

**Atlantic Community Bancshares,  
Inc. and Subsidiary**

Consolidated Financial Statements

December 31, 2025

**Atlantic Community Bancshares, Inc. and Subsidiary**

---

Table of Contents  
December 31, 2024

	<b><u>Page</u></b>
<b>Independent Auditor's Report</b>	1
<b>Financial Statements</b>	
Consolidated Balance Sheet	3
Consolidated Statement of Income	4
Consolidated Statement of Comprehensive Income	5
Consolidated Statement of Shareholders' Equity	6
Consolidated Statement of Cash Flows	7
<b>Notes to Consolidated Financial Statements</b>	8-45



INDEPENDENT AUDITOR’S REPORT

Board of Directors and Shareholders  
Atlantic Community Bancshares, Inc.  
Camp Hill, Pennsylvania

**Opinion**

We have audited the accompanying consolidated financial statements of Atlantic Community Bancshares, Inc. and subsidiaries (the “Company”), which comprise the consolidated balance sheet as of December 31, 2025 and 2024; the related consolidated statement of income, comprehensive income, shareholders’ equity, and cash flows for the years then ended; and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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

**Responsibilities of Management for the Financial Statements**

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

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

**PITTSBURGH, PA**

2009 Mackenzie Way • Suite 340  
Cranberry Township, PA 16066  
(724) 934-0344

**PHILADELPHIA, PA**

161 Washington Street • Suite 200  
Conshohocken, PA 19428  
(610) 278-9800

**WHEELING, WV**

980 National Road  
Wheeling, WV 26003  
(304) 233-5030

**STEUBENVILLE, OH**

511 N. Fourth Street  
Steubenville, OH 43952  
(304) 233-5030

S.R. Snodgrass, P.C. d/b/a S.R. Snodgrass, A.C. in West Virginia



**Auditor’s Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

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

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

Cranberry Township, Pennsylvania  
March 16, 2026

**PITTSBURGH, PA**

2009 Mackenzie Way • Suite 340  
Cranberry Township, PA 16066  
(724) 934-0344

**PHILADELPHIA, PA**

161 Washington Street • Suite 200  
Conshohocken, PA 19428  
(610) 278-9800

**WHEELING, WV**

980 National Road  
Wheeling, WV 26003  
(304) 233-5030

**STEUBENVILLE, OH**

511 N. Fourth Street  
Steubenville, OH 43952  
(304) 233-5030

S.R. Snodgrass, P.C. d/b/a S.R. Snodgrass, A.C. in West Virginia

**Atlantic Community Bancshares, Inc. and Subsidiary**

## Consolidated Balance Sheet

(Dollars in Thousands, Except Share Data)

December 31, 2025 and 2024

	2025	2024
<b>Assets</b>		
Cash and due from banks	\$ 10,862	\$ 15,184
Interest-bearing deposits with banks	108,964	91,418
Federal funds sold	14,324	4,510
Cash and cash equivalents	134,150	111,112
Securities available for sale, at fair value	172,068	166,413
Securities held to maturity, (fair value of \$19,256 and \$18,703), net of allowance for credit losses \$80 and \$11	22,381	22,628
Restricted investment in bank stock	4,590	3,801
Loans, net of allowance for credit losses of \$11,373 and \$10,961	549,366	536,503
Premises and equipment, net	1,365	1,758
Cash surrender value of life insurance	38,339	37,110
Goodwill, net	2,646	2,762
Intangible assets, net	932	1,286
Accrued interest receivable and other assets	16,479	15,262
Total assets	<u>\$ 942,316</u>	<u>\$ 898,635</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
Noninterest-bearing deposits	\$ 214,568	\$ 212,359
Interest-bearing deposits	353,019	340,911
Total deposits	<u>567,587</u>	<u>553,270</u>
Federal funds purchased	122,840	126,291
Federal Home Loan Bank advances	80,214	61,231
Accrued interest payable and other liabilities	17,597	15,650
Total liabilities	<u>788,238</u>	<u>756,442</u>
<b>Shareholders' Equity</b>		
Preferred stock, no par value; 25,000 shares authorized in 2025 and 2024, with none outstanding in 2025 and 2024	-	-
Common stock, par value \$250 per share; 50,000 shares authorized in 2025 and 2024; 15,781 shares issued and 15,781 outstanding in 2025 and 15,621 shares issued and 15,521 outstanding in 2024	3,945	3,905
Paid-in capital	35,245	34,243
Retained earnings	117,535	109,149
Accumulated other comprehensive loss	(3,234)	(5,703)
Total Atlantic Community Bancshares, Inc. shareholders' equity	<u>153,491</u>	<u>141,594</u>
Noncontrolling interest	587	599
Total liabilities and shareholders' equity	<u>\$ 942,316</u>	<u>\$ 898,635</u>

See notes to consolidated financial statements.

**Atlantic Community Bancshares, Inc. and Subsidiary**

Consolidated Statement of Income  
(Dollars in Thousands, Except Per Share Data)  
Years Ended December 31, 2025 and 2024

	2025	2024
<b>Interest and Dividend Income</b>		
Loans, including fees	\$ 34,986	\$ 32,464
Debt securities	8,227	8,763
Interest-bearing deposits with banks	6,422	8,078
Federal funds sold	707	929
Other	330	303
Total interest income	<u>50,672</u>	<u>50,537</u>
<b>Interest Expense</b>		
Deposits	15,755	16,763
Federal funds purchased	6,896	8,386
Federal Home Loan Bank advances	2,234	1,683
Other	-	11
Total interest expense	<u>24,885</u>	<u>26,843</u>
Net interest income	25,787	23,694
<b>Provision for Credit Losses</b>		
Loans and OBS	594	1,302
Securities held to maturity	69	11
Total provision expense	<u>663</u>	<u>1,313</u>
Net interest income after provision for credit losses	<u>25,124</u>	<u>22,381</u>
<b>Other Income</b>		
Clearing and analysis fees	7,722	6,248
Risk and compliance fees	6,967	2,987
International wire commissions	3,297	3,082
Earnings on cash surrender value of life insurance	941	902
Agency federal funds fees	407	461
Other	144	156
Total other income	<u>19,478</u>	<u>13,836</u>
<b>Other Expenses</b>		
Salaries and employee benefits	18,449	14,061
Data processing and servicing fees	4,961	4,722
Professional fees	2,383	1,574
Occupancy and equipment, net	1,147	970
Intangible amortization	791	265
Pennsylvania bank shares tax	760	766
Software expense	747	614
FDIC insurance	352	302
Merger expense	-	352
Other	3,109	3,390
Total other expenses	<u>32,699</u>	<u>27,016</u>
Income before income tax expense	11,903	9,201
<b>Income Tax Expense</b>	<u>2,090</u>	<u>1,805</u>
Net income	9,813	7,396
Net income applicable to noncontrolling interests	<u>758</u>	<u>694</u>
Net income applicable to Atlantic Community Bancshares, Inc.	<u>\$ 9,055</u>	<u>\$ 6,702</u>
<b>Basic and Diluted Earnings Per Share</b>	<u>\$ 577</u>	<u>\$ 431</u>

See notes to consolidated financial statements.

**Atlantic Community Bancshares, Inc. and Subsidiary**

Consolidated Statement of Comprehensive Income

(Dollars in Thousands)

Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Net income	\$ 9,813	\$ 7,396
<b>Other Comprehensive Income</b>		
Unrealized holding gain on available-for-sale securities	3,303	631
Income tax effect	<u>(834)</u>	<u>(153)</u>
	2,469	478
Unrealized loss on Fed funds interest rate swap	-	(332)
Income tax effect	<u>-</u>	<u>80</u>
	-	(252)
Total other comprehensive income	<u>2,469</u>	<u>226</u>
Total comprehensive income	<u>\$ 12,282</u>	<u>\$ 7,622</u>

See notes to consolidated financial statements.

**Atlantic Community Bancshares, Inc. and Subsidiary**

Consolidated Statement of Shareholders' Equity

(Dollars in Thousands, Except Share and Per Share Data)

Years Ended December 31, 2025 and 2024

	<u>Common Stock</u>	<u>Treasury Stock</u>	<u>Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Noncontrolling Interest</u>	<u>Total Shareholders' Equity</u>
<b>Balance, December 31, 2023</b>	\$ 3,893	\$ (252)	\$ 33,763	\$ 102,995	\$ (5,929)	\$ 524	\$ 134,994
Net income	-	-	-	6,702	-	694	7,396
Issued 48 shares of common stock	12	-	238	-	-	-	250
Sale of 72 shares of treasury stock	-	252	242	-	-	-	494
Distribution to members	-	-	-	-	-	(619)	(619)
Dividend declared and paid, \$35.24 per share	-	-	-	(548)	-	-	(548)
Other comprehensive income	-	-	-	-	226	-	226
<b>Balance, December 31, 2024</b>	3,905	-	34,243	109,149	(5,703)	599	142,193
Net income	-	-	-	9,055	-	758	9,813
Issued 160 shares of common stock	40	-	1,002	-	-	-	1,042
Distribution to members	-	-	-	-	-	(770)	(770)
Dividend declared and paid, \$42.90 per share	-	-	-	(669)	-	-	(669)
Other comprehensive income	-	-	-	-	2,469	-	2,469
<b>Balance, December 31, 2025</b>	<u>\$ 3,945</u>	<u>\$ -</u>	<u>\$ 35,245</u>	<u>\$ 117,535</u>	<u>\$ (3,234)</u>	<u>\$ 587</u>	<u>\$ 154,078</u>

See notes to consolidated financial statements.

