Neffs Bancorp, Inc.

Consolidated Financial Statements and
Selected Financial Data

December 31, 2024 and 2023

DIRECTORS of the CORPORATION and BANK

Andrew R. Gildner

Robert B. Heintzelman

Greg J. Rentschler

Duane A. Schleicher

Kevin A. Schmidt

John F. Sharkey, Jr.

Dean H. Snyder

OFFICERS of the CORPORATION

Robert B. Heintzelman
President

Kevin A. Schmidt
Vice President

David C. Matulevich
Secretary/Treasurer

OFFICERS of the BANK

Robert B. Heintzelman
Chairman of the Board

John F. Sharkey, Jr.
Vice Chairman of the Board

Kevin A. Schmidt
President and Chief Executive Officer

David C. Matulevich
Executive Vice President/ Chief Operations Officer/ Chief Financial Officer

Robert D. Freece
Vice President Operations/ Operations Officer

Marianne C. Eisenhauer
Vice President Commercial Lending/Credit Administration/ Chief Commercial Lending and Credit Officer

Ronald K. Miller
Vice President Retail Lending/ Chief Retail Lending Officer

Michail V. Georgevic
Vice President Commercial Lending

Greta D. Mast
Vice President Commercial Lending

Mark R. Stewart
Vice President Retail Lending

To Our Valued Shareholders:

On behalf of the Board of Directors of Neffs Bancorp, Inc., I am pleased to present the 2024 Annual Report and provide insight into the operations and financial performance of both Neffs Bancorp, Inc. and the subsidiary, The Neffs National Bank.

Interest rates and inflation continued to be one of the major factors affecting both the local and national economies as well as the community banking industry. After two years of consecutive interest rate increases – reaching levels not seen in over two decades- we welcomed the initial interest rate decrease in September 2024. However, the impact on our income was limited due to the timing of the reduction as well as ongoing concerns as to renewed inflation, the political climate, and uncertainty regarding future market changes.

The effects of higher interest rates were evident in our assets, deposits, and net income performance. With elevated real estate pricing and limited housing supply, many consumers deferred home purchases and refinancing, resulting in minimal loan growth. Similarly, within the commercial portfolio, businesses also opted to use existing liquidity for purchases or postponed investments in anticipation of lower rates. Given our current funding position, we took a selective approach to investment purchases. Additionally, deposit competition remained strong with short-term rates staying elevated, leading to increased borrowing that further impacted our interest margin. As a result, net interest income declined, compounded by rising operational expenses, ultimately reducing our net income.

Despite these challenges, the quality of our loan and investment portfolio remained strong. Net loans grew 2.3% to $236,369,000 while total assets increased by .4% to $457,470,000. Deposits decreased by 1.3% to $368,521,000. While our net income decreased to $2,243,000, our shareholder equity remained robust at $67,272,000.

The Board of Directors, management and staff remain committed to navigating these economic conditions. We will continue to focus on the products and services that have driven our past successes, recognizing both the challenges ahead and the opportunities that lie before us.

As our organization continues to grow, we have identified the need for further physical expansion. The Neffs National Bank is pursuing the possible purchase of the former Citizens Bank of Palmerton building. This beautiful facility will provide additional space and enhance our ability to serve both existing and future customers.

Guided by our core values of Strength, Trust, Community, we remain dedicated to financial stability, serving as a trusted corporate partner, and supporting our community. We deeply value your continued support as a shareholder and customer of the bank and we encourage you to strengthen your relationship with Neffs Bancorp, Inc. and its subsidiary, The Neffs National Bank as we move forward together.

Respectfully yours,

Robert B. Heintzelman

Robert B. Heintzelman
President

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Independent Auditors' Report

To the Board of Directors and Stockholders of
Neffs Bancorp, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Neffs Bancorp, Inc. and its Subsidiary (the Corporation), which comprise the consolidated statements of financial condition as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying selected financial data is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the "Letter to our Shareholders" but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Baker Tilly US, LLP

Allentown, Pennsylvania
March 5, 2025

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Dollars In Thousands, Except Share and Per Share Data)	December 31 2024	December 31 2023
ASSETS		
Cash and cash equivalents	**$ 2,413**	$ 4,219
Interest bearing deposits with banks	**207**	225
Fed funds sold	**963**	-
Securities available for sale, at fair value	**60,745**	65,406
Securities held to maturity, fair value 2024: $117,928; 2023: $119,482	**146,439**	145,104
Loans receivable, net of allowance for credit losses 2024: $2,267; 2023: $2,266	**236,369**	231,077
Premises and equipment, net	**4,031**	4,188
Restricted investments in bank stocks	**985**	659
Other assets	**5,318**	4,905
Total Assets	**$457,470**	$455,783
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Non-interest bearing	**$ 80,619**	$ 81,516
Interest bearing	**287,902**	291,825
Total deposits	**368,521**	373,341
Short-term borrowings	**18,400**	10,170
Other liabilities	**3,277**	3,174
Total Liabilities	**390,198**	386,685
Stockholders' equity:		
Common stock, $1 par value; authorized 2,500,000 shares; 2024: issued 187,919 shares; outstanding shares 145,442; 2023: issued 187,919 shares; outstanding shares 152,829	**188**	188
Serial preferred stock, $1 par value; authorized 1,000,000 shares; authorized 500,000 Preferred Series A shares; issued 7,516 shares; 2024: outstanding shares 5,904; liquidation preference $1,536,280; 2023: outstanding shares 5,904; liquidation preference $1,536,280	**8**	8
Paid-in capital	**400**	456
Retained earnings	**88,853**	87,862
Accumulated other comprehensive loss	**(9,416)**	(8,421)
Treasury stock (common), at cost, 2024 42,477 shares; 2023 35,090 shares	**(12,233)**	(10,467)
Treasury stock (Preferred Series A), at cost, 2024 1,612 shares; 2023 1,612 shares	**(528)**	(528)
Total Stockholders' Equity	**67,272**	69,098
Total Liabilities and Stockholders' Equity	**$457,470**	$455,783

CONSOLIDATED STATEMENTS OF INCOME

(Dollars In Thousands, Except Share and Per Share Data)	Years Ended December 31, 2024	2023
INTEREST INCOME		
Interest and fees on loans	**$ 11,359**	$ 10,221
Interest and dividends on investments:		
Taxable	**3,645**	3,620
Exempt from federal income taxes	**2,156**	2,140
Interest on federal funds sold and other	**154**	25
Total Interest Income	**17,314**	16,006
INTEREST EXPENSE		
Deposits	**6,794**	4,557
Borrowings	**704**	920
Total Interest Expense	**7,498**	5,477
Net Interest Income	**9,816**	10,529
(CREDIT) PROVISION FOR CREDIT LOSSES	**(1)**	58
Net Interest Income after (Credit) Provision for Credit Losses	**9,817**	10,471
OTHER INCOME		
Impairment accretion on securities	**47**	32
Portion of accretion recognized in other comprehensive (loss) income (before tax)	**(47)**	(32)
Net impairment losses	**-**	-
Service charges on deposit accounts	**113**	100
Other service charges and fees	**172**	183
Other income	**49**	28
Total Other Income	**334**	311
OTHER EXPENSES		
Salaries and employee benefits	**4,574**	4,375
Occupancy	**461**	457
Furniture and equipment	**585**	606
Pennsylvania shares tax	**516**	508
FDIC expense	**191**	192
Other expenses	**1,572**	1,579
Total Other Expenses	**7,899**	7,717
Income before Income Taxes	**2,252**	3,065
INCOME TAX EXPENSE		
Current	**22**	180
Deferred	**(13)**	(18)
Total Income Tax Expense	**9**	162
Net Income	**2,243**	2,903
Preferred Stock Dividend	**(49)**	(55)
Income Available to Common Shareholders	**$ 2,194**	$ 2,848
EARNINGS PER SHARE, BASIC	**$ 15.11**	$ 18.48
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	**145,192**	154,148

