
Multifamily	211,778	176,843
Owner occupied	477,742	474,964
Non-owner occupied	628,237	551,481
Residential real estate loans		
First liens	373,469	376,092
Second liens and lines of credit	76,713	66,648
Consumer and other loans	17,086	16,740
Municipal loans	3,886	5,244
	2,255,104	**2,128,110**
Deferred costs	645	174
Allowance for credit losses	(26,435)	(23,767)
Total	**$ 2,229,314**	**$ 2,104,517**

The above table does not include loans that are held for sale related to the New Jersey branch sale.

The Company originates commercial, residential, and consumer loans within its primary market areas of southcentral and southeastern Pennsylvania, northern Virginia, eastern Maryland, Delaware, and southern New Jersey. A significant portion of the loan portfolio is secured by real estate.

At December 31, 2024 and 2023, the Company serviced residential mortgage loans for the FHLB in the amount of $40,578 and $44,167, respectively.

5. ALLOWANCE FOR CREDIT LOSSES

The segments of the Company’s loan portfolio are disaggregated to a level that allows management to monitor risk and performance. The loan segments used are consistent with the internal reports evaluated by the Company’s management and Board of Directors to monitor risk and performance within various segments of its loan portfolio and, therefore, no further disaggregation is considered necessary. The Company’s loan portfolio consists primarily of real estate loans on commercial and residential property. The portfolio also includes agricultural loans, commercial loans, municipal loans, and consumer loans.

The Company’s primary lending activity is the origination of commercial loans extended to small and mid-sized commercial and industrial entities.

Commercial loans are primarily underwritten on the basis of the borrowers’ ability to service such debt from income. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. As a general practice, the Company takes as collateral a security interest in any equipment, or other chattel, although loans may also be made on an unsecured basis. Collateralized working capital loans typically are secured by short-term assets whereas long-term loans are primarily secured by long-term assets.

Construction and Land loans are to finance the construction of owner-occupied and income producing properties. These loans are categorized within commercial or one-to-four family residential loans based upon the underlying collateral and intended use following the completion of the construction period. Real estate development and construction loans are approved based on an analysis of the borrower and guarantor, the viability of the project and on an acceptable percentage of the appraised value of the property securing the loan. Construction loan funds are disbursed periodically based on the percentage of construction or development completed. The Company carefully monitors these loans with on-site inspections and requires the receipt of lien waivers on funds advanced. The Company considers the market conditions and feasibility of proposed projects, the financial condition and reputation of the borrower and guarantors, the amount of the borrower’s equity in the project, independent appraisals, cost estimates and pre-construction sale information. The Company also makes loans on occasion for the purchase of land for future development by the borrower. Land loans are extended for the future development for either commercial or residential use by the borrower. The Company carefully analyzes the intended use of the property and the viability thereof.

The Company’s commercial real estate loans consist of mortgage loans secured by nonresidential real estate, such as by apartment buildings, small office buildings, and owner-occupied properties. Commercial real estate loans are secured by the subject property and are underwritten based on loan to value limits, cash flow coverage and general creditworthiness of the obligors. These loans tend to involve larger loan balances and their repayment is typically dependent upon the successful operation and management of the underlying real estate.

Residential real estate loans are underwritten based on the borrower’s repayment capacity and source, value of the underlying property, credit history and stability. These loans are secured by a first or second mortgage on the borrower’s principal residence or their second/vacation home (excluding investment/rental property).

In addition to the main types of loans discussed above, the Company also originates agricultural loans, consumer loans, and municipal loans. The agricultural loan portfolio consists of loans to local farmers and agricultural businesses that are generally secured by farmland and equipment. The consumer loan portfolio consists of lending in the form of home equity loans secured by financed property and personal consumer loans, which may be secured or unsecured. The municipal loan portfolio consists of loans to qualified local municipalities, which are generally supported by the taxing authority of the borrowing municipality, and is frequently secured by collateral.

Management systematically monitors the loan portfolio and the appropriateness of the allowance for credit losses on a quarterly basis to provide for expected losses inherent in the portfolio. For segments determined by discounted cash flow analysis, the Company's estimate of future economic conditions utilized in its estimate is primarily dependent on the Federal Open Market Committee's forecasts related to Real Gross Domestic Product and Unemployment rate. For segments determined by the remaining life method, an average loss rate is generally calculated based on peer losses and applied to the future outstanding loan balances at quarter end.

Certain qualitative factors are then added to the historical allocation percentage to get the adjusted factor to be applied to non-classified loans. The following qualitative factors are analyzed for each portfolio segment:

- Levels of and trends in delinquencies
- Trends in volume and terms
- Changes in collateral
- Changes in management and lending staff
- Economic trends

- Concentrations of credit
- Changes in lending policies
- External factors
- Changes in underwriting process
- Trends in credit quality ratings

These qualitative factors are reviewed each quarter and adjusted based upon relevant changes within the portfolio.

The total allowance reflects management’s estimate of credit losses inherent in the loan portfolio at the Consolidated Balance Sheet date. The Company considers the allowance for credit losses adequate to cover expected credit losses in the loan portfolio at December 31, 2024.

The following tables summarize the activity in the allowance for credit losses by loan segment for the year ended December 31, 2024.

(In Thousands)	Beginning balance	Charge-offs	Recoveries	Allowance for Credit Losses on PCD Acquired Loans	Provision for credit losses	Ending balance
	For the Year Ended December 31, 2024					
Allowance for credit losses:						
Agriculture and farmland	$ 12	$ —	$ —	$ —	$ (1)	$ 11
Construction	959	—	4	—	(70)	893
Commercial & industrial	2,940	(152)	89	—	1,216	4,093
Commercial real estate						
Multifamily	1,483	—	2	—	320	1,805
Owner occupied	6,572	(29)	1	—	(933)	5,611
Non-owner occupied	5,773	(54)	11	2,300	1,315	9,345
Residential real estate						
First liens	4,778	(4)	26	—	(1,405)	3,395
Second liens and lines of credit	1,072	(9)	14	—	77	1,154
Municipal	79	—	—	—	(31)	48
Consumer and other loans	99	(185)	12	—	154	80
Total	**$ 23,767**	**$ (433)**	**$ 159**	**$ 2,300**	**$ 642**	**$ 26,435**

(In Thousands)	Beginning balance	Impact of adopting ASC 326	Allowance for Credit Losses on PCD Acquired Loans	Charge-offs	Recoveries	Provision for credit losses	Ending balance
	For the Year Ended December 31, 2023						
Allowance for credit losses:							
Agriculture and farmland	$ 279	$ (190)	$ —	$ —	$ —	$ (77)	$ 12
Construction	274	513	39	—	—	133	959
Commercial & industrial	583	283	303	(200)	1	1,970	2,940
Commercial real estate							
Multifamily	480	340	97	—	—	566	1,483
Owner occupied	635	760	1,816	—	—	3,361	6,572
Non-owner occupied	1,116	3,195	1,937	—	—	(475)	5,773
Residential real estate							
First liens	1,029	635	42	—	54	3,018	4,778
Second liens and lines of credit	218	140	64	—	61	589	1,072
Municipal	12	(2)	—	—	—	69	79
Consumer and other loans	40	(19)	5	—	—	73	99
Total	**$ 4,666**	**$ 5,655**	**$ 4,303**	**$ (200)**	**$ 116**	**$ 9,227**	**$23,767**

The following table presents the amortized cost basis of nonaccrual loans and loans past due over 89 days still accruing by segments of the loan portfolio.

	As of December 31, 2024			
(In Thousands)	Nonaccrual with No Allowance for Credit Loss	Nonaccrual with a related Allowance for Credit Loss	Total Nonaccrual	Loans 90 days or greater past due still accruing
Agriculture and farmland	$ —	$ —	$ —	$ —
Construction	9	—	9	157
Commercial & industrial	125	7	132	—
Commercial real estate				
Multifamily	—	—	—	—
Owner occupied	6,171	3,581	9,752	—
Non-owner occupied	398	3,931	4,329	—
Residential real estate				
First liens	1,975	—	1,975	289
Second liens and lines of credit	482	—	482	—
Municipal	—	—	—	—
Consumer and other loans	—	—	—	48
Total	**$ 9,160**	**$ 7,519**	**$ 16,679**	**$ 494**

	As of December 31, 2023			
(In Thousands)	Nonaccrual with No Allowance for Credit Loss	Nonaccrual with a related Allowance for Credit Loss	Total Nonaccrual	Loans 90 days or greater past due still accruing
Agriculture and farmland	$ —	$ —	$ —	$ —
Construction	191	—	191	—
Commercial & industrial	53	8	61	58
Commercial real estate				
Multifamily	—	—	—	—
Owner occupied	2,465	83	2,548	6
Non-owner occupied	948	281	1,229	—
Residential real estate				
First liens	2,346	361	2,707	149
Second liens and lines of credit	294	—	294	—
Municipal	—	—	—	—
Consumer and other loans	7	—	7	—
Total	**$ 6,304**	**$ 733**	**$ 7,037**	**$ 213**

The Company recognized $605 and $124 of interest income on nonaccrual loans during the year ended December 31, 2024 and 2023, respectively.

The following table presents, by class of loans, the carrying value of collateral dependent nonaccrual loans and type of collateral as of December 31, 2024 and 2023.

	December 31, 2024			
(In Thousands)	Real Estate	Business Assets	Other	Total
Agriculture and farmland loans	$ —	$ —	$ —	$ —
Construction	9	—	—	9
Commercial & industrial loans	—	132	—	132
Commercial real estate loans				
Multifamily	—	—	—	—
Owner occupied	9,752	—	—	9,752
Non-owner occupied	4,329	—	—	4,329
Residential real estate loans				
First liens	1,975	—	—	1,975
Second liens and lines of credit	482	—	—	482
Municipal	—	—	—	—
Consumer and other loans	—	—	—	—
Total	**$ 16,547**	**$ 132**	**$ —**	**$ 16,679**

	December 31, 2023			
(In Thousands)	Real Estate	Business Assets	Other	Total
Agriculture and farmland loans	$ —	$ —	$ —	$ —
Construction	191	—	—	191
Commercial & industrial loans	—	61	—	61
Commercial real estate loans				
Multifamily	—	—	—	—
Owner occupied	2,548	—	—	2,548
Non-owner occupied	1,229	—	—	1,229
Residential real estate loans				
First liens	2,707	—	—	2,707
Second liens and lines of credit	294	—	—	294
Municipal	—	—	—	—
Consumer and other loans	—	—	7	7
Total	**$ 6,969**	**$ 61**	**$ 7**	**$ 7,037**

The following table presents an aging analysis of the recorded investment of past due loans at December 31, 2024 and December 31, 2023.

