

**AMERICAN COMMUNITY BANCORP, INC.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

AMERICAN COMMUNITY BANCORP, INC. AND SUBSIDIARIES
Glen Cove, New York

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders
American Community Bancorp, Inc. and Subsidiaries
Glen Cove, New York

Opinion

We have audited the consolidated financial statements of American Community Bancorp, Inc. and Subsidiaries, which comprise the consolidated statements of financial condition as of December 31, 2025 and 2024, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of American Community Bancorp, Inc. and Subsidiaries 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 American Community Bancorp, Inc. and Subsidiaries 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about American Community Bancorp, Inc. and Subsidiaries' ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

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


Crowe LLP

Livingston, New Jersey
March 24, 2026

AMERICAN COMMUNITY BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and due from financial institutions	\$ 2,647,140	\$ 2,356,123
Interest-bearing deposits in other financial institutions	39,728,185	4,536,289
Federal funds sold	<u>2,330,253</u>	<u>1,890,750</u>
Cash and cash equivalents	44,705,578	8,783,162
Securities available-for-sale, at fair value	22,501,896	25,183,020
Loans, net allowance of \$2,948,810 and \$2,627,686 as of December 31, 2025 and 2024, respectively	234,360,967	217,948,862
Loans held for sale	684,663	5,150,447
Federal Home Loan Bank stock, at cost	548,300	745,200
Accrued interest receivable	1,156,794	1,218,671
Premises and equipment, net	566,199	336,737
Deferred tax assets	1,656,498	1,914,784
Bank-owned life insurance	5,629,279	5,515,334
Right of use asset	9,150,600	9,043,774
Other assets	<u>473,828</u>	<u>587,790</u>
Total assets	<u>\$ 321,434,602</u>	<u>\$ 276,427,781</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Demand deposits	\$ 76,434,549	\$ 70,555,420
Savings and NOW deposits	144,123,250	110,405,395
Time deposits	<u>41,551,686</u>	<u>35,741,925</u>
Total deposits	262,109,485	216,702,740
Federal Home Loan Bank advances	5,829,000	10,754,046
Lease liability	9,540,694	9,296,748
Accrued interest payable	76,558	87,090
Other liabilities	<u>4,629,370</u>	<u>4,035,638</u>
Total liabilities	282,185,107	240,876,262
Commitments and Contingencies		
Stockholders' Equity		
Common stock, par value \$5 per share; 11,000,000 shares authorized; 1,938,049 and 1,903,017 issued and 1,938,049 and 1,903,017 outstanding at December 31, 2025 and 2024, respectively	9,690,242	9,515,089
Additional paid-in capital	10,537,796	10,157,245
Retained earnings	20,516,320	18,240,701
Accumulated other comprehensive loss	<u>(1,494,863)</u>	<u>(2,361,516)</u>
Total stockholders' equity	<u>39,249,495</u>	<u>35,551,519</u>
Total liabilities and stockholders' equity	<u>\$ 321,434,602</u>	<u>\$ 276,427,781</u>

See accompanying notes to consolidated financial statements.

AMERICAN COMMUNITY BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Interest and dividend income:		
Loans, including fees	\$ 15,570,127	\$ 13,549,255
Securities available-for-sale	1,045,840	1,132,164
Federal funds sold and other	671,791	407,012
Dividends on bank owned stock	<u>48,507</u>	<u>81,610</u>
Total interest and dividend income	17,336,265	15,170,041
Interest expense:		
Deposits	4,733,139	4,012,713
Federal Home Loan Bank advances	<u>39,265</u>	<u>311,994</u>
Total interest expense	<u>4,772,404</u>	<u>4,324,707</u>
Net interest income	12,563,861	10,845,334
Provision for credit losses	<u>333,000</u>	<u>300,000</u>
Net interest income after provision for credit losses	12,230,861	10,545,334
Non-interest income:		
Service charges on deposit accounts	364,119	441,587
Bank-owned life insurance	113,944	110,933
Net loss on sale of available-for-sale securities	(66,434)	(78,000)
Net gain on sale of loans held for sale	792,696	1,255,147
Other service charges	<u>116,057</u>	<u>112,523</u>
Total non-interest income	1,320,382	1,842,190
Non-interest expense:		
Salaries and employee benefits	5,355,714	5,106,264
Occupancy and equipment	1,738,186	1,608,386
Data processing expense	698,514	773,426
Federal deposit insurance	132,000	138,000
Advertising	94,199	94,093
Supplies	44,242	32,215
Net loss on disposition of property and equipment	213	-
Other expenses	<u>1,464,680</u>	<u>1,289,861</u>
Total non-interest expense	<u>9,527,748</u>	<u>9,042,245</u>
Income before provision for income taxes	4,023,495	3,345,279
Provision for income taxes	<u>905,286</u>	<u>752,688</u>
Net income	<u>\$ 3,118,209</u>	<u>\$ 2,592,591</u>
Net income per common share		
Basic	\$ 1.62	\$ 1.37
Diluted	\$ 1.62	\$ 1.37
Weighted average number of shares outstanding		
Basic	1,927,205	1,897,151
Diluted	1,927,205	1,897,151

See accompanying notes to consolidated financial statements.

AMERICAN COMMUNITY BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Net income	\$ 3,118,209	\$ 2,592,591
Other comprehensive loss:		
Unrealized holding gain arising during the period	1,058,505	352,852
Reclassification adjustment for losses included in income	<u>66,434</u>	<u>78,000</u>
	1,124,939	430,852
Income tax effect	<u>(258,286)</u>	<u>(84,644)</u>
Other comprehensive income, net of tax	<u>866,653</u>	<u>346,208</u>
Total comprehensive income	<u>\$ 3,984,862</u>	<u>\$ 2,938,799</u>

See accompanying notes to consolidated financial statements.