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in Thousands)	Years Ended December 31 2024	2023
Net Income	**$ 2,243**	$ 2,903
Other Comprehensive (Loss) Income		
Unrealized holding (losses) gains on securities available for sale, net of tax (benefit) expense: 2024 ($277); 2023 $306	**(1,042)**	1,148
Unrealized holding gains on securities other-than-temporarily impaired held to maturity, net of tax expense: 2024 $13; 2023 $7	**47**	25
Total other comprehensive (loss) income	**(995)**	1,173
Total Comprehensive Income	**$ 1,248**	$ 4,076

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Years Ended December 31, 2024 and 2023							
	Common Stock	**Preferred Stock**	**Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Common Treasury Stock**	**Preferred Treasury Stock**	**Total Stockholders' Equity**
	(Dollars in Thousands, Except per Share Data)							
BALANCE - DECEMBER 31, 2022	$188	$8	$412	$86,446	$(9,594)	$(9,298)	$(528)	$67,634
Net income	-	-	-	2,903	-	-	-	2,903
Other comprehensive income	-	-	-	-	1,173	-	-	1,173
Common stock cash dividend, $9.30 per share	-	-	-	(1,432)	-	-	-	(1,432)
Preferred stock cash dividend, $9.30 per share	-	-	-	(55)	-	-	-	(55)
Purchase of common treasury stock (3,801 shares)	-	-	-	-	-	(1,308)	-	(1,308)
Sale of common treasury stock (531 shares)	-	-	44	-	-	139	-	183
BALANCE - DECEMBER 31, 2023	**$188**	**$8**	**$456**	**$87,862**	**$(8,421)**	**$(10,467)**	**$(528)**	**$69,098**
Net income	**-**	**-**	**-**	**2,243**	**-**	**-**	**-**	**2,243**
Other comprehensive loss	**-**	**-**	**-**	**-**	**(995)**	**-**	**-**	**(995)**
Common stock cash dividend, $8.30 per share	**-**	**-**	**-**	**(1,203)**	**-**	**-**	**-**	**(1,203)**
Preferred stock cash dividend, $8.30 per share	**-**	**-**	**-**	**(49)**	**-**	**-**	**-**	**(49)**
Purchase of common treasury stock (8,718 shares)	**-**	**-**	**-**	**-**	**-**	**(2,116)**	**-**	**(2,116)**
Sale of common treasury stock (1,331 shares)	**-**	**-**	**(56)**	**-**	**-**	**350**	**-**	**294**
BALANCE - DECEMBER 31, 2024	**$188**	**$8**	**$400**	**$88,853**	**$(9,416)**	**$(12,233)**	**$(528)**	**$67,272**

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2024	2023
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 2,243**	$ 2,903
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**392**	387
(Credit) provision for credit losses	**(1)**	58
Net amortization of securities	**395**	440
Deferred income tax benefit	**(13)**	(18)
Decrease (increase) in assets:		
Accrued interest receivable	**(41)**	(52)
Other assets	**(94)**	2
Operating lease payments	**67**	67
Increase (decrease) in liabilities:		
Accrued interest payable	**181**	655
Other liabilities	**(78)**	(114)
Net Cash Provided by Operating Activities	**3,051**	4,328
CASH FLOWS FROM INVESTING ACTIVITIES		
Net decrease in interest bearing deposits with banks	**18**	2,359
Purchase of Fed funds	**(963)**	-
Purchases of securities available for sale	**(3,987)**	(2,568)
Purchases of securities held to maturity	**(2,671)**	(1,169)
Proceeds from maturities/calls and principal repayments of securities available for sale	**7,072**	6,405
Proceeds from maturities/calls of securities held to maturity	**1,257**	600
Net (purchases) redemption in restricted investments in bank stocks	**(326)**	653
Net (increase) decrease in loans	**(5,291)**	3,953
Purchases of premises and equipment	**(302)**	(180)
Net Cash (Used in) Provided by Investing Activities	**(5,193)**	10,053
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (decrease) increase in deposits	**(4,820)**	1,772
Increase in short term borrowing	**8,230**	2,462
Repayments of short-term borrowings	**-**	(16,667)
Repayments of long-term borrowings	**-**	(2,000)
Dividends paid	**(1,252)**	(1,487)
Purchase of common treasury stock	**(2,116)**	(1,308)
Sale of common treasury stock	**294**	183
Net Cash Provided by (Used in) Financing Activities	**336**	(17,045)
Net Decrease in Cash and Cash Equivalents	**(1,806)**	(2,664)
CASH AND CASH EQUIVALENTS - BEGINNING	**4,219**	6,883
CASH AND CASH EQUIVALENTS - ENDING	**$ 2,413**	$ 4,219
SUPPLEMENTARY CASH FLOWS INFORMATION		
Interest paid	**$ 7,317**	$ 4,822
Income taxes paid	**$ -**	$ 160

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Neffs Bancorp, Inc. and its wholly-owned subsidiary, The Neffs National Bank (the "Bank"), (collectively the "Corporation"). All material intercompany transactions have been eliminated.

Subsequent Events

The Corporation has evaluated subsequent events for potential recognition and/or disclosure through March 6, 2025, the date these consolidated financial statements were available to be issued. On January 7, the Corporation signed an agreement of sale for the purchase of a bank building in Palmerton, PA for $650,000 subject to inspections and approvals.

Nature of Operations

The Bank operates from two locations in Lehigh County and Northampton County, Pennsylvania. The Bank provides a full range of financial services to individuals, small businesses and corporate customers. The primary source of revenue is interest and fees earned from providing residential mortgages, consumer loans and commercial loans to customers located within the Lehigh Valley of Pennsylvania. The Bank's primary deposits are checking accounts, savings accounts and certificates of deposit. As a national bank, the Bank is subject to regulation by the Office of the Comptroller of Currency and the Federal Deposit Insurance Corporation. The Corporation is also subject to regulations of the Federal Reserve Bank.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and income and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant changes in the near term relate to the evaluation of the fair value of securities, the determination of the allowance for credit losses, and deferred tax assets.

Significant Concentrations of Credit Risk

Most of the Corporation's activities are with customers located within the Lehigh Valley of Pennsylvania. Note 4 discusses the types of securities that the Corporation invests. Note 5 discusses the types of lending that the Corporation engages. The Corporation does not have any significant concentrations to any one industry or customer. Although the Corporation has a diversified loan portfolio, exposure to credit loss can be adversely impacted by downturns in local economic and employment conditions.

Accounting Standard Adopted in 2024

On January 1, 2024, the Corporation adopted Accounting Standards Update (ASU) 2023-07, *Segment Reporting - Improvements to Reportable Segment Disclosures (Topic 280)*. This ASU requires disclosure of incremental segment information on an annual basis for all public entities, including entities with one reportable segment. Such incremental disclosures include information about significant segment expenses, how chief operating decision makers (CODM) measure a segment's profit or loss, and qualitative information about how a CODM assesses segment performance. The Corporation adopted the provisions of the ASU effective January 1, 2024. As the Corporation has only one reportable segment (community banking segment), this ASU did not have a material effect on the Corporation's consolidated financial statements.

Future Accounting Standards

During December 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. ASU 2023-09 enhances the transparency and decision usefulness of income tax disclosures. The amendments in this ASU require consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments in this ASU should be applied on a prospective basis. Retrospective application is permitted. The Corporation does not believe that the adoption of ASU 2023-09 will have a material effect on its results of operations, financial position and cash flows.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Corporation has defined cash and cash equivalents as cash on hand and amounts due from banks, all of which mature within ninety days.

Securities

Securities classified as held to maturity are those debt securities the Corporation has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or changes in general economic conditions. These securities are carried at cost adjusted for the amortization of premium and accretion of discount.

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

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

Allowance for Credit Losses - Securities

For available for sale securities in an unrealized loss position, the Corporation first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For available for sale that do not meet the aforementioned criteria, the Corporation evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income (loss).

The Corporation's portfolio of held to maturity securities consists of municipal bonds and U.S. agency residential mortgage-backed securities which are highly rated by major rating agencies and have a long history of no credit losses. In estimating the net amount expected to be collected for held to maturity securities in an unrealized loss position, a historical loss-based method is utilized.