**Atlantic Community Bancshares, Inc. and Subsidiary**

## Consolidated Statement of Cash Flows

(Dollars in Thousands)

Years Ended December 31, 2025 and 2024

	2025	2024
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 9,814	\$ 7,396
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of premises and equipment	481	574
Net (amortization) accretion of premiums and discounts on securities	(215)	(33)
Amortization of deferred loan fees, net	(298)	(310)
Amortization of fair value purchase accounting adjustments	(15)	(7)
Amortization of intangibles	791	265
Provision for credit losses	663	1,313
Earnings on cash value of life insurance	(941)	(902)
Deferred income taxes	(90)	(405)
(Increase) decrease in other assets	(5,321)	608
Increase in accrued interest payable and other liabilities	4,726	1,087
Net cash provided by operating activities	<u>9,593</u>	<u>9,586</u>
<b>Cash Flows from Investing Activities</b>		
Activity in available-for-sale securities:		
Purchases	(30,415)	(32,772)
Proceeds from maturities, calls, and repayments	28,370	30,162
Activity in held-to-maturity securities:		
Proceeds from maturities and calls	85	230
Purchases of additional life insurance	(288)	(576)
Net increase in loans	(12,883)	(36,529)
Net redemption of restricted stock	(789)	834
Net purchases of premises and equipment	(88)	(531)
Purchase of equity investment	-	(116)
Net cash paid for acquisition	-	(2,990)
Net cash used for investing activities	<u>(16,008)</u>	<u>(42,288)</u>
<b>Cash Flows from Financing Activities</b>		
Net increase (decrease) in deposits	14,317	(7,361)
Repayments of long-term borrowings	(62,017)	(7,151)
Proceeds from long-term borrowings	81,000	5,000
Increase (decrease) in federal funds purchased	(3,451)	1,198
Net proceeds from sale of treasury stock	-	414
Net proceeds for issuance of common stock	1,042	330
Distributions to members	(770)	(619)
Payments of dividends	(670)	(548)
Net cash (used for) provided by financing activities	<u>29,451</u>	<u>(8,737)</u>
Net (decrease) increase in cash and cash equivalents	23,036	(41,439)
<b>Cash, Cash Equivalents and Restricted Cash, Beginning of the Year</b>	<u>111,112</u>	<u>152,551</u>
<b>Cash, Cash Equivalents and Restricted Cash, End of Year</b>	<u>\$ 134,150</u>	<u>\$ 111,112</u>

See notes to consolidated financial statements.

**Atlantic Community Bancshares, Inc. and Subsidiary**

Consolidated Statement of Cash Flows (Continued)

(Dollars in Thousands)

Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>Supplementary Cash Flows Information</b>		
Cash paid during the period for:		
Interest	\$ 25,142	\$ 27,220
Income taxes	3,214	2,075
Recognition of Right of Use Asset	\$ 3,220	\$ -
Recognition of lease liability	3,220	-

See notes to consolidated financial statements.

## **1. Summary of Significant Accounting Policies**

### **Organization and Nature of Operations**

Atlantic Community Bancshares, Inc. (the “Company”) is a Pennsylvania corporation organized as the holding company of Atlantic Community Bankers Bank (the “Bank” or “ACBB”). The Bank provides correspondent banking services, both credit and noncredit, to financial institutions along the East Coast of the United States of America (“U.S.”). The Bank is subject to regulation and supervision by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation (FDIC), and the Pennsylvania Department of Banking and Securities. Shatswell MacLeod, Inc. (“Shatswell”) is a wholly owned subsidiary of the Bank, as of August 1, 2024. Refer to Note 20, Business Combinations, for further information. Shatswell diversified the service offering of the Bank by offering outsourced risk and compliance services to the Bank’s clients. Bank AnoVa Partners, LLC (“Bank AnoVa”) is a limited liability partnership between ACBB, as majority owner (55 percent), and Acceleron Bank (in formation) (45 percent), based in Vermont. Bank AnoVa provides foreign exchange services to the Bank’s international wire clients. 1400 Market Street, LLC was formed to manage and sell properties acquired by the Bank in the settlement of a bankruptcy filing with commercial customers and classified foreclosed real estate (OREO).

The Bank participates in commercial loans with other financial institutions along the East Coast of the U.S. and makes direct loans to financial institutions and officers and directors of financial institutions. In addition, the Bank accepts deposits and purchases federal funds from financial institutions. The Bank performs various services for its customers in an agency capacity and, therefore, these items are excluded from the Bank’s financial statements since they do not constitute assets of the Bank. The Bank had agency federal funds of \$70,967,000 and \$70,891,000 as of December 31, 2025 and 2024, respectively. The Bank had excess balance accounts, held with the Federal Reserve Bank of Philadelphia (“FRB”) of \$879,626,000 and \$741,718,000 as of December 31, 2025 and 2024, respectively. Both the agency federal funds and excess balance accounts are excluded from these financial statements.

### **Principles of Consolidation**

The consolidated financial statements include the accounts of the Company, its subsidiary, ACBB, and the Bank’s subsidiaries, Shatswell, Bank AnoVa and 1400 Market Street, LLC. All significant intercompany accounts and transactions are eliminated in the consolidation.

### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Balance Sheet and the reported amounts of revenues and expenses during the reporting period at the date of the Consolidated Statement of Income. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses (ACL) and impairment evaluation of goodwill and other intangibles assets.

### **Significant Group Concentrations of Credit Risk**

Most of the Company's activities are with customers located along the East Coast of the U.S. The Company participates in commercial loans with other financial institutions throughout these regions and makes direct loans to officers and directors of financial institutions. The loan portfolio is generally collateralized by assets of the borrower. A substantial portion of the Bank's loan portfolio is concentrated in the real estate industry. Therefore, its debtors' ability to honor their contracts at December 31, 2025 and 2024, is dependent upon the commercial real estate sector of the economy. The concentration of credit by type of loan is set forth in Note 3, Loans.

### **Presentation of Cash Flows**

For purposes of reporting cash flows, cash, cash equivalents and restricted cash include cash on hand, amounts due from banks and federal funds sold, all of which have initial maturities of 90 days or less. Generally, federal funds are purchased or sold for one-day periods, but for those that exceed three days, are presented as term federal funds sold on the Consolidated Balance Sheet.

### **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, amounts due from banks, interest-bearing deposits with banks and federal funds sold. In addition, in return for service obtained through correspondent banks, the Bank is required to maintain cash balances in certain correspondent banks. At December 31, 2025 and 2024, the FRB did not require the Bank to maintain a non-interest bearing balance in either year.

### **Securities**

Debt securities that management has the positive intent and ability to hold to maturity are classified as held-to-maturity (HTM) and recorded at amortized cost. Securities not classified as HTM or trading are classified as available-for-sale (AFS) and recorded at fair value, with unrealized gains and losses excluded from earnings and reported, net of tax, in other comprehensive income. Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each Consolidated Balance Sheet date. Accrued interest receivable on securities totaled \$509,754 and \$623,474 as of December 31, 2025 and 2024, respectively, and was reported in accrued interest receivable and other assets on the Consolidated Balance Sheet.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

Realized gains or losses, determined on the basis of the cost of the specific securities sold, are included in earnings. The Company did not sell any securities in the years ended December 31, 2025 or 2024.

Refer to Note 2, Securities, for further information.

### **Restricted Investment in Bank Stock**

The required investments in FRB stock and Federal Home Loan Bank of Pittsburgh ("FHLB") stock are carried at cost.

Management evaluates the restricted stock for impairment. Management's determination of whether these investments are impaired is based on an assessment of the ultimate recoverability of cost rather than by recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability of cost is influenced by criteria such as (1) the significance of the decline in net assets of the correspondent bank as compared to the capital stock amount of the correspondent bank and the length of

## **Atlantic Community Bancshares, Inc. and Subsidiary**

### Notes to Consolidated Financial Statements

December 31, 2025 and 2024

time this situation has persisted, (2) commitments by the correspondent bank to make payments required by law or regulation and the level of such payments in relation to the operating performance of the correspondent bank, and (3) the impact of legislative and regulatory changes on institutions and, accordingly, on the customer base of the correspondent bank.

Management believes no impairment charge was necessary related to the restricted investments in bank stock in 2025 or 2024.

#### **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 and any deferred fees or costs, net of an ACL. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the yield (interest income) of the related loans. The Bank is generally amortizing these amounts over the contractual life of the loan.

The loans receivable portfolio is primarily comprised of commercial loans. Commercial loans consist of the following classes: real estate construction and land development, commercial real estate non-owner occupied and owner occupied, hotel, multi-family real estate and bank holding company loans. Included in the other category, are smaller portfolios of residential, commercial and industrial and stock loans.