AMERICAN COMMUNITY BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years ended December 31, 2025 and 2024

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2024	\$ 9,390,702	\$ 9,886,090	\$ 16,201,779	\$ (2,707,724)	\$ 32,770,847
Issuance of common stock (15,043 shares)	75,217	153,880	-	-	229,097
Comprehensive income	-	-	2,592,591	346,208	2,938,799
Issuance of restricted stock awards (14,654 shares)	73,270	(73,270)	-	-	-
Restricted stock cancellations (4,820 shares)	(24,100)	6,538	-	-	(17,562)
Stock based compensation expense	-	184,007	-	-	184,007
Stockholder dividends paid (\$.30 per share)	<u>-</u>	<u>-</u>	<u>(553,669)</u>	<u>-</u>	<u>(553,669)</u>
Balance at December 31, 2024	9,515,089	10,157,245	18,240,701	(2,361,516)	35,551,519
Issuance of common stock (22,595 shares)	112,973	252,300	-	-	365,273
Comprehensive income	-	-	3,118,209	866,653	3,984,862
Issuance of restricted stock awards (14,261 shares)	71,305	(71,305)	-	-	-
Restricted stock cancellations (1,825 shares)	(9,125)	(20,164)	-	-	(29,289)
Stock based compensation expense	-	219,720	-	-	219,720
Stockholder dividends paid (\$.45 per share)	<u>-</u>	<u>-</u>	<u>(842,590)</u>	<u>-</u>	<u>(842,590)</u>
Balance at December 31, 2025	<u>\$ 9,690,242</u>	<u>\$ 10,537,796</u>	<u>\$ 20,516,320</u>	<u>\$ (1,494,863)</u>	<u>\$ 39,249,495</u>

See accompanying notes to consolidated financial statements.

AMERICAN COMMUNITY BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Net income	\$ 3,118,209	\$ 2,592,591
Adjustments to reconcile net income to net cash from operating activities		
Provision for credit losses	333,000	300,000
Net amortization of securities available-for-sale	(17,518)	16,618
Depreciation and amortization	125,275	118,726
Net realized loss on sale of securities	66,434	78,000
Originations of loans held for sale	(15,150,560)	(30,160,342)
Proceeds from sale of loans held for sale	20,409,039	36,446,315
Net gain on sale of loans held for sale	(792,696)	(1,255,147)
Increase in cash surrender value of bank-owned life insurance	(113,945)	(110,932)
Stock based compensation expense	219,720	184,007
Repayment of operating lease liabilities	137,120	108,504
Net change in:		
Accrued interest receivable and other assets	175,841	61,617
Accrued interest payable and other liabilities	<u>583,200</u>	<u>493,031</u>
Net cash from operating activities	9,093,119	8,872,988
Cash flows from investing activities		
Available-for-sale securities:		
Proceeds from sales	1,468,057	1,422,000
Maturities and prepayments	3,791,903	1,481,812
Purchases	(1,502,813)	(1,500,000)
Proceeds from sales or redemptions of Federal Home Loan Bank stock	1,294,000	4,212,750
Purchases of Federal Home Loan Bank stock	(1,097,100)	(4,146,850)
Net increase in loans	(16,745,105)	(26,524,325)
Proceeds from the sale of premises and equipment	213	-
Purchases of premises and equipment	<u>(354,951)</u>	<u>(215,016)</u>
Net cash from investing activities	(13,145,796)	(25,269,629)
Cash flows from financing activities		
Net increase in demand, savings and NOW deposits	39,596,984	1,659,178
Net increase in time deposits	5,809,761	17,450,349
Proceeds from Federal Home Loan Bank advances	68,829,000	220,554,046
Repayment of Federal Home Loan Bank advances	(73,754,046)	(222,566,187)
Proceeds from issuance of common stock	365,273	229,097
Restricted stock activity	(29,289)	(17,562)
Stockholder dividends paid	<u>(842,590)</u>	<u>(553,669)</u>
Net cash from financing activities	39,975,093	16,755,252
Net change in cash and cash equivalents	35,922,416	358,611
Cash and cash equivalents at beginning of year	<u>8,783,162</u>	<u>8,424,551</u>
Cash and cash equivalents at end of year	<u>\$ 44,705,578</u>	<u>\$ 8,783,162</u>

(Continued)

AMERICAN COMMUNITY BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Supplemental information		
Cash paid during the year for		
Interest	\$ 4,782,936	\$ 4,287,300
Income taxes	1,025,723	648,585
Transfers from portfolio loans to loans held for sale	-	2,991,304

See accompanying notes to consolidated financial statements.

AMERICAN COMMUNITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 – BUSINESS DESCRIPTIONS

American Community Bancorp, Inc.: American Community Bancorp, Inc. (the “Bancorp”) is a bank holding company whose principal activity is the ownership and management of its wholly-owned subsidiary American Community Bank (the “Bank”). The Bank generates commercial mortgage and consumer loans and receives deposits from customers located primarily in the Nassau and Suffolk counties of Long Island. As a bank holding company the corporation is subject to regulations of the Federal Reserve Bank.

American Community Bank: The Bank opened in January of 2000 and operates under a state bank charter and provides full banking services. As a state-chartered bank, the Bank is subject to regulations of the New York State Banking Department and the Federal Deposit Insurance Corporation.

ACB REO Corporation: ACB REO Corporation was established to maintain ownership and custody of the Bank’s foreclosed real estate properties prior to their disposition.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the accounts of American Community Bancorp, Inc. and its wholly-owned subsidiaries, the Bank and ACB REO Corporation. All material intercompany transactions and balances have been eliminated.

Cash Flows: Cash and cash equivalents include cash, deposits with other financial institutions with maturities fewer than 90 days and federal funds sold. Net cash flows are reported for customer loan and deposit transactions.

Interest-Bearing Time Deposits in Other Financial Institutions: Interest-bearing time deposits in other financial institutions mature within one year and are carried at cost.

Securities: Current accounting standards require that investment securities be classified as held-to-maturity, available-for-sale or trading. The trading category is not applicable to any securities in the Bancorp’s portfolio because the Bancorp does not buy or hold debt or equity securities principally for the purpose of selling in the near term. Held-to-maturity securities, or debt securities which the Bancorp has the intent and ability to hold to maturity, are reported at amortized cost. Available-for-sale securities or debt securities which are neither held-to-maturity securities nor trading securities, are reported at fair value, with unrealized gains and losses, net of the related income tax effect, included in other comprehensive income. All investment securities as of the years ended December 31, 2025 and 2024, are classified as available-for-sale.

Interest income includes amortization or accretion of purchase premiums or discounts. Premiums and discounts on securities are amortized or accreted on the level-yield method. Prepayments are anticipated for mortgage-backed securities. Premiums on municipal securities are amortized to the earlier of the stated maturity date or the first call date, while discounts on municipal securities are accreted to the stated maturity date. Realized gains and losses on the sale of securities are determined using the specific identification method.