(In Thousands)	December 31, 2024 30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total Loans
Agriculture and farmland	$ 23	$ —	$ —	$ 23	$ 67,718	$ 67,741
Construction	197	—	166	363	152,256	152,619
Commercial & industrial	41	—	90	131	245,702	245,833
Commercial real estate						
Multifamily	314	—	—	314	211,464	211,778
Owner occupied	334	660	8,768	9,762	467,980	477,742
Non-owner occupied	—	—	398	398	627,839	628,237
Residential real estate						
First liens	686	317	1,220	2,223	371,246	373,469
Second liens and lines of credit	191	119	276	586	76,127	76,713
Consumer and other loans	7	1	48	56	17,030	17,086
Municipal	—	—	—	—	3,886	3,886
Total	**$ 1,793**	**$ 1,097**	**$ 10,966**	**$ 13,856**	**$ 2,241,248**	**$ 2,255,104**

(In Thousands)	December 31, 2023 30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total Loans
Agriculture and farmland	$ 14	$ —	$ —	$ 14	$ 65,847	$ 65,861
Construction	10	—	191	201	161,624	161,825
Commercial & industrial	46	1	118	165	232,247	232,412
Commercial real estate						
Multifamily	—	—	—	—	176,843	176,843
Owner occupied	156	2,802	137	3,095	471,869	474,964
Non-owner occupied	—	86	1,239	1,325	550,156	551,481
Residential real estate						
First liens	719	419	872	2,010	374,082	376,092
Second liens and lines of credit	279	128	97	504	66,144	66,648
Consumer and other loans	15	15	7	37	16,703	16,740
Municipal	—	—	—	—	5,244	5,244
Total	**$ 1,239**	**$ 3,451**	**$ 2,661**	**$ 7,351**	**$ 2,120,759**	**$ 2,128,110**

Credit Quality Information

The following tables represent credit exposures by internally assigned grades as of December 31, 2024. The grading analysis estimates the capability of the borrower to repay the contractual obligations of the loan agreements as scheduled or at all.

The Company’s internally assigned grades are as follows:

Pass – loans that are protected by the current net worth and paying capacity of the obligor or by the value of the underlying collateral. There are four sub-grades within the Pass category to further distinguish the loan.

Special Mention – loans where a potential weakness or risk exists, which could cause a more serious problem if not corrected.

Substandard – loans that have a well-defined weakness based on objective evidence and are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful – loans classified as Doubtful have all the weaknesses inherent in a Substandard asset. In addition, these weaknesses make collection or liquidation in full highly questionable and improbable, based on existing circumstances.

Loss – loans classified as a Loss are considered uncollectible and are immediately charged against allowances.

The following table presents the classes of the loan portfolio summarized by the internal risk rating system as of December 31, 2024.

	December 31, 2024								
	Term Loans Amortized Cost Basis by Origination Year								
(In Thousands)	2024	2023	2022	2021	2020	Prior	Revolving loans amortized cost basis	Revolving loans converted to term	Total
Agriculture and farmland									
Pass	$11,357	$ 1,040	$13,682	$ 8,761	$ 4,780	$21,105	$ 5,320	$ —	$ 66,045
Special mention	—	10	—	51	—	1,387	248	—	1,696
Substandard or lower	—	—	—	—	—	—	—	—	—
Total Agriculture and farmland	$11,357	$ 1,050	$13,682	$ 8,812	$ 4,780	$22,492	$ 5,568	$ —	$ 67,741
Agriculture and farmland									
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Construction									
Pass	38,681	54,929	17,645	18,952	1,226	8,567	12,422	—	152,422
Special mention		—	—	—	—	—	—	—	—
Substandard or lower	—	197	—	—	—	—	—	—	197
Total Construction	38,681	55,126	17,645	18,952	1,226	8,567	12,422	—	152,619
Construction									
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Commercial & industrial									
Pass	36,194	23,645	18,632	18,880	10,145	8,154	115,655	—	231,305
Special mention	301	153	4,606	88	—	363	7,023	—	12,534
Substandard or lower	74	51	384	47	—	299	1,139	—	1,994
Total Commercial & industrial	36,569	23,849	23,622	19,015	10,145	8,816	123,817	—	245,833
Commercial & industrial									
Current period gross charge-offs	—	—	—	—	20	7	125	—	152
Commercial real estate - Multifamily									
Pass	34,006	11,064	84,497	49,859	19,451	11,232	685	—	210,794
Special mention	—	—	984	—	—	—	—	—	984
Substandard or lower	—	—	—	—	—	—	—	—	—
Total Commercial real estate - Multifamily	34,006	11,064	85,481	49,859	19,451	11,232	685	—	211,778
Commercial real estate - Multifamily									
Current period gross charge-offs	—	—	—	—	—	—	—	—	—

(In Thousands)	December 31, 2024								
	Term Loans Amortized Cost Basis by Origination Year								
	2024	2023	2022	2021	2020	Prior	Revolving loans amortized cost basis	Revolving loans converted to term	Total
Commercial real estate - Owner occupied									
Pass	52,566	56,674	101,351	83,703	48,003	99,600	15,120	—	457,017
Special mention	—	—	365	1,984	416	5,608	262	—	8,635
Substandard or lower	—	—	9,327	—	—	2,632	131	—	12,090
Total Commercial real estate - Owner occupied	52,566	56,674	111,043	85,687	48,419	107,840	15,513	—	477,742
Commercial real estate - Owner occupied									
Current period gross charge-offs	—	—	—	—	23	6	—	—	29
Commercial real estate - Non-owner occupied									
Pass	78,928	60,584	187,113	111,191	48,512	120,340	8,535	—	615,203
Special mention	744	—	—	1,536	3,352	3,073	—	—	8,705
Substandard or lower	—	—	—	3,931	—	324	74	—	4,329
Total Commercial real estate - Non-owner occupied	79,672	60,584	187,113	116,658	51,864	123,737	8,609	—	628,237
Commercial real estate - Non-owner occupied									
Current period gross charge-offs	—	—	—	—	—	54	—	—	54
Municipal									
Pass	71	356	—	350	939	2,088	82	—	3,886
Special mention	—	—	—	—	—	—	—	—	—
Substandard or lower	—	—	—	—	—	—	—	—	—
Total Municipal	71	356	—	350	939	2,088	82	—	3,886
Municipal									
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Total									
Pass	$251,803	$208,292	$422,920	$291,696	$133,056	$271,086	$ 157,819	$ —	$1,736,672
Special mention	1,045	163	5,955	3,659	3,768	10,431	7,533	—	32,554
Substandard or lower	74	248	9,711	3,978	—	3,255	1,344	—	18,610
Total	$252,922	$208,703	$438,586	$299,333	$136,824	$284,772	$ 166,696	$ —	$1,787,836

The following tables present the classes of the loan portfolio summarized by the internal risk rating system as of December 31, 2023.

(In Thousands)	December 31, 2023 Term Loans Amortized Cost Basis by Origination Year 2023	2022	2021	2020	2019	Prior	Revolving loans amortized cost basis	Revolving loans converted to term	Total
Agriculture and farmland									
Pass	$ 1,466	$ 14,372	$ 9,613	$ 5,147	$ 2,319	$ 22,627	$ 5,114	$ 29	$ 60,687
Special mention	—	—	30	—	811	1,206	342	—	2,389
Substandard or lower	13	—	15	121	—	2,576	60	—	2,785
Total Agriculture and farmland	$ 1,479	$ 14,372	$ 9,658	$ 5,268	$ 3,130	$ 26,409	$ 5,516	$ 29	$ 65,861
Agriculture and farmland									
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Construction									
Pass	55,462	45,206	30,593	2,932	6,161	5,446	14,424	1,317	161,541
Special mention	—	—	—	—	—	—	93	—	93
Substandard or lower	—	—	—	98	—	—	—	93	191
Total Construction	55,462	45,206	30,593	3,030	6,161	5,446	14,517	1,410	161,825
Construction									
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Commercial & industrial									
Pass	29,586	31,653	24,184	13,831	4,285	7,536	119,602	68	230,745
Special mention	—	113	139	—	15	4	1,071	—	1,342
Substandard or lower	—	—	47	—	194	—	43	41	325
Total Commercial & industrial	29,586	31,766	24,370	13,831	4,494	7,540	120,716	109	$ 232,412
Commercial & industrial									
Current period gross charge-offs	—	—	—	—	—	—	200	—	200
Commercial real estate - Multifamily									
Pass	12,587	80,127	50,320	18,871	6,031	6,737	298	—	174,971
Special mention	—	—	—	—	—	—	—	—	—
Substandard or lower	—	—	—	—	—	1,872	—	—	1,872
Total Commercial real estate - Multifamily	12,587	80,127	50,320	18,871	6,031	8,609	298	—	176,843
Commercial real estate - Multifamily									
Current period gross charge-offs	—	—	—	—	—	—	—	—	—

(In Thousands)	December 31, 2023 Term Loans Amortized Cost Basis by Origination Year 2023	2022	2021	2020	2019	Prior	Revolving loans amortized cost basis	Revolving loans converted to term	Total
Commercial real estate - Owner occupied									
Pass	53,765	127,684	96,193	50,888	39,043	83,753	7,801	6	459,133
Special mention	—	377	3,125	—	6,318	—	429	—	10,249

Substandard or lower	—	—	—	626	2,408	2,391	157	—	5,582
Total Commercial real estate - Owner occupied	53,765	128,061	99,318	51,514	47,769	86,144	8,387	6	474,964
Commercial real estate - Owner occupied									
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Commercial real estate - Non-owner occupied									
Pass	58,210	173,415	118,081	56,025	59,792	78,465	6,177	86	550,251
Special mention	—	—	42	—	—	—	—	—	42
Substandard or lower	—	—	325	—	56	558	249	—	1,188
Total Commercial real estate - Non-owner occupied	58,210	173,415	118,448	56,025	59,848	79,023	6,426	86	551,481
Commercial real estate - Non-owner occupied									
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Municipal									
Pass	529	—	420	1,675	—	2,526	94	—	5,244
Special mention	—	—	—	—	—	—	—	—	—
Substandard or lower	—	—	—	—	—	—	—	—	—
Total - Municipal	529	—	420	1,675	—	2,526	94	—	5,244
Municipal									
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Total									
Pass	$211,605	$472,457	$329,404	$149,369	$117,631	$207,090	$ 153,510	$ 1,506	$1,642,572
Special mention	—	490	3,336	—	7,144	1,210	1,935	—	14,115
Substandard or lower	13	—	387	845	2,658	7,397	509	134	11,943
Total	$211,618	$472,947	$333,127	$150,214	$127,433	$215,697	$ 155,954	$ 1,640	$1,668,630

The Company considers the performance of the loan portfolio and its impact on the allowance for credit losses. As part of our adoption of CECL, the Company will monitor small balance, homogeneous loans, such as home equity, residential mortgage, and consumer loans based on delinquency status rather than the assignment of loan specific risk ratings. The Company will evaluate credit quality based on the aging status of the loan. The following tables present the amortized cost of these loans based on payment activity, by origination year, as of December 31, 2024 and 2023.

