UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly period ended March 31, 2025

OR

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

Commission file number 0-24047

GLEN BURNIE BANCORP

(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	**52-1782444** (I.R.S. Employer Identification No.)
101 Crain Highway, S.E. **Glen Burnie, Maryland** (Address of principal executive offices)	**21061** (Zip Code)

Registrant's telephone number, including area code: **(410) 766-3300**

Inapplicable
(Former name, former address and former fiscal year if changed from last report.)

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-Accelerated Filer	☒	Smaller Reporting Company	☒
		Emerging growth company	☐

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

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

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

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

The number of shares of the registrant's common stock outstanding as of May 6, 2025 was 2,900,681.

GLEN BURNIE BANCORP AND SUBSIDIARY
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PART I – FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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

	March 31, 2025 (unaudited)	December 31, 2024 (audited)
ASSETS		
Cash and due from banks	$ 1,792	$ 2,012
Interest-bearing deposits in other financial institutions	21,884	22,452
Cash and Cash Equivalents	23,676	24,464
Investment securities available for sale, at fair value	106,623	107,949
Restricted equity securities, at cost	1,201	1,671
Loans, net of deferred fees and costs	207,393	205,219
Less: Allowance for credit losses	(2,689)	(2,839)
Loans, net	204,704	202,380
Premises and equipment, net	2,609	2,678
Bank owned life insurance	8,877	8,834
Deferred tax assets, net	8,088	8,548
Accrued interest receivable	1,243	1,345
Accrued taxes receivable	159	148
Prepaid expenses	474	471
Other assets	319	468
Total Assets	**$ 357,973**	**$ 358,956**
LIABILITIES		
Noninterest-bearing deposits	$ 104,487	$ 100,747
Interest-bearing deposits	212,770	208,442
Total Deposits	317,257	309,189
Short-term borrowings	20,000	30,000
Defined pension liability	338	330
Accrued expenses and other liabilities	1,197	1,620
Total Liabilities	338,792	341,139
STOCKHOLDERS' EQUITY		
Common stock, par value $1, authorized 15,000,000 shares, issued and outstanding 2,900,681 and 2,900,681 shares as of March 31, 2025 and December 31, 2024, respectively.	2,901	2,901
Additional paid-in capital	11,037	11,037
Retained earnings	23,035	22,882
Accumulated other comprehensive loss	(17,792)	(19,003)
Total Stockholders' Equity	19,181	17,817
Total Liabilities and Stockholders' Equity	**$ 357,973**	**$ 358,956**

See accompanying notes to unaudited consolidated financial statements.

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

	Three Months Ended March 31,	
	2025	**2024**
INTEREST INCOME		
Interest and fees on loans	$ 2,709	$ 2,215
Interest and dividends on securities	745	938
Interest on deposits with banks and federal funds sold	175	252
Total Interest Income	3,629	3,405
INTEREST EXPENSE		
Interest on deposits	841	402
Interest on short-term borrowings	225	431
Total Interest Expense	1,066	833
Net Interest Income	2,563	2,572
(Release) provision of credit loss allowance	(146)	169
Net interest income after credit loss provision	2,709	2,403
NONINTEREST INCOME		
Service charges on deposit accounts	31	38
Other fees and commissions	131	148
Income on life insurance	43	43
Total Noninterest Income	205	229
NONINTEREST EXPENSE		
Salary and benefits	1,827	1,618
Occupancy and equipment expenses	309	331
Legal, accounting and other professional fees	383	254
Data processing and item processing services	256	250
FDIC insurance costs	41	38
Advertising and marketing related expenses	37	23
Loan collection costs	45	5
Telephone costs	38	40
Other expenses	(146)	302
Total Noninterest Expenses	2,790	2,861
Income (loss) before income taxes	124	(229)
Income tax benefit	(29)	(232)
NET INCOME	**$ 153**	**$ 3**
Basic and diluted net income per share of common stock	**$ 0.05**	**$ —**

See accompanying notes to unaudited consolidated financial statements.

GLEN BURNIE BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(dollars in thousands)
(unaudited)

	Three Months Ended March 31,	
	2025	2024
Net income	**$ 153**	$ 3
Other comprehensive income (loss) :		
Net unrealized income (loss) on securities available for sale:		
Net unrealized income (loss) on securities during the period	1,671	(1,299)
Income tax (expense) benefit relating to item above	(460)	358
Net effect on other comprehensive income (loss)	1,211	(941)
Other comprehensive income (loss)	1,211	(941)
Comprehensive income (loss)	**$ 1,364**	$ (938)

See accompanying notes to unaudited consolidated financial statements.

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

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Total
Balance, December 31, 2023	**$ 2,883**	**$ 10,964**	**$ 23,859**	**$ (18,381)**	**$ 19,325**
Net income	—	—	3	—	3
Cash dividends, $0.10 per share	—	—	(287)	—	(287)
Dividends reinvested under dividend reinvestment plan	4	25	—	—	29
Other comprehensive loss	—	—	—	(941)	(941)
Balance, March 31, 2024	**$ 2,887**	**$ 10,989**	**$ 23,575**	**$ (19,322)**	**$ 18,129**

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
Balance, December 31, 2024	**$ 2,901**	**$ 11,037**	**$ 22,882**	**$ (19,003)**	**$ 17,817**
Net income	—	—	153	—	153
Other comprehensive income	—	—	—	1,211	1,211
Balance, March 31, 2025	**$ 2,901**	**$ 11,037**	**$ 23,035**	**$ (17,792)**	**$ 19,181**

See accompanying notes to unaudited consolidated financial statements.

GLEN BURNIE BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)
(unaudited)

	Three Months Ended March 31,	
	2025	2024
Cash flows from operating activities:		
Net income	$ 153	$ 3
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization of premises and equipment	(247)	104
Amortization, and accretion of investment securities available for sale	29	43
(Release of) provision for credit losses	(146)	169
Increase in cash surrender value of bank owned life insurance	(43)	(43)
Decrease in ground rents	5	3
Decrease (increase) in accrued interest receivable	102	(89)
Net decrease (increase) in other assets	130	(208)
Net (decrease) increase in accrued expenses and other liabilities	(394)	137
Net cash (used in) provided by operating activities	(411)	119
Cash flows from investing activities:		
Redemptions and maturities of investment securities available for sale	2,967	9,357
Net sale of Federal Home Loan Bank stock	470	971
Net increase in loans	(2,177)	(1,933)
Disposals (purchases) of premises and equipment	295	(34)
Net cash provided by investing activities	1,555	8,361
Cash flows from financing activities:		
Net increase in deposits	8,068	9,165
(Decrease) increase in short term borrowings	(10,000)	10,000
Cash dividends paid	—	(287)
Common stock dividends reinvested	—	29
Net cash (used in) provided by financing activities	(1,932)	18,907
Net (decrease) increase in cash and cash equivalents	(788)	27,387
Cash and cash equivalents at beginning of period	24,464	15,241
Cash and cash equivalents at end of period	$ 23,676	$ 42,628
Supplemental Disclosures of Cash Flow Information:		
Interest paid on deposits and borrowings	$ 1,129	$ 885
Net income taxes paid	—	—
Net decrease (increase) in unrealized depreciation on available for sale securities	1,671	(1,299)

See accompanying notes to unaudited consolidated financial statements.

GLEN BURNIE BANCORP AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATIONAL

Nature of Business

Glen Burnie Bancorp (the "Company") is a bank holding company organized in 1990 under the laws of the State of Maryland. The Company owns all the outstanding shares of capital stock of The Bank of Glen Burnie (the "Bank"), a commercial bank organized in 1949 under the laws of the State of Maryland (the "State"). The Bank provides financial services to individuals and corporate customers located in Anne Arundel County and surrounding areas of Central Maryland and is subject to competition from other financial institutions. The Bank is also subject to the regulations of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

NOTE 2 – BASIS OF PRESENTATION

In management's opinion, the accompanying unaudited consolidated financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim period reporting, reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the financial position at March 31, 2025 and December 31, 2024, the results of operations for the three-month periods ended March 31, 2025 and 2024, and the statements of cash flows for the three-month periods ended March 31, 2025 and 2024. The operating results for the three-month periods ended March 31, 2025, are not necessarily indicative of the results that may be expected for the full year ended December 31, 2025, or any future interim period. The consolidated balance sheet at December 31, 2024 has been derived from the audited financial statements included in the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission (the "SEC") on April 8, 2025. The unaudited consolidated financial statements for March 31, 2025 and 2024, the consolidated balance sheet at December 31, 2024, and accompanying notes should be read in conjunction with the Company's audited consolidated financial statements and the accompanying notes thereto that are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2024.

Summary of Significant Accounting Policies

The significant accounting policies used in preparation of the Company's consolidated financial statements are disclosed in its Annual Report on Form 10-K for the year ended December 31, 2024. There have not been any significant changes in the Company's significant accounting policies.

Allowance for Credit Losses – Loans Receivable

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

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

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

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

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

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

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

Allowance for Credit Losses – Held-to-Maturity Debt Securities

For held-to-maturity ("HTM") debt securities, the Company is required to utilize a CECL methodology to estimate expected credit losses. The Company does not own any HTM debt securities. Therefore, the Company did not record an allowance for credit losses for these types of securities.