Allowance for Credit Losses – Available-for-Sale Securities: For available-for-sale securities in an unrealized loss position, the Bancorp first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security’s amortized cost basis is written down to fair value through income.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For debt securities available-for-sale that do not meet the aforementioned criteria, the Bancorp evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the securities by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized costs basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

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

Loans Held for Sale: Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by outstanding commitments from investors. Mortgage loans held for sale are generally sold without servicing rights retained. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

Loans: The Bancorp grants mortgage, commercial, and consumer loans to customers. A substantial portion of the loan portfolio is represented by commercial loans to customers throughout the Nassau and Suffolk County areas of Long Island, New York. The ability of the Bancorp's debtors to honor their contracts is dependent upon the general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal balance less any charge-offs and the allowance for loan losses and plus or minus net deferred loan costs and fees, respectively. Interest on loans is credited to income based on the principal amount outstanding. Direct loan origination costs, net of loan origination fees, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

The past due status of a loan is based on the contractual terms in the loan agreement. Unless a loan is well secured and in the process of collection, the accrual of interest income is discontinued when a loan becomes 90 days past due as to principal or interest payments. The accrual of interest income on a loan is also discontinued when it is determined that the borrower will not be able to make principal and interest payments according to the contractual terms of the current loan agreement. When the accrual of interest income is discontinued on a loan, any accrued but unpaid interest is reversed against current period income. Interest received on nonaccrual loans is accounted for on the cash basis or cost-recovery method until the loans qualify for return to an accrual status. Return to an accrual status occurs when all the principal and interest amounts contractually due are brought current and all future payments are reasonably assured.

Allowance for Credit Losses – Loans: The allowance for credit losses is a valuation account that is a deduction from the loans amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. The historical loss experience is determined by portfolio segment and the Bancorp uses a weighted average remaining maturity (WARM) methodology to estimate credit losses over the expected life of the loan. This actual loss experience is adjusted by other qualitative factors based on the risks present for each portfolio segment. These qualitative factors include consideration of the following: levels of and trends in delinquencies and changes in collateral values; changes in lending policies, procedures and practices; experience, ability and depth of lending management and other relevant staffing and experience; changes in the quality of loan review system; national and local economic trends and conditions; effect of legal and regulatory factors; and effects of changes in credit concentrations.

The process for estimating credit losses and determining the allowance for loan losses as of any balance sheet date is subjective in nature and requires material estimates. Although the allowance has multiple components, the entire allowance for credit losses is available to absorb realized losses as they occur whether they relate to individual loans or pools of loans. Actual results could differ significantly from those estimates.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The following portfolio segments have been identified: Commercial and Industrial, Commercial Real Estate, Construction, Residential Real Estate, Consumer and Paycheck Protection Program.

Commercial and Industrial Loans: Commercial credit is extended to commercial customers for use in normal business operations to finance working capital needs, equipment purchases, or other projects. The majority of these borrowers are customers doing business within our geographic regions. These loans are generally underwritten individually and secured with the assets of the borrower and the personal guarantee of the business owners. Commercial loans are made based primarily on the historical and projected cash flow of the borrower and the underlying collateral provided by the borrower.

Commercial Real Estate Loans: Commercial real estate loans, including multifamily, are subject to underwriting standards and processes similar to commercial loans. These loans are viewed primarily as cash flow loans and the repayment of these loans is largely dependent on the successful operation of the property. Loan performance may be adversely affected by factors impacting the general economy or conditions specific to the real estate market such as geographic location and property type.

Construction: Construction loans are primarily collateralized by the acquired land and the constructed premises. These loans require continuous attention and monitoring of the construction progress. The repayment of these loans is contingent upon the borrower's ability to complete and sell the constructed property or generate enough rental income to service the permanent debt. As a result, the risk with these loans is that they are contingent upon future events whose probability at the time of origination is uncertain. Therefore, these loans receive a higher risk rating than all other loan types.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Residential: Residential loans include Home Equity Lines of Credit which represent loans to consumers to finance borrowings with 1-4 family residences serving as collateral. These lines are financed for a period of ten years at a variable rate with a floor rate and maximum rate for a period of ten years. The amount outstanding at the end of the ten-year period is then financed at a variable rate with fixed principal payments for a period of twenty years. Real estate market values at the time of origination directly affect the amount of credit extended and, in the event of default, subsequent changes in these values may impact the severity of losses.

Consumer Loans: Consumer loans are primarily comprised of lines of credit or closed-end loans secured by second mortgages. The maximum amount of a home equity line of credit is generally limited to 70% (with acceptable credit scores) of the appraised value of the property less the balance of the first mortgage. Consumer loans also include installment loans made directly to consumers. These loans have a specific matrix which consists of several factors including debt to income, type of collateral and loan to collateral value, credit history and relationship with the borrower.

Paycheck Protection Program (PPP) Loans: Beginning in 2020, the PPP provides loans to help eligible businesses keep their workforce employed during the Coronavirus (COVID-19) crisis. These loans are backed by the Small Business Association (SBA). A borrower can apply for forgiveness once all loan proceeds for which the borrower is requesting forgiveness have been used. Borrowers can apply for forgiveness any time up to the maturity date of the loan. If borrowers do not apply for forgiveness within 10 months after the last day of the covered period, then PPP loan payments are no longer deferred, and borrowers will begin making loan payments to their PPP lender.

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

Federal Home Loan Bank Stock: As a member of the Federal Home Loan Bank of New York (FHLB-NY), the Bank is required by law to hold a certain amount of FHLB stock. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Premises and Equipment: Premises and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets, which range from 3 to 30 years. Improvements to leased property are amortized over the shorter of the lives of the respective leases or estimated useful lives of the improvements. The costs of additions and betterments are capitalized and expenditures for repairs and maintenance are expensed in the period incurred.

Leases: Leases are classified as operating or finance leases at the lease commencement date. The Bancorp records leases on the consolidated statement of financial position in the form of a lease liability for the present value of future minimum payments under the lease terms and a right-of-use asset equal to the lease liability adjusted for items such as deferred or prepaid rent, lease incentives, and any impairment of the right-of-use asset. The discount rate used in determining the lease liability is based upon incremental borrowing rates Bancorp could obtain for similar loans as of the date of commencement or renewal. Bancorp does not record leases on the consolidated statement of financial position that are classified as short term (less than one year).

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

At lease inception, the Bancorp determines the lease term by considering the minimum lease term and all optional renewal periods that Bancorp is reasonably certain to renew. The lease term is also used to calculate straight-line rent expense. The depreciable life of leasehold improvements is limited by the estimated lease term, including renewals if they are reasonably certain to be renewed. The Bancorp's leases do not contain residual value guarantees or material variable lease payments that will impact the Bancorp's ability to pay dividends or cause Bancorp to incur additional expenses.