	December 31, 2024								
	Term Loans Amortized Cost Basis by Origination Year								
(In Thousands)	2024	2023	2022	2021	2020	Prior	Revolving loans amortized cost basis	Revolving loans converted to term	Total
Residential real estate - First liens									
Performing	$28,532	$48,601	$86,197	$82,086	$35,962	$78,244	$ 11,583	$ —	$371,205
Nonperforming	—	—	—	219	29	2,016	—	—	2,264
Total Residential real estate - First liens	$28,532	$48,601	$86,197	$82,305	$35,991	$80,260	$ 11,583	$ —	$373,469
Residential real estate - First liens									
Current period gross charge-offs	—	—	—	—	—	4	—	—	4
Residential real estate - Second liens and lines of credit									
Performing	2,643	940	985	349	61	1,666	68,937	650	76,231
Nonperforming	—	—	—	—	—	294	188	—	482
Total Residential real estate - Second liens and lines of credit	2,643	940	985	349	61	1,960	69,125	650	76,713
Residential real estate - Second liens and lines of credit									
Current period gross charge-offs	—	—	—	—	—	9	—	—	9
Consumer and other									
Performing	2,610	4,433	1,863	113	52	67	7,900	—	17,038
Nonperforming	—	—	—	—	—	48	—	—	48
Total Consumer and other	2,610	4,433	1,863	113	52	115	7,900	—	17,086
Consumer and other									
Current period gross charge-offs	—	6	4	6	1	18	150	—	185
Total									
Performing	$33,785	$53,974	$89,045	$82,548	$36,075	$79,977	$ 88,420	$ 650	$464,474
Nonperforming	—	—	—	219	29	2,358	188	—	2,794
Total	$33,785	$53,974	$89,045	$82,767	$36,104	$82,335	$ 88,608	$ 650	$467,268

	December 31, 2023								
	Term Loans Amortized Cost Basis by Origination Year								
(In Thousands)	2023	2022	2021	2020	2019	Prior	Revolving loans amortized cost basis	Revolving loans converted to term	Total
Residential real estate - First liens									
Performing	$41,984	$90,220	$95,232	$37,966	$22,934	$75,918	$ 8,982	$ —	$373,236
Nonperforming	—	—	33	101	208	2,514	—	—	2,856
Total Residential real estate - First liens	$41,984	$90,220	$95,265	$38,067	$23,142	$78,432	$ 8,982	$ —	$376,092
Residential real estate - First liens									
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Residential real estate - Second liens and lines of credit									
Performing	1,045	1,702	386	184	205	2,259	60,573	—	66,354
Nonperforming	—	—	—	—	—	—	294	—	294
Total Residential real estate - Second liens and lines of credit	1,045	1,702	386	184	205	2,259	60,867	—	66,648
Residential real estate - Second liens and lines of credit									
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Consumer and other									
Performing	5,007	437	213	150	73	85	10,768	—	16,733
Nonperforming	—	—	—	—	—	—	7	—	7
Total Consumer and other	5,007	437	213	150	73	85	10,775	—	16,740
Consumer and other									
Current period gross charge-offs	—	—	—	—	—	—	1	—	1
Total									
Performing	$48,036	$92,359	$95,831	$38,300	$23,212	$78,262	$ 80,323	$ —	$456,323
Nonperforming	—	—	33	101	208	2,514	301	—	3,157
Total	$48,036	$92,359	$95,864	$38,401	$23,420	$80,776	$ 80,624	$ —	$459,480

Modifications to Borrowers Experiencing Financial Difficulty

The Company may modify loans to borrowers experiencing financial difficulty by providing principal forgiveness, term extension, interest rate reduction or an other-than-insignificant payment delay. When principal forgiveness is provided, the amount of forgiveness is charged off against the allowance for credit losses. The Company may also provide multiple types of modifications on an individual loan. For the year ended December 31, 2024, the Company provided a payment delay to a Non Owner Occupied Commercial Real Estate borrower experiencing financial difficulty. At December 31, 2024, the amortized cost basis of the loan is $3,931 and has been placed on non-accrual. For year ended December 31, 2023, the Company did not extend any modifications to borrowers experiencing financial difficulty that had a more-than-insignificant direct change in the contractual cash flows of the loans.

Purchased Credit Deteriorated Loans

The Company has purchased loans for which there was, at acquisition, evidence of more than insignificant deterioration of credit quality since origination. The carrying amount of these loans is as follows.

(In Thousands)	2024
Purchase price of loans at acquisition	$ 435,704
Allowance for credit losses at acquisition	6,603
Non-credit (discount) premium at acquisition	(16,981)
Par value of acquired loans at acquisition	$ 425,326

6. PROPERTY, PLANT, AND EQUIPMENT

Year-end premises and equipment owned and utilized in the operations of the Company were as follows:

	December 31,	
(In Thousands)	2024	2023
Land	$ 2,334	$ 3,099
Buildings and improvements	11,629	13,307
Furniture, fixtures, and equipment	6,489	6,340
Leasehold Improvements	4,128	3,450
	24,580	26,196
Accumulated Depreciation	(6,551)	(6,066)
Total	$ 18,029	$ 20,130

The above table does not include premises and equipment that has been classified as assets held for sale on the balance sheet. At both December 31, 2024 and December 31, 2023, there was $2.1 million in premises and equipment classified as assets held for sale.

Depreciation expense was $1.9 million and $1.1 million for 2024 and 2023, respectively.

7. LEASE COMMITMENTS

The Company enters into leases in the normal course of business. The Company leases its administration and operations facility and 18 solutions centers under lease agreements with remaining terms ranging from less than one year to 15 years. Certain leases include renewal options to extend for up to seventeen years.

Right-of-use assets and lease liabilities by lease type are as follows:

(In Thousands)	December 31, 2024	December 31, 2023
Right-of-Use Asset		
Operating leases	$ 14,039	$ 14,527
Finance leases	874	970
Total Right-of-Use Asset	$ 14,913	$ 15,497
Lease Liabilities		
Operating leases	$ 14,412	$ 15,006
Finance leases	1,254	1,355
Total lease liabilities	$ 15,666	$ 16,361

The amounts included above are not inclusive of right-of-use asset and lease liabilities reclassified as held for sale as of December 31, 2024 and 2023. At December 31, 2024 and 2023, right-of-use assets included within assets held for sale were $231 and $101, respectively. At December 31, 2024 and 2023, lease liabilities included within liabilities held for sale were $223 and $103, respectively.

The components of total lease cost were as follows.

(In Thousands)	December 31, 2024	December 31, 2023
Finance lease cost		
Right-of-Use amortization	$ 88	7
Interest expense	34	3
Operating lease cost	2,334	1,358
Total lease cost	$ 2,456	$ 1,368

The following table presents information associated with our obligations under leases for the years ended December 31, 2024 and 2023:

	2024	2023
Finance lease weighted-average remaining term (years)	9.92	10.92
Finance lease weighted-average discount rate	2.59%	2.59%
Operating lease weighted-average remaining term (years)	9.01	9.72
Operating lease weighted-average discount rate	4.74%	4.15%

The following table presents the undiscounted cash flows due related to operating and finance leases as of December 31, 2024:

(In Thousands)	Operating Leases	Finance Leases
2025	$ 2,053	$ 138
2026	2,026	138
2027	1,982	138
2028	1,841	138
2029 and thereafter	10,100	886
Total Undiscounted Cash Flows	$ 18,002	$ 1,438
Discount on Cash Flows	(3,590)	(184)
Total lease liabilities	**$ 14,412**	**$ 1,254**

8. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The change in goodwill during the years ended December 31, 2024 and 2023 is as follows:

	2024	2023
Beginning of year	$ 56,968	$ 35,842
Acquired Goodwill	—	21,126
Measurement period adjustment	1,838	—
Impairment	—	—
End of year	$ 58,806	$ 56,968

Impairment exists when a reporting unit's carrying value of goodwill exceeds its fair value. At December 31, 2024, the Company's reporting unit had positive equity and the Company elected to perform a qualitative assessment to determine if it was more likely than not that the fair value of the reporting unit exceeded its carrying value, including goodwill. The qualitative assessment indicated that it was more likely than not that the fair value of the reporting unit exceeded its carrying value, resulting in no impairment of goodwill.

Acquired Intangible Assets

Acquired intangible assets were as follows at year-end:

	2024		2023	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Core deposit intangibles	$ 26,910	$ 6,061	$ 26,910	$ 1,344
Trade name intangibles	348	242	348	181
Total	$ 27,258	$ 6,303	$ 27,258	$ 1,525

Aggregate amortization expense for the years ended December 31, 2024 and 2023 was $4.8 million and $663 thousand, respectively.