For all classes of loans receivable, the accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. Past-due status is based on the contractual terms of the loan. 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 ACL. Payments received on nonaccrual loans generally are 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.

Refer to Note 3, Loans, for further information.

#### **Allowance for Credit Losses**

The measurement of current expected credit losses "CECL" is applicable to financial assets measured at amortized cost, including loans and HTM debt securities. It also applies to off-balance sheet (OBS) credit exposures, such as loan commitments, standby letters of credit, financial guarantees, and other similar instruments, and net investments in leases recognized by a lessor in accordance with ASC Topic 842.

Accrued interest receivable on loans totaled \$2,227,735 and \$2,075,674 as of December 31, 2025 and 2024, respectively, and was reported in accrued interest receivable and other assets on the Consolidated Balance Sheet. The Bank has elected to exclude accrued interest receivable from the measurement of its ACL. When a loan is placed on non-accrual status, any outstanding accrued interest is reversed against interest income.

The ACL consists of the ACL on loans, OBS credit exposures and HTM debt securities. The ACL is increased by the provision for credit losses, and decreased by charge-offs, net of recoveries. The ACL is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management performs a quarterly evaluation of the adequacy of the ACL.

The Bank is under \$1 Billion in assets and elected to use the FRB Scaled CECL Allowance for Losses Estimated (SCALE) method for CECL for its loans and OBS credit exposures. The SCALE method includes

four key components: lifetime loss rate, individually evaluated loan losses, qualitative adjustments and adjustment to peer group lifetime loss rate to reflect the Bank's insight on portfolio performance.

*Loans:* The ACL for loans is an estimate of the expected losses to be realized over the life of the loans in the portfolio. The ACL is determined for two distinct categories of loans: 1) loans evaluated collectively for expected credit losses and 2) loans evaluated individually for expected credit losses. Loans deemed to be uncollectible are charged against the ACL, and subsequent recoveries, if any, are credited to the ACL. All, or part, of the principal balance of loans receivable are charged off to the ACL 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 ACL is restricted to any individual loan or groups of loans, and the entire ACL is available to absorb any and all credit losses.

*Loans Evaluated Collectively:* Loans evaluated collectively covers pools of loans by loan class including commercial loans on accrual status and loans initially evaluated individually, but determined not to have enhanced credit risk characteristics. It also includes smaller-balance homogeneous loans, such as residential real estate. These pools of loans are evaluated for loss exposure using the SCALE method.

A majority of the Bank's loan assets are loans to business owners of many types. The Bank makes commercial loans for real estate development and other business purposes required by the customer base.

*Loans Evaluated Individually:* Loans evaluated individually for expected credit losses include loans that are risk rated Substandard or worse and any loan on non-accrual status. The required ACL for such loans is determined using either the present value of expected future cash flows, observable market price or the fair value of collateral.

The Bank's credit policies determine advance rates against the different forms of collateral that can be pledged against commercial loans. Typically, the majority of loans will be limited to a percentage of their underlying collateral values such as real estate values, equipment, eligible accounts receivable, and inventory. Individual loan advance rates may be higher or lower depending upon the financial strength of the borrower and/or term of the loan. The assets financed through commercial loans are used within the business for its ongoing operation. Repayment of these loans generally comes from the cash flow of the business or the ongoing conversions of assets. Commercial real estate loans include long-term loans financing commercial properties. Repayment of these loans are dependent upon either the ongoing cash flow of the borrowing entity or the resale of or lease of the subject property. Commercial real estate loans typically require a loan-to-value ratio of not greater than 80 percent, and vary in terms.

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

For commercial and industrial loans secured by non-real-estate collateral, such as accounts receivable, inventory, and equipment, fair values are determined based on the borrower's financial statements, inventory reports, accounts receivable agings, 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.

The Company segregates loan classes into risk rating categories. The borrower's overall financial condition, repayment sources, guarantors, and value of collateral, if appropriate, are evaluated annually for commercial loans or when credit deficiencies arise, such as delinquent loan payments, for commercial and consumer loans. Credit quality risk ratings include regulatory classifications. The following is a summary of the Company's internal risk rating categories:

- *Pass*: These loans do not currently pose undue credit risk and can range from the highest to average quality, depending on the degree of potential risk.
- *Special Mention*: These loans have a heightened credit risk, but not to the point of justifying a classification of Substandard. Loans in this category are currently acceptable but, are nevertheless potentially weak.
- *Substandard or Lower*: These loans are inadequately protected by current sound worth and paying capacity of the borrower. There exists a well-defined weakness or weaknesses that jeopardize the normal repayment of the debt.

*ACL Lifetime Loss Rate*: Using the SCALE method, the Bank uses publicly available data to obtain an initial proxy expected lifetime loss rates. Management further adjusts the proxy expected lifetime loss rates to reflect the Bank's specific facts and circumstances to arrive at the final ACL estimate that adequately reflects the loss history and credit risk in the portfolio.

*Qualitative and Other Adjustments to ACL*: In addition to the ACL Lifetime Loss Rate estimates for loans evaluated collectively, qualitative factors that may not be fully captured in the quantitative results are also evaluated. These qualitative factors include:

1. Indirect Underwriting Risk
2. General Economic Conditions
3. Stability/Demonstrated Performance
4. Collateral Value Trends
5. Delinquency, Criticized, Classified and Non-Performing Assets
6. Concentrations of Credit
7. Loan Review System
8. Portfolio Growth & Maturities
9. Changes in Policies & Procedures
10. Competition, Legal and Regulatory
11. Staff Levels, Training & Quality

Each factor is assigned a value to reflect improving, stable, or declining conditions based on management's best judgment using relevant information available at the time of the evaluation. Qualitative adjustments are evaluated and approved on a quarterly basis and supported through documentation of changes in conditions in a narrative accompanying the ACL calculation.

*OBS Credit Exposures:* The ACL for OBS credit exposures is recorded in other liabilities on the Consolidated Balance Sheet. This portion of the ACL represents management's estimate of expected losses in its unfunded loan commitments and other OBS credit exposures. The ACL specific to unfunded commitments is determined by estimating future draws and applying the expected loss rates on those draws. Future draws are based on historical averages of utilization rates (i.e., the likelihood of draws taken). The ACL for OBS credit exposures is increased or decreased by charges or reductions to expense, through the provision for credit losses.

Refer to Note 3, Loans, for further information.

*Investment Securities:* Expected credit losses on HTM debt securities are determined by modeling that looks at probability of default and loss given default over an instrument's remaining lifetime, using macroeconomic forecasts to construct a forward-looking term structure. An ACL of \$80,000 and \$11,000 existed as of December 31, 2025 and December 31, 2024, respectively. The HTM debt securities are investments consisting solely of government guaranteed municipal securities.

AFS debt securities are carried at fair value rather than amortized cost. Under CECL, credit losses on AFS debt securities are recognized through an ACL rather than through a direct write-down of the security. In evaluating credit losses on AFS debt securities, management considers factors such as delinquency, guarantees and whether the securities are rated higher than investment grade. The Bank's AFS rated debt securities are investment grade. The Bank does not have the intent to sell and does not believe it will more likely than not be required to sell any of these securities prior to a recovery of their fair value to amortized costs, which may be at maturity. As of December 31, 2025 and 2024, no AFS debt securities required an ACL.

### **Transfers of Financial Assets**

Transfers of financial assets, including loan and loan participation sales, are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (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 Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

### **Other Real Estate Owned**

OREO is comprised of property acquired through a foreclosure proceeding or an acceptance of a deed in lieu of foreclosure. Balances are initially reflected at the fair value less any estimated disposition costs, with subsequent adjustments made to reflect further declines in value. Any loss upon disposition of the property and holding costs, prior thereto, are charged against income. The Company has not recognized any OREO in the years ended December 31, 2025 or 2024.

### **Premises and Equipment**

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. The estimated useful lives of buildings and improvements range from 10 to 30 years or the life of the lease, whichever is shorter, from 3 to 10 years for furniture and equipment, and 3-5 years for software. Refer to Note 4, Premises and Equipment, for additional information.

### **Cash Surrender Value of Life Insurance**

Cash surrender value of life insurance is carried at its net cash surrender value as determined by the insurance companies. The value represents the amount of premiums invested and earnings thereon. Premiums for purchases of life insurance with a cash surrender value are capitalized. Earnings on the cash surrender value of life insurance are included in other income while expenses are recorded as a component of other expenses in the Consolidated Statement of Income.

### **Goodwill and Other Intangible Assets**

Goodwill arises from business combinations and is determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interest in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Effective January 1, 2025, the Bank adopted the private company goodwill accounting alternative under ASC 350-20. Under this policy, goodwill is amortized on a straight-line basis over a useful life of 10 years and is tested for impairment only upon the occurrence of a triggering event. Amortization expense for the year ended December 31, 2025 was \$437,000. No amortization expense was recorded as of December 31, 2024. Write-downs of the balance, if necessary as a result of the impairment test, are charged to non-interest expense on the Consolidated Statements of Income in the period in which goodwill is determined to be impaired. As of December 31, 2025 and 2024, no triggering events were identified and therefore, the Company did not perform an impairment evaluation.