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

The Corporation made a policy election to exclude accrued interest receivable from amortized cost basis of securities available for sale. Accrued interest receivable on available for sale securities totaled $175,000 at December 31, 2024 and $177,000 at December 31, 2023 and is excluded from the estimate of credit losses.

Restricted Investments in Bank Stocks

Restricted stocks include primarily Federal Home Loan Bank ("FHLB") stock, which is carried at cost. Federal law requires a member institution of the FHLB system to hold stock of its district FHLB according to a predetermined formula. Restricted stocks include FHLB, Atlantic Community Bankers Bank, Federal Reserve Bank, and Independent Community Bankers of America of $952,000, $10,000, $21,000 and $2,000, respectively, at December 31, 2024 and $626,000, $10,000, $21,000 and $2,000, respectively, at December 31, 2023. Both cash and stock dividends are reported as income.

Management's determination of whether these investments are impaired is based on their assessment of the ultimate recoverability of their cost rather than by recognizing temporary declines in value. Management believes no impairment charge was necessary related to these investments during 2024 or 2023.

Loans

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for credit losses. Interest income is accrued on the unpaid principal balance.

The accrual of interest is generally discontinued when the contractual payment of principal or interest has become 90 days past due for commercial loans or 120 days past due for consumer loans or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for credit losses. Interest received on nonaccrual loans generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

Allowance for Credit Losses

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

The Corporation made a policy election to exclude accrued interest receivable from the amortized cost basis of loans. Accrued interest receivable on loans totaled $676,000 at December 31, 2024 and $657,000 at December 31, 2023 is excluded from the estimate of credit losses.

The allowance for credit losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. The allowance for credit losses is reviewed at least quarterly and includes a portfolio analysis and a review of various qualitative/quantitative factors.

Qualitative/quantitative factors include the following:

- historical credit loss experience,
- recent trends in losses,
- changes in lending policies and procedures including underwriting standards and collection, charge-off, and recovery practices,
- changes in national and local economic and business conditions including condition of various market segments,
- changes in nature and volume of the portfolio,
- experience, ability, and depth of lending management and staff,
- trends in the volume and severity of past due and classified loans and volume of non-accrual loans and loan modifications,
- changes in the quality of the Bank's loan review system,
- the existence and effect of any large credits and concentrations of credit and changes in the level of such concentrations,
- the effect of external factors, such as competition and legal and regulatory requirements, on the level of estimated credit losses in the portfolio, and
- trends in values of collateral and lending standards relating to various types of collateral.

This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant revision as more information becomes available.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are also not included in the collective evaluation. When management determines that foreclosure is probable, or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate. Loans that experience insignificant payment delays and payment shortfalls generally are not individually evaluated. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed.

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

For commercial and industrial loans secured by non-real estate collateral, such as accounts receivable, inventory and equipment, estimated fair values are determined based on the borrower's financial statements, inventory reports, accounts receivable aging, equipment appraisals or invoices. Indications of value from these sources are generally discounted based on the age of the financial information or the quality of the assets. In underwriting commercial and industrial loans, an analysis of the borrower's character, capacity to repay the loan, the adequacy of the borrower's capital and collateral as well as an evaluation of conditions affecting the borrower is performed. Analysis of the borrower's past, present and future cash flows is also an important aspect of the Corporation's analysis. Commercial loans generally present a higher level of risk than other types of loans due primarily to the effect of general economic conditions and the type of collateral securing the loans.

Residential mortgage loans are originated primarily within the Corporation's market area. The Corporation offers fixed-rate mortgage loans with terms up to a maximum of 30 years for both permanent structures and those under construction. The Corporation's residential mortgage originations are secured primarily by properties located in its primary market area and surrounding areas. The majority of the Corporation's residential mortgage loans originate with a loan-to-value of 80% or less. In underwriting residential real estate loans, the Corporation evaluates both the borrower's ability to make monthly payments and the value of the property securing the loan. The ability to repay is determined by the borrower's employment history, current financial conditions, and credit background. Properties securing real estate loans made by the Corporation are appraised by independent appraisers. The Corporation generally requires borrowers to obtain an attorney's title opinion or title insurance, as well as fire and property insurance (including flood insurance, if necessary) in an amount not less than the amount of the loan. The Corporation has not engaged in subprime residential mortgage originations.

The Corporation originates home equity lines of credit primarily within the Corporation's market area or with customers primarily from the market area. In underwriting home equity lines of credit, a thorough analysis of the borrower's willingness and financial ability to repay the loan as agreed is performed. The ability to repay is determined by the borrower's employment history, current financial conditions, and credit background. The analysis is based on the customer's ability to repay and on the collateral or security. Home equity lines of credit generally present a lower level of risk than non-real estate consumer loans because they are secured by the borrower's primary residence.

The Corporation offers a variety of secured and unsecured consumer loans, including vehicle and loans secured by savings deposits as well as other types of consumer loans. Consumer loan terms vary according to the type and value of collateral and creditworthiness of the borrower. In underwriting consumer loans, a thorough analysis of the borrower's willingness and financial ability to repay the loan as agreed is performed. The ability to repay shall be determined by the borrower's employment history, current financial conditions, and credit background. Consumer loans may entail greater credit risk than residential mortgage loans, particularly in the case of consumer loans which are unsecured or are secured by rapidly depreciable assets, such as automobiles or recreational equipment. In such cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation.

Since the adoption of CECL on January 1, 2023, it is no longer necessary to designate loan modifications made to borrowers experiencing financial difficulty where a concession was made as a TDR because the lifetime expected credit losses for these loans are already incorporated into the allowance for credit losses under CECL. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification (see Note 5).

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

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

Other Real Estate Owned

Other real estate owned is comprised of property acquired through a foreclosure proceeding or acceptance of a deed in lieu of foreclosure and loans classified as in-substance foreclosure. Foreclosed assets initially are recorded at the lower of cost or fair value, net of estimated selling costs, at the date of foreclosure establishing a new cost basis. Any write downs at this time are recorded through the allowance for credit losses. After foreclosure, valuations are periodically performed by management based on current fair value net of estimated selling costs. There were no loans in process of foreclosure at December 31, 2024 and 2023.

Transfers of Financial Assets

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

Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation and amortization. Depreciation is computed on the straight-line method over the estimated useful lives of the premises and equipment. Charges for maintenance and repairs are expensed as incurred.

Advertising Costs

The Corporation follows the policy of charging the costs of advertising to expense as incurred. Total advertising expense for the years ended December 31, 2024 and 2023 was $121,000 and $176,000, respectively.

Income Taxes

Income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expenses reflect taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. Deferred taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. The Corporation files a consolidated federal income tax return with the Bank.

The Corporation follows the FASB guidance on accounting for uncertainty in income taxes. A tax position is recognized as a benefit at the largest amount that is more-likely-than-not to be sustained in a tax examination based solely on its merits. An uncertain tax position will not be recognized if it has a less than 50% likelihood of being sustained. Under the threshold guidelines, the Corporation believes no significant uncertain tax positions exist, either individually or in the aggregate, that would result in recognition of a liability for unrecognized tax benefits as of December 31, 2024 and 2023.

Earnings per Share

Earnings per share is based on the weighted average shares of common stock outstanding during each year. The Corporation currently maintains a simple capital structure, thus there are no dilutive effects on earnings per share.

Self-Insurance

The Corporation is party to an agreement with its health insurance provider to supply coverage to its employees under a self-insurance arrangement. Under this arrangement, the Corporation is billed monthly by the provider to pay claims. To limit exposure under this arrangement, the Corporation obtained stop-loss coverage with a specific annual deductible of $45,000 per covered participant and reimbursement of claims are unlimited per covered participant over a lifetime. The stop-loss coverage also provides reimbursement up to $1,000,000 if total claims in the aggregate for the Corporation exceed approximately $776,000 during a policy year.