Expected aggregate annual amortization expense for the next five years assuming no new acquisitions or impairments is as follows:

(In Thousands)	
2025	$ 4,291
2026	3,795
2027	3,271
2028	2,791
2029	2,312
2030 and thereafter	4,495
	$ 20,955

9. DEPOSITS

Deposit accounts are summarized as follows:

(In Thousands)	December 31, 2024		December 31, 2023	
	Amount	%	Amount	%
Demand, noninterest-bearing	$ 658,646	27.89%	$ 624,780	28.42%
Demand, interest-bearing	525,173	22.25	425,551	19.35
Money market and savings	540,030	22.88	554,204	25.20
Time deposits, $250 and over	164,901	6.99	128,334	5.84
Time deposits, other	368,217	15.60	346,519	15.76
Brokered time deposits	103,615	4.39	119,411	5.43
	$ 2,360,582	**100.0%**	**$ 2,198,799**	**100.0%**

The above table does not include deposits that are held for sale related to the New Jersey branch sale.

The brokered deposits outstanding at December 31, 2024 are scheduled to mature in the first quarter of 2025.

The scheduled maturities of time deposits, including brokered deposits, are as follows:

(In Thousands)	December 31, 2024
One year or less	$ 581,981
More than one year to two years	35,902
More than two years to three years	9,522
More than three years to four years	6,097
More than four years to five years	2,601
More than five years	630
Total	**$ 636,733**

10. BORROWINGS AND SUBORDINATED DEBENTURES

Other borrowings and subordinated debt was as follows:

(in Thousands)	December 31, 2024	December 31, 2023
Long-term borrowings	$ 40,000	$ —
Short-term borrowings	10,000	10,000
Subordinated Debt	61,984	61,444
Note payable	565	590
Total	**$ 112,549**	**$ 72,034**

Subordinated Notes Sale - 2022

On April 8, 2022, LINKBANCORP entered into Subordinated Note Purchase Agreements (the "Agreements") with certain institutional accredited investors (the "Purchasers") and, pursuant to the Agreements, issued to the Purchasers $20.0 million in aggregate principal amount of its 4.50% Fixed-to-Floating Rate Subordinated Notes due 2032 (the "Notes"). The investors included a related party entity that is controlled by a member of the Board of Directors of the Company, which purchased $7.0 million in principal amount of the note. During the year ended December 31, 2022, the Company contributed $15.0 million of the subordinated note proceeds to the Bank as equity capital, the impact of which can be seen within Note 16 Regulatory Capital Requirements later in this document.

The Notes, which mature on April 15, 2032, bear interest at a fixed annual rate of 4.50% for the period up to but excluding April 15, 2027 (the "Fixed Interest Rate Period"). From April 15, 2027 until maturity or redemption (the "Floating Interest Rate Period"), the interest rate will adjust to a floating rate equal to a benchmark rate, which is expected to be the then-current three-month Secured Overnight Financing Rate (SOFR), plus 203 basis points. The Company will pay interest in arrears semi-annually during the Fixed Interest Rate Period and quarterly during the Floating Interest Rate Period. The Notes constitute unsecured and subordinated obligations of the Company and rank junior in right of payment to any senior indebtedness and obligations to general and secured creditors. Subject to limited exceptions, the Company cannot redeem the Notes before the fifth anniversary of the issuance date.

The Notes are intended to qualify at the holding company level as Tier 2 capital under the capital guidelines of the Federal Reserve Board. The Agreements and Notes contain customary subordination provisions, representations and warranties, covenants, and events of default.

Subordinated Notes - Gratz Merger

As part of the Gratz Merger, the Company assumed Fixed-to-Floating Rate Subordinated Notes with a carrying value of $20.1 million. The notes (the "Merger Subordinated Notes") mature October 1, 2030 and will initially bear interest at a fixed rate of 5.0% until October 1, 2025. From October 1, 2025 to the stated maturity date or early redemption date, the interest rate will reset semi-annually to an annual floating rate equal to the then-current three-month term Secured Overnight Financing Rate (SOFR) plus a spread of 475 basis points, but no less than 5.0%. The Company may redeem the Subordinated Notes, in whole or in part, on or after October 1, 2025, plus accrued and unpaid interest. The Merger Subordinated Notes are also redeemable in whole or in part upon the occurrence of specific events defined within the indenture.

The Merger Subordinated Notes may be included in Tier I capital (subject to certain limitations) under current regulatory guidelines and interpretations.

Subordinated Notes - Partners Merger

As part of the Partners Merger, the Company assumed Subordinated Notes with a total carrying value of $21.9 million with one tranche having a face value of $4.5 million and the other with face value of $18.05 million. The first tranche that has a face value of $4.5 million bears interest at a fixed rate of 6.875%. These notes mature in April 2028.

The second tranche that has a face value of $18.05 million bears interest at a fixed rate of 6.0% which began on June 25, 2022 to but excluding July 1, 2025, payable semi-annually in arrears. From and including July 1, 2025 to but excluding July 1, 2030, or up to an early redemption date, the interest rate shall reset quarterly to an interest rate per annum equal to the then current three-month SOFR plus 590 basis points, payable quarterly in arrears. Beginning on July 1, 2025 through maturity, the subordinated notes may be redeemed, at the Company's option, on any scheduled interest payment date. The subordinated notes will mature on July 1, 2030. The subordinated notes are subject to customary representations, warranties and covenants made by the Company and the purchasers.

Note Payable - Partners Merger

As part of the Partners merger, the Company assumed a one-half undivided interest in 410 William Street, Fredericksburg, Virginia. Partners purchased a one-half interest in the land for cash, plus additional settlement costs, and assumption of one-half of the remaining deed of trust loan on December 14, 2012. Partners indemnified the indemnities, who are the personal guarantors of the deed of trust loan in the amount of $886 thousand, which was one-half of the outstanding balance of the loan as of the purchase date. The Company has a remaining obligation under the note payable of $565 thousand as of December 31, 2024. The loan was refinanced on April 30, 2015 with a twenty-five year amortization. The interest rate is fixed at 3.60% for the first 10 years, and then becomes a variable rate of 3.0% plus the 10 year Treasury rate until maturity.

Borrowings - FHLB

The Company had $40.0 million and $0 in long-term FHLB advances outstanding as of December 31, 2024 and December 31, 2023, respectively. The FHLB advance has a fixed rate 4.827% and will mature on February 20, 2026.

At both December 31, 2024 and 2023, the Company had $10.0 million in short-term FHLB advances outstanding. The outstanding advance at December 31, 2024 had accrued interest at 4.711% and matured in January 2025.

At December 31, 2024, the Company had remaining available capacity with FHLB, subject to certain collateral restrictions, of approximately $723.8 million.

Available Lines of Credit

The Bank has available unsecured lines of credit, with interest based on the daily Federal Funds rate, with seven correspondent banks totaling $77 million at December 31, 2024. There were no borrowings under these lines of credit at December 31, 2024 and 2023.

11. EMPLOYEE BENEFITS

Retirement Plan

The Company maintains a 401(k) Plan for its eligible employees. The Plan allows employee contributions from their compensation as defined in the 401(k) Plan, subject to Internal Revenue Code limitations. Effective October 1, 2021, the Company matches 50 percent of the first 6 percent of the employee's contribution, and this match is immediately vested. Matching contributions to the 401(k) Plan recognized in Compensation expense for the year ended December 31, 2024 and 2023 was $693 thousand and $344 thousand, respectively.

Deferred Compensation Plans

The Company has a deferred compensation plan for the benefit of members of the Board of Directors and certain officers. The plan provides all directors and certain officers with the ability to defer receipt of some or all of their director fees or salary and bonuses. The deferrals, along with accumulated earnings, are payable at retirement. The Bank has purchased life insurance policies that are actuarially designed to offset the annual expenses associated with the deferred compensation and the supplemental executive retirement plan (“SERP”). The Bank is the sole owner and beneficiary of all policies. The Bank accrues the estimated annual costs of the deferred amounts that will be payable at retirement. At December 31, 2024 and 2023, the accumulated liability was approximately $1.5 million and $1.3 million, respectively. For the years ended December 31, 2024 and 2023, the Company recognized deferred compensation cost in noninterest expense of $183 thousand and $91 thousand. Benefit payments amounted to $208 thousand and $214 thousand for the years ended December 31, 2024 and 2023, respectively.

Supplemental Executive Retirement Plan

The Company maintains a SERP for certain executives. At December 31, 2024 and 2023, the accumulated liability was $2.5 million and $2.0 million, respectively, and is included in other liabilities on the accompanying Consolidated Balance Sheets. The expense for the years ended December 31, 2024 and 2023, was $634 thousand and $653, respectively.

Employee Stock Purchase Plan

The Company maintains an employee stock purchase plan to provide employees of the Company an opportunity to purchase Company common stock. Eligible employees may purchase shares in an amount that does not exceed the lesser of the IRS limit of $25,000 or 10% of their annual salary at the lower of 95% of the fair market value of the shares on the semi-annual offering date, or related purchase date. The Company reserved 475,000 shares of its common stock to be issued under the employee stock purchase plan. At December 31, 2024, 423,000 shares were available to be issued.

12. INCOME TAXES

The provision for income taxes consists of:

	For the Year Ended December 31,	
(In Thousands)	**2024**	**2023**
Current tax expense		
Federal	$ 716	$ 81
State	140	4
Total Current tax expense	$ 856	$ 85
Deferred tax (benefit) expense		
Federal	$ 6,182	$ (3,187)
State	348	(259)
Total Deferred tax expense (benefit)	6,530	(3,446)
Total tax expense (benefit)	$ 7,386	$ (3,361)

The tax effects of deductible and taxable temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities, respectively, are as follows:

(In Thousands)	December 31, 2024	December 31, 2023
Deferred tax assets:		
Allowance for credit losses	$ 6,516	$ 6,009
Deferred compensation	965	757
Net fair value adjustment on acquired net assets	8,550	10,355
Net unrealized loss on debt securities	1,577	1,025
Net operating loss carryforwards	2,652	6,877
Lease liability	3,659	3,811
Other	697	1,175
Total deferred tax assets	$ 24,616	$ 30,009
Deferred tax liabilities:		
Premises and equipment	$ (1,701)	$ (1,867)
Net unrealized gain on cash flow hedge	(347)	(150)
Right of use asset	(3,488)	(3,611)
Other	(214)	(228)
Total deferred tax liabilities	(5,750)	(5,856)
Net deferred tax asset	**$ 18,866**	**$ 24,153**

The Company also has a $12,627 net operating loss carryforward at December 31, 2024 of which $701 will begin to expire in 2029. The remaining $11,926 of net operating loss carryforward does not expire. The Company had no valuation allowance against its deferred tax assets in view of the Company's ability to realize the net deferred tax assets against future anticipated taxable income.