Intangible assets consist of customer list, non-compete, and core deposit intangible assets. Each is amortized over their estimated useful lives, which ranges from 1 to 10 years. Amortization expense for the year ended December 31, 2025 and December 31, 2024 was \$354,000 and \$265,000, respectively. Any impairment write-downs, if necessary, are recognized as non-interest expense on the Consolidated Statements of Income.

There was no goodwill or intangible assets impairment recorded during the periods ended December 31, 2025 and 2024. Refer to Note 5, Goodwill and Other Intangibles Assets, for additional information.

### **Leases**

The Company accounts for its leases, where it is the lessee in accordance with ASC 842. All leases with an initial term greater than 12 months recognize: (1) a Right of Use (ROU) asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term; and (2) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, each measured on a discounted basis. The ROU asset and lease liability are recognized on the Consolidated Balance Sheet under accrued interest receivable and other assets and accrued interest payable and other liabilities, respectively. The Company elected to not separate lease and non-lease components.

As a lessee, the Company has two operating leases which consists of real estate leases for the Company's headquarters in Camp Hill, PA and office space in Glastonbury, CT. ROU assets and lease liabilities are not recognized for leases with an initial term of 12 months or less, however, expense related to rent payments are recognized as non-interest expense on the Consolidated Statements of Income.

Operating lease cost represents fixed lease payments for operating leases recognized on a straight-line basis over the applicable lease term. Lease rental expense, inclusive of variable lease expense, represents expenses such as the payment of real estate taxes, insurance common area maintenance based on the Company's pro-rata share and short-term lease rent expense. Refer to Note 9, Leases, for additional information.

### **Marketing and Promotion Expense**

The Company follows the policy of charging the costs of marketing and promotion to expense as incurred and totaled \$245,816 and \$191,000 for the years ended December 31, 2025 and 2024, respectively.

### **Income Taxes**

The Company accounts for income taxes in accordance with income tax accounting guidance. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

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

The Company and Bank recognize interest and penalties on income taxes as a component of income tax expense. With few exceptions, the Company and Bank are no longer subject to U.S. federal or state income tax examinations for years before 2022. Refer to Note 10, Income Taxes, for additional information.

**Comprehensive Income**

U.S. GAAP requires 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 AFS securities, are reported as a separate component of the equity section of the Consolidated Balance Sheet, such items, along with net income, are components of other comprehensive income. Refer to Note 16, Other Comprehensive Income, for additional information.

**Common Stock Ownership**

Ownership of the Company's common stock is limited to other depository institutions in the U.S.. The number of shares for which an investor may subscribe is limited to 10 percent of the Company's capital and surplus. The maximum number of shares that any investor may vote is limited to 4.99 percent of the issued and outstanding shares of the Company.

**Revenue Recognition and Deferred Revenue**

The majority of the Company's revenues come from interest income and other sources, including loans and securities, that are outside the scope of ASC 606. The Company's services that fall within the scope of ASC 606 are presented within other income and are recognized as revenue as the Bank satisfies its obligation to the customer. Services within the scope of ASC 606 include clearing and analysis fees, risk and compliance fees, international wire commissions, commissions earned as agent for federal funds and FRB excess balance account transactions. Refer to Note 18, Revenue Recognition, for further information within the scope of ASC 606.

**Business Combinations**

Business combinations are accounted for using the acquisition method of accounting. Under the acquisition method, identifiable assets acquired and liabilities assumed are measured at fair value as of the acquisition date. The difference between the purchase price and the fair value of net assets acquired is recorded as goodwill. Results of the operations of the acquired entity are included in the Consolidated Statement of Income from the acquisition date. Acquisition costs are expensed as incurred and included in merger expenses on the Consolidated Statement of Income. Refer to Note 19, Business Combinations, for further information within the scope of ASC 805.

**Earnings Per Share**

The Company has a simple capital structure. Basic earnings per share represents net income divided by the weighted-average number of common shares outstanding. Treasury shares are not deemed outstanding for earnings per share calculations. Basic earnings per share calculation is presented below for the years ended December 31: (in thousands, except per share data):

	2025	2024
Basis and Diluted weighted average shares outstanding	15,687	15,556
Net income applicable to common shares	9,055	6,702
<b>Basic and diluted earnings per share - net income</b>	<b>577</b>	<b>431</b>

### **Off-Balance Sheet Financial Instruments**

In the ordinary course of business, the Company has entered into OBS financial instruments consisting of commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the Consolidated Balance Sheet when they are funded. Refer to Note 12, Commitments and Contingent Liabilities, for further information.

### **Reclassifications**

Certain amounts in the 2024 consolidated financial statements have been reclassified to conform to the 2025 presentation. Such reclassification had no impact on net income or shareholders' equity.

## Atlantic Community Bancshares, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

December 31, 2025 and 2024

## 2. Securities

The following table presents the amortized cost, ACL, gross unrealized gains and losses, and fair value at December 31 (in thousands):

	2025				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
<b>Available for sale</b>					
Mortgage-backed securities:					
U.S. government agency / sponsored enterprise residential	\$ 152,553	\$ 347	\$ (4,017)	\$ 148,883	\$ -
U.S. agency securities	10,133	4	(62)	10,075	-
Corporate securities	13,583	211	(684)	13,110	-
Total	<u>\$ 176,269</u>	<u>\$ 562</u>	<u>\$ (4,763)</u>	<u>\$ 172,068</u>	<u>\$ -</u>

### Held to maturity

Obligations of states and political subdivisions	<u>\$ 22,461</u>	<u>\$ -</u>	<u>\$ (3,125)</u>	<u>\$ 19,336</u>	<u>\$ (80)</u>
---	------------------	-------------	-------------------	------------------	----------------

	2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
<b>Available for sale</b>					
Mortgage-backed securities:					
U.S. government agency / sponsored enterprise residential	\$ 147,141	\$ 179	\$ (6,381)	\$ 140,939	\$ -
U.S. agency securities	12,475	6	(89)	12,392	-
Corporate securities	14,301	119	(1,338)	13,082	-
Total	<u>\$ 173,917</u>	<u>\$ 304</u>	<u>\$ (7,808)</u>	<u>\$ 166,413</u>	<u>\$ -</u>

### Held to maturity

Obligations of states and political subdivisions	<u>\$ 22,639</u>	<u>\$ -</u>	<u>\$ (3,925)</u>	<u>\$ 18,714</u>	<u>\$ (11)</u>
---	------------------	-------------	-------------------	------------------	----------------

**Atlantic Community Bancshares, Inc. and Subsidiary**

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

**2. Securities (Continued)**

The following tables reflect the fair value of securities for which an ACL has not be established, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31 (in thousands):

	2025					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<b>Available for sale</b>						
Mortgage-backed securities:						
U.S. government agency /						
sponsored enterprises residential	\$ 33,765	\$ (141)	\$ 81,234	\$ (3,876)	\$ 114,999	\$ (4,017)
U.S. agency securities	2,210	(5)	6,548	(57)	8,758	(62)
Corporate Securities	-	-	10,161	(684)	10,161	(684)
Total	<u>\$ 35,975</u>	<u>\$ (146)</u>	<u>\$ 97,943</u>	<u>\$ (4,617)</u>	<u>\$ 133,918</u>	<u>\$ (4,763)</u>
	2024					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<b>Available for sale</b>						
Mortgage-backed securities:						
U.S. government agency /						
sponsored enterprises residential	\$ 29,007	\$ (553)	\$ 79,220	\$ (5,828)	\$ 108,227	\$ (6,381)
U.S. agency securities	6,235	(37)	4,328	(52)	10,563	(89)
Corporate Securities	-	-	11,762	(1,338)	11,762	(1,338)
Total	<u>\$ 35,242</u>	<u>\$ (590)</u>	<u>\$ 95,310</u>	<u>\$ (7,218)</u>	<u>\$ 130,552</u>	<u>\$ (7,808)</u>

## Atlantic Community Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

### 2. Securities (Continued)

At December 31, 2025, the fair value of AFS securities in an unrealized loss position for which an ACL had not been recorded was \$133,918,000 including unrealized losses of \$4,763,000. Unrealized losses on AFS securities have not been recognized into income because the issuers bonds are either explicitly or implicitly guaranteed by the U.S. government, management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuers continue to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds approach maturity. There was no ACL on AFS securities at December 31, 2025 and 2024.

At December 31, 2025, the fair value of HTM securities in an unrealized loss position was \$19,336,000, including unrealized losses of \$3,125,000 and an ACL of \$80,000. The Company monitors the credit quality of HTM securities primarily through utilizing credit ratings on a quarterly basis. All HTM securities were rated investment grade or higher as of December 31, 2025 and 2024.

The following table summarizes the activities in the ACL for HTM securities (in thousands):

	2025				
	Beginning Balance	Charge-offs	Recoveries	Provisions (Reductions)	Ending Balance
HTM securities	\$ 11	\$ -	\$ -	\$ 69	\$ 80
	2024				
	Beginning Balance	Charge-offs	Recoveries	Provisions (Reductions)	Ending Balance
HTM securities	\$ -	\$ -	\$ -	\$ 11	\$ 11

Amortized cost and fair value at December 31, 2025, by maturity are shown below (in thousands). Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay with or without penalties.