Employee Benefit Plan

The Bank has a non-contributory defined contribution pension plan covering all full-time employees having at least one month of service. Contribution amounts are determined annually by the Bank and are charged to current operating expense. The expense amounted to $134,000 for 2024 and 2023.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as a separate component of the equity section of the statement of financial condition, such items, along with net income, are components of comprehensive income and are reflected in the Consolidated Statements of Comprehensive Income.

The components of accumulated other comprehensive loss, net of related tax effects, at December 31, 2024 and 2023 are as follows:

	2024	2023
Unrealized holding losses on securities available for sale, net of tax	$(9,260)	$(8,218)
Unrealized losses on securities other-than-temporarily impaired held to maturity, net of tax	(156)	(203)
	$(9,416)	$(8,421)

Treasury Stock

The acquisition of treasury stock is recorded under the cost method. At the date of subsequent reissue, the treasury stock is reduced by the cost of such stock on the first-in first-out basis with any excess proceeds being credited to paid-in capital. When treasury stock is retired the par value of shares is charged to common stock, the original paid-in capital is charged to that account and the excess of the cost of the treasury stock is charged to retained earnings.

Segments

Segments are components of a Corporation that have discrete financial information available and are regularly evaluated by a CODM to assess performance and decide how resources are allocated. Substantially all of the Corporation's operations occur through the Bank and involve the delivery of loan and deposit products to customers. Management makes operating decisions and assesses performance based on an ongoing review of its banking operation, which constitutes the Corporation's only operating segment for financial reporting purposes. The Corporation's one reportable segment is determined by our Chief Executive Officer, who is designated the CODM, based upon information provided about the Corporation's products and services offered, primarily community banking operations. Our CODM manages business activities on a consolidated basis and uses consolidated net income, as reported on the consolidated statements of income, to evaluate financial performance, allocate resources, and monitor budget versus actuals. The competitive analysis along with the monitoring of budgeted versus actual results are used in assessing performance of the segment and in establishing management's compensation. The measure of segment assets is reported on the consolidated statements of financial condition as total assets at December 31, 2024 and 2023.

NOTE 2 - REVENUE RECOGNITION

The Corporation generally fully satisfies its performance obligation on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Because performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgement involved in applying Accounting Standard Codification (ASC) 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers. The main types of revenue contracts included in other income within the consolidated statements of income are as follows:

- **Deposits related fees and service charges-** Service charges and fees on deposits which are included as liabilities in the consolidated statements of financial condition consist of transaction-based fees, account maintenance fees, and overdraft services fees for various retail and business checking customers. Transaction based fees, which includes services such as automated teller machines (ATM) fees, Automated Clearing House (ACH) fees, stop payment charges and statement rendering fees which are recognized at the time transaction is executed as that is the point in time the Corporation fulfills the customer's request. All deposit liabilities are considered to have one-day terms and therefore related fees are recognized as other income at the time when the services are provided to the customer. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Corporation satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn directly from the customer's account balance.

- **Interchange Income -** The Corporation earns interchange fees from credit/debit cardholder transactions conducted through Visa payment network. Interchange fees from cardholder transaction represent a percentage of the underlying transaction value and are recognized monthly, concurrently with the transaction processing services provided to the cardholder.

- **Gains/Losses on Sale of Other Real Estate Owned (OREO) -** The Corporation records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Corporation finances the sale of OREO to the buyer, the Corporation assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the OREO assets are derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Corporation adjusts the transaction prices and related gain (loss) on sale if a significant financing component is present.

NOTE 3 - SECURITIES

The amortized cost and fair values of securities are as follows:

	December 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
SECURITIES AVAILABLE FOR SALE:				
Mortgage-backed securities (Government agencies- residential)	$72,467	$ 11	$(11,733)	$60,745
SECURITIES HELD TO MATURITY:				
Obligations of U.S. Government agencies	$39,176	$ 4	$(9,254)	$29,926
Obligations of states and political subdivisions	104,945	57	(19,570)	85,432
Collateralized debt obligations	872	585	(179)	1,278
Mortgage-backed securities (Government agencies- residential)	1,446	2	(156)	1,292
	$146,439	$648	$(29,159)	$117,928

	December 31, 2023			
SECURITIES AVAILABLE FOR SALE:				
Mortgage-backed securities (Government agencies- residential)	$75,809	$ 31	$(10,434)	$65,406
SECURITIES HELD TO MATURITY:				
Obligations of U.S. Government agencies	$36,940	$ 13	$(8,797)	$28,156
Obligations of states and political subdivisions	105,560	152	(17,227)	88,485
Collateralized debt obligations	889	579	(209)	1,259
Mortgage-backed securities (Government agencies- residential)	1,715	2	(135)	1,582
	$145,104	$746	$(26,368)	$119,482

There was no allowance for credit loss on available for sale and held to maturity securities at December 31, 2024 and 2023.

The amortized cost and fair values of securities at December 31, 2024, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)			
Due in one year or less	$ -	$ -	$ 12,783	$ 10,826
Due after one year through five years	-	-	47,379	38,294
Due after five years through ten years	-	-	39,049	30,508
Due after ten years	-	-	45,782	37,009
	-	-	144,993	116,637
Mortgage-backed securities	72,467	60,745	1,446	1,291
	$72,467	$60,745	$146,439	$117,928

There were no sales of securities during 2024 and 2023.

Securities with an amortized cost and fair value of approximately $40,070,000 and $33,334,000 at December 31, 2024 and $40,583,000 and $32,777,000 at December 31, 2023 were pledged to secure public deposits and for other purposes required or permitted by law.

The following tables show the Corporation's investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2024 and 2023:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
DECEMBER 31, 2024:						
Securities Available for Sale:						
Mortgage-backed securities	$4,483	$(240)	$54,971	$ (11,493)	$59,454	$(11,733)
Securities Held to Maturity:						
Obligations of U.S. Government agencies	2,567	(123)	27,159	(9,131)	29,726	(9,254)
Obligations of states and political subdivisions	3,078	(93)	76,664	(19,477)	79,742	(19,570)
Collateralized debt obligations	-	-	693	(179)	693	(179)
Mortgage-backed securities	-	-	1,225	(156)	1,225	(156)
Total Temporarily Impaired Securities	$10,128	$(456)	$160,712	$(40,436)	$170,840	$(40,892)

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
DECEMBER 31, 2023:						
Securities Available for Sale:						
Mortgage-backed securities	$536	$(3)	$62,639	$ (10,431)	$63,175	$(10,434)
Securities Held to Maturity:						
Obligations of U.S. Government agencies	-	-	27,945	(8,797)	27,945	(8,797)
Obligations of states and political subdivisions	423	(7)	79,133	(17,220)	79,556	(17,227)
Collateralized debt obligations	-	-	671	(209)	671	(209)
Mortgage-backed securities	725	(2)	778	(133)	1,503	(135)
Total Temporarily Impaired Securities	$1,684	$(12)	$171,166	$(36,790)	$172,850	$(36,802)

The Corporation had 581 and 563 securities in an unrealized loss position at December 31, 2024 and 2023, respectively. The decline in fair value is due to interest rate and market fluctuations. There were no impairment charges recognized for the years ended December 31, 2024 and December 31, 2023. See Note 1 for further discussion on management's impairment analysis. As the Corporation does not intend to sell nor is it expected to be required to sell other such investments until maturity or market price recovery, the Corporation does not consider any investments held as of December 31, 2024 to need an allowance for credit loss.