Operating lease expense consists of a single lease cost allocated over the remaining lease term on a straight-line basis, variable lease payments not included in the lease liability, and any impairment of the right-of-use asset. Rent expense and variable lease expense are included in occupancy and equipment expense on the Bancorp's consolidated statements of income. The Bancorp's variable lease expense include rent escalators that are based on market conditions and include items such as common area maintenance, utilities, parking, property taxes, insurance and other costs associated with the lease. The amortization of the right-of-use asset arising from finance leases is expensed through occupancy and equipment expense and the interest on the related lease liability is expensed through interest expense on borrowings on the Bancorp's consolidated statements of income.

Impairment of Long-Lived Assets: The Bancorp reviews the carrying values of long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Any long-lived assets held for disposal are reported at the lower of their carrying amounts or fair value less cost to sell. Management has determined that there have been no impairments of long-lived assets as of December 31, 2025 and 2024, respectively.

Foreclosed Real Estate: Assets classified as Other Real Estate Owned (OREO) are acquired through foreclosure or in lieu of loan foreclosure and are initially recorded at fair value less cost to sell at the date of foreclosure, thereby establishing a new cost basis. Physical possession of residential real estate property collateralizing a consumer mortgage loan occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Any write-downs based on the asset's fair value prior to the date of acquisition are charged to the allowance for loan losses. After foreclosure, valuations are periodically performed by management and property held for sale is carried at the lower of the carrying amount or fair value less costs to sell. Impairment losses on property to be held and used are measured as the amount by which the carrying amount of a property exceeds its fair value. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a provision for foreclosed real estate, if necessary, to reduce carrying value of a property to the lower of its cost or fair value less cost to sell.

Bank-Owned Life Insurance: The Bancorp has purchased life insurance policies on certain key employees with their knowledge and written consent. Bank-owned life insurance is recorded at its cash surrender value, (i.e. the amount that can be realized under the insurance contract), on the consolidated statements of financial condition. The related change in cash surrender value and proceeds received under the policies are reported on the consolidated statements of income.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes: Income taxes are provided for the tax effects of the transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of available-for-sale securities, allowance for loan losses, and accumulated depreciation for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets are reflected at income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

The Bancorp accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. Interest and penalties assessed, if any, are accrued as income tax expense. The Bancorp had no accrual for interest or penalties on the Bancorp’s consolidated statements of financial condition at December 31, 2025 and 2024, and has not recognized interest and/or penalties in the consolidated statements of income for the years ended December 31, 2025 and 2024, respectively.

The Bancorp is subject to taxation in the United States and various state jurisdictions. The Bancorp is not currently under examination by any tax jurisdiction. Federal and state income tax returns are generally open for examination for three years.

Net Income Per Common Share: The Bancorp’s net income per share was calculated by dividing net income by the weighted average number of common shares outstanding. There are no stock options outstanding to dilute earnings per share.

Stock-based Compensation: The Bancorp’s stock-based compensation plan is described in Note 15. Compensation cost is determined for restricted stock awards (RSAs) issued to employees based on the grant date fair value of the award. The cost is recognized over the period during which a participant is required to provide service in exchange for the award, which is usually the vesting period.

In determining compensation expense for RSAs outstanding and not yet vested, the Bancorp assumes that no forfeitures will occur.

Comprehensive Income: Other comprehensive income refers to revenues, expenses, gains and losses that under accounting principles generally accepted in the United States of America (GAAP) are included in comprehensive income but are excluded from net income as these amounts are recorded directly as an adjustment to stockholders’ equity. The Bancorp’s other comprehensive income is comprised of net unrealized gains and losses on securities available for sale. Comprehensive income is reported by the Bancorp in the consolidated statements of changes in stockholders’ equity and consolidated statements of comprehensive income.

Advertising Costs: Advertising costs are charged to operations when the advertising is incurred.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates are subject to change in the future as additional information becomes available or previously existing circumstances are modified. Actual results could differ from those estimates.

Fair Value of Financial Instruments: Fair value of financial instruments are estimated using relevant market information and other assumptions, as more fully described in Note 18. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect the estimates.

Significant Group Concentrations of Credit Risk: Most of the Bancorp's activities are with customers located within the Nassau and Suffolk counties of Long Island, New York. The types of securities that the Bancorp invests in are disclosed in Note 4. The types of lending that the Bancorp engages in are disclosed in Note 5. The Bancorp does not have any significant concentrations to any one industry or customer.

The Bancorp maintains cash in certain financial institutions that may exceed the FDIC insurance limit for interest bearing transaction accounts.

Reclassifications: Reclassifications are made to the prior year's financial statements whenever necessary to conform to current year's presentation. Such reclassifications have no effect on income as previously reported.

Subsequent Events: The Bancorp has evaluated subsequent events for recognition and disclosure through March 24, 2026, which is the date the financial statements were available to be issued.

Impact of Issued But Not Yet Effective Accounting Standards: The pronouncements discussed herein are not intended to be an all-inclusive list, rather only those pronouncements that may potentially have an impact on the Bancorp's financial position, results of operations, or disclosures.

In December 2023, the FASB issued *ASU 2023-09 "Income Taxes: Improvements to Income Tax Disclosures."* The amendments in this Update enhance the transparency and decision usefulness of income tax disclosures. All entities will be required to disclose 1) the amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes; 2) the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than five percent of total income taxes paid (net of refunds received). The amendments also require entities to disclose 1) income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign and 2) income tax expense (or benefit) from continuing operations disaggregated by federal (national), state, and foreign. This ASU will be effective for the Bancorp for annual periods beginning after December 15, 2025. Early adoption is permitted. Management is currently evaluating the impact that ASU 2023-09 will have on the Bancorp's financial position, results of operations, and disclosures.

(Continued)

AMERICAN COMMUNITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 3 – INTEREST – BEARING TIME DEPOSIT (RESTRICTED)

As part of the Bancorp's credit card agent agreement with TCM Bank, N.A., to issue credit cards and provide services to Bancorp customers, the Bancorp is required to maintain a certificate of deposit with TCM Bank, N.A., for the life of the agreement. The amount of the certificate of deposit maintained with TCM Bank, N.A., at December 31, 2025 and 2024, was \$100,000.