Allowance for Credit Losses – Available for Sale Debt Securities

The impairment model for available for sale ("AFS") debt securities differs from the CECL methodology applied for HTM debt securities because AFS debt securities are measured at fair value rather than amortized cost. Although ASC 326 replaced the legacy other-than-temporary impairment ("OTTI") model with a credit loss model, it retained the fundamental nature of the legacy OTTI model. For AFS debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell, the security before recovery of its amortized cost basis. If either criterion is met, the security's amortized cost basis is written down to fair value through income. For AFS debt securities where neither of the criteria are met, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the credit rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited to the amount that the fair value is less than the amortized cost basis. Any remaining discount that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. Under the new guidance, an entity may no longer consider the length of time fair value has been less than amortized cost. Changes in the allowance for credit losses are recorded as a provision (or release) for credit losses. Losses are charged against the allowance when management believes the collectability of an AFS security is considered below the amortized cost basis of the security. As of December 31, 2024 and March 31, 2025, the Company determined that the unrealized loss positions in AFS securities were not the result of credit losses, and therefore, an allowance for credit losses was not recorded.

Off-Balance-Sheet Credit Exposures

The only material off-balance-sheet credit exposures are unfunded loan commitments, which had a combined balance of $33.7 million on March 31, 2025. The reserve for unfunded commitments is recognized as a liability (accrued expenses and other liabilities in the consolidated statements of financial condition), with adjustments to the reserve recognized through provision for credit losses in the consolidated statements of income. The reserve for unfunded commitments represents the expected lifetime credit losses on off-balance sheet obligations such as commitments to extend credit and standby letters of credit. However, a liability is not recognized for commitments that are unconditionally cancellable by the Company. The reserve for unfunded commitments is determined by estimating future draws, including the effects of risk mitigation actions, and applying the expected loss rates on those draws. Loss rates are estimated by utilizing the same loss rates calculated for the allowance for credit losses related to the respective loan portfolio class.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, The Bank of Glen Burnie. Consolidation resulted in the elimination of all intercompany accounts and transactions.

Cash Flow Presentation

In the statements of cash flows, cash and cash equivalents include cash on hand, amounts due from banks, Federal Home Loan Bank of Atlanta ("FHLB Atlanta") overnight deposits, and federal funds sold. Generally, federal funds are sold for one-day periods.

Reclassifications

Certain items in the fiscal year 2024 consolidated financial statements have been reclassified to conform to the fiscal year 2025 classifications. The reclassifications had no effect on previously reported results of operations or retained earnings.

Use of Estimates

The preparation of financial statements 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 materially from those estimates. Material estimates that are particularly susceptible to significant change in the near term include the determination of the ACL; the fair value of financial instruments, such as loans and investment securities; benefit plan obligations and expenses; and the valuation of deferred tax assets and liabilities.

NOTE 3 – EARNINGS PER SHARE

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

	Three Months Ended March 31,	
	2025	**2024**
Basic and diluted earnings per share:		
Net income	$ 152,971	$ 3,158
Weighted average common shares outstanding	2,900,681	2,885,552
Basic and dilutive net income per share	$ 0.05	$ 0.00

Diluted earnings per share calculations were not required for the three-month periods ended March 31, 2025 and 2024, as there were no stock options outstanding.

NOTE 4 – INVESTMENT SECURITIES

Investment securities are accounted for according to their purpose and holding period. Trading securities are those that are bought and held principally for the purpose of selling them in the near term. The Company held no trading securities at March 31, 2025 or December 31, 2024. Available for sale investment securities, comprised of debt and mortgage-backed securities, are those that may be sold before maturity due to changes in the Company's interest rate risk profile or funding needs, and are reported at fair value with unrealized gains and losses, net of taxes, reported as a component of other comprehensive income. Held-to-maturity investment securities are those that management has the positive intent and ability to hold to maturity and are reported at amortized cost. The Company had no held-to-maturity securities at March 31, 2025 or December 31, 2024.

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

The following table summarizes the amortized cost and estimated fair value of the Company's investment securities portfolio at March 31, 2025 and December 31, 2024:

	At March 31, 2025			
(dollars in thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Collateralized mortgage obligations	$ 14,147	$ 15	$ (2,210)	$ 11,952
Agency mortgage-backed securities	42,587	—	(4,856)	37,731
Municipal securities	41,586	4	(10,309)	31,281
U.S. Government agency securities	31,349	—	(7,031)	24,318
Corporate Securities	1,500	—	(159)	1,341
Total securities available for sale	$ 131,169	$ 19	$ (24,565)	$ 106,623

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

The gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2025 and December 31, 2024 are as follows:

March 31, 2025	Less than 12 months		12 months or more		Total	
Securities available for sale:	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
			(dollars in thousands)			
Collateralized mortgage obligations	$ 114	$ —	$ 9,431	$ (2,210)	$ 9,545	$ (2,210)
Agency mortgage-backed securities	56	—	37,674	(4,856)	37,730	(4,856)
Municipal securities	1,549	(31)	29,173	(10,278)	30,722	(10,309)
U.S. Government agency securities		—	24,318	(7,031)	24,318	(7,031)
Corporate Securities	—	—	1,341	(159)	1,341	(159)
	$ 1,719	$ (31)	$ 101,937	$ (24,534)	$ 103,656	$ (24,565)

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

The Company does not believe that the available for sale debt securities that were in an unrealized loss position have any credit loss impairment as of March 31, 2025. As of March 31, 2025, the Company did not intend to sell the investment securities that were in an unrealized loss position. It is more likely than not that the Company will not be required to sell the investment securities before recovery of their amortized cost basis, which may be at maturity. Available for sale debt securities issued by U.S. government agencies or U.S. government sponsored enterprises carry the explicit and/or implicit guarantee of the U.S. government and have a long history of zero credit loss. Municipal bonds are considered to have issuer(s) of high credit quality (rated A or higher) and the decline in fair value is due to changes in interest rates and other market conditions. Corporate securities are non-rated investments that are booked as a debt security where rating agencies do not provide a rating. The absence of a rating does not imply substandard quality. Non-rated corporate securities may be purchased from issuers operating in and around the Company’s operating footprint. The issuer(s) continues to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bond(s) approach maturity.

At March 31, 2025, the Company recorded unrealized losses in its portfolio of debt securities totaling $24.6 million related to 226 securities, which resulted from decreases in market value, spread volatility, and other factors that management deems to be temporary. Management does not believe the securities are impaired due to reasons of credit quality. Since management believes that it is more likely than not that the Company will not be required to sell these securities prior to maturity or a full recovery of the amortized cost, the Company does not consider these securities to have a credit loss impairment.

At December 31, 2024, the Company recorded unrealized losses in its portfolio of debt securities totaling $26.2 million related to 230 securities, which resulted from decreases in market interest rates, spread volatility, and other factors that management deems to be temporary. Management does not believe the securities are impaired due to reasons of credit quality. Since management believes that it is more likely than not that the Company will not be required to sell these securities prior to maturity or a full recovery of the amortized cost, the Company does not consider these securities to have a credit loss impairment.

Shown below are contractual maturities of debt securities at March 31, 2025. Actual maturities may differ from contractual maturities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

	Mortgage Backed		Municipals		U.S. Government Agencies		Corporates	
(dollars in thousands)	**Amortized Cost**	**Weighted Average Yield**	**Amortized Cost**	**Weighted Average Yield**	**Amortized Cost**	**Weighted Average Yield**	**Amortized Cost**	**Weighted Average Yield**
Due within one year	$ 315	5.15 %	$ —	— %	$ —	— %	$ —	— %
Due over one to five years	1,326	2.21	236	1.06	3,758	1.30	—	—
Due over five to ten years	14,984	2.05	5,689	3.11	10,197	1.75	1,500	3.75
Due over ten years	40,109	2.45	35,661	2.56	17,394	1.86	—	—
Total securities available for sale	$ 56,734	2.35 %	$ 41,586	2.63 %	$ 31,349	1.76 %	$ 1,500	3.75 %

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

NOTE 5 – LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

The fundamental lending business of the Company is based on understanding, measuring, and controlling the credit risk inherent in the loan portfolio. The Company's loan portfolio is subject to varying degrees of credit risk. These risks entail both general risks, which are inherent in the lending process, and risks specific to individual borrowers. The Company's credit risk is mitigated through portfolio diversification, which limits exposure to any single customer, industry, or collateral type.

The Company currently manages its credit products and the respective exposure to credit losses by specific portfolio segments and classes, which are levels at which the Company develops and documents its systematic methodology to determine the allowance for credit losses. The Company believes each portfolio segment has unique risk characteristics. The Company's loans held for investment is divided into three portfolio segments: loans secured by real estate, commercial and industrial loans, and consumer loans. Each of these segments is further divided into loan classes for the purpose of estimating the allowance for credit losses.

The following table is a summary of loans receivable by loan portfolio segment and class.

	March 31, 2025		December 31, 2024	
(dollars in thousands)	**Amount**	**%**	**Amount**	**%**
Loans Secured by Real Estate				
Construction and land	$ 4,941	2	$ 8,882	4
Farmland	313	—	315	—
Single-family residential	104,024	50	98,993	49
Multi-family	4,983	2	5,022	2
Commercial	47,238	23	48,726	24
Total loans secured by real estate	161,499		161,938	
Commercial and Industrial				
Commercial and industrial	18,155	9	16,705	8
SBA guaranty	5,615	3	5,691	3
Total commercial and industrial loans	23,770		22,396	
Consumer Loans				
Consumer	2,370	1	2,880	1
Automobile	19,754	10	18,005	9
Total consumer loans	22,124		20,885	
Loans, net of deferred fees and costs	207,393	100	205,219	100
Less: Allowance for credit losses	(2,689)		(2,839)	
Loans, net	$ 204,704		$ 202,380	

The Bank's net loans totaled $204.7 million on March 31, 2025, compared to $202.4 million on December 31, 2024, an increase of $2.3 million, or 1.1%. Construction and land loans decreased from $8.9 million on December 31, 2024, to $4.9 million on March 31, 2025, a decrease of $3.9 million, or 44.4%. Farmland loans were $0.3 million at March 31, 2025 and December 31, 2024. Single-family residential loans increased from $99.0 million on December 31, 2024, to $104.0 million on March 31, 2025, an increase of $5.0 million, or 5.1%. Multi-family residential loans were $5.0 million on March 31, 2025, and on December 31, 2024. Commercial real estate loans decreased $1.5 million, or 3.1%, to $47.2 million at March 31, 2025, compared to $48.7 million on December 31, 2024. Commercial and industrial loans increased by $1.5 million, or 8.7%, to $18.2 million on March 31, 2025, compared to $16.7 million on December 31, 2024. SBA guaranty loans were $5.6 million on March 31, 2025 and $5.7 million on December 31, 2024, a decrease of $0.1 million or 1.3%. Consumer loans decreased by $0.5 million, or 17.7% to $2.4 million on March 31, 2025, compared to $2.9 million on December 31, 2024. Automobile loans increased from $18.0 million on December 31, 2024, to $19.8 million on March 31, 2025, an increase of $1.7 million or 9.7%.