NOTE 4 - LOANS

The composition of the Corporation's loan portfolio at December 31, 2024 and 2023 is as follows:

	2024	2023
	(In Thousands)	
Commercial real estate	$ 68,964	$ 65,693
Commercial non-real estate	20,548	22,255
Residential real estate	108,341	108,155
Real estate construction	-	1,024
Home equity	16,067	14,609
Indirect auto	21,647	17,974
Other consumer	3,069	3,633
Total loans	238,636	233,343
Allowance for credit losses	(2,267)	(2,266)
Total loans, net of allowance for credit losses	$236,369	$231,077

NOTE 5 - ALLOWANCE FOR CREDIT LOSSES - LOANS

The following summarizes the allowance for credit losses in classes of loans as of and for year ended December 31, 2024:

	Commercial Real Estate	Commercial Non-Real Estate	Residential Real Estate	Real Estate Construction	Home Equity	Indirect Auto	Other Consumer	Total
			(In Thousands)					
Allowance beginning balance	$650	$247	$976	$7	$135	$199	$52	$2,266
Provision (credit) for credit losses	33	(52)	(7)	(7)	14	(10)	28	(1)
Losses charged to allowance	-	-	-	-	-	-	(17)	(17)
Recoveries credited to allowance	-	-	8	-	-	-	11	19
Allowance ending balance	$683	$195	$977	$-	$149	$189	$74	$2,267

The following summarizes the allowance for credit losses in classes of loans as of and for year ended December 31, 2023:

	Commercial Real Estate	Commercial Non-Real Estate	Residential Real Estate	Real Estate Construction	Home Equity	Indirect Auto	Other Consumer	Unallocated	Total
						(In Thousands)			
Allowance beginning balance	$696	$256	$996	$14	$111	$113	$29	$31	$2,246
Provision (credit) for credit losses	(46)	(9)	(26)	(7)	24	98	55	(31)	58
Losses charged to allowance	-	-	-	-	-	(12)	(33)	-	(45)
Recoveries credited to allowance	-	-	6	-	-	-	1	-	7
Allowance ending balance	$650	$247	$976	$7	$135	$199	$52	$-	$2,266

Age analysis of past due loans and non-accrual loans by class of the loan portfolio as of December 31, 2024 and 2023 is as follows:

	2024						
	30-59 Days Past Due	60-89 Days Past Due	90 Days and Over Past Due	Total Past Due	Current	Total Loans Receivable	90 Days and Over and Accruing
	(In Thousands)						
Commercial real estate	$-	$-	$-	$-	$ 68,964	$68,964	$ -
Commercial non-real estate	-	-	-	-	20,548	20,548	-
Residential real estate	341	-	-	341	108,000	108,341	-
Real estate construction	-	-	-	-	-	-	-
Home equity	26	19	-	45	16,022	16,067	-
Indirect auto	513	4	-	517	21,130	21,647	-
Other consumer	63	-	-	63	3,006	3,069	-
Total	$943	$23	$-	$966	$237,670	$238,636	$-

	2023						
	30-59 Days Past Due	60-89 Days Past Due	90 Days and Over Past Due	Total Past Due	Current	Total Loans Receivable	90 Days and Over and Accruing
	(In Thousands)						
Commercial real estate	$-	$-	$-	$-	$65,693	$65,693	$ -
Commercial non-real estate	-	-	-	-	22,255	22,255	-
Residential real estate	1,162	58	-	1,220	106,935	108,155	-
Real estate construction	-	-	-	-	1,024	1,024	-
Home equity	109	174	-	283	14,326	14,609	-
Indirect auto	297	25	-	322	17,652	17,974	-
Other consumer	139	-	-	139	3,494	3,633	-
Total	$1,707	$257	$-	$1,964	$231,379	$233,343	$-

	2024		
	Non Accrual Loans with no Allowance	Non Accrual Loans with an Allowance	Total Non Accrual Loans
	(In Thousands)		
Commercial real estate	$ -	$ -	$ -
Commercial non-real estate	-	-	-
Residential real estate	116	-	116
Real estate construction	-	-	-
Home equity	-	-	-
Indirect auto	-	-	-
Other consumer	-	-	-
Total	$ 116	$ -	$ 116

	2023		
	Non Accrual Loans with no Allowance	Non Accrual Loans with an Allowance	Total Non Accrual Loans
	(In Thousands)		
Commercial real estate	$ -	$ -	$ -
Commercial non-real estate	-	-	-
Residential real estate	161	-	161
Real estate construction	-	-	-
Home equity	-	-	-
Indirect auto	-	-	-
Other consumer	-	-	-
Total	$ 161	$ -	$ 161

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination or acquisition. The starting point for the estimate of the allowance for credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification.

Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance, a change to the allowance for credit losses is generally not recorded upon modification. Occasionally, the Corporation modifies loans by providing principal forgiveness on certain of its real estate loans. When principal forgiveness is provided, the amortized cost basis of the asset is written off against the allowance for credit losses. The amount of the principal forgiveness is deemed to be uncollectible; therefore, that portion of the loan is written off, resulting in a reduction of the amortized cost basis and a corresponding adjustment to the allowance for credit losses.

In some cases, the Corporation will modify a certain loan by providing multiple types of concessions. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. For the real estate loans included in the "combination" columns below, multiple types of modifications have been made on the same loan within the current reporting period. The combination is at least two of the following: a term extension, principal forgiveness, and interest rate reduction.

There were no loans modified to borrowers experiencing financial difficulty, disaggregated by class of loans and type of concession granted and describes the financial effect of the modifications made to borrowers experiencing financial difficulty in 2024. The following table shows the amortized cost basis for these loans as of December 31, 2023.

	Combination – Additional Financing and Term Extension		
(In Thousands)	Amortized Cost Basis	% of Total Loan Type	
Commercial real estate	$ -	- %	
Commercial non-real estate	-	-	
Residential real estate	-	-	
Real estate construction	-	-	
Home equity	101	0.69	Provided additional financing and 106 additional months to maturity.
Indirect auto	-	-	
Other consumer	-	-	
Total	$ 101		

The Corporation has certain loans for which repayment is dependent upon the operation or sale of collateral, as the borrower is experiencing financial difficulty. The underlying collateral can vary based upon the type of loan. The following provides more detail about the types of collateral that secure collateral dependent loans:

Commercial real estate loans can be secured by either owner occupied commercial real estate or nonowner occupied investment commercial real estate. Typically, owner occupied commercial real estate loans are secured by office buildings, warehouses, manufacturing facilities and other commercial and industrial properties occupied by operating companies. Non-owner occupied commercial real estate loans are generally secured by office buildings and complexes, retail facilities, multifamily complexes, land under development, industrial properties, as well as other commercial or industrial real estate.

Residential real estate loans are typically secured by first mortgages, and in some cases could be secured by a second mortgage.

Real estate construction loans are short-term construction loans that convert to residential real estate loans upon completion of construction.

Home equity lines of credit are generally secured by second mortgages on residential real estate property.

Indirect auto loans are secured by automobiles. Some indirect auto loans are full recourse by the dealers.

Consumer loans are generally secured by automobiles, motorcycles, recreational vehicles and other personal property. Some consumer loans are unsecured and have no underlying collateral.

The following table details the amortized cost of collateral dependent loans as of December 31, 2024 and 2023 (in thousands):

	2024	2023
Commercial real estate	$2,768	$2,642
Commercial non-real estate	-	-
Residential real estate	116	161
Real estate construction	-	-
Home equity	-	-
Indirect auto loans	-	-
Other consumer	-	-
Total	$2,884	$2,803

The following tables present the classes of the loan portfolio summarized by the aggregate pass rating and the classified ratings of special mention and substandard within the Corporation's internal risk rating system as of December 31, 2024 and 2023 (in thousands):