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 2,219	\$ 2,216	\$ 12,558	\$ 10,056
Due after one year through five years	108,893	108,066	4,853	4,620
Due after five years through ten years	65,157	61,786	5,050	4,660
Due after ten years	-	-	-	-
Total	\$ 176,269	\$ 172,068	\$ 22,461	\$ 19,336

During the years ended December 31, 2025 and 2024, the Company did not sell any securities.

The Company had pledged investment securities with a carrying value of \$156,541,000 and \$149,827,000 to secure borrowed monies as of December 31, 2025 and 2024, respectively.

**Atlantic Community Bancshares, Inc. and Subsidiary**

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

**3. Loans**

The composition of loans receivable by portfolio segment at December 31 is as follows (in thousands):

	<u>2025</u>	<u>2024</u>
Real estate construction and land development	\$ 35,560	\$ 56,470
Commercial real estate:		
Non-owner occupied	203,855	203,197
Owner occupied	94,030	78,429
Hotels	83,256	71,103
Multi-family real estate	81,663	73,813
Bank holding company	4,500	10,000
Other	58,687	55,303
	<u>561,551</u>	<u>548,315</u>
Less:		
Deferred loan fees	812	851
ACL - loans	<u>11,373</u>	<u>10,961</u>
Net loans	<u>\$ 549,366</u>	<u>\$ 536,503</u>

The following table summarizes the ACL for loans and the reserve for OBS credit exposures for the years ended December 31 (in thousands):

	<u>2025</u>	<u>2024</u>
ACL - loans	\$ 11,373	\$ 10,961
Reserve for OBS credit exposures <sup>(1)</sup>	<u>800</u>	<u>538</u>
	<u>\$ 12,173</u>	<u>\$ 11,499</u>

(1) Included in other liabilities on the Consolidated Balance Sheet



**Atlantic Community Bancshares, Inc. and Subsidiary**

## Notes to Consolidated Financial Statements

December 31, 2025 and 2024

**3. Loans (Continued)**

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 and lower, within the Company's internal risk rating system as of December 31 (in thousands):

	2025			
	Pass	Special Mention	Substandard	Total
Real estate construction and land development	\$ 31,868	\$ 2,500	\$ 1,192	\$ 35,560
Commercial real estate:				
Non-owner occupied	203,717	-	7,017	210,734
Owner occupied	87,013	-	138	87,151
Hotels	83,256	-	-	83,256
Multi-family real estate	81,663	-	-	81,663
Bank holding company	4,500	-	-	4,500
Other	58,582	-	105	58,687
Total	<u>\$ 550,599</u>	<u>\$ 2,500</u>	<u>\$ 8,452</u>	<u>\$ 561,551</u>

	2024			
	Pass	Special Mention	Substandard	Total
Real estate construction and land development	\$ 55,278	\$ -	\$ 1,192	\$ 56,470
Commercial real estate:				
Non-owner occupied	196,454	-	6,743	203,197
Owner occupied	78,252	-	177	78,429
Hotels	71,103	-	-	71,103
Multi-family real estate	73,813	-	-	73,813
Bank holding company	10,000	-	-	10,000
Other	55,198	-	105	55,303
Total	<u>\$ 540,098</u>	<u>\$ -</u>	<u>\$ 8,217</u>	<u>\$ 548,315</u>

## Atlantic Community Bancshares, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

December 31, 2025 and 2024

### 3. Loans (Continued)

The performance and credit quality of the loan portfolio are also monitored by analyzing the age of the loans receivable as determined by the length of time a recorded payment is past due. The following table presents the classes of the loan portfolio summarized by the past-due status as of December 31 (in thousands):

	2025					
	Current	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Total Loans
Real estate construction and land development	\$ 33,673	\$ 578	\$ 116	\$ 1,192	\$ 1,886	\$ 35,559
Commercial real estate:						
Non-owner occupied	203,855	-	-	-	-	203,855
Owner occupied	94,030	-	-	-	-	94,030
Hotels	83,256	-	-	-	-	83,256
Multi-family real estate	81,663	-	-	-	-	81,663
Bank holding company	4,500	-	-	-	-	4,500
Other	58,582	-	-	105	105	58,688
<b>Total</b>	<b>\$ 559,559</b>	<b>\$ 578</b>	<b>\$ 116</b>	<b>\$ 1,297</b>	<b>\$ 1,991</b>	<b>\$ 561,551</b>

  

	2024					
	Current	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Total Loans
Real estate construction and land development	\$ 55,278	\$ -	\$ -	\$ 1,192	\$ 1,192	\$ 56,470
Commercial real estate:						
Non-owner occupied	203,197	-	-	-	-	203,197
Owner occupied	78,429	-	-	-	-	78,429
Hotels	71,103	-	-	-	-	71,103
Multi-family real estate	73,813	-	-	-	-	73,813
Bank holding company	10,000	-	-	-	-	10,000
Other	55,197	-	-	105	105	55,303
<b>Total</b>	<b>\$ 547,017</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,297</b>	<b>\$ 1,297</b>	<b>\$ 548,315</b>

There are no loans past due over 90 days and still accruing for the periods ended December 31, 2025 and 2024.

**Atlantic Community Bancshares, Inc. and Subsidiary**

## Notes to Consolidated Financial Statements

December 31, 2025 and 2024

**3. Loans (Continued)**

The following table presents total non-accrual loans, by class segment:

	2025			2024		
	Without a related allowance	With a related allowance	Total	Without a related allowance	With a related allowance	Total
Real estate construction and land development	\$ -	\$ 1,192	\$ 1,192	\$ -	\$ 1,192	\$ 1,192
Commercial real estate:						
Non-owner occupied	-	1,952	1,952	-	6,743	6,743
Owner occupied	-	-	-	-	-	-
Hotels	-	-	-	-	-	-
Multi-family real estate	-	-	-	-	-	-
Bank holding company	-	-	-	-	-	-
Other	105	-	105	105	-	105
	<u>\$ 105</u>	<u>\$ 3,144</u>	<u>\$ 3,249</u>	<u>\$ 105</u>	<u>\$ 7,935</u>	<u>\$ 8,040</u>

The amount of interest income on non-accrual loans that was recognized was approximately \$43,000 in 2024. There was not any amount of interest income of non-accrual loans recognized in 2025.

The Company may grant a modification to borrowers in financial distress by providing a temporary reduction in interest rate, or an extension of a loan's stated maturity date. Loan modifications are intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral.

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

Commercial real estate non-owner occupied loans totaling \$7,017,000 made to borrowers experiencing financial difficulty were modified during the year ended December 31, 2025, representing 3.44% of total class of financial receivables. These collateral dependent loans were collateralized by commercial real estate. There were no modifications of loans to borrowers experiencing financial difficulty during the years ended December 31, 2024.

**Atlantic Community Bancshares, Inc. and Subsidiary**

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

**4. Premises and Equipment**

The components of premises and equipment at December 31 are as follows (in thousands):

	<u>2025</u>	<u>2024</u>
Leasehold improvements	\$ 622	\$ 605
Furniture, fixtures, and equipment	3,867	3,800
Software	620	620
Construction in progress	-	74
	<u>5,109</u>	<u>5,099</u>
Less accumulated depreciation	<u>(3,744)</u>	<u>(3,341)</u>
Total	\$ <u>1,365</u>	\$ <u>1,758</u>

Depreciation expense was \$481,000 and \$574,000 for the years ended December 31, 2025 and 2024, respectively.

**5. Goodwill and Other Intangible Assets**

Goodwill totaled \$3,100,000 as a result of the acquisition of Shatswell. Refer to Note 19, Business Combination, for additional information on the original goodwill recorded at the time of the acquisition.

The estimated fair value of acquisitions are subject to uncertainty, including future changes in fair values of the acquisition targets in general and future operating results of the acquired entities, which could differ significantly from the assumptions used in the current valuation of entities acquired.