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

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

Transactions in the allowance for credit losses for the three months ended March 31, 2025 and the year ended December 31, 2024 were as follows:

	Loans Secured By Real Estate					Commercial and Industrial Loans		Consumer Loans		
March 31, 2025 (dollars in thousands)	**Construction and Land**	**Farmland**	**Single-family Residential**	**Multi-family**	**Commercial**	**Commercial and Industrial**	**SBA Guaranty**	**Consumer**	**Automobile**	**Total**
Balance, beginning of year	$ 40	$ 16	$ 1,529	$ 224	$ 507	$ 272	$ 38	$ 45	$ 168	$ 2,839
Charge-offs	—	—	—	—	—	—	—	—	(42)	(42)
Recoveries	—	—	—	—	—	—	—	—	38	38
(Release) provision for credit losses	(27)	(1)	(49)	1	(128)	63	(7)	(14)	16	(146)
Balance, end of quarter	$ 13	$ 15	$ 1,480	$ 225	$ 379	$ 335	$ 31	$ 31	$ 180	$ 2,689
Individually evaluated for impairment:										
Balance in allowance	$ —	$ —	$ 18	$ —	$ —	$ —	$ —	$ —	$ —	$ 18
Related loan balance	—	—	25	—	—	123	—	—	—	148
Collectively evaluated for impairment:										
Balance in allowance	$ 13	$ 15	$ 1,462	$ 225	$ 379	$ 335	$ 31	$ 31	$ 180	$ 2,671
Related loan balance	4,941	313	103,999	4,983	47,238	18,032	5,615	2,370	19,754	207,245

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

(dollars in thousands)	March 31, 2025	March 31, 2024
Average loans	$ 205,868	$ 175,914
Net charge offs to average loans (annualized)	0.01 %	0.66 %

During the three-month period ended March 31, 2025, loans to 4 borrowers and related entities totaling approximately $42,000 were determined to be uncollectible and were charged off.

The following table provides current period gross charge-offs by the year of origination for each period shown:

March 31, 2025 (dollars in thousands)	Gross Charge-offs — Term Loans by Origination Year: 2025	2024	2023	2022	2021	Prior	Revolving Loans	Total
Consumer Loans								
Consumer	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Automobile	—	—	—	24	6	12	—	42
Total Consumer	—	—	—	24	6	12	—	42
Total gross charge-offs this period	**$ —**	**$ —**	**$ —**	**$ 24**	**$ 6**	**$ 12**	**$ —**	**$ 42**

December 31, 2024 (dollars in thousands)	Gross Charge-offs — Term Loans by Origination Year: 2024	2023	2022	2021	2020	Prior	Revolving Loans	Total
Commercial and Industrial Loans								
Commercial and industrial	$ —	$ —	$ —	$ 299	$ —	$ —	$ —	$ 299
Consumer Loans								
Consumer	$ —	$ —	$ 13	$ —	$ —	$ 5	$ —	$ 18
Automobile	—	—	—	—	51	16	—	67
Total Consumer	—	—	13	0	51	21	—	85
Total gross charge-offs this period	$ —	$ —	$ 13	$ 299	$ 51	$ 21	$ —	$ 384

Reserve for Unfunded Commitments. Loan commitments and unused lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. The Bank generally requires collateral to support financial instruments with credit risk on the same basis as it does for on-balance sheet instruments.

The collateral requirement is based on management's credit evaluation of the counter party. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis.

Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

As of March 31, 2025, the Bank had outstanding commitments totaling $33.7 million, or $900,000 less than the $34.6 million outstanding one year ago. The reserve for unfunded commitments represents the expected lifetime credit losses on off-balance sheet obligations such as commitments to extend credit and standby letters of credit. However, a liability is not recognized for commitments that are unconditionally cancellable by the Company. The allowance for credit losses on unfunded commitments is determined by estimating future draws, including the effects of risk mitigation actions, and applying the expected loss rates on those draws. Loss rates are estimated by utilizing the same loss rates calculated for the allowance for credit losses related to the respective loan portfolio class. The decrease for the three-month period ended March 31, 2025, when compared to the three-month period ended March 31, 2024, primarily reflects changes in the data, assumptions and processes between periods.

The following table shows the Bank’s reserve for unfunded commitments arising from these transactions:

	Three Months Ended March 31,	
(dollars in thousands)	**2025**	**2024**
Beginning balance	$ 584	$ 473
Reduction of unfunded reserve	(474)	(15)
Provisions charged to operations	—	39
Ending balance	$ 110	$ 497

Contractual Obligations and Commitments. No material changes, outside the normal course of business, have been made during the first three months of 2025.

Asset Quality. The following tables set forth the amount of the Bank's current, past due, and non-accrual loans by categories of loans and restructured loans, at the dates indicated.

At March 31, 2025 (dollars in thousands)	Current	30-89 Days Past Due	90 Days or More and Still Accruing	Nonaccrual	Total
Loans Secured by Real Estate					
Construction and land	$ 4,941	$ —	$ —	$ —	$ 4,941
Farmland	313	—	—	—	313
Single-family residential	102,918	216	—	890	104,024
Multi-family	4,983	—	—	—	4,983
Commercial	47,116	—	—	122	47,238
Total loans secured by real estate	160,271	216	—	1,012	161,499
Commercial and Industrial					
Commercial and industrial	18,155	—	—	—	18,155
SBA guaranty	5,147	468	—	—	5,615
Total commercial and industrial loans	23,302	468	—	—	23,770
Consumer Loans					
Consumer	2,370	—	—	—	2,370
Automobile	19,301	330	—	123	19,754
Total consumer loans	21,671	330	—	123	22,124
	$ 205,244	$ 1,014	$ —	$ 1,135	$ 207,393

At December 31, 2024 (dollars in thousands)	Current	30-89 Days Past Due	90 Days or More and Still Accruing	Nonaccrual	Total
Loans Secured by Real Estate					
Construction and land	$ 8,882	$ —	$ —	$ —	$ 8,882
Farmland	315	—	—	—	315
Single-family residential	97,742	1,102	—	149	98,993
Multi-family	5,022	—	—	—	5,022
Commercial	48,602	—	—	124	48,726
Total loans secured by real estate	160,563	1,102	—	273	161,938
Commercial and Industrial					
Commercial and industrial	16,233	472	—	—	16,705
SBA guaranty	5,691	—	—	—	5,691
Total commercial and industrial loans	21,924	472	—	—	22,396
Consumer Loans					
Consumer	2,879	1	—	—	2,880
Automobile	17,613	305	—	87	18,005
Total consumer loans	20,492	306	—	87	20,885
	$ 202,979	$ 1,880	$ —	$ 360	$ 205,219

The balances in the above tables have not been reduced by the allowance for credit losses. For the period ended March 31, 2025, the allowance for credit loss is $2.7 million. For the period ended December 31, 2024, the allowance for credit loss is $2.8 million.

Non-accrual loans with specific reserves at March 31, 2025 are comprised of:

<u>Single–family residential</u> – One loan to one borrower that totaled $25,000 with specific reserves of $18,000 established for the loan. This was a restructured loan to a borrower with financial difficulty.

Below is a summary of the recorded investment amount and related allowance for losses of the Bank's impaired loans at March 31, 2025 and December 31, 2024.

March 31, 2025 (dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Interest Income Recognized	Specific Reserve	Average Recorded Investment
Impaired loans with specific reserves:					
Loans Secured by Real Estate					
Construction and land	$ —	$ —	$ —	$ —	$ —
Farmland	—	—	—	—	—
Single-family residential	7	25	1	18	48
Multi-family	—	—	—	—	—
Commercial	—	—	—	—	—
Total loans secured by real estate	7	25	1	18	48
Commercial and Industrial					
Commercial and industrial	—	—	—	—	—
SBA guaranty	—	—	—	—	—
Total commercial and industrial loans	—	—	—	—	—
Consumer Loans					
Consumer	—	—	—	—	—
Automobile	—	—	—	—	—
Total consumer loans	—	—	—	—	—
Total impaired loans with specific reserves	**$ 7**	**$ 25**	**$ 1**	**$ 18**	**$ 48**
Impaired loans with no specific reserve:					
Loans Secured by Real Estate					
Construction and land	$ —	$ —	$ —	$ n/a	$ —
Farmland	—	—	—	n/a	—
Single-family residential	865	865	1	n/a	886
Multi-family	—	—	—	n/a	—
Commercial	881	881	2	n/a	896
Total loans secured by real estate	1,746	1,746	3	—	1,782
Commercial and Industrial					
Commercial and industrial	—	—	—	n/a	—
SBA guaranty	—	—	—	n/a	—
Total commercial and industrial loans	—	—	—	—	—
Consumer Loans					
Consumer	—	—	—	n/a	—
Automobile	136	136	1	n/a	136
Total consumer loans	136	136	1	n/a	136
Total impaired loans with no specific reserve	**$ 1,882**	**$ 1,882**	**$ 4**	**$ —**	**$ 1,918**

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

(dollars in thousands)		March 31, 2025		December 31, 2024
Restructured loans to borrowers with financial difficulty	$	25	$	26
Non-accrual and 90+ days past due and still accruing loans to average loans		0.55 %		0.19 %
Allowance for credit losses to nonaccrual & 90+ days past due and still accruing loans		236.9 %		789.1 %

At March 31, 2025, there was one restructured loan to a borrower with financial difficulty consisting of a single-family residential loan in the amount of $25,000. This loan is in a nonaccrual status.