The reconciliation of the federal statutory rate and the Company's effective income tax rate is as follows:

	For the Year Ended December 31,			
	2024		2023	
(In Thousands)	Amount	% of Pretax Income	Amount	% of Pretax Income
Provision (benefit) at statutory rate	$ 7,055	21.0 %	$ (3,219)	21.0 %
Tax-exempt income, net of TEFRA disallowance	(190)	(0.6)	(162)	1.1
State income taxes, net of federal income taxes	385	1.2	(202)	1.3
Bank-owned life insurance	(343)	(1.0)	(155)	1.0
Non-deductible merger expenses	—	—	387	(2.5)
Revaluation of deferred taxes for state tax rates	—	—	(177)	1.1
Other	479	1.4	167	(1.1)
Actual tax expense (benefit) and effective rate	$ 7,386	22.0 %	$ (3,361)	21.9 %

The Company recognized no adjustment for uncertain tax positions or unrecognized income tax benefits for the years ended December 31, 2024 and 2023. The Company's policy is to recognize interest and penalties on unrecognized tax benefits in the provision for income tax expense in the consolidated statements of operation. The Company did not recognize any interest and penalties for the years ended December 31, 2024 and 2023. With few exceptions, the Company is no longer subject to U.S. federal, state, or local income tax examinations by tax authorities for years before 2021.

13. FAIR VALUE MEASUREMENTS

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

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the fair value measurements accounting guidance (FASB ASC 820, *Fair Value Measurements*), 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 Company'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.

The Company uses 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 guidance establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

The following disclosures show the hierarchical disclosure framework associated with the level of pricing observations utilized in measuring assets and liabilities at fair value. The three broad levels of pricing are as follows:

Level I: Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

Level II: Pricing inputs are other than the quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities includes items for which quoted prices are available but traded less frequently and items that are fair-valued using other financial instruments, the parameters of which can be directly observed.

Level III: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the use of observable market data when available.

The estimated fair values of the Company's financial instruments that are not required to be measured or reported at fair value are as follows:

(In Thousands)	At December 31, 2024 Carrying Amount	At December 31, 2024 Fair Value	At December 31, 2023 Carrying Amount	At December 31, 2023 Fair Value
Financial assets:				
Cash and cash equivalents (Level 1)	$ 166,100	$ 166,100	$ 80,190	$ 80,190
Securities held to maturity (Level 2)	31,508	30,284	36,223	34,236
Loans, net of allowance for credit losses (Level 3)	2,229,314	2,231,057	2,104,517	2,027,937
Accrued interest receivable (Level 1)	9,870	9,870	9,831	9,831
Restricted investments in bank stock (Level 1)	5,209	5,209	3,965	3,965
Cash surrender value of life insurance (Level 1)	52,079	52,079	48,847	48,847
Financial liabilities:				
Non-maturity deposits (Level 1)	1,723,849	1,723,849	1,604,535	1,604,535
Time Deposits (Level 3)	636,733	634,875	594,264	589,699
Long-term borrowings (Level 3)	40,000	40,256	—	—
Short-term borrowings (Level 1)	10,000	10,000	10,000	10,000
Note payable (Level 3)	565	565	590	590
Subordinated Notes (Level 3)	61,984	60,251	61,444	57,303
Accrued interest payable (Level 1)	1,865	1,865	1,466	1,466

The following tables present the assets reported on the Consolidated Balance Sheet at their fair value on a recurring basis as of December 31, 2024 and 2023, by level within the fair value hierarchy. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Company's available-for-sale investment securities are reported at fair value. These securities are valued by an independent third party. The valuations are based on market data. They utilize evaluated pricing models that vary by asset and incorporate available trade, bid and other market information. For securities that do not trade on a daily basis, their evaluated pricing applications apply available information such as benchmarking and matrix pricing. The market inputs normally sought in the evaluation of securities include benchmark yields, reported trades, broker/dealer quotes (only obtained from market makers or broker/dealers recognized as market participants), issuer spreads, two-sided markets, benchmark securities, bid, offers and reference data. For certain securities additional inputs may be used or some market inputs may not be applicable. Inputs are prioritized differently on any given day based on market conditions.

(In Thousands)	December 31, 2024 Level I	Level II	Level III	Total
Assets:				
US Government Agency securities	$ —	$ 13,073	$ —	$ 13,073
Obligations of state and political subdivisions	—	47,201	—	47,201
Mortgage backed securities in government-sponsored entities	—	84,783	—	84,783
Other securities	—	533	—	533
Total	**$ —**	**$ 145,590**	**$ —**	**$ 145,590**
Derivative	$ —	$ —	$ 1,654	$ 1,654

(In Thousands)	December 31, 2023 Level I	Level II	Level III	Total
Assets:				
US Government Agency securities	$ —	$ 12,985	$ —	$ 12,985
US Government Treasury securities	—	4,942	—	4,942
Obligations of state and political subdivisions	—	47,045	—	47,045
Mortgage backed securities in government-sponsored entities	—	48,181	—	48,181
Other securities	—	2,337	—	2,337
Total	**$ —**	**$ 115,490**	**$ —**	**$ 115,490**
Derivative	$ —	$ —	$ 716	$ 716

For financial assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used as of December 31, 2024 and 2023 are presented in the table below.

	December 31, 2024			
(In Thousands)	Level I	Level II	Level III	Total
Loans individually evaluated	$ —	$ —	$ 21,519	$ 21,519

	December 31, 2023			
(In Thousands)	Level I	Level II	Level III	Total
Loans individually evaluated	$ —	$ —	$ 13,223	$ 13,223

The following tables provide information describing the valuation processes used to determine nonrecurring fair value measurements categorized within Level III of the fair value hierarchy:

	December 31, 2024				
	Quantitative Information About Level III Fair Value Measurements				
(In Thousands)	Fair Value	Valuation Techniques		Unobservable Input	Range (Weighted Average)
Loans individually evaluated	$ 21,519	Appraisal of collateral	*(1)*	Liquidation expenses	10%

	December 31, 2023				
	Quantitative Information About Level III Fair Value Measurements				
(In Thousands)	Fair Value	Valuation Techniques		Unobservable Input	Range (Weighted Average)
Loans individually evaluated	$ 13,223	Appraisal of collateral	*(1)*	Liquidation expenses	10%

(1) Fair value is generally determined through independent appraisals of the underlying collateral, which include various Level III inputs that are not identifiable.

Appraisals may be adjusted by management for qualitative factors, such as economic conditions, aging, and/or estimated liquidation expenses incurred when selling the collateral. The range and weighted average of appraisal adjustments and liquidation expenses are presented as a percentage of the appraisal.

14. RELATED PARTY TRANSACTIONS

Loans to principal officers, directors, and their affiliates during 2024 and 2023 were as follows:

	2024	2023
Beginning balance	$ 40,749	$ 1,853
New loans	2,560	659
Effect of changes in composition of related parties	-	38,536
Net repayments in existing accounts	(9,976)	(299)
Ending balance	$ 33,333	$ 40,749

Deposits from principal officers, directors, and their affiliates as of December 31, 2024 and 2023 were $64.4 million and $76.0 million respectively.

Two companies owned by a Director of the Company invested in the subordinated debentures issued by the Company in 2022. Refer to Note 10 for further information.

15. STOCK-BASED COMPENSATION

As a result of the Merger, the Company assumed the LINKBANCORP, Inc. 2019 Equity Incentive Plan (the “2019 Plan”). The 2019 Plan authorized the issuance or delivery to participants of up to 450,000 shares of LINKBANCORP common stock pursuant to grants of incentive and non-statutory stock options. The Plan is administered by the members of LINKBANCORP’s Compensation Committee (the "Committee"). Unless the Committee specifies a different vesting schedule, awards under the Plan shall be granted with a vesting rate of 20 percent per year. Vesting may be accelerated under certain conditions or at the discretion of the Committee at any time. Employees and directors of LINKBANCORP or its subsidiaries were eligible to receive awards under the plan, except that nonemployees were not granted incentive stock options. Stock options are either “incentive” stock options or “nonqualified” stock options. Incentive stock options have certain tax advantages and must comply with the requirements of Section 422 of the Internal Revenue Code. The 2019 Plan was frozen such that no new awards would be granted under the 2019 Plan following receipt of shareholder approval of the LINKBANCORP, Inc. 2022 Equity Incentive Plan described within this footnote.

On May 26, 2022, the Company's shareholders approved the LINKBANCORP, Inc. 2022 Equity Incentive Plan (the "2022 Plan"). The 2022 Plan authorizes the issuance or delivery to participants of up to 475,000 shares of the Company's common stock pursuant to grants of restricted stock, restricted stock units, stock options, and non-qualified stock options. The 2022 Plan is administered by the members of LINKBANCORP’s Compensation Committee (the "Committee"). At least 95% of the awards under the 2022 Plan will vest no earlier than one year after the grant date.

The table below provides details of the Company's stock options at December 31, 2024.

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term in Years	Aggregate Intrinsic Value (in ‘000s)
Outstanding, December 31, 2023	514,000	$ 9.72	6.8	$ —
Granted	150,193	6.46	7.7	—
Expired/terminated	(70,025)	8.08	—	
Exercised	(2,377)	5.56	—	
Outstanding, December 31, 2024	591,791	$ 9.10	6.0	$ 145
Exercisable at period end	401,991	$ 9.73	4.7	$ 47

The exercise prices for options outstanding as of December 31, 2024 ranged from $5.45 to $12.98.

The Company determined the expected life of the stock options using a simplified method approach allowed for plain-vanilla share options. The risk-free interest rate is based on the U.S. treasury yield curve in effect as of the grant date. Expected volatility was determined using the calculated value method of an option pricing model that substitutes the historical volatility of an appropriate industry/sector index for the expected volatility.