NOTE 4 – INVESTMENT SECURITIES

The carrying amounts of investment securities, as shown in the consolidated statements of financial condition and their approximate fair values at December 31, are as follows:

	Amortized <u>Cost</u>	Gross Unrealized <u>Gains</u>	Gross Unrealized <u>Losses</u>	Fair <u>Value</u>
<u>December 31, 2025</u>				
Securities available for sale				
Debt securities				
U.S. Agency mortgage-backed securities - residential	\$ 5,587,964	\$ 592	\$ (570,360)	\$ 5,018,196
Other mortgage-backed securities - residential	2,471,781	-	(62,491)	2,409,290
U.S. Government sponsored enterprises	5,376,475	10,554	(475,493)	4,911,536
Corporate debt	<u>10,993,067</u>	<u>18,036</u>	<u>(848,229)</u>	<u>10,162,874</u>
Total securities available-for-sale	<u>\$ 24,429,287</u>	<u>\$ 29,182</u>	<u>\$ (1,956,573)</u>	<u>\$ 22,501,896</u>
	Amortized <u>Cost</u>	Gross Unrealized <u>Gains</u>	Gross Unrealized <u>Losses</u>	Fair <u>Value</u>
<u>December 31, 2024</u>				
Securities available for sale				
Debt securities				
U.S. Agency mortgage-backed securities - residential	\$ 5,695,678	\$ 453	\$ (872,579)	\$ 4,823,552
Other mortgage-backed securities - residential	2,672,686	-	(216,230)	2,456,456
Other mortgage-backed securities - commercial	1,522,661	-	(1,161)	1,521,500
U.S. Government sponsored enterprises	5,852,516	14,522	(675,266)	5,191,772
Corporate debt	<u>12,491,810</u>	<u>33,600</u>	<u>(1,335,670)</u>	<u>11,189,740</u>
Total securities available-for-sale	<u>\$ 28,235,351</u>	<u>\$ 48,575</u>	<u>\$ (3,100,906)</u>	<u>\$ 25,183,020</u>

(Continued)

AMERICAN COMMUNITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 4 – INVESTMENT SECURITIES (Continued)

A summary of the contractual maturities of the investments in state and municipal governments and corporate debt instruments, net at December 31, 2025, are as follows:

	Amortized <u>Cost</u>	Fair <u>Value</u>
Amount maturing in		
Within one year	\$ -	\$ -
One to five years	1,500,000	1,515,465
Five to ten years	10,238,818	9,403,713
After ten years	4,630,724	4,155,231
Mortgage-backed securities	<u>8,059,745</u>	<u>7,427,486</u>
	<u>\$ 24,429,287</u>	<u>\$ 22,501,896</u>

Expected maturities differ from contractual obligations since borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

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

	<u>Less Than 12 Months</u>		<u>More Than 12 Months</u>		<u>Totals</u>	
	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
<u>December 31, 2025</u>						
Securities available for sale						
Debt securities						
U.S. Agency mortgage-backed securities – residential	\$ -	\$ -	\$3,501,564	\$ (570,360)	\$ 3,501,564	\$ (570,360)
Other mortgage-backed securities – residential	-	-	2,409,290	(62,491)	2,409,290	(62,491)
U.S. Government sponsored enterprises	-	-	4,155,231	(475,493)	4,155,231	(475,493)
Corporate debt	<u>-</u>	<u>-</u>	<u>7,644,838</u>	<u>(848,229)</u>	<u>7,644,838</u>	<u>(848,229)</u>
Total securities available for sale	<u>\$ -</u>	<u>\$ -</u>	<u>\$17,710,923</u>	<u>\$ (1,956,573)</u>	<u>\$17,710,923</u>	<u>\$ (1,956,573)</u>

(Continued)

AMERICAN COMMUNITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 4 – INVESTMENT SECURITIES (Continued)

	Less Than 12 Months		More Than 12 Months		Totals	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
December 31, 2024						
Debt securities						
U.S. Agency mortgage-backed securities – residential	\$ -	\$ -	\$4,808,603	\$ (872,579)	\$ 4,808,603	\$ (872,579)
Other mortgage-backed securities – residential	-	-	2,456,456	(216,230)	2,456,456	(216,230)
Other mortgage-backed securities – commercial	1,521,500	(1,161)	-	-	1,521,500	(1,161)
U.S. Government sponsored enterprises	-	-	3,324,734	(675,266)	3,324,734	(675,266)
Corporate debt	-	-	8,656,139	(1,335,670)	8,656,139	(1,335,670)
 Total securities available for sale	 \$ 1,521,500	 \$ (1,161)	 \$19,245,932	 \$ (3,099,745)	 \$20,767,432	 \$ (3,100,906)

At December 31, 2025, there were no securities which have been in an unrealized loss position for a period of less than 12 months and 20 securities with a continuous unrealized loss for more than 12 months. Of the 20 securities with a continuous unrealized loss for more than 12 months, ten were U.S. Agency mortgage-backed securities, one was a private label residential mortgage-backed security, and two were U.S. Government Agency debt securities. The contractual cash flows of the U.S. Agency mortgage-backed securities and U.S. Government sponsored enterprises are guaranteed by U.S. Government agencies. The remaining seven securities with a continuous unrealized loss for more than 12 months were Corporate bonds, with the largest single unrealized loss of approximately \$214,000 or 22% of the investment's amortized cost.

The unrealized losses on investments in mortgage backed securities, US Government Sponsored Agencies and Corporate debt securities have not been recognized into income because the decline in fair value is largely due to changes in interest rates and other market conditions, the Bancorp does not intend to sell them, and it is not likely that management would be required to sell the securities prior to their anticipated recovery. The issuers continue to make timely principal and interest payments on the bonds. As a result, there was no allowance for credit losses for available-for-sale securities at December 31, 2025. The fair value is expected to recover as the bonds approach maturity.

At December 31, 2024, there was one security which had been in an unrealized loss position for a period of less than 12 months and 23 securities with a continuous unrealized loss for more than 12 months. The largest single unrealized loss on a corporate bond of approximately \$267,000 was 13% of the investment's amortized cost.

In 2025, there were proceeds from the sale of one corporate debt security and two mortgage backed securities totaling \$1.5 million with a total net loss of \$66,000 and tax effect of \$15,000 on the sales. In 2024, there were proceeds from the sale of one U.S. Government Agency debt security \$1.4 million with a net loss of \$78,000 and tax effect of \$18,000 on the sale. The proceeds of the sales were used to reinvest in higher yielding securities.

Securities pledged as collateral for public funds amounted to \$11.7 million and \$8.1 million as of December 31, 2025 and 2024, respectively. At year-end 2025 and 2024, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholders' equity.

(Continued)

AMERICAN COMMUNITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 4 – INVESTMENT SECURITIES (Continued)

Federal Home Loan Bank: The Bancorp is required to have restricted securities with the FHLB-NY. This stock is carried at par value. The Bancorp is required to purchase stock totaling 4.5% of the amount borrowed from the FHLB-NY, in addition to its required membership stock. As the Bancorp pays back the amounts borrowed, the FHLB-NY redeems the corresponding amount of stock on the 15th of each month. The total balance of the stock at December 31, 2025 and 2024 was \$548,300 and \$745,200, respectively.