The following table shows the activity for non-accrual loans for the three months ended March 31, 2025 and 2024.

(dollars in thousands)	Loans Secured By Real Estate: Single-family Residential	Loans Secured By Real Estate: Commercial	Commercial and Industrial Loans: Commercial and Industrial	Commercial and Industrial Loans: SBA Guaranty	Consumer Loans: Consumer	Consumer Loans: Automobile	Total
December 31, 2023	$ **145**	$ **—**	$ **299**	$ **—**	$ **—**	$ **83**	$ **527**
Transfers into nonaccrual	—	141	—	—	—	17	158
Loans paid down/payoffs	(6)	—	—	—	—	(7)	(13)
Loans returned to accrual status	—	—	—	—	—	—	—
Loans charged off	—	—	(299)	—	—	(2)	(301)
March 31, 2024	$ **139**	$ **141**	$ **—**	$ **—**	$ **—**	$ **91**	$ **371**
December 31, 2024	$ **149**	$ **124**	$ **—**	$ **—**	$ **—**	$ **87**	$ **360**
Transfers into nonaccrual	744	—	—	—	—	84	828
Loans paid down/payoffs	(3)	(2)	—	—	—	(6)	(11)
Loans returned to accrual status	—	—	—	—	—	—	—
Loans charged off	—	—	—	—	—	(42)	(42)
March 31, 2025	$ **890**	$ **122**	$ **—**	$ **—**	$ **—**	$ **123**	$ **1,135**

Other Real Estate Owned. The Company had no real estate acquired in partial or total satisfaction of debt at March 31, 2025 and December 31, 2024. All such properties are initially recorded at a lower of cost or fair value (net realizable value) at the date acquired and carried on the balance sheet as other real estate owned. Losses arising at the date of acquisition are charged against the allowance for credit losses. Subsequent write-downs that may be required and the expense of operation are included in noninterest expense. Gains and losses realized from the sale of other real estate owned were included in noninterest income.

Credit Quality Information

In addition to monitoring the performance status of the loan portfolio, the Company utilizes a risk rating scale (1-8) to evaluate loan asset quality for all loans. Loans that are rated 1-4 are classified as pass credits. For the pass-rated loans, management believes there is a low risk of loss related to these loans and, as necessary, credit may be strengthened through improved borrower performance and/or additional collateral.

The Bank’s internal risk ratings are as follows:

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

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

6 (Substandard) - Substandard credits are inadequately protected by the current worth and paying capacity of the obligor or by the collateral pledged. Financial statements normally reveal some or all of the following: poor trends, lack of earnings and cash flow, excessive debt, lack of liquidity, and the absence of creditor protection. Credits so classified must have a well-defined weakness, or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

7 (Doubtful) - A doubtful credit has all the weaknesses inherent in a substandard asset with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions,

and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors that may work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens on additional collateral, and refinancing plans. Doubtful classification for an entire credit should be avoided when collection of a specific portion appears highly probable with the adequately secured portion graded Substandard.

The following tables provides information with respect to the Company's credit quality indicators by loan portfolio segment on March 31, 2025, and December 31, 2024:

March 31, 2025 (dollars in thousands)	Loans Secured By Real Estate: Construction and Land	Farmland	Single-family Residential	Multi-family	Commercial	Commercial and Industrial Loans: Commercial and Industrial	SBA Guaranty	Consumer Loans: Consumer	Automobile	Total
Pass	$ 4,941	$ 313	$ 103,134	$ 4,983	$ 46,357	$ 18,155	$ 5,615	$ 2,370	$ 19,618	$ 205,486
Special mention	—	—	—	—	—	—	—	—	—	—
Substandard	—	—	890	—	881	—	—	—	136	1,907
Doubtful	—	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—	—
	$ 4,941	$ 313	$ 104,024	$ 4,983	$ 47,238	$ 18,155	$ 5,615	$ 2,370	$ 19,754	$ 207,393
Nonaccrual	$ —	$ —	$ 890	$ —	$ 122	$ —	$ —	$ —	$ 123	$ 1,135
Restructured loans to borrowers with financial difficulty	$ —	$ —	$ 25	$ —	$ —	$ —	$ —	$ —	$ —	$ 25
Number restructured loans to borrowers with financial difficulty	—	—	1	—	—	—	—	—	—	1
Non-performing restructured loans to borrowers with financial difficulty	$ —	$ —	$ 25	$ —	$ —	$ —	$ —	$ —	$ —	$ 25
Number of non-performing restructured loan accounts	—	—	1	—	—	—	—	—	—	1

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

NOTE 6 – FAIR VALUE

ASC Topic 820 provides a framework for measuring and disclosing fair value under GAAP. ASC 820 requires disclosures about the fair value of assets and liabilities recognized in the balance sheet in periods subsequent to initial recognition, whether the measurements are made on a recurring basis (for example, available for sale investment securities) or a nonrecurring basis (for example, impaired loans).

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

The Fair Value Hierarchy

ASC 820-10 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. In accordance with ASC 820-10, these inputs are summarized in the three broad levels listed below:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

- Level 2 – Other significant observable inputs (including quoted prices in active markets for similar securities).

- Level 3 – Significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments).

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value:

Investment Securities Available for Sale. Investment securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange such as the New York Stock Exchange, Treasury securities that are traded by dealers or brokers in active over-the-counter markets, and money market funds. Level 2 securities include mortgage-backed securities issued by government sponsored entities, municipal bonds and corporate debt securities. Securities classified as Level 3 include asset-backed securities in illiquid markets.

The Bank may be required, from time to time, to measure certain other financial and non-financial assets and liabilities at fair value on a non-recurring basis in accordance with GAAP.

Loans. Impaired loans totaled $1.9 million with $18,000 of specific reserves as of March 31, 2025. These assets included single-family residential, commercial and industrial, and automobile loans. They have been classified as impaired and include nonaccrual, past due 90 days or more and still accruing, and a homogeneous pool of indirect loans all considered to be impaired loans, which are valued under Level 3 inputs. Foreclosed real estate assets are primarily valued on a nonrecurring basis at the fair values of the underlying real estate collateral. The Company is predominantly a cash flow lender with real estate serving as collateral on a majority of loans. On a quarterly basis, the Company determines such fair values through a variety of data points and mostly relies on appraisals from independent appraisers. We obtain an appraisal of properties when they become impaired and conduct new appraisals at least every year. Typically, these appraisals do not include an inside inspection of the property as our loan documents do not require the borrower to allow access to the property. Therefore, the most significant unobservable inputs are the details of the amenities included within the property and the condition of the property. Further, we cannot always accurately assess the amount of time it takes to gain ownership of our collateral through the foreclosure process and the damage, as well as potential looting, of the property further decreasing our value. Thus, in determining the fair values we discount the current independent appraisals, within a range of 0% to 16%, based on individual circumstances.

The changes in the assets subject to fair value measurements are summarized below by level:

(dollars in thousands)	Level 1	Level 2	Level 3	Fair Value
March 31, 2025				
Recurring:				
Securities available for sale				
State and municipal	$ 10,995	$ 20,286	$ —	$ 31,281
Mortgage-backed	3,114	70,887	—	74,001
Corporate	—	1,341	—	1,341
Non-recurring:				
Impaired loans	—	—	1,889	1,889
	$ 14,109	$ 92,514	$ 1,889	$ 108,512
December 31, 2024				
Recurring:				
Securities available for sale				
State and municipal	$ 11,182	$ 21,229	$ —	$ 32,411
Mortgage-backed	3,006	71,191	—	74,197
Corporate	—	1,341	—	1,341
Non-recurring:				
Impaired loans	—	—	994	994
	$ 14,188	$ 93,761	$ 994	$ 108,943

The estimated fair values of the Company's financial instruments at March 31, 2025 and December 31, 2024 are summarized in the following table. The fair values of a significant portion of these financial instruments are estimates derived using present value techniques and may not be indicative of the net realizable or liquidation values. Also, the calculation of estimated fair values is based on market conditions at a specific point in time and may not reflect current or future fair values.

(dollars in thousands)	March 31, 2025		December 31, 2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and due from banks	$ 1,792	$ 1,792	$ 2,012	$ 2,012
Interest-bearing deposits in other financial institutions	21,884	21,884	22,134	22,134
Federal funds sold	—	—	318	318
Investment securities available for sale	106,623	106,623	107,949	107,949
Investments in restricted stock	1,201	1,201	1,671	1,671
Ground rents	118	118	123	123
Loans, less allowance for credit losses	204,704	195,184	202,380	191,685
Accrued interest receivable	1,243	1,243	1,345	1,345
Cash value of life insurance	8,877	8,877	8,834	8,834
Financial liabilities:				
Deposits	317,257	270,438	309,189	260,368
Short-term borrowings	20,000	20,002	30,000	30,053
Accrued interest payable	90	90	153	153
Unrecognized financial instruments:				
Commitments to extend credit	33,449	33,449	31,332	31,332
Standby letters of credit	255	255	255	255

The following table presents the carrying amount, fair value, and placement in the fair value hierarchy of the Company's financial instruments that were estimated using an exit pricing notion.