December 31, 2024

	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
Commercial real estate								
Pass	$10,012	$7,189	$11,625	$8,721	$23,688	$4,961	$ -	$66,196
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	2,768	-	-	2,768
Total commercial real estate	$10,012	$7,189	$11,625	$8,721	$26,456	$4,961	$ -	$68,964
Commercial real estate								
Current period gross write offs	$-	$-	$-	$-	$-	$-	$-	$-
Commercial								
Pass	$1,249	$832	$9,383	$8,395	$128	$561	$ -	$20,548
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total commercial	$1,249	$832	$9,383	$8,395	$128	$561	$ -	$20,548
Commercial								
Current period gross write offs	$-	$-	$-	$-	$-	$-	$-	$-
Residential real estate								
Pass	$6,111	$8,864	$14,698	$21,264	$57,201	$ -	$87	$108,225
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	116	-	-	116
Total residential real estate	$6,111	$8,864	$14,698	$21,264	$57,317	$ -	$87	$108,341
Residential real estate								
Current period gross write offs	$-	$-	$-	$-	$-	$-	$-	$-
Real estate construction								
Pass	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total real estate construction	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Real estate construction								
Current period gross write offs	$-	$-	$-	$-	$-	$-	$-	$-
Home equity								
Pass	$1,125	$1,280	$863	$445	$1,052	$11,231	$71	$16,067
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total home equity	$1,125	$1,280	$863	$445	$1,052	$11,231	$71	$16,067
Home equity								
Current period gross write offs	$-	$-	$-	$-	$-	$-	$-	$-
Indirect auto								
Pass	$10,059	$5,409	$3,954	$1,547	$678	$ -	$ -	$21,647
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total indirect auto	$10,059	$5,409	$3,954	$1,547	$678	$ -	$ -	$21,647
Indirect auto								
Current period gross write offs	$-	$-	$-	$-	$-	$-	$-	$-
Other Consumer								
Pass	$875	$726	$406	$397	$469	$196	$ -	$3,069
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total other consumer	$875	$726	$406	$397	$469	$196	$ -	$3,069
Other Consumer								
Current period gross write offs	$-	$-	$6	$-	$2	$9	$-	$17
Total loans	$29,431	$24,300	$40,929	$40,769	$86,100	$16,949	$158	$238,636

December 31, 2023

	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
Commercial real estate							
Pass	$6,426	$13,134	$9,047	$30,003	$4,441	$ -	$63,051
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	2,642	-	-	2,642
Total commercial real estate	$6,426	$13,134	$9,047	$32,645	$4,441	$ -	$65,693
Commercial real estate							
Current period gross write offs	$-	$-	$-	$-	$-	$-	$-
Commercial							
Pass	$1,677	$9,721	$9,323	$971	$563	$ -	$22,255
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Total commercial	$1,677	$9,721	$9,323	$971	$563	$ -	$22,255
Commercial							
Current period gross write offs	$-	$-	$-	$-	$-	$-	$-
Residential real estate							
Pass	$6,472	$15,485	$22,912	$63,019	$ -	$106	$107,994
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	161	-	-	161
Total residential real estate	$6,472	$15,485	$22,912	$63,180	$ -	$106	$108,155
Residential real estate							
Current period gross write offs	$-	$-	$-	$-	$-	$-	$-
Real estate construction							
Pass	$1,024	$ -	$ -	$ -	$ -	$ -	$1,024
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Total real estate construction	$1,024	$ -	$ -	$ -	$ -	$ -	$1,024
Real estate construction							
Current period gross write offs	$-	$-	$-	$-	$-	$-	$-
Home equity							
Pass	$1,480	$1,094	$528	$1,342	$10,088	$77	$14,609
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Total home equity	$1,480	$1,094	$528	$1,342	$10,088	$77	$14,609
Home equity							
Current period gross write offs	$-	$-	$-	$-	$-	$-	$-
Indirect auto							
Pass	$7,557	$5,949	$2,646	$1,822	$ -	$ -	$17,974
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Total indirect auto	$7,557	$5,949	$2,646	$1,822	$ -	$ -	$17,974
Indirect auto							
Current period gross write offs	$-	$12	$-	$-	$-	$-	$12
Other consumer							
Pass	$1,306	$658	$595	$805	$269	$ -	$3,633
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Total other consumer	$1,306	$658	$595	$805	$269	$ -	$3,633
Other consumer							
Current period gross write offs	$-	$10	$19	$-	$4	$-	$33
Total loans	$25,942	$46,041	$45,051	$100,765	$15,361	$183	$233,343

NOTE 6 - PREMISES AND EQUIPMENT

The following summarizes premises and equipment at December 31, 2024 and 2023:

	Estimated Useful Lives	2024	2023
		(In Thousands)	
Premises	5-39 years	$6,047	$6,007
Furniture, fixtures and equipment	5-10 years	5,034	4,839
		11,081	10,846
Accumulated depreciation		(7,363)	(6,971)
		3,718	3,875
Land		313	313
		$4,031	$4,188

NOTE 7 - INTEREST BEARING DEPOSITS

Time deposits that exceed the FDIC Insurance limit of $250,000 at December 31, 2024 and 2023 were $28,113,000 and $23,879,000, respectively.

Interest bearing deposits at December 31, 2024 and 2023 are further detailed as follows:

	2024	2023
	(In Thousands)	
Savings accounts	$127,980	$135,137
NOW accounts	9,148	9,963
Certificates and other time deposits	150,774	146,725
	$287,902	$291,825

Time deposits at December 31, 2024 had the following scheduled maturities:

Years Ending December 31: (In Thousands)	
2025	$ 116,947
2026	18,405
2027	5,614
2028	3,695
2029	6,113
Total	$150,774

NOTE 8 – BORROWINGS AND BORROWING CAPACITY

The Bank has a line of credit commitment available from Atlantic Community Bankers Bank for borrowings up to $10,000,000 in federal funds. Borrowings on this line are repaid on a daily basis. There were no borrowings under this line at December 31, 2024 and 2023.

The Bank has maximum borrowing capacity with the FHLB of approximately $120,768,000. Borrowings under this line were $18,400,000 at December 31, 2024 and $10,170,000 at December 31, 2023. Advances from the FHLB are secured by qualifying assets of the Bank.

At December 31, 2024 and 2023, the Corporation had the following borrowings outstanding from the FHLB:

Loan Type	Maturity Date	Interest Rate at December 31, 2024	2024 Principal Outstanding	2023 Principal Outstanding
	(In Thousands)			
Fixed Term	November 5, 2024	1.913%	$ -	$2,500
Variable LOC	December 18, 2025	4.711%	18,400	7,670
			$18,400	$10,170

NOTE 9 - INCOME TAXES

The components of the net deferred tax asset at December 31, 2024 and 2023 are as follows:

	2024	2023
	(In Thousands)	
Losses on impaired security	$79	$91
Unrealized loss on securities	2,462	2,185
Allowance for credit losses	476	476
Accrued benefits	28	25
Lease liability	366	379
Losses on impaired premises and equipment	112	112
Total Deferred Tax Assets	3,523	3,268
Securities accretion	(104)	(86)
Depreciation	(162)	(187)
Right of use asset	(357)	(372)
Total Deferred Tax Liabilities	(623)	(645)
Net Deferred Tax Asset (included in other assets)	$2,900	$2,623

The income tax provision for financial reporting purposes differs from the amount computed by applying the statutory income tax rate to income before income taxes. The differences for the years ended December 31, 2024 and 2023 are as follows:

	2024		2023	
	Amount	% of Pretax Income	Amount	% of Pretax Income
	(Dollars in Thousands)			
Tax at statutory rate	$473	21 %	$644	21 %
Increase (decrease) resulting from:				
Tax-exempt interest income	(550)	(24)	(547)	(18)
TEFRA interest expense disallowance	84	4	62	2
Other	2	-	3	-
	$9	1 %	$162	5 %

The Corporation is subject to income taxes in the U.S. and the state of Pennsylvania. Tax regulations are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply.

NOTE 10 – STOCKHOLDERS' EQUITY

The Corporation is authorized to issue 2,500,000 shares of common stock and 1,000,000 shares of serial preferred stock, par value of $1.00 per share, of which 500,000 shares of Series A preferred stock was authorized in August 2011. The Series A preferred stock liquidation value is $260.21 per share and is non-cumulative with respect to dividends. The Series A preferred stock ranks senior to the common stock and all classes and series of equity securities of the Corporation as to dividend rights, rights of liquidation, and dissolution or winding up of the Corporation. Holders of the Series A preferred stock are generally entitled to vote upon any merger or similar transaction involving the Corporation in which the holders of common stock are entitled to vote and are otherwise entitled to vote as required by law. The Series A preferred stock is entitled to a preference in the distribution of dividends and liquidation rights, callable any time after the fifth anniversary following issuance, automatically convert into shares of the Corporation's common stock immediately prior to the closing of a change in control, and provides antidilution adjustments when the outstanding shares of common stock are increased or decreased. Series A preferred stock does not have any preemptive or preferential rights.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Bank entered into a lease agreement for a branch office in Walnutport, Pennsylvania in October 2019. The terms provide for lease payments to begin in April 2020 for 29 years and 11 months. The Bank opened the branch for operation in April 2020. The Corporation had a right of use asset recorded in premises and equipment of $1,702,000 at December 31, 2024 and $1,769,000 at December 31, 2023 on the consolidated statements of financial condition. This was offset by lease liabilities recorded in other liabilities of $1,744,000 and $1,804,000 at the same periods.