	December 31,	
	2024	2023
Weighted average fair value of options granted	$ 1.66	$ 1.84
Dividend yield	4.60%	4.29%
Expected volatility	35.24%	35.45%
Risk-free interest rate	4.47%	4.20%
Expected life (in years)	6.1	6.5
Assumed forfeiture rate	0.00%	4.00%

The table below provides details of the Company's restricted stock activity at December 31, 2024.

	Number of Shares	Average Market Price at Grant
Outstanding, December 31, 2023	384,724	$ 6.30
Restricted Stock Units Granted	125,000	6.58
Expired/terminated	—	
Vested	(116,641)	
Outstanding, December 31, 2024	393,083	$ 6.40

Additional information related to the equity incentive plans during each year follows:

(in thousands, except share data)	December 31, 2024	December 31, 2023
Stock-based compensation expense recognized	$ 988	$ 244
Number of unvested shares:		
Restricted stock plans	393,083	384,724
Stock option plans	189,800	223,500
Fair value of unvested stock options:		
Restricted stock plans	$ 2,518	$ 2,422
Stock option plans	$ 193	$ 355
Amount remaining to be recognized as expense		
Restricted stock plans	$ 2,246	$ 2,314
Stock option plans	$ 161	$ 310

The remaining amounts of $2.2 million and $161 thousand for restricted stock and options, respectively, will both be recognized ratably as expense through December 31, 2029.

16. REGULATORY CAPITAL REQUIREMENTS

The Bank is subject to various regulatory capital requirements administered by the Federal Deposit Insurance Corporation and the Pennsylvania Department of Banking and Securities. Failure to meet minimum capital requirements can initiate certain mandatory, and possible additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Bank's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Company'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.

The Bank is subject to regulatory capital requirements administered by banking agencies. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings, and other factors and the regulators can lower classifications in certain cases. Failure to meet various capital requirements can initiate regulatory action that could have a direct material effect on the financial statements. As of December 31, 2024, the Bank has met all capital adequacy requirements to which it is subject.

The prompt corrective action regulations provide five classifications, including well capitalized, adequately capitalized, under-capitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If an institution is adequately capitalized, regulatory approval is required before the institution may accept brokered deposits. If an institution is undercapitalized, capital distributions are limited, as is asset growth and expansion, and plans for capital restoration are required.

The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of Common Equity Tier 1 capital to risk-weighted assets above the minimum but below the conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) will face limitations on dividends, stock repurchases and certain discretionary bonus payments to management based on the amount of the shortfall. Under Basel III rules, banks must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios. The required capital conservation buffer is 2.50%.

The following tables present actual and required capital ratios as of December 31, 2024 and 2023 under the Basel III Capital Rules. Capital levels required to be considered well capitalized are based upon prompt corrective action regulations:

	December 31, 2024		December 31, 2023	
(In Thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**
Total capital				
(to risk-weighted assets)				
Actual	$ 282,736	11.55%	$ 251,042	10.62%
For capital adequacy purposes	195,914	8.00	188,807	8.00
To be well capitalized	244,892	10.00	236,009	10.00
Tier 1 capital				
(to risk-weighted assets)				
Actual	$ 263,058	10.74%	$ 234,533	9.92%
For capital adequacy purposes	146,935	6.00	141,605	6.00
To be well capitalized	195,914	8.00	188,807	8.00
Common equity				
(to risk-weighted assets)				
Actual	$ 263,058	10.74%	$ 234,533	9.92%
For capital adequacy purposes	110,201	4.50	106,204	4.50
To be well capitalized	159,180	6.50	153,406	6.50
Tier 1 capital				
(to average assets)				
Actual	$ 263,058	9.49%	$ 234,533	14.13%
For capital adequacy purposes	110,867	4.00	66,412	4.00
To be well capitalized	138,584	5.00	83,016	5.00

The federal banking agencies, including the FDIC, issued a rule pursuant to The Economic Growth, Regulatory Relief and Consumer Protection Act of 2018 to establish for institutions with assets of less than $10 billion a "community bank leverage ratio" (the ratio of a bank's tier 1 capital to average total consolidated assets) of 9% that qualifying institutions may elect to use in lieu of the generally applicable leverage and risk-based capital requirements under Basel III. If an election to use the community bank leverage ratio capital framework is made, a qualifying bank with less than $10 billion in assets with capital exceeding the specified community bank leverage ratio is considered compliant with all applicable regulatory capital and leverage requirements, including the requirement to be "well capitalized." As of December 31, 2024, the Bank had not elected to be subject to the alternative framework.

Federal and state banking regulations place certain restrictions on dividends paid by the Bank. The Pennsylvania Banking Code provides that cash dividends may be declared and paid out of accumulated net earnings. In addition, dividends paid by the Bank would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements. Loans or advances by the Bank to the Company are limited to 10 percent of the Bank's capital stock and surplus and must have collateral securing the loans or advances.

17. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. Such commitments involve, to varying degrees, elements of credit and interest rate 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 is represented by the contractual amount of those instruments. The Company uses the same credit policies in making and monitoring commitments and conditional obligations as it does for on-balance sheet instruments. As of December 31, 2024 and 2023, the Company has an allowance for credit losses for off-balance sheet instruments of $1.9 million and $2.2 million, respectively, which is included in other liabilities section of the balance sheet.

At December 31, 2024 and 2023, the following financial instruments were outstanding whose contract amounts represent credit risk:

(In Thousands)	**December 31, 2024**	**December 31, 2023**
Unfunded commitments under lines of credit:		
Home equity loans	$ 97,677	$ 116,964
Commercial real estate, construction, and land development	161,551	186,966
Commercial and industrial	353,078	306,024
Total	**$ 612,306**	**$ 609,954**

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 Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include personal or commercial real estate, accounts receivable, inventory, and equipment.

18. EARNINGS PER SHARE

The following table sets forth the composition of earnings per share:

	Year Ended December 31,	
(In Thousands, except share and per share data)	**2024**	**2023**
Net income (loss)	$ 26,209	$ (11,968)
Basic weighted average common shares outstanding	36,990,672	17,753,914
Net effect of dilutive stock options and warrants	5,792	—
Net effect of dilutive restricted stock awards	109,150	—
Diluted weighted average common shares outstanding	37,105,614	17,753,914
Net income (loss) per common share:		
Basic	$ 0.71	$ (0.67)
Diluted	$ 0.71	$ (0.67)

The following is a summary of securities that could potentially dilute basic earnings per common share in future periods that were included in the computation of diluted earnings per common share for the years ended December 31, 2024 and 2023.

	Year Ended December 31,	
	2024	2023
Stock Options	110,191	—
Warrants	—	—
Restricted Stock Awards	388,083	—
Total dilutive securities	498,274	—

The following is a summary of securities that could potentially dilute basic earnings per share in future periods that were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive for the periods presented.

	Year Ended December 31,	
	2024	2023
Stock Options	481,600	—
Warrants	1,537,484	1,537,484
Restricted Stock Awards	5,000	5,304
Total anti-dilutive securities	2,024,084	1,542,788

19. DERIVATIVES

During the second quarter of 2023 the Company entered into a pay fixed / received variable interest rate swap with a notional amount of $75,000 which has a fixed rate of 3.28%, a maturity of five years and is designated against either a mix of one-month FHLB advances or brokered certificates of deposit. The Company will utilize, from time to time, interest rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position. The notional amount of the interest rate swaps does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual interest rate swap agreements. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. At December 31, 2024, the derivative contract is used to hedge the variable cash flows associated with monthly brokered deposits.

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in Accumulated Other Comprehensive Income (loss) and subsequently reclassified into interest expense in the same period(s) during which the hedged transaction affects earnings. Amounts reported in Accumulated Other Comprehensive Income related to derivatives will be reclassified to interest expense as interest payments are made on the Company’s variable-rate debt. The amounts reclassified to interest expense $1.42 million in the year ended December 31, 2024. Over the next 12 months, the Company estimates that an additional $606 thousand will be reclassified as a reduction to interest expense.

The Company recorded $1.65 million and $716 thousand within other assets on the Consolidated Balance Sheet, which represented the fair value of this derivative at December 31, 2024 and 2023, respectively.

20. CONCENTRATION OF CREDIT RISK

The Company grants commercial, residential and consumer loans to customers primarily located in the South Central and Greater Delaware Valley of Pennsylvania, northern Virginia, eastern Maryland, Delaware, and southern New Jersey. The concentration of credit by type of collateral is set forth in Note 4. The debtors’ ability to honor their contracts is influenced by the region’s economy.

There are numerous risks associated with commercial loans that could impact the borrower’s ability to repay on a timely basis. They include but are not limited to, the owner’s business expertise, changes in local economies, competition, government regulation, and the general financial stability of the borrowing entity.

The Company attempts to mitigate these risks by making an analysis of the borrower’s business and industry history, its financial position, as well as that of the business owner. The Company will also require the borrower to provide financial information on the operations of the business periodically over the life of the loan. In addition, most commercial loans are secured by assets of the business or those of the business owner, which can be liquidated if the borrower defaults, along with the personal surety of the business owner.

From time to time, the Company will maintain balances with its correspondent banks that exceed the $250,000 federally insured deposit limits. Management routinely evaluates the credit worthiness of these correspondent banks and does not feel they pose significant risk to the Company.

21. REVENUE RECOGNITION

All of the Company's revenue within the scope of Accounting Standards Codification (ASC) 606 is recognized within Non-Interest Income on the Consolidated Statements of Operations. ASC 606 is applicable to certain non-interest income streams, which are discussed below.

Service Charges and Activity Fees on Deposits
Service charges on deposit accounts consist of monthly ATM Income, Wire Transfer Fees, Non-Sufficient Funds Charges, paper statement fees, and other deposit related fees. The Company’s performance obligation for monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Check orders and other deposit account related fees are largely transactional based, and, therefore, the Company’s performance obligation is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers’ accounts. The Company’s performance obligation for wire transfers and returned deposit fees, are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month.

Fees on loan related activity
Fees from loan related activity is comprised mostly of upfront fees recognized on Assumable Rate Conversion Agreements, where Bank originates a floating rate loan. The borrower concurrently signs an addendum to the promissory note with a third party permitting the borrower to pay a fixed rate of interest. The Bank through a master servicing agreement services the Assumable Rate Conversion between the third party and borrower.