NOTE 5 – LOANS AND ALLOWANCE FOR CREDIT LOSSES

Loans as of December 31 consist of the following:

	<u>2025</u>	<u>2024</u>
Real estate, construction	\$ 647,170	\$ 714,666
Real estate, other		
Commercial	179,036,381	170,058,469
Residential	52,463,970	45,101,098
Commercial and industrial	4,956,085	3,791,792
PPP	97,510	771,947
Consumer	<u>108,661</u>	<u>138,576</u>
Gross loans	237,309,777	220,576,548
Less: Allowance for credit losses	<u>(2,948,810)</u>	<u>(2,627,686)</u>
Net loans	<u>\$ 234,360,967</u>	<u>\$ 217,948,862</u>

Net deferred loan costs was approximately \$45,000 and \$232,000 at December 31, 2025 and 2024, respectively.

There were no related party loans at December 31, 2025. Included in loans at December 31, 2024 is one related party loan of \$1.5 million. The loan is a commercial real estate loan in which one of the Bancorp's directors is a guarantor. This loan was paid off in 2025.

The COVID-19 pandemic and its impact on the economy led to actions including the enactment of the CARES Act and the establishment of the PPP administered by the SBA. The PPP authorized financial institutions to make federally-guaranteed loans to qualifying small businesses and non-profit organizations. These loans carry an interest rate of 1.00% per annum and a maturity of two years or five years. The PPP provides that such loans may be forgiven if the borrowers meet certain requirements with respect to maintaining employee headcount and payroll after the loan is originated. If not forgiven, these loans will be guaranteed by the SBA under the SBA's section 7(a) program.

(Continued)

AMERICAN COMMUNITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 5 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table presents the balance in the allowance for credit losses and the collateral dependent loan balance by portfolio segment as of December 31:

	Real Estate Construction	Real Estate, Other		Commercial and Industrial	PPP	Consumer	Unallocated	Total
		Commercial	Residential					
<u>December 31, 2025</u>								
Beginning balance	\$ 6,789	\$ 1,899,786	\$ 406,158	\$ 36,022	\$ -	\$ 993	\$ 277,938	\$ 2,627,686
Provision (credit) for credit losses	6	389,558	192,581	17,041	-	11,752	(277,938)	333,000
Charge-offs	-	-	-	-	-	(13,732)	-	(13,732)
Recoveries collected	-	-	-	-	-	1,856	-	1,856
Ending balance	<u>\$ 6,795</u>	<u>\$ 2,289,344</u>	<u>\$ 598,739</u>	<u>\$ 53,063</u>	<u>\$ -</u>	<u>\$ 869</u>	<u>\$ -</u>	<u>\$ 2,948,810</u>
Collateral dependent loans	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>
	Real Estate Construction	Real Estate, Other		Commercial and Industrial	PPP	Consumer	Unallocated	Total
		Commercial	Residential					
<u>December 31, 2024</u>								
Beginning balance	\$ 7,386	\$ 1,697,039	\$ 566,832	\$ 25,242	\$ -	\$ 1,726	\$ 48,454	\$ 2,346,679
Provision (credit) for credit losses	(597)	202,747	(160,674)	10,780	-	18,260	229,484	300,000
Charge-offs	-	-	-	-	-	(20,294)	-	(20,294)
Recoveries collected	-	-	-	-	-	1,301	-	1,301
Ending balance	<u>\$ 6,789</u>	<u>\$ 1,899,786</u>	<u>\$ 406,158</u>	<u>\$ 36,022</u>	<u>\$ -</u>	<u>\$ 993</u>	<u>\$ 277,938</u>	<u>\$ 2,627,686</u>
Collateral dependent loans	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>

(Continued)

NOTE 5 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

At December 31, 2025 and 2024, there were no nonaccrual loans and loans past due over 90 days still on accrual. At December 31, 2025 and 2024, there were no past due loans. At December 31, 2025, there were two PPP loans totaling approximately \$98,000, net of deferred fees and costs, that had not been forgiven and were still outstanding.

The Bancorp categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Bancorp analyzes loans individually by rating the loans based on credit risk. A loan is assigned a risk rating at booking. A risk rating for a loan is reviewed periodically in conjunction with annual credit reviews, external loan review or when one or more events occur such as an event requiring credit approval, changes to an existing credit facility or whenever material favorable or unfavorable information regarding the credit is obtained. The Bancorp uses the following definitions for risk ratings:

Pass - non-criticized and non-classified asset.

Watch List - A watch list asset is one that requires an increase in management's monitoring based on knowledge of the borrower and/or their industry and the loan's current characteristics.

Special Mention - A special mention asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset, or, in the institutions credit position at some future date. Special mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification. A special mention loan is not a "classified" asset.

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

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

Loss - An asset classified as loss is considered uncollectible and of such little value that continuance as a bankable asset is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future.

(Continued)

AMERICAN COMMUNITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 5 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table presents weighted average risk grades and classified loans by class of loans as of December 31, 2025 and 2024. Classified loans included loans in risk categories of Watch List, Special Mention, Substandard, Doubtful and Loss.

	<u>Pass</u>	<u>Watch List</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Loss</u>
<u>December 31, 2025</u>						
Real estate, construction	\$ 647,170	\$ -	\$ -	\$ -	\$ -	\$ -
Real estate, other						
Commercial	177,573,991	558,862	903,528	-	-	-
Residential	51,615,399	848,571	-	-	-	-
Commercial and industrial	4,956,085	-	-	-	-	-
PPP	97,510	-	-	-	-	-
Consumer	<u>108,661</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 234,998,816</u>	<u>\$ 1,407,433</u>	<u>\$ 903,528</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2024</u>						
Real estate, construction	\$ 714,666	\$ -	\$ -	\$ -	\$ -	\$ -
Real estate, other						
Commercial	168,439,959	631,428	987,082	-	-	-
Residential	44,977,065	124,033	-	-	-	-
Commercial and industrial	3,791,792	-	-	-	-	-
PPP	771,947	-	-	-	-	-
Consumer	<u>138,576</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 218,834,005</u>	<u>\$ 755,461</u>	<u>\$ 987,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

AMERICAN COMMUNITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 6 – ACCRUED INTEREST RECEIVABLE

Accrued interest receivable at December 31 consists of the following:

	<u>2025</u>	<u>2024</u>
Loans	\$ 945,230	\$ 995,673
Investment securities	<u>211,564</u>	<u>222,998</u>
Total	<u>\$ 1,156,794</u>	<u>\$ 1,218,671</u>

NOTE 7 – PREMISES AND EQUIPMENT

A summary of premises and equipment at December 31 is as follows:

	<u>2025</u>	<u>2024</u>
Furniture, fixtures and equipment	\$ 1,203,204	\$ 1,082,689
Leasehold improvements	<u>992,418</u>	<u>880,724</u>
	2,195,622	1,963,413
Accumulated depreciation and amortization	<u>(1,629,423)</u>	<u>(1,626,676)</u>
	<u>\$ 566,199</u>	<u>\$ 336,737</u>

Depreciation expense was \$125,275 and \$118,726 for the years ended December 31, 2025 and 2024, respectively.