(dollars in thousands) March 31, 2025	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial instruments - Assets					
Cash and cash equivalents	$ 23,676	$ 23,676	$ 23,676	$ —	$ —
Loans receivable, net	204,704	195,184	—	—	195,184
Cash value of life insurance	8,877	8,877	—	8,877	—
Financial instruments - Liabilities					
Deposits	317,257	270,438	24,263	246,175	—
Short-term debt	20,000	20,002	—	20,002	—

Fair values are based on quoted market prices for similar instruments or estimated using discounted cash flows. The discounts used are estimated using comparable market rates for similar types of instruments adjusted to be commensurate with the credit risk, overhead costs, and optionality of such instruments.

The fair value of cash and due from banks, federal funds sold, investments in restricted stocks and accrued interest receivable are equal to the carrying amounts. The fair values of investment securities are determined using market quotations, if available, or measured using pricing models or other model-based valuation techniques such as present value and future value cash flows. The fair value of loans receivable is estimated using discounted cash flow analysis. For cash surrender value of life insurance, the carrying value is a reasonable estimate of fair value. The cash surrender value of life insurance is reported in the Level 2 fair value category. The fair value of FHLB borrowings is estimated based upon discounted future cash flows using a discounted rate comparable to the current market rate for such borrowings. FHLB borrowings are reported in the Level 2 fair value category.

The fair value of noninterest-bearing deposits, interest-bearing checking, savings, and money market deposit accounts, securities sold under agreements to repurchase, and accrued interest payable are equal to the carrying amounts. The fair value of fixed-maturity time deposits is estimated using discounted cash flow analysis.

NOTE 7 – RECENT ACCOUNTING PRONOUNCEMENTS

New accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") with required effective dates. The following accounting pronouncements should be read in conjunction with "Critical Accounting Policies" of Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's 2024 Form 10-K.

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

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

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

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

ASU No. 2024-03. “Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40).” This standard is to be applied to annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027 (as amended by ASU 2025-01). This update requires additional detailed information be disclosed—on an annual and interim basis—about purchase of inventory, employee compensation, depreciation and intangible assets amortization expenses included in each relevant expense caption. Disclosure of the total amount of selling expenses on an interim and annual basis would be required, including definition of selling expenses in annual reporting periods. We do not expect adoption of this standard to have a material impact on the Company’s financial position or results of operations.

NOTE 8 – SUBSEQUENT EVENTS

On March 12, 2025, The Bank of Glen Burnie (the "Bank"), a wholly-owned banking subsidiary of Glen Burnie Bancorp (the "Company"), offered an early retirement incentive (the "Early Retirement Package") to all Bank employees who were at least 65 years of age at December 31, 2024, had at least ten years of service at the Bank, and indicated an interest in receiving an early retirement offer. Under the terms of the Early Retirement Package, the employee would receive an amount equal to two weeks of salary for every year of service plus two months of salary.

Eight employees accepted the Early Retirement Package offered to them. As a result, the Company expects to incur one-time salary expenses totaling approximately $292,675 during the Company's fiscal quarter ending June 30, 2025. The annual salary and benefit expense for the employees who accepted the Early Retirement Package total approximately $565,943. While the Bank expects to replace two of the eight positions at a later date, the Company expects that the net savings to the Company based on current salary levels will be approximately $380,000 annually.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

When used in this discussion and elsewhere in this Form 10-Q, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The Company cautions readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made, and readers are advised that various factors could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from those anticipated or projected. While it is impossible to identify all such factors, such factors include, but are not limited to, those factors identified in the Company's periodic reports filed with the Securities and Exchange Commission, including its most recent Annual Report on Form 10-K.

The Company does not undertake and specifically disclaims any obligation to update any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

OVERVIEW

Glen Burnie Bancorp, a Maryland corporation (the "Company"), through its subsidiary, The Bank of Glen Burnie, a Maryland banking corporation (the "Bank"), operates a commercial bank with seven offices in Anne Arundel County Maryland. The Company reported net income of $153,000 for the three-month period ended March 31, 2025 compared to net income of $3,000 for the same period in 2024. The increase is primarily the result of a $315,000 decrease in the provision of credit loss allowance and $498,000 decrease in the provision for losses on unfunded commitments included in other noninterest expenses, partially offset by a $209,000 increase in salary and employee benefits costs, a $129,000 increase in legal, accounting and other professional fees, and a $203,000 decrease in income tax benefit.

Total assets decreased to $358.0 million on March 31, 2025, a decrease of $1.0 million from December 31, 2024. Cash and cash equivalents decreased by $788,000 million or 3.2%, during the first three months of 2025. The Bank's loan portfolio increased by $2.2 million or 1.1% and investment securities available for sale declined by $1.3 million or 1.2% over the same period. The Company's allowance for credit losses was $2.69 million as of March 31, 2025, compared to $2.84 million at December 31, 2024, a decrease of $150,000 or 5.3%. Total deposits increased $8.1 million, or 2.6%, during the first three months of 2025 and short-term borrowings decreased by $10.0 million to $20.0 million on March 31, 2025 from $30.0 million at year end 2024. Shareholder's equity was $19.2 million on March 31, 2025, a $1.4 million or 7.7% increase, as compared to $17.8 million on December 31, 2024. The increase was primarily due to unrealized losses, net of taxes, on securities available for sale amounting to $17.8 million on March 31, 2025, compared to $19.0 million at December 31, 2024. The Company has strong liquidity and capital positions that provide ample capacity for future growth. The Bank's total regulatory capital to risk weighted assets was 16.60% on March 31, 2025, as compared to 16.40% on December 31, 2024.

Return on average assets for the three-month period ended March 31, 2025, was 0.17% compared to 0% for the three-month period ended March 31, 2024. Return on average equity for the three-month period ended March 31, 2025, was 3.22% compared to 0.06% for the three-month period ended March 31, 2024. Release of provision for credit allowance on loans and unfunded commitments primarily drove the higher return on average assets and average equity.

The book value per share of Bancorp's common stock was $6.61 on March 31, 2025, as compared to $6.14 per share on December 31, 2024. The increase primarily resulted from the lower unrealized losses on the Company's available for sale securities of $17.8 million at March 31, 2025 compared to $19.0 million at December 31, 2024.

At March 31, 2025, the Bank remained above all "well-capitalized" regulatory requirement levels. The Bank's tier 1 risk-based capital ratio was 15.42% at March 31, 2025, compared to 15.15% at December 31, 2024.

Our liquidity position remained strong due to managed cash and cash equivalents, borrowing lines with the Federal Reserve Bank, the FHLB of Atlanta and correspondent banks, and the size and composition of the bond portfolio.

RESULTS OF OPERATIONS

Net income attributable to common stockholders for the three-month period ended March 31, 2025, was $153,000, or $0.05 per basic and diluted common share compared to net income of $3,000, or $0.00 per basic and diluted common share for the same period of 2024. The results for the three-month period ended March 31, 2025, were higher than the same period of 2024 primarily due to a $315,000 decrease in the provision of credit loss allowance and $498,000 decrease in the provision for losses on unfunded commitments included in other noninterest expenses, partially offset by a $209,000 increase in salary and employee benefits costs, a $129,000 increase in legal, accounting and other professional fees, and a $203,000 decrease in income tax benefit.

Net Interest Income. The Company's net interest income for the three-month period ended March 31, 2025 was $2.56 million, as compared to $2.57 million for the same period in 2024, a decrease of $8,000, or 0.3%. The $8,000 decrease in net interest income was primarily due to the $439,000 increase in interest expense related to higher balances on money market deposits, $193,000 lower interest and dividends on securities due to principal paydowns, and $77,000 lower interest on deposits with banks due to lower cash balances, offset by $494,000 higher interest income on loans due to higher yields and balances, and $206,000 lower interest on short term borrowings due to lower borrowing balances.

Total interest income for the first quarter of 2025 increased $224,000, or 6.6% when compared to the same period in 2024, from $3.4 million in 2024 to $3.6 million in 2025. The primary driver of the increase was a $494,000, or 22.3%, increase in interest and fees on loans due to higher rates and higher average balance of total loans, partially offset by a $193,000, or 20.6%, decrease in interest and dividends on investment securities due to maturities and a decrease in interest on deposits with banks and federal funds due to a lower average balance and lower rates in the first quarter of 2025 compared to the first quarter of 2024.

Interest expense for the first quarter of 2025 increased $233,000 from $833,000 for the same period in 2024 to $1.1 million, an increase of 28.0%. The increase was attributable to higher balances and rates on money market deposits and were partially offset by lower balances and rates on short-term borrowings for the first quarter of 2025.

Net interest margin for the three-month period ended March 31, 2025 was 2.92% as compared to 2.86% for the three-month period ended March 31, 2024, an increase of 0.06%. The increase in the net interest margin is primarily due to increases in the yield on loans, offset by increases in rates on interest-bearing deposits and borrowed funds. Loan yields increased from 5.06% to 5.34% between the two periods while the cost of interest-bearing liabilities increased from 1.51% to 1.89% between the two periods.

The average balance of interest-earning assets decreased $5.8 million while the yield increased 0.35% from 3.78% to 4.13%, when comparing the three-month periods ended March 31, 2025, and 2024, respectively. The average balance of interest-bearing funds increased $7.6 million during these same periods. The average balance of noninterest-bearing funds decreased $12.9 million, and the cost of funds increased 0.31%, when comparing the three-month periods ended March 31, 2025, and 2024.