The following table provides information for the carrying amount of goodwill and other intangible assets (in thousands):

	<u>2025</u>	<u>2024</u>
<b><u>Goodwill</u></b>		
Balance at beginning of year	\$ 2,762	\$ -
Year 1 purchase accounting adjustment	321	-
Adjusted balance at beginning of year	3,083	-
Goodwill acquired	-	2,762
Amortization	(437)	-
Balance at end of year	\$ <u>2,646</u>	\$ <u>2,762</u>
	<u>2025</u>	<u>2024</u>
<b><u>Intangible assets</u></b>		
Balance at beginning of year	\$ 1,286	\$ 347
Intangible assets acquired	-	1,204
Amortization	(354)	(265)
Balance at end of year	\$ <u>932</u>	\$ <u>1,286</u>

## Atlantic Community Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

### 5. Goodwill and Other Intangible Assets (Continued)

The Company's intangible assets consist of goodwill and other intangibles including customer list, non-compete and core deposit intangibles, associated with business combinations. Goodwill and intangible assets are shown on the Consolidated Balance Sheet under "Goodwill, net" and "Intangible assets, net", respectively. Goodwill is amortized straight-lined over a useful life of 10 years. The non-compete intangible was amortized over 1 year and the customer list and core deposit intangibles are amortized over 10 years. The following table summarizes the activity within the intangible assets for the years indicated (in thousands):

	December 31, 2025		
	Gross carrying Value	Accumulated Amortization	Net Carrying Value
Goodwill	\$ 3,083	\$ (437)	\$ 2,646
Customer list and non-compete intangible	1,204	(376)	828
Core deposit intangible	1,910	(1,806)	104
Total amortized intangible assets	<u>\$ 6,197</u>	<u>\$ (2,619)</u>	<u>\$ 3,578</u>
	December 31, 2024		
	Gross carrying Value	Accumulated Amortization	Net Carrying Value
Goodwill	\$ 2,762	\$ -	\$ 2,762
Customer list and non-compete intangible	1,204	(125)	1,079
Core deposit intangible	1,910	(1,702)	208
Total amortized intangible assets	<u>\$ 3,114</u>	<u>\$ (1,827)</u>	<u>\$ 1,287</u>

Projected future amortization expense for the Company's goodwill and intangibles assets as of December 31, 2025 is (in thousands):

	Goodwill	Customer list intangible	Core deposit intangible	Total
2026	\$ 308	\$ 172	\$ 69	\$ 549
2027	308	152	35	495
2028	308	132	-	440
2029	308	112	-	420
2030	308	92	-	400
Thereafter	1,106	168	-	1,274
Total	<u>\$ 2,646</u>	<u>\$ 828</u>	<u>\$ 104</u>	<u>\$ 3,578</u>

The non-compete intangible asset was fully amortized in 2025.

## Atlantic Community Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

### 6. Deposits

In return for services provided by the Bank, member banks are required to maintain noninterest-bearing demand deposits at the Bank. In lieu of paying interest on these demand deposit accounts, the Bank provides an earnings credit to eligible member banks to reduce the overall expense to member banks for using the Bank's services.

Deposits were comprised of the following as of December 31 (in thousands):

	<u>2025</u>	<u>2024</u>
Noninterest-bearing demand	\$ 214,568	\$ 212,359
Escrow accounts	3,058	33,610
Money market accounts	<u>222,091</u>	<u>148,620</u>
Total demand and money market	439,717	394,589
Brokered deposits	42,011	52,764
Time deposits	<u>85,859</u>	<u>105,917</u>
Total Deposits	<u>\$ 567,587</u>	<u>\$ 553,270</u>

At December 31, 2025, the scheduled maturities of brokered and time deposits are as follows (in thousands):

Years ending December 31:	<u>Brokered</u>	<u>Time</u>
2026	\$ 38,924	\$ 85,859
2027	<u>3,087</u>	<u>-</u>
Total	<u>\$ 42,011</u>	<u>\$ 85,859</u>

There were \$1,000,000 of individual time deposit accounts that exceeded \$250,000 at December 31, 2025. There were no individual time deposit accounts with balances that exceeded \$250,000 at December 31, 2024.

### 7. Federal Funds

Federal funds are reported on a gross basis. Federal funds sold are stated as assets and federal funds purchased are stated as liabilities on the Consolidate Statement of Income. Federal funds purchased had interest rates ranging from 3.60 percent to 4.35 percent throughout the year ended December 31, 2025, and 4.35 percent to 5.37 percent throughout the year ended December 31, 2024 impacted by the decreases and increases in the Federal Funds Target Rate experienced throughout 2025 and 2024, respectively. The weighted average rate for federal funds purchased was 4.23 percent and 5.18 percent for the years ended December 31, 2025 and 2024, respectively.

## Atlantic Community Bancshares, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

December 31, 2025 and 2024

#### 8. Borrowings

The Bank has a \$300,755,000 line of credit available through the FRB secured by a blanket floating lien on all qualifying loans at December 31, 2025. At December 31, 2025 and 2024, the Bank had no balance outstanding with the FRB on this line of credit. At December 31, 2025 and 2024, the Bank also had \$95,000,000 available under line of credit agreements with other financial institutions. There were no advances outstanding on these lines at December 31, 2025 and 2024.

The Bank has a repurchase agreement with a financial institution to which municipal securities are pledgable to access borrowing if needed. As December 31, 2025 and 2024, there were no advances on this line.

The Bank has borrowing agreements with the FHLB consisting of twelve fixed-rate long-term advances. There is one amortizing advances with monthly principal and interest payments and eleven advances are non-amortizing advances with quarterly interest payments only. The Bank is permitted to borrow provided sufficient collateral is in place. Currently, collateral is provided by pledging government securities. At December 31, 2025, the Bank had pledged collateral of \$157,318,000 to secure credit provided of \$80,214,000. The maximum borrowing capacity at December 31, 2025, based on the current fair value of collateral pledged was \$148,197,000.

A summary of the FHLB borrowings at December 31 is as follows (dollars in thousands):

Description	Maturity Range		Average Interest Rate	Rate Range		2025	2024
	From	To		From	To		
Fixed rate nonamortizing	01/13/26	04/03/28	3.59 %	1.64 %	5.08 %	\$ 79,000	\$ 59,000
Fixed rate amortizing	02/11/27	02/11/27	2.08	2.08	2.08	<u>1,214</u>	<u>2,231</u>
	Total					\$ <u>80,214</u>	\$ <u>61,231</u>

The maximum outstanding for the FHLB borrowings at any month end during the years ended December 31, 2025 and 2024 were \$90,725,000 and \$63,191,000, respectively.

The following table summarizes the schedule maturities of the FHLB borrowings with an original maturity of one year or more as of December 31, 2025, is as follows (dollars in thousands):

2026	\$ 34,000
2027	36,214
2028	<u>10,000</u>
Total	\$ <u>80,214</u>

## Atlantic Community Bancshares, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

December 31, 2025 and 2024

#### 9. Leases

The Bank enters into noncancellable lease arrangements for some of its offices, including its headquarters in Camp Hill, PA and office space in Glastonbury, CT. The lease arrangements contain clauses requiring increasing rental payments over the lease term, which are generally contractually stipulated. These lease arrangements provide the Bank with the option to renew the lease arrangement after the initial lease term. These options are included in determining the lease term used to establish the ROU assets and lease liabilities, in accordance with ASC 842, when it is reasonably certain the Bank will exercise its renewal option. The Bank's leases do not have a readily determinable implicit rate, so the incremental borrowing rate is primarily used to determine the discount rate for purposes of measuring the ROU assets and lease liabilities. The Bank's lease arrangements do not contain any material residual value guarantees or material restrictive covenants. The ROU and lease liabilities are reported within the Consolidated Balance Sheet as accrued interest receivable and other assets and accrued interest payable and other liabilities, respectively.

The following provides additional information about the Bank's operating leases as of December 31:

	<u>2025</u>	<u>2024</u>
ROU assets (in thousands)	\$ 3,308	\$ 1,856
Lease liabilities (in thousands)	\$ 3,367	\$ 1,940
Weighted average remaining lease term (in years)	6.54	4.50
Weighted average discount rate	4.27%	4.42%

Future minimum lease payments for operating leases as of December 31, 2025 for the years ended: (in thousands):

2026	\$ 553
2027	570
2028	493
2029	415
2030	427
Thereafter	<u>1,560</u>
Total undiscounted cash flows	4,018
Discount on cash flows	<u>(651)</u>
Total lease liability	<u>\$ 3,367</u>

	<u>2025</u>	<u>2024</u>
	(in thousands)	
Operating lease cost (resulting from lease payments)	\$ 583	\$ 491
Lease rental expense	623	458

Total lease rental expense includes certain common area maintenance charges and is included in occupancy and equipment, net expense on the Consolidated Statements of Income.

**Atlantic Community Bancshares, Inc. and Subsidiary**

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

**10. Income Taxes**

Allocation of income tax expense is as follows for the years ended December 31 (in thousands):

	<u>2025</u>	<u>2024</u>
Current	\$ 2,180	\$ 2,210
Deferred	(90)	(405)
Total	<u>\$ 2,090</u>	<u>\$ 1,805</u>

The components of the federal deferred tax assets, included in accrued interest receivable and other assets on the Consolidated Balance Sheet, at December 31 are as follows (in thousands):

	<u>2025</u>	<u>2024</u>
Deferred tax assets:		
ACL - loans	\$ 2,634	\$ 2,631
Employee benefit plans	1,782	1,725
Unrealized losses on AFS securities	966	1,801
Lease liabilities	774	466
Accrued unfunded commitments	184	129
Organizational costs of holding company	98	18
Other	-	278
Gross deferred tax assets	<u>6,438</u>	<u>7,048</u>
Deferred tax liabilities:		
ROU assets	761	445
Premises and equipment	302	351
Intangibles	190	-
Investment in subsidiary	123	110
Purchase accounting adjustments	17	42
Other	12	-
Gross deferred tax liabilities	<u>1,405</u>	<u>948</u>
Net deferred tax assets	<u>\$ 5,033</u>	<u>\$ 6,100</u>

## Atlantic Community Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

### 10. Income Taxes (Continued)

Realization of deferred tax assets is dependent upon the generation of future taxable income. A valuation allowance is recognized when it is considered more likely than not that some portion of the deferred tax assets will not be realized. In assessing the need for a valuation allowance, management considers the scheduled reversal of the deferred tax liabilities, the level of historical taxable income, and projected future taxable income over the periods in which the temporary differences comprising the deferred tax assets will be deductible. Based on its assessment, management determined that no valuation allowance is necessary.