NOTE 8 – DEPOSITS

The aggregate amount of time deposits with a minimum denomination of \$250,000 totaled \$20.5 million and \$8.3 million at December 31, 2025 and 2024, respectively.

At December 31, 2025, scheduled maturities of time deposits are as follows:

2026	\$ 41,119,207
2027	392,073
2028	24,579
2029	15,827
2030	-
thereafter	<u>-</u>
	<u>\$ 41,551,686</u>

Included in deposits at December 31, 2025 and 2024, are related party deposits from directors and officers of the Bancorp of \$9.1 million and \$6.0 million, respectively.

(Continued)

AMERICAN COMMUNITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 9 – BORROWINGS

The Bancorp has available to it various lines-of-credit from the FHLB-NY. The Bancorp's borrowings at December 31, 2025 and 2024 consist of FHLB-NY advances with interest rates and maturity dates as summarized below. None of these advances are callable by the FHLB-NY prior to maturity.

December 31, 2025

	<u>Principal</u>	<u>Rate</u>	<u>Maturity</u>
	\$ <u>5,829,000</u>	4.20%	06/25/2026
Total advances	\$ <u>5,829,000</u>		

The \$5.8 million advance that matures June 25, 2026 is through the FHLB-NY's 0% Development Advance (ZDA) Program that provides members with subsidized funding in the form of interest rate credits to assist in originating loans or purchasing loans/investments that meet one of the eligibility criteria under the Business Development Advance, Climate Development Advance, Infrastructure Development Advance, or Tribal Development Advance. The Bancorp will receive a 100% credit for interest expense at 4.20%.

December 31, 2024

	<u>Principal</u>	<u>Rate</u>	<u>Maturity</u>
	\$ 4,754,046	5.27%	03/20/2025
	<u>6,000,000</u>	4.47%	01/02/2025
Total advances	\$ <u>10,754,046</u>		

The \$4.8 million advance that matured on March 20, 2025 was also through the ZDA program. The Bancorp received a 100% credit for interest expense at 5.27%.

Each advance is payable at its maturity date, with a prepayment penalty for fixed rate advances. The advance was collateralized by \$99.1 million and \$92.2 million of first mortgage loans under a blanket lien arrangement as of December 31, 2025 and 2024. Based on this collateral and the Company's holdings of FHLB stock, the Company is eligible to borrow up to a total of \$93.2 million at December 31, 2025.

The Bank also has access to the Discount Window of the Federal Reserve Bank of New York. Based on collateral held there at December 31, 2025, the Bank was eligible to borrow up to \$3.2 million from the Discount Window. No such borrowings were outstanding at December 31, 2025.

NOTE 10 – LEASES

Upon the Bancorp's January 1, 2022 adoption of ASU 2016-02 "Leases" (Topic 842), a right-of-use asset and an operating lease liability were recorded on the balance sheet representing its obligation to make lease payments for long-term operating leases. The lease asset of \$9.2 million and \$9.0 million at December 31, 2025 and 2024, respectively, represents the right to use the underlying asset for the lease term and the lease liability of \$9.5 million and \$9.3 million at December 31, 2025 and 2024, respectively, represents the discounted value of the required lease payments to the lessor. At December 31, 2025 and 2024, these operating leases had a weighted average lease term of approximately 12 years and 14 years, respectively, and the weighted average discount rate was 3.25% and 3.12%, respectively, the average risk-free rate at adoption over the remaining term of the leases. The Bancorp has no finance leases and does not record short-term leases on the consolidated statements of financial position.

(Continued)

AMERICAN COMMUNITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 10 – LEASES (Continued)

The Bancorp has long-term operating leases covering its main office and branches in Glen Cove, Commack, New Hyde Park, Mineola, Oyster Bay, and Syosset, New York. Related party lease expense for the years ended December 31, 2025 and 2024 for the Glen Cove location was approximately \$566,000 and \$588,000, respectively, and for the Mineola location was approximately \$269,000 and \$254,000, respectively.

The future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2025 are as follows:

2026	\$ 955,410
2027	1,004,553
2028	1,029,929
2029	1,015,425
2030	1,044,738
Thereafter	<u>6,943,120</u>
Total undiscounted lease payments	11,993,175
Less: imputed interest	<u>(2,452,481)</u>
Net lease liabilities	<u>\$ 9,540,694</u>

Lease expense for the years ended December 31, 2025 and 2024, was \$1.0 million and \$957,000, respectively.

NOTE 11 – COMMITMENTS

The Bancorp has a line-of-credit with Atlantic Community Bankers Bank (ACBB) that would allow the Bancorp to borrow up to \$4.5 million on an unsecured basis for a period of up to 14 consecutive calendar days. Interest rates on the borrowings are subject to market conditions and on a transaction-by-transaction basis to be decided by ACBB at the time of fund disbursement. The Bancorp also has a line-of-credit with M&T Bank that would allow the Bancorp to borrow \$5.0 million on an unsecured basis, overnight or short-term funds, at a pre-determined spread over the daily effective federal funds rate or other such rate as M&T Bank and the Bancorp may agree. As of December 31, 2025 and 2024, there were no amounts outstanding under these lines.