Average total loan balances increased $30.0 million to $205.9 million for the three-month period ended March 31, 2025, compared to $175.9 million for the same period of 2024, while the yield increased 0.28% from 5.06% to 5.34% during that same period. The increase in loan yields for the first quarter of 2025 reflected the runoff of the lower yielding loans and the origination of higher yielding loans in the current higher rate environment.

The following tables set forth, for the periods indicated, information regarding the average balances of interest-earning assets and interest-bearing liabilities, the amount of interest income and interest expense and the resulting yields on average interest-earning assets and rates paid on average interest-bearing liabilities.

	Three Months Ended March 31,					
	2025			2024		
(dollars in thousands)	Average Balance	Interest	Yield/ Cost	Average Balance	Interest	Yield/ Cost
ASSETS:						
Interest-earning assets:						
Interest-bearing deposits w/ banks & fed funds	$ 16,314	$ 155	3.86 %	$ 21,609	$ 236	4.39 %
Investment securities available for sale	132,805	745	2.24	163,618	938	2.29
Restricted equity securities	1,207	20	6.72	818	16	8.08
Total interest-bearing deposits/investments	150,326	920	2.48	186,045	1,190	2.56
Loans Secured by Real Estate						
Construction and land	6,598	159	9.77	5,285	69	5.23
Farmland	314	4	5.04	323	4	5.06
Single-family residential	101,924	1,148	4.51	86,444	1,015	4.69
Multi-family	4,997	60	4.81	5,143	62	4.86
Commercial	47,807	709	6.02	39,015	586	6.04
Total loans secured by real estate	161,640	2,080	5.22	136,210	1,736	5.13
Commercial and Industrial						
Commercial and industrial	16,734	258	6.25	11,041	139	5.07
SBA guaranty	5,614	107	7.70	5,859	123	8.45
Total commercial and industrial loans	22,348	365	6.62	16,900	262	6.24
Consumer Loans						
Consumer	2,587	6	0.91	2,499	8	1.21
Automobile	19,293	258	5.36	20,305	209	4.12
Total consumer loans	21,880	264	4.90	22,804	217	3.82
Total loans	205,868	2,709	5.34	175,914	2,215	5.06
Total interest-earning assets	356,194	3,629	4.13	361,959	3,405	3.78
Cash	1,827			2,139		
Allowance for credit losses	(2,834)			(2,148)		
Market valuation	(25,121)			(26,365)		
Other assets	23,242			23,292		
Total non-earning assets	(2,886)			(3,082)		
Total assets	$ 353,308			$ 358,877		
LIABILITIES AND STOCKHOLDER'S EQUITY:						
Interest-bearing deposits:						
Interest-bearing checking and savings	$ 99,690	19	0.08 %	$ 119,404	22	0.07 %
Money market	83,486	737	3.58	37,143	306	3.32
Certificates of deposit	25,613	85	1.35	33,146	74	0.89
Total interest-bearing deposits	208,789	841	1.63	189,693	402	0.85
Borrowed Funds:						
Bank Term Funding Program	—	—	—	20,000	271	5.46
FHLB advances	20,215	225	4.50	11,667	160	5.51
Total borrowed funds	20,215	225	4.50	31,667	431	5.48
Total interest-bearing liabilities	229,004	1,066	1.89	221,360	833	1.51
Non-interest-bearing deposits	103,242			116,165		
Total cost of funds	332,246	1,066	1.30	337,525	833	0.99
Other liabilities and accrued expenses	1,805			2,228		
Total liabilities	334,051			339,753		
Stockholder's equity	19,257			19,124		
Total liabilities and equity	$ 353,308			$ 358,877		
Net interest income		$ 2,563			$ 2,572	
Yield on earning assets			4.13 %			3.78 %
Cost of interest-bearing liabilities			1.89 %			1.51 %
Net interest spread			2.24 %			2.27 %
Net interest margin			2.92 %			2.86 %

Provision for Credit Losses on Loans. The Company released $146,000 of credit loss allowance on loans for the three-month period ended March 31, 2025 as compared to a provision of credit loss allowance of $169,000 for the same period in 2024. The decrease for the three-month period ended March 31, 2025, when compared to the three-month period ended March 31, 2024, primarily reflects changes in the data, assumptions and processes between periods. The allowance for credit loss on loans was $2.69 million on March 31, 2025, representing 1.30% of total loans, compared to $2.04 million, or 1.14% of total loans on March 31, 2024.

Noninterest Income. Noninterest income decreased to $205,000 for the three-month period ended March 31, 2025, from $229,000 for the corresponding period in 2024, a decrease of $24,000, or 10.5%. This was primarily due to decreases in other fees and commissions.

Noninterest Expenses. Noninterest expenses for the three-month period ended March 31, 2025 and 2024 were $2.79 million and $2.86 million, respectively, a decrease of $71,000, or 2.5%. The primary contributor to the decrease, when compared to the three-month period ended March 31, 2024, was the $498,000 decrease in the provision for losses on unfunded commitments included in other noninterest expenses that was partially offset by increases of $209,000 in salary and employee benefits, $129,000 in legal, accounting, and other professional fees and $40,000 in loan collection costs.

Income Taxes. During the three-month period ended March 31, 2025, the Company recorded an income tax benefit of $29,000 compared to a benefit of $232,000 for the same period in 2024, a $203,000, or 87.5% decrease. The income tax benefit for the first quarter of 2025 was lower than the same period in 2024 primarily due to the $353,000 higher pre-tax income for the first quarter of 2025 and partly due to a benefit of $87,000 in the first quarter of 2024 associated with amended Maryland tax returns for two earlier years.

Comprehensive Income (Loss). In accordance with regulatory requirements, the Company reports comprehensive income (loss) in its financial statements. Comprehensive income (loss) consists of the Company's net income, adjusted for unrealized gains and losses on the Bank's portfolio of investment securities. For the first quarter of 2025, the comprehensive income, net of tax, totaled $1.4 million compared to comprehensive loss in the amount of $0.9 million for the same period in 2024. The $2.3 million increase in comprehensive income was due to a $2.2 million after tax decrease in unrealized losses on securities for the quarter ended March 31, 2025 compared to the amount of after tax unrealized losses on securities for the comparable prior year period and to the increase of $150,000 increase in reported net income for the first quarter of 2025 over the first quarter of 2024.

FINANCIAL CONDITION

General. The Company's assets decreased to $358.0 million at March 31, 2025 from $359.0 million at December 31, 2024, a decrease of $1.0 million or 0.3%, primarily due to an $0.8 million decrease in cash and cash equivalents, a $1.3 million decrease in investment securities available for sale, a $0.5 million decrease in restricted equity securities and a $0.5 million decrease in deferred tax assets, net, that were partially offset by a $2.3 million increase in loans. Loans, net totaled $204.7 million at March 31, 2025, an increase of $2.3 million or 1.1%, from $202.4 million at December 31, 2024. The increase was primarily attributable to increases in single-family residential, commercial and industrial and automobile loans partially offset by decreases in construction and land, commercial real estate and consumer loans. Cash and cash equivalents as of March 31, 2025, totaled $23.7 million, a decrease of $0.8 million, or 3.2% from $24.5 million on December 31, 2024. Investment securities available for sale as of March 31, 2025, totaled $106.6 million, a decrease of $1.3 million, or 1.2% from $107.9 million on December 31, 2024. Restricted equity securities at March 31, 2025 totaled $1.2 million, a decrease of $0.5 million, or 28.1% from $1.7 million on December 31, 2024.

Loans are placed on nonaccrual status when they are past due 90 days as to either principal or interest or when, in the opinion of management, the collection of all interest and/or principal is in doubt. Placing a loan on nonaccrual status means that we no longer accrue interest or amortize deferred fees or costs on such loans and reverse any interest previously accrued but not collected. Management may grant a waiver from nonaccrual status for a 90 day past due loan that is both well secured and in the process of collection. A loan remains on nonaccrual status until the loan is current as to payment of both principal and interest and the borrower has demonstrated the ability to make payments in accordance with the terms of the loan and remain current.

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

At March 31, 2025, impaired loans totaled $1.9 million, net of specific reserves. Included in the impaired loans total was $1.1 million in loans classified as nonaccrual loans. At March 31, 2025, impaired loans included restructured loans to borrowers with financial difficulty totaling $25,000. Borrowers under all other restructured loans are paying in accordance with the terms of the modified loan agreement and have been placed on accrual status after a period of performance with the restructured terms.

The following table presents details of our nonperforming loans and nonperforming assets, as these asset quality metrics are evaluated by management, at the dates indicated:

(dollars in thousands)	**March 31, 2025**	**December 31, 2024**
Nonaccrual loans	$ 1,135	$ 360
Restructured loans to borrowers with financial difficulty, excluding those in nonaccrual loans	-	-
Accruing loans past due 90+ days	-	-
Total nonperforming loans	1,135	360
Total nonperforming assets	$ 1,135	$ 360
Nonperforming assets to total assets	0.32 %	0.10 %

Deposits as of March 31, 2025, totaled $317.3 million, an increase of $8.1 million, or 2.6%, from $309.2 million on December 31, 2024. Demand deposits as of March 31, 2025 totaled $104.5 million, an increase of $3.7 million, or 3.7% from $100.7 million at December 31, 2024. Interest-bearing checking accounts as of March 31, 2025 totaled $24.9 million, a decrease of $0.6 million, or 2.5% from $25.5 million at December 31, 2024. Savings accounts as of March 31, 2025 totaled $73.7 million, a decrease of $1.8 million, or 2.3%, from $75.4 million at December 31, 2024. Money market accounts as of March 31, 2025 totaled $89.2 million, an increase of $7.7 million, or 9.4%, from $81.5 million at December 31, 2024. Time deposits of $250,000 or less totaled $24.5 million on March 31, 2025, a $0.4 million or a 1.5% decrease from $24.9 million at December 31, 2024. Time deposits over $250,000 totaled $0.6 million on March 31, 2025, a $0.6 million, or 49.6% decrease from $1.1 million at December 31, 2024.