Income tax expense reported differs from the amount computed by applying the federal income tax rate to income before taxes. A reconciliation of the differences by amount and percentage is as follows (in thousands).

	2025		2024	
	Amount	% of Pretax Income	Amount	% of Pretax Income
Provision at statutory rate	\$ 2,340	21.0 %	\$ 1,787	21.0 %
Current state tax	347	3.1	205	2.3
Effect of a tax-exempt interest income	(74)	(0.7)	(71)	(0.8)
BOLI income	(197)	(1.8)	(189)	(2.1)
Other	(326)	(2.9)	73	0.8
Total	<u>\$ 2,090</u>	<u>18.7 %</u>	<u>\$ 1,805</u>	<u>21.2 %</u>

There is currently no liability for uncertain tax positions and no known unrecognized tax benefits. The Company and Bank recognizes, when applicable, interest and penalties related to unrecognized tax benefits in the provision for income taxes in the Consolidated Statement of Income.

### 11. Transactions with Executive Officers, Directors, and Principal Shareholders

The Bank has had, and may be expected to have in the future, transactions in the ordinary course of business with its directors, their immediate families, and their affiliated banks (commonly referred to as related parties), on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others.

There is one officer loan with a related party totaling \$1,000,000, with \$452,000 and \$469,000 outstanding as of December 31, 2025 and 2024, respectively.

There are nine directors' banks that held \$9,608,000 and \$22,016,000 of deposits, consisting of non-interest demand and money market accounts, at the Bank as of December 31, 2025 and 2024, respectively.

**12. Commitments and Contingent Liabilities**Commitments

The Bank is a party to financial instruments with OBS risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Balance Sheet.

The following financial instruments whose contract amounts represent credit risk were outstanding at December 31 (in thousands):

	<u>2025</u>	<u>2024</u>
Commitments to grant loans	\$ 42,250	\$ 19,586
Unfunded commitments under lines of credit and construction agreements	<u>95,793</u>	<u>72,594</u>
Total	<u>\$ 138,043</u>	<u>\$ 92,180</u>

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

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

Contingent Liabilities

The Company is subject to legal proceedings, claims, and litigation arising in the ordinary course of business. The Company defends itself vigorously against any such claims. Although the outcome of these matters is currently not determinable, management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on its consolidated financial position, results of operations, or cash flows.

As part of the acquisition of Shatswell, a contingent liability of \$1,500,000 was established in 2024 to a portion of the purchase price over a three year earnout period, with annual distributions. As of December 31, 2025, the contingent liability is \$1,181,000. This liability is recorded as a component of accrued interest payable and other liabilities in the Consolidated Balance Sheet.

### **13. Employee Benefit Plans**

The Company maintains a 401(k) savings plan, in which employees may elect to defer pre-tax salary dollars. Employees may make contributions to the plan in the month following their third month of service and are eligible for employer contributions in the month following their twelfth month of service. The Company matches employee contributions at the rate of 100.0 percent for the first 4.0 percent of employee contributions and 50.0 percent on the next 4.0 percent. The Company may also contribute a discretionary amount up to 3.0 percent of an employee's annual plan salary based on the Company's financial performance and if it is approved by the Board of Directors. There were no changes to the 401(k) plan in 2025 and 2024 outside of the incorporation of Shatswell. The Company had a total expense of \$915,000 and \$589,000 for the years ended December 31, 2025 and 2024, respectively.

The Company maintains an arrangement for supplemental compensation (the Supplemental Plan) for certain of its executive officers (Executives). The Supplemental Plan provides that the Company and the Executives share in the rights to the death benefits of bank-owned split-dollar life insurance policies (BOLI Policies) and SERPs. The amount of the BOLI Policies has been calculated so that the projected increases in their cash surrender value will partially offset the Company's expense related to the Supplemental Plan. The Supplemental Plan is designed to provide certain Executives, upon attaining the normal retirement age, as defined within the Supplemental Plan, with projected annual distributions.

The amount of the benefit obligation is increased or decreased each year based on the service cost, interest cost, and benefits paid by the Supplemental Plan. The expense associated with the Supplemental Plan was \$592,000 and \$553,000 for the years ended December 31, 2025 and 2024, respectively. The benefit obligation associated with the Supplemental Plan was \$5,617,000 and \$5,420,000 at December 31, 2025 and 2024, respectively, and is included in other liabilities in the Consolidated Balance Sheet.

The Company has defined contribution plans for Executives. The expense associated with these plans \$370,000 and \$108,000 for the years ended December 31, 2025 and 2024, respectively.

#### **14. Regulatory Matters**

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

The Basel III Rules provide a comprehensive framework and require the Bank to:

- Meet a minimum Common Equity Tier 1 capital ratio of 4.50% of risk-weighted assets and a minimum Tier 1 capital of 6.00% of risk-weighted assets;
- Meet a minimum Total capital ratio of 8.00% of risk-weighted assets and a minimum Tier 1 leverage capital ratio of 4.00% of average assets;
- Maintain a "capital conservation buffer" of 2.50% above the minimum risk-based capital requirements, which must be maintained to avoid restrictions on capital distributions and certain discretionary bonus payments; and
- Comply with a revised definition of capital to improve the ability of regulatory capital instruments to absorb losses.

Quantitative measures established by regulatory capital standards to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total and Tier 1 capital to risk-weighted assets, common equity Tier 1 capital to total risk-weighted assets, and Tier 1 capital to average assets. Management believes, as of December 31, 2025, that the Bank meets all capital adequacy requirements, including the capital conservation buffer, to which it is subject.

As of December 31, 2025 and 2024, the Bank is categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based capital, Tier 1 risk-based capital, common equity Tier 1 risk-based capital, and Tier 1 leverage ratios as set forth in the table below.

The consolidated asset limit on small bank holding companies is \$3 billion, and a company with assets under that limit is not subject to the consolidated capital rules.

There are no conditions or events since December 31, 2025, that management believes have changed the Bank's categories.

**Atlantic Community Bancshares, Inc. and Subsidiary**

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

**14. Regulatory Matters (Continued)**

The Bank's actual capital amounts and ratios at December 31 are presented below (dollars in thousands):

	2025		2024	
	Amount	Ratio	Amount	Ratio
Total capital <u>(to risk-weighted assets)</u>				
Actual	\$ 156,483	21.94 %	\$ 146,517	21.58 %
For capital adequacy purposes	57,060	8.00	54,320	8.00
To be well capitalized	71,325	10.00	67,901	10.00
Tier 1 capital <u>(to risk-weighted assets)</u>				
Actual	\$ 146,939	20.60 %	\$ 137,393	20.23 %
For capital adequacy purposes	42,795	6.00	40,740	6.00
To be well capitalized	57,060	8.00	54,320	8.00
Common equity Tier 1 capital <u>(to risk-weighted assets)</u>				
Actual	\$ 146,939	20.60 %	\$ 137,393	20.23 %
For capital adequacy purposes	32,096	4.50	30,555	4.50
To be well capitalized	46,361	6.50	44,135	6.50
Tier 1 capital <u>(to average assets)</u>				
Actual	\$ 146,939	14.49 %	\$ 137,393	14.73 %
For capital adequacy purposes	40,561	4.00	37,309	4.00
To be well capitalized	50,702	5.00	46,637	5.00

## **15. Fair Value Measurements**

Management uses its best judgment in estimating the fair value of the Company's financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Bank 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.

Fair value is defined as the price that would be received to sell the asset or transfer the liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. Additional guidance is provided in determining fair value when the volume and level of activity for the asset or liability has significantly decreased, including guidance on identifying circumstances when a transaction may not be considered orderly.

A reporting entity should determine whether there has been a significant decrease in the volume and level of activity for the asset or liability in relation to normal market activity for the asset or liability. When the reporting entity concludes there has been a significant decrease in the volume and level of activity for the asset or liability, further analysis of the information from that market is needed and significant adjustments to the related prices may be necessary to estimate fair value.

A reporting entity must determine if the decrease in the volume and level of activity for the asset or liability, suggest the transactions may not be orderly. In those situations, the entity must evaluate the weight of the evidence to determine whether the transaction is orderly, considering the circumstances that indicate that a transaction is not orderly. A transaction price that is not associated with an orderly transaction is given little, if any, weight when estimating fair value.