Other
Other fees are primarily comprised of Remote/Mobile Deposit Fees and other service charges. Other noninterest income consists primarily of other nonrecurring revenue which is not recorded in the categories listed above. This revenue is miscellaneous in nature and is recognized as income upon receipt.

The following presents noninterest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the years ended December 31, 2024 and 2023.

	For the Year Ended December 31,	
	2024	**2023**
Non-interest income in-scope of Topic 606		
Service charges and activity fees on deposits	$ 4,518	$ 1,150
Fees on loan related activity	1,854	581
Other	361	327
Non-interest income (in-scope of Topic 606)	6,733	2,058
Non-interest income (out-of-scope of Topic 606)	2,129	(971)
Total non-interest income	$ 8,862	$ 1,087

22. PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION

Condensed financial information of LINKBANCORP follows:

Balance Sheets

	December 31,			
	2024		2023	
(In thousands)				
ASSETS				
Noninterest-bearing cash equivalents	$	376	$	12,547
Investment in subsidiaries		334,381		309,015
Other Assets		8,197		7,075
TOTAL ASSETS	**$**	**342,954**	**$**	**328,637**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Subordinated debt	$	61,984	$	61,444
Other liabilities		749		1,397
Shareholders' equity		280,221		265,796
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$**	**342,954**	**$**	**328,637**

Condensed Statements of Operations and Comprehensive Income

	Years Ended December 31,			
	2024		2023	
(in thousands)				
Income:				
Interest income	$	—	$	—
Dividend income from subsidiaries		3,900		—
Other income		86		—
Expenses:				
Interest expense		3,869		1,926
Other noninterest expenses		1,245		5,135
Income before income tax		(1,128)		(7,061)
Income tax benefit		(1,056)		(1,128)
		(72)		(5,933)
Equity in undistributed subsidiary (loss) income		26,281		(6,035)
Net income (loss)	**$**	**26,209**	**$**	**(11,968)**
Comprehensive income (loss)	**$**	**24,873**	**$**	**(8,772)**

Condensed Statements of Cash Flows

(in thousands)	Years Ended December 31, 2024	2023
OPERATING ACTIVITIES		
Net income (loss)	$ 26,209	$ (11,968)
Adjustments:		
Undistributed (loss) earnings of subsidiaries	(30,181)	6,035
Accretion (amortization) of premiums and discounts	540	(118)
Share-based and deferred compensation	85	—
Other, net	(1,786)	(549)
Net cash used in operating activities	**(5,133)**	**(6,600)**
INVESTING ACTIVITIES		
Net cash acquired through merger and acquisition	—	8,014
Investments in subsidiaries	—	(10,400)
Cash dividends from subsidiaries	3,900	—
Net cash from dissolution of subsidiary	—	635
Net cash used in investing activities	**3,900**	**(1,751)**
FINANCING ACTIVITIES		
Proceeds from issuance of common stock, net	153	10,132
Issuance of shares from exercise of stock options	14	150
Dividends paid	(11,105)	(4,870)
Net cash provided by financing activities	**(10,938)**	**5,412**
(Decrease) Increase in cash and cash equivalents	(12,171)	(2,939)
Cash and cash equivalents at the beginning of the period	12,547	15,486
Cash and cash equivalents at the end of the period	**$ 376**	**$ 12,547**

23. SEGMENT INFORMATION

The Company's reportable segment is determined by the Chief Executive Officer who is the designated chief operating decision maker, based upon information about the Company's banking products and services offered. The segment is also distinguished by the level of information provided to the chief operating decision maker, who uses such information to review performance of various components of the business, such as branches and products offered, which are then aggregated if operating performance, products and services, and customers are similar. The chief operating decision maker will evaluate the financial performance of the Company's business components by evaluating revenue streams, significant expenses, and budget to actual results in assessing the Company's reportable segment and in the determination of allocating resources. The chief operating decision maker uses revenue streams to evaluate product pricing and significant expenses to assess performance and return on assets. The chief operating decision maker uses consolidated net income to benchmark the Company against its competitors. The benchmarking analysis coupled with the monitoring of budget to actual results are used in assessment performance and in establishing compensation. Interest income on loans and investments primarily provide the revenues in the banking segment. Interest expense on deposits and borrowings, provisions for credit losses, and payroll provide significant expenses in the banking operation.

Accounting policies for segments are the same as those described in Note 1. Segment performance is evaluated using consolidated net income. Information reported internally for performance assessment by the chief operating decision maker follows, inclusive of reconciliations of segment totals to the financial statements.

(In thousands)	For the year ended December 31, 2024	2023
Interest Income	$ 158,724	$ 65,198
Reconciliation of revenue		
Other revenues	8,862	1,087
Total consolidated revenues	$ 167,586	$ 66,285
Interest Expense	58,830	26,487
Segment net interest income and noninterest income	$ 108,756	$ 39,798
Provision for credit losses	257	9,295
Salaries and employee benefits	41,061	20,612
Other Expenses	41,229	21,859
Consolidated net income (loss)	$ 26,209	$ (11,968)
Other segment disclosures		
Interest income	$ 158,724	$ 65,198
Interest expense	$ 58,830	$ 26,487
Depreciation	$ 1,892	$ 1,121
Amortization	$ 4,778	$ 663
Other significant noncash items:		
Provision for credit loss	$ 257	$ 9,295
Total consolidated assets	$ 2,878,778	$ 2,669,325

24. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The Company's sources of comprehensive income come from variability in the fair value of available-for-sale investment securities and fluctuations in the fair value of the Company's cash flow hedge.

The following is changes in accumulated other comprehensive income (loss) by component, net of tax, for the years ended December 31, 2024 and 2023:

December 31, 2024	Gains and Losses on Cash Flow Hedges	Unrealized Gains and Losses on Available-for-Sale Securities	Total
Beginning balance	$ 566	$ (3,775)	$ (3,209)
Other comprehensive income before reclassification	(382)	(2,074)	(2,456)
Amounts reclassified from accumulated other comprehensive income	1,123	(3)	1,120
Net current period other comprehensive income	741	(2,077)	(1,336)
Ending balance	$ 1,307	$ (5,852)	$ (4,545)

December 31, 2023	Gains and Losses on Cash Flow Hedges	Unrealized Gains and Losses on Available-for-Sale Securities	Total
Beginning balance	$ —	$ (6,405)	$ (6,405)
Other comprehensive income before reclassification	256	2,630	2,886
Amounts reclassified from accumulated other comprehensive income	310	-	310
Net current period other comprehensive income	566	2,630	3,196
Ending balance	$ 566	$ (3,775)	$ (3,209)

Amounts showing change in balances are shown net of tax at the Company's 21% statutory rate for 2024 and 2023.

The following is significant amounts reclassified out of each component of accumulated other comprehensive income (loss) for the year ended December 31, 2024:

Details About Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line in the Consolidated Statement of Operations
Gains and losses on cash flow hedges		
Interest rate contracts		
Total before tax	$ 1,422	Interest expense
Tax effect	(299)	Income tax expense (benefit)
Net of tax	$ 1,123	
Unrealized gains and losses on available-for-sale securities		
Realized gains on securities available-for-sale securities	$ (4)	Net realized gains on the sales of debt securities
Tax effect	1	Income tax expense (benefit)
Net of tax	$ (3)	
Total Reclassification for the period, net of tax	$ 1,120	

The following is significant amounts reclassified out of each component of accumulated other comprehensive income (loss) for the year ended December 31, 2023:

Details About Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line in the Consolidated Statement of Operations
Gains and losses on cash flow hedges		
Interest rate contracts		
Total before tax	$ 392	Interest expense
Tax effect	(82)	Income tax expense (benefit)
Total Reclassification for the period, net of tax	$ 310	

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of disclosure controls and procedures.

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its reports filed or submitted pursuant to the Securities Exchange Act of 1934, as amended ("Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that information required to be disclosed by the Company in its Exchange Act reports is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of its management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e) and 15d-15(e) as of December 31, 2024. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of such date.

Management's report on internal control over financial reporting.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) of the Exchange Act. The Company's internal control system is a process designed to provide reasonable assurance to the Company's management, Board of Directors and shareholders regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles. Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on our financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As part of the Company's program to comply with Section 404 of the Sarbanes-Oxley Act of 2002, our management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2024 (the "Assessment"). In making this Assessment, management used the control criteria framework of the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission published in its report entitled Internal Control - Integrated Framework (2013). Management's Assessment included an evaluation of the design of the Company's internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Management reviewed the results of its Assessment with the Audit Committee.

Based on this Assessment, management determined that, as of December 31, 2024, the Company's internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

<u>Changes in Internal Control Over Financial Reporting</u>

There has been no change in the Company's internal control over financial reporting during the quarter ended December 31, 2024, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

This Annual Report does not include an attestation report of the independent registered public accounting firm because LINKBANCORP, Inc. is an emerging growth company.

Item 9B. Other Information.

During the fourth quarter of 2024, none of our directors or officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement," as that term is used in SEC regulations.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information regarding Directors, Executive Officers and Corporate Governance will be set forth in the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on May 22, 2025 and is incorporated herein by reference thereto.

Item 11. Executive Compensation.

The information regarding Executive Compensation will be set forth in the Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on May 22, 2025 and is incorporated herein by reference thereto.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information regarding Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters will be set forth in the Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on May 22, 2025 and is incorporated herein by reference thereto.

The following table provides information with respect to the equity securities that are authorized for issuance under the Company's equity compensation plans as of December 31, 2024.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights (a)		Weighted-Average Exercise Price of Outstanding Options, Warrants, and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders				
2019 Equity Incentive Plan	352,000	$	10.27	—
2022 Equity Incentive Plan	215,100	$	7.57	65,300
Equity compensation plans not approved by security holders	—	$	—	—
Total	567,100	$	—	65,300

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information regarding Certain Relationships and Related Transactions, and Director Independence will be set forth in the Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on May 22, 2025 and is incorporated herein by reference thereto.

Item 14. Principal Accounting Fees and Services.