Deposits on March 31, 2025, and December 31, 2024, were as follows:

(dollars in thousands)	March 31, 2025 Amount	March 31, 2025 % of Total	December 31, 2024 Amount	December 31, 2024 % of Total	2025 vs 2024 $ Change	2025 vs 2024 % Change
Noninterest-bearing deposits	$ 104,487	32.9 %	$ 100,747	32.6 %	$ 3,740	3.71 %
Interest-bearing deposits:						
Checking	24,851	7.8 %	25,487	8.2 %	(636)	(2.50)%
Savings	73,681	23.2 %	75,444	24.4 %	(1,763)	(2.34)%
Money market	89,168	28.2 %	81,513	26.4 %	7,655	9.39 %
Total interest-bearing checking, savings and money market deposits	187,700	59.2 %	182,444	59.0 %	5,256	2.88 %
Time deposits of $250,000 or less	24,499	7.7 %	24,865	8.0 %	(366)	(1.47)%
Time deposits of more than $250,000	571	0.2 %	1,133	0.4 %	(562)	(49.60)%
Total time deposits	25,070	7.9 %	25,998	8.4 %	(928)	(3.57)%
Total interest-bearing deposits	212,770	67.1 %	208,442	67.4 %	4,328	2.08 %
Total Deposits	$ 317,257	100.0 %	$ 309,189	100.0 %	$ 8,068	2.61 %

Lease Commitments. For leases where the Bank is the lessee, operating leases are included in premises and equipment, net, and accrued expenses and other liabilities on the Consolidated Balance Sheet. The Bank currently does not have any finance leases.

Operating lease Right-of-Use (“ROU”) assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. ROU assets also include any initial direct costs incurred and any lease payments made at or before the lease commencement date, less lease incentives received. The Company uses its incremental borrowing rate based on the information available at the commencement date in determining the lease liabilities as the Company’s leases generally do not provide an implicit rate. Lease terms may include options to extend or to terminate when the Company is reasonably certain that the option will be exercised.

Future minimum payments of the Bank’s operating leases as of March 31, 2025 are as follows:

Year ending December 31,	Amount (dollars in thousands)
2025	$ 22
2026	9
2027	6
2028	—
2029	—
Thereafter	—
Total	$ 37

Pension and Profit Sharing Plans. The Bank has a defined contribution retirement plan qualifying under Section 401(k) of the Internal Revenue Code that is funded through a profit sharing agreement and voluntary employee contributions. The plan provides for discretionary employer matching contributions to be determined annually by the Board of Directors. The plan covers substantially all employees.

For the three months ended March 31, 2025, the Bank accrued $124,000 for its projected 401(k) match contribution as well as other profit sharing benefits.

MARKET RISK AND INTEREST RATE SENSITIVITY

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

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

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

The Company's Board of Directors has established a comprehensive interest rate risk management policy, which is administered by our ALCO. The policy establishes limits on risk, which are quantitative measures of the percentage change in net interest income (a measure of net interest income at risk) and the fair value of equity capital (a measure of economic value of equity or "EVE" at risk) resulting from a hypothetical change in U.S. Treasury interest rates. We measure the potential adverse impacts that changing interest rates may have on our short-term earnings, long-term value, and liquidity by employing simulation analysis through the use of computer modeling. The simulation model captures optionality factors such as call features and interest rate caps and floors embedded in investment and loan portfolio contracts. As with any method of gauging interest rate risk, there are certain shortcomings inherent in the interest rate modeling methodology we employ. When interest rates change, actual movements in different categories of interest-earning assets and interest-bearing liabilities, loan prepayments, and withdrawals of time and other deposits, may deviate significantly from assumptions used in the model. Finally, the methodology does not measure or reflect the impact that higher rates may have on adjustable-rate loan customers' ability to service their debts, or the impact of rate changes on demand for loan and deposit products.

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

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

At March 31, 2025, the simulation analysis indicated that the Bank is in an asset sensitive position in all falling rate scenarios but is liability sensitive in the rising rate shock scenarios. Management strives to optimize the level of higher costing fixed rate funding instruments, while seeking to increase assets that are more fluid in their repricing. An asset sensitive position, theoretically, is favorable in a rising rate environment since more assets than liabilities will re-price in a given time frame as interest rates rise. Similarly, a liability sensitive position, theoretically, is favorable in a declining interest rate environment since more liabilities than assets will re-price in a given time frame as interest rates decline. Management works to maintain a consistent spread between yields on assets and costs of deposits and borrowings, regardless of the direction of interest rates.

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

	Static Balance Sheet/Immediate Change in Rates			
Estimated Changes in Net Interest Income	**-200 bp**	**-100 bp**	**+100 bp**	**+200 bp**
Policy Limit	(15)%	(10)%	(10)%	(15)%
March 31, 2025	**(3)%**	**(2)%**	**(1)%**	**(5)%**
March 31, 2024	(13)%	(6)%	6 %	12 %

As shown above, measures of net interest income at risk were slightly more favorable in down-rate scenarios and less favorable in up-rate scenarios on March 31, 2025 than on March 31, 2024 over a 12-month modeling period. These measures remained within prescribed policy limits in the up and down interest rate scenarios.

The following table sets forth the Company's interest-rate sensitivity at March 31, 2025.

	0-3 Months	Over 3 to 12 Months	Over 1 Through 5 Years	Over 5 Years	Total
			(dollars in thousands)		
Assets:					
Repricing asset balances	$ 87,054	$ 26,990	$ 113,248	$ 130,681	$ 357,973
Liabilities and Stockholders' Equity					
Repricing liability and equity balances	$ 77,982	$ 23,588	$ 79,835	$ 176,568	$ 357,973
GAP	$ 9,072	$ 3,402	$ 33,413	$ (45,887)	
Cumulative GAP	$ 9,072	$ 12,474	$ 45,887	$ -	
Cumulative GAP as a % of total assets	2.53 %	3.48 %	12.82 %	0.00 %	

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

	Static Balance Sheet/Immediate Change in Rates			
Estimated Changes in Economic Value of Equity (EVE)	**-200 bp**	**-100 bp**	**+100 bp**	**+200 bp**
Policy Limit	(20)%	(10)%	(10)%	(20)%
March 31, 2025	**7 %**	**3 %**	**(8)%**	**(17)%**
March 31, 2024	(9)%	(2)%	1 %	1 %

In an increasing interest rate environment, the Company's interest income increases at a slightly lower rate compared with changes in its total interest expense, thereby resulting in a slightly liability sensitive profile, primarily in the +300 bps and +400 bps shock scenarios. In a declining interest rate environment, the decreases in the Company's interest income will be greater than decreases in its already low interest expense, thereby resulting in lower net interest income. Overall, net interest income exhibits limited changes in rates down scenarios, with net interest income decreasing by 6.95% in the -400 bps shock scenario. In a rising interest rate environment, the Company is positioned to generate less economic value of equity as the duration of the assets is longer than the duration of the liabilities, with liabilities repricing more quickly than our assets. Conversely, the Company's economic value of equity increases in most falling interest rate environments as the longer duration of the assets benefits the Company in falling rate scenarios. Thus, the economic value of equity increases. Overall, economic value of equity exhibits minor changes in rates down scenarios and is fairly balanced.

LIQUIDITY AND CAPITAL RESOURCES

The Company currently has no business other than that of the Bank and does not currently have any material funding commitments. The Company's principal sources of liquidity are cash on hand and dividends received from the Bank. The Bank is subject to various regulatory restrictions on the payment of dividends.

The Bank's principal sources of funds for investments and operations are net income, deposits from its primary market area, principal and interest payments on loans, interest received on investment securities and proceeds from maturing investment securities. Its principal funding commitments are for the origination or purchase of loans and the payment of maturing deposits. Deposits are considered a primary source of funds supporting the Bank's lending and investment activities.

The Bank's most liquid assets are cash and cash equivalents, which are cash on hand, amounts due from financial institutions, federal funds sold, certificates of deposit with other financial institutions that have an original maturity of three months or less and money market mutual funds. The levels of such assets are dependent on the Bank's operating, financing, and investment activities at any given time. The variations in levels of cash and cash equivalents are influenced by deposit flows and anticipated future deposit flows. The Bank's cash and cash equivalents (cash due from banks, interest-bearing deposits in other financial institutions, and federal funds sold), as of March 31, 2025, totaled $23.7 million, an increase of $0.8 million, or 3.2% from $24.5 million at December 31, 2024.

As of March 31, 2025, the Bank was permitted to draw on an $89.7 million line of credit from the FHLB of Atlanta. Short-term borrowings under the line totaled $20.0 million and $30.0 million at March 31, 2025 and December 31, 2024, respectively. Borrowings under the line are secured by a floating lien on the Bank's residential mortgage loans and investment securities. As of March 31, 2025 and December 31, 2024, the Bank had $0 in outstanding short-term borrowings from the Federal Reserve Bank ("FRB") discount window. Borrowings under the line are secured by qualifying collateral.

In addition, the Bank has two unsecured federal funds lines of credit in the amount of $9.0 million and $8.0 million, respectively, of which $0 was outstanding as of March 31, 2025.