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

Level I: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level II: 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 III: 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's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

**Atlantic Community Bancshares, Inc. and Subsidiary**

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

**15. Fair Value Measurements (Continued)**

For financial assets and liabilities measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at December 31 are as follows (in thousands):

	2025			
	Level I	Level II	Level III	Total
Assets measured at fair value on a recurring basis:				
Mortgage-backed securities:				
U.S. government agency / sponsored enterprises residential	\$ -	\$ 148,883	\$ -	\$ 148,883
U.S. agency securities	-	10,075	-	10,075
Corporate securities	-	13,110	-	13,110
Total	<u>\$ -</u>	<u>\$ 172,068</u>	<u>\$ -</u>	<u>\$ 172,068</u>

	2024			
	Level I	Level II	Level III	Total
Assets measured at fair value on a recurring basis:				
Mortgage-backed securities:				
U.S. government agency / sponsored enterprises residential	\$ -	\$ 140,939	\$ -	\$ 140,939
U.S. agency securities	-	12,392	-	12,392
Corporate securities	-	13,082	-	13,082
Total	<u>\$ -</u>	<u>\$ 166,413</u>	<u>\$ -</u>	<u>\$ 166,413</u>

## Atlantic Community Bancshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

### 15. Fair Value Measurements (Continued)

For financial assets measured at fair value on a nonrecurring basis, the Bank reports individually evaluated loans as Level III financial assets. The Bank had \$8,300,000 of loans, with a related ACL of \$2,100,000 and \$8,000,000 of loans, with a related ACL of \$1,900,000, that met this criteria as of December 31, 2025 and 2024, respectively.

2025					
Quantitative Information About Level III Fair Value Measurements					
	Estimate	Valuation Techniques	Unobservable Inputs	Range	Weighted Average
	(in thousands)				
Loans individually evaluated	\$ 6,194	Collateral Dependent (1), Discounted Cash Flow (2)	Appraisal adjustments (3)	40%-100%	81%

  

2024					
Quantitative Information About Level III Fair Value Measurements					
	Estimate	Valuation Techniques	Unobservable Inputs	Range	Weighted Average
	(in thousands)				
Loans individually evaluated	\$ 6,107	Collateral Dependent (1), Discounted Cash Flow (2)	Appraisal adjustments (3)	75%-93%	84%

- (1) Fair value is generally determined through independent appraisals of the underlying collateral, which generally include various Level III inputs, which are not identifiable.
- (2) Discounted cash flow takes into consideration the income stream as determined by the appraisal with the discount rate calculated in the appraisal
- (3) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses. The range of liquidation expenses and other appraisal adjustments are presented as a percent of the appraisal.

The following information should not be interpreted as an estimate of the fair value of the entire Bank since a fair value calculation is only provided for a limited portion of the Bank's assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Bank's disclosures and those of other companies may not be meaningful. The following methods and assumptions were used to estimate the fair values of the Bank's financial instruments measured at fair value at December 31, 2025 and 2024.

**15. Fair Value Measurements (Continued)**

**Securities**

The fair value of securities AFS (carried at fair value) are determined by obtaining matrix pricing (Level II), which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific securities but rather by relying on the securities' relationship to other benchmark-quoted prices.

**Individually Evaluated**

This category consists of loans that were individually evaluated for credit loss, net of related ACL, and have been classified as Level III assets. Company's individually assessed loans, whether reporting a specific allowance allocation or not, are considered collateral-dependent. As of December 31, 2025 and 2024, there were \$6,200,000 and \$6,100,000 of loans, net, respectively, that met this definition. Refer to Note 3, Loans, for additional details.

**16. Accumulated Other Comprehensive Income**

The following table presents the changes in accumulated other comprehensive income (loss) by component net of tax for years ended December 31 (in thousands):

	Unrealized Gains (Losses) on AFS Securities	Unrealized Gains (Losses) on Derivative Instrument	Total
Balance as of December 31, 2024	\$ (5,703)	\$ -	\$ (5,703)
Amounts reclassified from accumulated comprehensive loss	-	-	-
Other comprehensive income	2,469	-	2,469
Balance as of December 31, 2025	<u>\$ (3,234)</u>	<u>\$ -</u>	<u>\$ (3,234)</u>
Balance as of December 31, 2023	\$ (6,181)	\$ 252	\$ (5,929)
Amounts reclassified from accumulated comprehensive loss	-	(291)	(291)
Other comprehensive income	478	39	517
Balance as of December 31, 2024	<u>\$ (5,703)</u>	<u>\$ -</u>	<u>\$ (5,703)</u>

During the year ended December 31, 2024, \$382,000, net of related income tax expense of \$91,000, was reclassified from other comprehensive income into interest expense, resulting in a reduction to interest expense. As of December 31, 2025, there was not a reclassification from other comprehensive income into interest expense.

## **17. Revenue Recognition**

The Company accounts for its applicable revenue in accordance with ASC 606. The core principle of Topic 606 is that an entity recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. ASC 606 requires entities to exercise judgment when considering the terms of a contract. ASC 606 applies to all contracts with customers to provide goods or services in the ordinary course of business, except for contracts that are specifically excluded from its scope. ASC 606 does not apply to revenue associated with interest income on financial instruments, including loans and securities. Additionally, certain non-interest income streams, such as income from BOLI and gains and losses on sales of debt and equity securities, are out of the scope of ASC 606.

The main types of non-interest income within the scope of the standard are:

### Clearing and Analysis Fees

Clearing and analysis fees include aggregated services provided to customer financial institutions under a master services agreement, and include core services such as vault cash services, safekeeping of securities, international services, settlement and transaction fees and maintenance fees. A portion of these fees is offset by earnings credits based on the customer's average demand deposit balance for the month at a predetermined earnings credit rate. Revenue for clearing and analysis service fees are recognized in the month after the services take place. Net service charges are deducted from the customer's demand deposit account. If no demand deposit account exists, the customer is invoiced.

### Agency Federal Funds and Agency Excess Balance Account Commissions

The Bank acts as agent for financial institutions in selling excess funds in the unsecured overnight Federal Funds market. The customer is paid an interest rate determined by the Bank based on current market conditions on a transaction by transaction basis. The Bank charges a fee which does not exceed \$.36/\$100,000 and is netted out of the daily interest proceeds. The Bank also acts as agent for financial institutions in investing excess balance accounts at the FRB. The interest rate is determined by the FRB. The agent fee for investing excess balance account funds does not exceed \$.10/\$100,000 and is netted out of the daily interest proceeds.

### International Wire Commissions

The Bank, through its partnership, earns revenue from international wire services from commissions and transactions fees. The commission revenues vary by transaction based upon such factors as channel and the principal amount sent. The Bank's performance obligation for fees and other service charges are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately. The transaction fee revenue is generated from fees collected from its financial institution customers when a foreign wire is initiated. The Bank earns transaction fee revenue on a per item basis. Fees are collected at the time of transaction and the Bank's performance obligation is satisfied, and related revenue recognized, when the services are rendered or upon completion.

### Risk and Compliance Fees

The Bank earns income from internal audits, credit review and other compliance related services from its contracts with financial institutions. These fees are earned on a set fee basis or an hourly basis and recognized at the time of service. The Bank also earns revenue from compliance services, including webinars, education and consulting services. Revenue from these services is based on a set fee schedule and is either recognized at the time of service or monthly as a subscription service.

**18. Business Combinations**

On August 1, 2024, the Bank completed its acquisition of Shatswell MacLeod and Company, P.C., an internal audit service provider in the New England market, incorporated in Feeding Hills, MA. On that date, the acquiree was renamed Shatswell MacLeod, Inc. and reincorporated in the state of PA as a wholly-owned subsidiary of the Bank. Results of the operations of the acquired entity were included in the Company's consolidated financial statements beginning on August 1, 2024.

The acquisition of Shatswell was accounted for as a business combination using the acquisition method of accounting, and accordingly, the assets acquired, the liabilities assumed, and consideration transferred were recorded at their estimated fair values as of the merger date. The \$3,100,000 over the fair value of assets acquired was recorded as goodwill and it's not amortizable or deductible for tax purposes.

The initial fair value of \$1,200,000 of intangible assets relates to a non-compete and customer list, amortized over 1 year and 10 years, respectively. \$250,000 and \$126,000 of amortization expense was recorded at the years ended December 31, 2025 and December 31, 2024, respectively.

The following table summarizes the consideration paid and the fair value of identifiable assets acquired and liabilities (in thousands):

Cash paid at closing	\$	3,654
Contingent earnout liability		<u>1,504</u>
Total purchase price at fair value		5,158
<b>Calculated Fair Value of Assets Acquired</b>		
Cash and cash equivalents	\$	664
Other assets		641
Intangible assets		<u>1,203</u>
Total assest acquired		2,508
<b>Calculated Fair Value of Liabilities Assumed</b>		
Other liabilities	\$	<u>111</u>
Total liabilities assumed		111
Net asset acquired:		2,397
Deferred tax liability, net		<u>321</u>
Goodwill resulting from the acquisition	\$	<u>3,082</u>

Merger-related expenses of \$352,000 for year ended December 31, 2024 are recorded on the Consolidated Statement of Income. No merger expenses were incurred for the year ended December 31, 2025.

The assets acquired and liabilities assumed in the acquisition were recorded at their estimated fair values based on management's best estimates using information available at the date of the acquisition and are subject to adjustment for up to one year after the closing date of the acquisition. While the fair values were not expected to be materially different from the estimates, any material adjustments to the estimates are reflected, retroactively, as of the date of the acquisition. The items most susceptible to adjustment were the fair value adjustments on core deposit intangible and the deferred income tax assets resulting from the acquisition. The Company has finalized the fair values of all aspects of the acquisition as of December 31, 2025.

**19. Subsequent Events**

The Company has evaluated events and transactions occurring subsequent to the balance sheet date of December 31, 2025, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through March 16, 2026, the date these financial statements were available to be issued.