Rental payments are $5,000 per month for the first five years with escalating payments of 7 percent every five years until maturity.

NOTE 12 - RELATED PARTY TRANSACTIONS

Some of the Corporation's or the Bank's directors, principal officers, principal shareholders and their related interests had transactions with the Bank in the ordinary course of business. All transactions were made on substantially the same terms, including collateral and interest rates, as those prevailing at the time for comparable transactions with persons not related. In the opinion of management, these transactions do not involve more than normal risk of collectability or present other unfavorable features. Deposits of related parties totaled $4,935,000 and $4,186,000 at December 31, 2024 and 2023, respectively. It is anticipated that similar transactions will be made in the future. The following is an analysis of loans to these related parties during 2024 and 2023:

	2024	2023
	(In Thousands)	
Balances, January 1	$4,551	$2,037
Advances	1,473	4,883
Repayments	(1,251)	(2,369)
Balances, December 31	$4,773	$4,551

NOTE 13 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Corporation is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated statement of financial condition. The contract or notional amounts of these instruments reflect the extent of involvement the Corporation has in particular classes of financial instruments.

The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and letters of credit written is represented by the contract or notional amount of those instruments. The Corporation uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. The following table identifies the contract or notional amount of those instruments at December 31, 2024 and 2023:

	2024	2023
	(In Thousands)	
Commitments to grant loans	$7,428	$5,033
Unfunded commitments under lines of credit	37,897	32,098
Letters of credit	510	678
	$45,835	$37,809

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. 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 amounts do not necessarily represent future cash requirements. The Corporation evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include personal or commercial real estate, accounts receivable, inventory, and equipment.

Outstanding letters of credit written are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. The majority of these standby letters of credit expire within the next twelve months. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending other loan commitments. The Corporation requires collateral supporting these letters of credit as deemed necessary. The maximum undiscounted exposure related to these commitments at December 31, 2024 and 2023 was $510,000 and $678,000, respectively. Management believes that the proceeds obtained through a liquidation of such collateral would be sufficient to cover the maximum potential amount of future payments required under the corresponding guarantees. The current amount of the liability as of December 31, 2024 and 2023 for guarantees under standby letters of credit issued is not material.

NOTE 14 - DIVIDEND RESTRICTIONS

The amount of funds available to a parent from its subsidiary bank is limited for all national banks by restrictions imposed by the Comptroller of the Currency. A national bank is required to obtain the approval of the Comptroller of the Currency if the total of all dividends declared in any calendar year exceeds the Bank's net profits (as defined) for that year combined with its retained net profits for the preceding two calendar years. Under this formula, the Bank can declare dividends at December 31, 2024 of approximately ($1,293,000) plus an additional amount equal to the Bank's net profits for 2024, up to the date of any such dividend declaration.

NOTE 15 - CAPITAL REQUIREMENTS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. 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 consolidated financial statements. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weighting and other factors. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2024 that the Bank met all capital adequacy requirements to which it is subject.

As of December 31, 2024, the most recent notification from the regulatory agencies categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since those notifications that management believes have changed those categories.

The Bank has elected the community bank leverage ratio framework. This framework simplifies the regulatory capital requirements by requiring the Bank meet only Tier 1 capital to average assets (leverage) ratio. The Bank must only maintain a leverage ratio greater than the 9% required minimum to be considered well capitalized under this framework. The Bank can opt out of the new framework and return to the risk-weighting framework at any time.

The Bank's actual capital ratios as of December 31, 2024 and 2023 are as follows:

	2024			
	Actual		To Be Well Capitalized Under Prompt Corrective Action Provisions (CBLR Framework)	
	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)			
Tier 1 capital (to average assets):	$75,543	16.42%	≥$41,396	≥9.00

	2023			
	Actual		To Be Well Capitalized Under Prompt Corrective Action Provisions (CBLR Framework)	
	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)			
Tier 1 capital (to average assets):	$77,196	17.04%	≥$40,767	≥9.00

The Federal Reserve Board approved a final rule in February 2006 that expands the definition of a small bank holding company ("BHC") under the Board's Small Bank Holding Company Policy Statement and the Board's risk-based and leverage capital guidelines for bank holding companies by raising the small BHC asset size threshold from $150 million to $500 million and amended the related qualitative criteria for determining eligibility as a small BHC for the purposes of the policy statement and the capital guidelines. Based on the ruling, Neffs Bancorp, Inc. meets the eligibility criteria of a small BHC and is exempt from regulatory capital requirements administered by the federal banking agencies.

NOTE 16 - FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The Corporation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with FASB ASC Topic 820 – Fair Value Measurement, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in some instances, there are no quoted market prices for the Corporation's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

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

FASB ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC Topic 820 are as follows:

> Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
>
> Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.
>
> Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported with little or no market activity).

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

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

	December 31, 2024			
	Total	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
	(In Thousands)			
Mortgage-backed securities available for sale	$ 60,745	$ -	$ 60,745	$ -
	December 31, 2023			
Mortgage-backed securities available for sale	$ 65,406	$ -	$ 65,406	$ -

There were no assets measured at fair value on a non-recurring basis at December 31, 2024. For assets measured at fair value on a non-recurring basis at December 31, 2023, the fair value measurements by level within the fair value hierarchy used are as follows:

	December 31, 2023			
	Total	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
	(In Thousands)			
Impaired trust preferred securities held to maturity	$ 9	$ -	$ -	$ 9
Individually evaluated loans	101	-	-	101

	Fair Value	Valuation Technique	Unobservable Input	Range
	(In Thousands)			
Impaired trust preferred securities held to maturity	$ 9	Income valuation	Collateral credit quality	4.1%
Individually evaluated loans	101	Appraisal of collateral(1)(2)	Collateral discounts(2)	20-30%

(1) Fair value is generally determined through independent appraisals of the underlying collateral.
(2) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses.

The Corporation's adoption of ASC Topic 820 applies only to its financial instruments required to be reported at fair value. The Corporation does not have non-financial assets and non-financial liabilities for which adoption would apply in accordance with ASC Topic 820.

The following methods and assumptions were used by the Corporation in estimating financial instrument fair values:

Cash and Cash Equivalents and Interest Bearing Deposits with Banks (Carried at Cost)

The statement of financial condition carrying amounts for cash and cash equivalents and interest bearing deposits with banks approximate the estimated fair values of such assets.

Securities

Level 1 fair values of unimpaired securities held to maturity (carried at cost) and securities available for sale are generally determined by quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. Mortgage-backed securities were valued using Level 2 inputs where quoted process are available and observable but not necessarily quotes on identical securities traded in active markets on a daily basis.

At December 31, 2024 the Corporation owned two collateralized debt obligation securities, classified as securities held to maturity, totaling $872,000 book value and $1,278,000 fair value that are backed by trust preferred securities issued by banks, thrifts, and insurance companies ("TRUP CDOs"). The Corporation analyzed the cash flow characteristics of these securities and determined that one security was other-than-temporarily impaired. The security was partially charged-off years ago and has a book value of $0 as of December 31, 2024. The market for these securities at December 31, 2024 is not active and markets for similar securities are also not active. The inactivity was evidenced first by a significant widening of the bid-ask spread in the brokered markets in which TRUP CDOs trade and then by a significant decrease in the volume of trades relative to historical levels. The new issue market is also inactive as no new TRUP CDOs have been issued since 2007. There are currently very few market participants who are willing and or able to transact for these securities.