The information regarding the Company's independent registered public accounting firm's fees and services will be set forth in the Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on May 22, 2025 and is incorporated herein by reference thereto.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) (1) Financial Statements

The following documents are filed as part of this Annual Report on Form 10-K

(A) Report of Independent Registered Public Accounting Firm

(B) Consolidated Balance Sheets at December 31, 2024 and 2023

(C) Consolidated Statements of Operations for the years ended December 31, 2024 and 2023

(D) Consolidated Statements of Comprehensive Income for the years ended December 31, 2024 and 2023

(E) Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2024 and 2023

(F) Consolidated Statements of Cash Flows for the years ended December 31, 2024 and 2023

(G) Notes to the Consolidated Financial Statements

(a) (2) Financial Statement Schedules

None.

(a) (3)

Exhibit Number	Description
2.1	Branch Purchase and Assumption Agreement by and between American Heritage Federal Credit Union and LINKBANK, dated May 9, 2024, incorporated by reference to Exhibit 10.1 to form 10-Q, filed August 12, 2024.
3.1	Articles of Incorporation, as amended, incorporated by reference to Exhibit 3.1 to Form S-4 Registration Statement, filed May 7, 2021
3.2	Amendment to Articles of Incorporation, dated November 20, 2023
3.3	Amended and Restated Bylaws, incorporated by reference to Exhibit 3.1 to Form 8-K filed December 1, 2023
4.1	Specimen stock certificate, incorporated by reference to Exhibit 4.1 to Form S-4 Registration Statement, filed May 6, 2021
4.2.	LINKBANCORP, inc. 5.00% Fixed to Floating Rate Subordinated Note Due October 1, 2030, incorporated by reference to Exhibit 4.2 to Form S-4 Registration Statement, filed May 7, 2021
4.3	Form of Warrant, incorporated by reference to Exhibit 4.3 to Form S-4 Registration Statement, filed May 7, 2021
4.4	Form of 4.50% Fixed to Floating Rate Subordinated Note due 2032 of LINKBANCORP, Inc., incorporated by reference to Exhibit 4.1 to Form 8-K, filed on April 11, 2022
4.5	Description of Common Stock incorporated by reference to Exhibit 4.5 to the Form 10-K filed on March 30, 2023
10.1*	LINKBANCORP 2019 Equity Incentive Plan, incorporated by reference to Exhibit 10.7 to Form S-4 Registration Statement, filed May 7, 2021
10.2*	Form of Incentive Stock Option (ISO) Agreement, incorporated by reference to Exhibit 10.8 to Form S-4 Registration Statement, filed May 7, 2021

10.3*	Form of Non-Qualified Stock Option Agreement, incorporated by reference to Exhibit 10.9 to Form S-4 Registration Statement, filed May 7, 2021
10.4*	Form of Amendment to the Executive Employment Agreement, incorporated by reference to Exhibit 10.1 to Form 8-K, filed on February 22, 2023
10.5*	Form of Waiver of Accelerated Vesting Upon Change in Control, incorporated by reference to Exhibit 10.2 to Form 8-K, filed on February 22, 2023
10.6*	Amendment to the Supplemental Retirement Plan Agreement for Andrew Samuel, incorporated by reference to Exhibit 10.3 to Form 8-K, filed on February 22, 2023
10.7*	LINKBANK Split Dollar Life Insurance Plan, dated January 24, 2019, incorporated by reference to Exhibit 10.13 to Form S-4 Registration Statement, filed May 7, 2021
10.8*	[Reserved]
10.9*	Employment Agreement between LINKBANCORP, Inc., The Gratz Bank and Andrew S. Samuel dated October 28, 2021, incorporated by reference to Exhibit 10.1 to Form 8-K filed November 3, 2021
10.10*	Employment Agreement between LINKBANCORP, Inc., The Gratz Bank and Carl Lundblad dated October 28, 2021, incorporated by reference to Exhibit 10.2 to Form 8-K filed November 3, 2021
10.11*	Employment Agreement between LINKBANCORP, Inc., The Gratz Bank and Brent Smith dated October 28, 2021, incorporated by reference to Exhibit 10.3 to Form 8-K filed November 3, 2021
10.12*	Change in Control Agreement between LINKBANCORP, Inc., The Gratz Bank and Kristofer Paul dated October 28, 2021, incorporated by reference to Exhibit 10.4 to Form 8-K filed November 3, 2021
10.13*	Supplemental Executive Retirement Plan Agreement between The Gratz Bank and Andrew S. Samuel dated October 28, 2021, incorporated by reference to Exhibit 10.5 to Form 8-K filed November 3, 2021
10.14*	Deferred Compensation Agreement between The Gratz Bank and Carl Lundblad dated October 28, 2021, incorporated by reference to Exhibit 10.6 to Form 8-K filed November 3, 2021
10.15*	Deferred Compensation Agreement between The Gratz Bank and Kristofer Paul dated October 28, 2021, incorporated by reference to Exhibit 10.7 to Form 8-K filed November 3, 2021
10.16*	Deferred Compensation Agreement between The Gratz Bank and Brent Smith dated October 28, 2021, incorporated by reference to Exhibit 10.8 to Form 8-K filed November 3, 2021
10.17*	LINKBANCORP, Inc. Executive Incentive Plan, incorporated by reference to Exhibit 10.1 to Form 8-K filed February 1, 2022
10.18*	First Amendment to Deferred Compensation Agreement between LINKBANK and Carl Lundblad, dated October 24, 2024, incorporated by reference to Exhibit 10.1 to Form 8-K filed October 28, 2024.
10.19*	First Amendment to Deferred Compensation Agreement between LINKBANK and Brent Smith, dated October 24, 2024, incorporated by reference to Exhibit 10.2 to Form 8-K filed October 28, 2024.
10.20*	Director Deferred Compensation Agreement with David H. Koppenhaver, incorporated by reference to Exhibit 10.20 to Form 10-K filed March 31, 2022
10.21*	[Reserved]
10.22*	[Reserved]
10.23*	Director Deferred Compensation Agreement with Joseph Michetti, Jr., incorporated by reference to Exhibit 10.23 to Form 10-K filed March 31, 2022

10.24*	[Reserved]
10.25	Form of Subordinated Note Purchase Agreement, dated April 8, 2022, by and between LINKBANCORP, Inc. and the several Purchasers, incorporated by reference to Exhibit 10.1 to Form 8-K filed April, 11, 2022
10.26*	LINKBANCORP, Inc. 2022 Equity Incentive Plan, incorporated by reference to Exhibit 10.1 to Form 8-K filed June 2, 2022
10.27*	LINKBANCORP, Inc. 2022 Employee Stock Purchase Plan, incorporated by reference to Exhibit 10.2 to Form 8-K filed June 2, 2022
10.28*	Employment Agreement, dated as of February 22, 2023, by and among LINKBANCORP, Inc., LINKBANK and John W. Breda, incorporated by reference to Exhibit 10.1 to Form 8-K filed December 1, 2023
10.29*	Separation and Non-Competition Agreement, dated as of April 19, 2023, by and between LINKBANCORP, Inc. and Lloyd B. Harrison, III, incorporated by reference to Exhibit 10.2 to Form 8-K filed December 1, 2023
10.30*	Amendment to the Supplemental Retirement Plan Agreement for Andrew Samuel, effective as of December 1, 2023, incorporated by reference to Exhibit 10.3 to Form 8-K filed December 1, 2023
14.1	Code of Ethics for Senior Officers, incorporated by reference to Exhibit 14.1 to the Form 10-K filed on March 30, 2023
19	Inside Information and Insider Trading Policy
21.1	Subsidiaries of LINKBANCORP, Inc.
23.1	Consent of Snodgrass P.C.
31.1	Certification of Principal Executive Officer as required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Principal Financial Officer as required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
32	Section 1350 Certification
97	Policy Relating to Recovery of Erroneously Awarded Compensation
101 INS**	The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document
101 SCH**	Inline XBRL Taxonomy Extension Schema Document
101 CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101 DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document
101 LAB**	Inline XBRL Taxonomy Extension Label Linkbase Document
101 PRE**	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the interactive date file because its XBRL tags are embedded with the inline XBRL document.

* Indicates a management or compensatory plan.

** Attached as Exhibit 101 to this report are the following formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Condition as of December 31, 2024 and December 31, 2023; (ii) Consolidated Statements of Income for the years ended December 31, 2024 and 2023; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2024 and 2023; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2024 and 2023; (v) Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2024 and 2023; and (vi) Notes to Unaudited Consolidated Financial Statements.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 31, 2025.

LINKBANCORP, INC.

By: /s/ Andrew Samuel
Andrew Samuel
Chief Executive Officer

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Andrew Samuel Andrew Samuel	Chief Executive Officer (Principal Executive Officer) and Director	March 31, 2025
/s/ Kristofer Paul Kristofer Paul	Chief Financial Officer (Principal Financial and Accounting Officer)	March 31, 2025
/s/ Mona Albertine Mona Albertine	Director	March 31, 2025
/s/ John Breda John Breda	Director	March 31, 2025
/s/ Michael Clarke Michael Clarke	Director	March 31, 2025
/s/ Jennifer Delaye Jennifer Delaye	Director	March 31, 2025
/s/ David Doane David Doane	Director	March 31, 2025
/s/ Anson Flake Anson Flake	Director	March 31, 2025
/s/ Lloyd Harrison Lloyd Harrison	Director	March 31, 2025
/s/ William Jones William Jones	Director	March 31, 2025
/s/ David Koppenhaver David Koppenhaver	Director	March 31, 2025
/s/ Kenneth Lehman Kenneth Lehman	Director	March 31, 2025
/s/ Joseph C. Michetti, Jr. Joseph C. Michetti, Jr.	Chairman and Director	March 31, 2025
/s/ George Parmer George Parmer	Director	March 31, 2025

/s/ Debra Pierson Debra Pierson	Director	March 31, 2025
/s/ Diane Poillon Diane Poillon	Director	March 31, 2025
/s/ William Pommerening William Pommerening	Director	March 31, 2025
/s/ George Snead George Snead	Director	March 31, 2025
/s/ Kristen Snyder Kristen Snyder	Director	March 31, 2025
/s/ James Tamburro James Tamburro	Director	March 31, 2025
/s/ Steven Tressler Steven Tressler	Director	March 31, 2025
/s/ Robert Wheatley Robert Wheatley	Director	March 31, 2025

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