The Company's stockholders' equity increased $1.4 million, or 7.7% during the three-month period ended March 31, 2025. The increase in equity was primarily due to a $1.2 million decrease in the after-tax net unrealized holding loss on securities available for sale and the $153,000 net income in the period ended March 31, 2025.

The Federal Reserve Board and the FDIC have established guidelines with respect to the maintenance of appropriate levels of capital by bank holding companies and state non-member banks, respectively. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our financial condition. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of 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 the Basel III Capital Rules. The Basel III Capital Rules define the components of capital and address other issues affecting the numerator in banking institutions' regulatory capital ratios. The Basel III Capital Rules also address risk weights and other issues affecting the denominator in banking institutions' regulatory capital ratios and replace the existing risk-weighting approach with a more risk-sensitive approach. The Basel III Capital Rules also implements the requirements of Section 939A of the Dodd-Frank Act to remove references to credit ratings from the federal banking agencies' rules.

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

The rules include a common equity Tier 1 capital to risk-weighted assets minimum ratio of 4.5%, a minimum ratio of Tier 1 capital to risk-weighted assets from 4.0% to 6.0%, require a minimum ratio of Total Capital to risk-weighted assets of 8.0%, and require a minimum Tier 1 leverage ratio of 4.0%. The rules establish a capital conservation buffer above the regulatory minimum capital requirements. Since 2019, this capital conservation buffer is 2.5%. The capital conservation buffer is designed to absorb losses during periods of economic stress and as detailed above, effectively increases the minimum required risk-weighted capital ratios. The rules also implemented strict eligibility criteria for regulatory capital instruments.

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

The regulations impose several sets of capital adequacy requirements: minimum leverage rules, which require bank holding companies and banks to maintain a specified minimum ratio of capital to total assets, and risk-based capital rules, which require the maintenance of specified minimum ratios of capital to "risk-weighted" assets. In addition, there are requirements to maintain a capital conservation buffer which raised the minimum required common equity Tier 1 capital ratio to 7.00%, the Tier 1 capital ratio to 8.50% and the total capital ratio to 10.50%. At March 31, 2025, the Bank was in full compliance with these guidelines with a Tier 1 leverage ratio of 9.71%, a Tier 1 risk-based capital ratio of 15.42%, a common equity Tier 1 risk-based capital ratio of 15.42%, and a total risk-based capital ratio of 16.60%.

The Company's capital amounts and ratios at March 31, 2025 and December 31, 2024 were as follows:

March 31, 2025	Actual		To Be Considered Adequately Capitalized		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(dollars in thousands)			
Common equity tier 1	$ 36,639	15.42 %	$ 10,694	4.50 %	$ 15,447	6.50 %
Total capital	$ 39,438	16.60 %	$ 19,012	8.00 %	$ 23,764	10.00 %
Tier 1 capital	$ 36,639	15.42 %	$ 14,259	6.00 %	$ 19,012	8.00 %
Tier 1 leverage	$ 36,639	9.71 %	$ 15,099	4.00 %	$ 18,874	5.00 %

December 31, 2024	Actual		To Be Considered Adequately Capitalized		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(dollars in thousands)			
Common equity tier 1	$ 36,481	15.15 %	$ 10,837	4.50 %	$ 15,653	6.50 %
Total capital	$ 39,496	16.40 %	$ 19,265	8.00 %	$ 24,082	10.00 %
Tier 1 capital	$ 36,481	15.15 %	$ 14,449	6.00 %	$ 19,265	8.00 %
Tier 1 leverage	$ 36,481	9.97 %	$ 14,640	4.00 %	$ 18,300	5.00 %

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's accounting policies are fully described in its Annual Report on Form 10-K for the fiscal year ended December 31, 2024 and are essential to understanding Management's Discussion and Analysis of Financial Condition and Results of Operations. As discussed there, the preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Since future events and their effects cannot be determined with absolute certainty, the determination of estimates requires the exercise of judgment. Management has used the best information available to make the estimations necessary to value the related assets and liabilities based on historical experience and on various assumptions which are believed to be reasonable under the circumstances. Actual results could differ from those estimates, and such differences may be material to the financial statements. The Company reevaluates these variables as facts and circumstances change. Historically, actual results have not differed significantly from the Company's estimates. The following is a summary of the more judgmental accounting estimates and principles involved in the preparation of the Company's financial statements, including the identification of the variables most important in the estimation process:

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

As a result of our adoption of ASC 326, our methodology for estimating the ACL changed significantly from December 31, 2020. The standard replaced the "incurred loss" approach with an "expected loss" approach known as current expected credit loss ("CECL"). The CECL methodology requires an estimate of the credit losses expected over the life of an exposure (or pool of exposures) and it removes the incurred loss methodology's threshold that delayed the recognition of a credit loss until it was "probable" a loss event was deemed to be "incurred."

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

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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is a "smaller reporting company" and, as such, disclosure pursuant to this Item 3 is not required.

ITEM 4. CONTROLS AND PROCEDURES

The Company maintains a system of disclosure controls and procedures that is designed to provide reasonable assurance that information, which is required to be disclosed by the Company in the reports that it files or submits under the Securities and Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and is accumulated and communicated to management in a timely manner.

In connection with the preparation of the Company's financial statements for the fiscal year ended December 31, 2024, the Company evaluated the effectiveness of disclosure controls and procedures and identified material weaknesses in the Company's internal control over financial reporting. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

The Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were not effective as of March 31, 2025. The Company did not design and maintain effective disclosure controls and procedures because of the following material weakness in internal control over financial reporting:

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

The material weakness did not result in a material misstatement to the Company's consolidated financial statements, however, the control deficiency described above created a reasonable possibility that a material misstatement to the consolidated financial statements would not be prevented or detected on a timely basis.

Notwithstanding such material weaknesses, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's consolidated financial statements included in the Quarterly Report are fairly stated in all material respects in accordance with generally accepted accounting principles in the United States of America for each of the periods presented.

Remediation Plan and Status

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

Remediation of Previously Reported Material Weakness

As previously reported in Part II, Item 9A. "Controls and Procedures" of our Annual Report on Form 10-K for the year ended December 31, 2024, in connection with our assessment of the effectiveness of internal control over financial reporting as of December 31, 2024, we identified control deficiencies with respect to controls over the segregation of duties to prevent unauthorized or erroneous journal entries. The Company had not implemented system restrictions or compensating controls to require secondary review and approval of journal entries before they are posted.

This material weakness did not result in a misstatement of the Company's financial statements; however, it could have resulted in misstatements of interim or annual consolidated financial statements and disclosures that would result in a material misstatement that would not be prevented or detected.

In response to the material weakness with respect to controls over the segregation of duties to prevent unauthorized or erroneous journal entries, management has taken the required steps to implement system-based controls that require a second person review and approve journal entries before allowing journal entries to be posted.

Changes in Internal Control over Financial Reporting

Management of the Company has evaluated, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, changes in the Company's internal controls over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the first quarter of 2025.

Other than the completed remediation efforts described above, there have been no changes to the Company's internal control over financial reporting that occurred since the beginning of the Company's first quarter of 2025 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the normal course of business, we are party to litigation arising from the banking, financial, and other activities we conduct. Management, after consultation with legal counsel, does not anticipate that the ultimate liability, if any, arising from these matters will have a material effect on the Company's financial condition, operating results, or liquidity.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	
3.1	Articles of Incorporation (incorporated by reference to Exhibit 3.1 to Amendment No. 1 to the Registrant's Form 8-A filed December 27, 1999, File No. 0-24047)
3.2	Articles of Amendment, dated October 8, 2003 (incorporated by reference to Exhibit 3.2 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2003, File No. 0-24047)
3.3	Articles Supplementary, dated November 16, 1999 (incorporated by reference to Exhibit 3.3 to the Registrant's Current Report on Form 8-K filed December 8, 1999, File No. 0-24047)
3.4	By-Laws (incorporated by reference to Exhibit 3.4 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2003, File No. 0-24047)
4.1	Description of Registrant's Securities (incorporated by reference to "Description of Common Stock" set forth in Amendment No. 1 to the Registrant's Form 8 A filed December 27, 1999, File No. 0 24047)
10.1	Glen Burnie Bancorp Director Stock Purchase Plan (incorporated by reference to Exhibit 99.1 to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-8, File No.33-62280)
10.2	The Bank of Glen Burnie Employee Stock Purchase Plan (incorporated by reference to Exhibit 99.1 to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-8, File No. 333-46943)
10.3	Amended and Restated Change-in-Control Severance Plan (incorporated by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2001, File No. 0-24047)
10.4	The Bank of Glen Burnie Executive and Director Deferred Compensation Plan (incorporated by reference to Exhibit 10.4 to the Registrant's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1999, File No. 0-24047)
31.1	Rule 15d-14(a) Certification of Chief Executive Officer (filed herewith)
31.2	Rule 15d-14(a) Certification of Chief Financial Officer (filed herewith)
32	Section 1350 Certifications: Certification by the Principal Executive Officer and Principal Accounting Officer of the periodic financial reports, required by Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
101.INS	Inline XBRL Instance Document (filed herewith)
101.SCH	Inline XBRL Taxonomy Extension Schema Document (filed herewith)
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith)
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document (filed herewith)
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document (filed herewith)
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith)
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

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

GLEN BURNIE BANCORP
(Registrant)

Date: May 20, 2025

By: /s/ Mark C. Hanna
Mark C. Hanna
President, Chief Executive Officer

By: /s/ Jeffrey D. Harris
Jeffrey D. Harris
Chief Financial Officer

XBRL-Only Content Section

Element	Value
EntityCentralIndexKey#	0000890066
CurrentFiscalYearEndDate	--12-31
DocumentFiscalYearFocus	2025
DocumentFiscalPeriodFocus	Q1
AmendmentFlag	True/false