Loans Receivable (Carried at Cost)
Fair values of variable rate loans subject to frequent repricing and which entail no significant credit risk are based on the carrying amounts. The estimated fair values of other loans are estimated by discounting the future cash flows using interest rates currently offered for loans with similar terms to borrowers of similar credit quality along with additional exit rate factors.

Individually Evaluated Loans (Generally Carried at Fair Value)
Individually evaluated loans are those in which the Bank has measured impairment generally based on the fair value of the loan's collateral. Fair value is generally determined based upon independent third-party appraisals of the properties, or discounted cash flows based upon the expected proceeds. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements.

Restricted Investments in Bank Stocks (Carried at Cost)
The carrying amount of restricted investments in bank stocks approximates fair value, and considers the limited marketability of such securities.

Accrued Interest Receivable (Carried at Cost)
The carrying amount of accrued interest is considered a reasonable estimate of fair value.

Deposit Liabilities (Carried at Cost)
For deposits which are payable on demand, the carrying amount is a reasonable estimate of fair value. Fair values of fixed rate time deposits are estimated by discounting the future cash flows using national interest rates and a schedule of aggregate expected maturities.

Accrued Interest Payable (Carried at Cost)
The carrying amount of accrued interest approximates its fair value.

Short-term and Long-term Borrowings (Carried at Cost)
The fair value of these borrowings are estimated using discounted cash flow analysis, based on quoted prices for new advances with similar credit risk characteristics, terms and remaining maturity.

Off-Balance Sheet Instruments (Disclosed at Cost)
The fair value of commitments to extend credit and for outstanding letters of credit is estimated using the fees currently charged to enter into similar agreements, taking into account market interest rates, the remaining terms and present credit worthiness of the counterparties.

The estimated fair values of the Corporation's financial instruments at December 31, 2024 and 2023 are as follows:

	December 31, 2024				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
	(In Thousands)				
Financial assets:					
Cash and short-term investments	$ 2,620	$ 2,620	$ 2,620	$ -	$ -
Securities available for sale	60,745	60,745	-	60,745	-
Securities held to maturity	146,439	117,928	-	117,928	-
Loans, net	236,369	208,993	-	-	208,993
Accrued interest receivable	1,920	1,920	-	1,920	-
Restricted stock	985	985	-	985	-
Financial liabilities:					
Non-interest bearing deposits	80,619	80,619	80,619	-	-
Interest bearing deposits	287,902	290,216	-	290,216	-
Accrued interest payable	1,334	1,334	-	1,334	-
Borrowings	18,400	18,400	-	18,400	-

	December 31, 2023				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
	(In Thousands)				
Financial assets:					
Cash and short-term investments	$ 4,444	$ 4,444	$ 4,444	$ -	$ -
Securities available for sale	65,406	65,406	-	65,406	-
Securities held to maturity	145,104	119,482	-	119,473	9
Loans, net	231,077	198,447	-	-	198,447
Accrued interest receivable	1,879	1,879	-	1,879	-
Restricted stock	659	659	-	659	-
Financial liabilities:					
Non-interest bearing deposits	81,516	81,516	81,516	-	-
Interest bearing deposits	291,825	292,713	-	292,713	-
Accrued interest payable	1,153	1,153	-	1,153	-
Borrowings	10,170	10,170	-	10,170	-

NOTE 17 - CONDENSED FINANCIAL INFORMATION OF NEFFS BANCORP, INC. (PARENT ONLY)

STATEMENT OF FINANCIAL CONDITION

	December 31,	
	2024	2023
	(In Thousands)	
ASSETS		
Cash	$ 830	$ 23
Investment in subsidiary	66,128	68,775
Premises and equipment	223	214
Other assets	141	141
Total Assets	$67,322	$69,153
LIABILITY AND STOCKHOLDERS' EQUITY		
Liability, accounts payable	$ 50	$ 55
Stockholders' equity	67,272	69,098
Total Liability and Stockholders' Equity	$67,322	$69,153

STATEMENT OF INCOME

	Years Ended December 31,	
	2024	2023
	(In Thousands)	
Dividends from subsidiary	$4,000	$2,650
Rental income	17	17
Expenses	(152)	(151)
Income before Income Taxes and Equity in Undistributed Earnings of Subsidiary	3,865	2,516
Income tax benefit	31	28
	3,896	2,544
Equity in undistributed earnings of subsidiary	(1,653)	359
Net income	2,243	2,903
Preferred stock dividend	(49)	(55)
Net income available to common shareholders	$2,194	$2,848

STATEMENT OF CASH FLOWS

	Years Ended December 31, 2024	2023
	(In Thousands)	
Cash Flows from Operating Activities		
Net income	$2,243	$2,903
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	7	6
Equity in undistributed earnings of subsidiary	1,653	(359)
Increase in other assets	-	(5)
Decrease in accounts payable	(5)	-
Net Cash Provided by Operating Activities	3,898	2,545
Cash Flows Used in Investing Activities		
Purchase of premises and equipment	(16)	-
Net Cash Used in Investing Activities	(16)	-
Cash Flows Used in Financing Activities		
Dividends paid	(1,253)	(1,487)
Purchase of treasury stock	(2,116)	(1,308)
Sale of treasury stock	294	183
Net Cash Used in Financing Activities	(3,075)	(2,612)
Net increase (decrease) in Cash	807	(67)
Cash - Beginning	23	90
Cash - Ending	$ 830	$ 23

SELECTED FINANCIAL DATA (UNAUDITED)

The following financial information is not covered by the auditor's report and must be read in conjunction with the consolidated financial statements and related notes.

	At or For the Year Ended December 31,				
	2024	2023	2022	2021	2020
	(Dollars in Thousands, Except Per Share Data)				
Interest Income					
Interest and fees on loans	$11,359	$10,221	$8,734	$8,857	$8,517
Interest and dividends on securities	5,801	5,760	5,470	4,402	4,692
Interest on federal funds sold and other	154	25	55	21	21
Total interest income	17,314	16,006	14,259	13,280	13,230
Interest Expense					
Deposits	6,794	4,557	1,599	1,908	2,726
Borrowings	704	920	316	238	248
Total interest expense	7,498	5,477	1,915	2,146	2,974
Net interest income	9,816	10,529	12,344	11,134	10,256
(Credit) provision for credit losses	(1)	58	-	-	214
Net interest income after (credit) provision for credit losses	9,817	10,471	12,344	11,134	10,042
Other income	334	311	387	244	170
Other expenses	7,899	7,717	7,634	6,876	6,276
Income before income taxes	2,252	3,065	5,097	4,502	3,936
Income Tax Expense	9	162	569	466	346
Net income	$2,243	$2,903	$4,528	$4,036	$3,590
Per Share Data					
Basic earnings per common share	$15.11	$18.48	$28.56	$25.16	$22.35
Book value	$451.97	$442.07	$421.51	$462.56	$456.51
Dividends declared	$8.30	$9.30	$8.25	$8.10	$8.00
At End of Period					
Total assets	$457,470	$455,783	$468,211	$462,754	$409,134
Securities	207,184	210,510	212,732	218,571	183,799
Total loans, gross	238,636	233,343	237,334	208,532	205,609
Allowance for credit losses	2,267	2,266	2,246	2,240	2,258
Deposits	368,521	373,341	371,569	378,011	322,486
Stockholders' equity	$67,272	$69,098	$67,634	$74,697	$73,873
Common shares outstanding	145,442	152,829	156,099	158,106	158,366
Series A Preferred shares outstanding	5,904	5,904	5,904	6,003	6,053
Key Ratios					
Return on average assets	0.49%	0.63%	0.97%	0.93%	0.92%
Return on average equity	3.29%	4.25%	6.36%	5.43%	4.97%
Net loans to deposit ratio	64.14%	61.89%	63.27%	54.57%	63.06%
Dividend payout ratio (dividends declared divided by net income)	55.81%	51.23%	29.58%	33.01%	36.66%
Equity to asset ratio (average equity divided by average total assets)	14.93%	14.80%	15.29%	17.04%	18.45%