NOTE 12 – OTHER EXPENSES

	<u>2025</u>	<u>2024</u>
Telephone	\$ 31,732	\$ 26,193
Postage and shipping	3,545	5,741
Professional fees	482,700	564,755
Fees and assessments	495,535	416,301
Insurance	113,658	108,647
Franchise taxes	72,000	70,800
Other	<u>265,510</u>	<u>97,424</u>
	<u>\$ 1,464,680</u>	<u>\$ 1,289,861</u>

(Continued)

AMERICAN COMMUNITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 13 – INCOME TAXES

The components of the income tax expense (benefit) for the years ended December 31, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Current tax expense		
Federal	\$ 962,768	\$ 730,754
State and City	<u>38,306</u>	<u>41,182</u>
	1,001,074	771,936
Deferred tax expense (benefit)		
Federal	(60,941)	25,034
State and City	<u>(117,415)</u>	<u>(134,991)</u>
	(178,356)	(109,957)
State valuation allowance, net of federal benefit	<u>82,568</u>	<u>90,709</u>
Total provision for income taxes	<u>\$ 905,286</u>	<u>\$ 752,688</u>

The Bancorp's effective tax rate differs from the statutory federal income tax rate for the years ended December 31, 2025 and 2024 as follows:

	<u>2025</u>	<u>2024</u>
Federal income tax at statutory rate (21%)	\$ 844,934	\$ 702,509
State income taxes, net of federal benefit	(62,496)	(74,109)
State valuation allowance, net of federal benefit	82,568	90,709
Bank owned life insurance	20,072	16,599
Other	<u>20,208</u>	<u>16,980</u>
Taxes at effective rate	<u>\$ 905,286</u>	<u>\$ 752,688</u>

(Continued)

AMERICAN COMMUNITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 13 – INCOME TAXES (Continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Deferred tax assets:		
Allowance for loan losses	\$ 858,470	\$ 765,410
Deferred compensation	512,593	467,595
Net operating loss carryforward, state	870,065	808,762
Accrued bonuses	154,296	128,166
Unrealized loss on available for sale securities	442,529	700,815
Fixed asset depreciation	(56,616)	9,828
Lease liability	2,777,526	2,708,018
Other	122,147	118,049
State valuation allowance, net of federal benefit	<u>(1,201,364)</u>	<u>(1,118,797)</u>
	4,479,646	4,587,846
Deferred tax liabilities		
Right of use assets	(2,663,961)	(2,634,330)
Deferred loan fees, net	<u>(63,398)</u>	<u>(38,732)</u>
	<u>(2,727,359)</u>	<u>(2,673,062)</u>
Net deferred tax asset	<u>\$ 1,752,287</u>	<u>\$ 1,914,784</u>

As a result of the New York State enacted comprehensive tax reform provisions, beginning in 2015, the Bank is calculating its tax obligation to New York based upon the largest of a calculated income tax liability, a tax liability based upon average equity capital or a fixed minimum fee. Also, effective January 1, 2015, banks under \$8 billion in total assets are permitted to claim a subtraction from New York taxable income equal to 50% of the net interest income on certain loans to customers within New York State, provided the principal balance of these loans is less than \$5 million. Based upon the forecasted impact of this exclusion on the Bancorp's state taxable income, it is more likely than not the Bancorp will generate New York losses in future years and therefore calculate its New York tax liability on the basis of average equity capital or a fixed minimum fee. As of December 31, 2025 and 2024, the Bank has retained a valuation allowance on its New York State deferred tax assets. If a release of the remaining New York State valuation allowance occurs, it will have a significant impact on net income in the period in which it occurs. As of December 31, 2025, and 2024 the Bancorp has an apportioned New York State net operating loss carryforward of \$13 million and \$12.1 million, respectively that will begin to expire in 2035.

Management has determined that it is not required to establish a valuation allowance against any other deferred tax assets in accordance with GAAP since it is more likely than not that the deferred tax assets will be fully realized in future periods. In assessing the need for a valuation allowance, management considers carry back to taxable income in prior years, future reversals of existing taxable temporary differences, tax strategies, and, to a lesser extent, future taxable income.

At December 31, 2025 and 2024, the Bancorp had no unrecognized tax benefits recorded. The Bancorp does not expect the total amount of unrecognized tax benefits to significantly increase in the next twelve months. The Bancorp recognizes interest and penalties on unrecognized tax benefits as a component of income tax expense.

The Bancorp is subject to U.S. federal income tax as well as income tax of the state and city of New York. The Bancorp is no longer subject to examination by taxing authorities for years before 2022.

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NOTE 14 – EMPLOYEE BENEFIT PLANS

The Bancorp has a retirement savings 401(k) plan in which substantially all employees may participate. The Bancorp matches employees' contributions based on a percentage of salary contributed by participants. The Bancorp's expense for the plan was \$118,405 and \$110,414 for the years ended December 31, 2025 and 2024, respectively.

The Bancorp also maintains non-qualified Supplemental Executive Retirement Plan Agreements (SERP) for the Chief Executive Officer, the former Chief Financial Officer and the former Chief Lending Officer (collectively, the "Executives"). The benefits provided to the Executives by the SERPs are described in detail in the individual agreements and contain applicable provisions for reduced or eliminated benefits upon early termination or violation of non-competitive clauses. The individual plans are calculated at rates from 20% to 25% of the Executives final compensation and payable annually at the specified retirement ages over a period of 15 years. The annual expense incurred by the Bancorp in maintaining these supplemental retirement benefits equates to the annual increase of the present value of the accumulated benefit to be paid to each executive. As of December 31, 2025 and 2024, the present value of the accumulated benefits for all SERP agreements was \$1.4 million and \$1.3 million, respectively.

In addition, the Bancorp is party to director fee continuation agreements with key members of its Board of Directors, as the Bancorp believes that these Directors contribute materially to the continued growth, development and future business success of the Bancorp's operations. The general terms of these director fee continuation agreements are projected to provide an annual benefit to each director equal to 50% of their final director fees and payable for 10 years after retirement. Directors who terminate prior to their stipulated normal retirement ages are subject to a reduction in benefits. The annual expense incurred by the Bancorp in maintaining the agreements equates to the annual increase of the present value of the accumulated benefits to be paid to the Directors. As of December 31, 2025 and 2024, the present value of the accumulated benefits for all director fee continuation agreements was approximately \$315,000 and \$323,000, respectively.

NOTE 15 – STOCK-BASED COMPENSATION

Under 2016 Equity Plan, awards may consist of stock options, stock appreciation rights, stock awards, restricted stock, or other awards, which are subject to Bancorp-wide performance-based vesting conditions.

The Bancorp has 100,000 shares of common stock reserved for awards under this plan. All of the 100,000 shares may be issued as restricted stock awards. At December 31, 2025 and 2024, 0 and 178 shares of common stock, respectively, remained available for issuance of awards under the program of which all shares remained available for issuance as restricted stock awards. Restricted stock awards were the only items outstanding under this plan as of December 31, 2025 and 2024.

During 2025 and 2024, 14,261 shares and 14,654 shares, respectively, in restricted stock were awarded by the Board of Directors, based on the financial performance of the Bancorp and are scheduled to vest at the end of a three-year service period concluding on February 25 and November 3, 2028, and February 26, 2027, respectively. Dividends will not be accrued on these awards until the end of the vesting period and there are no voting rights. The grant date fair value of the restricted stock is equal to the book value per share of the stock at the date of grant.

Compensation expense for restricted stock awards is recognized equally over the applicable vesting period.

AMERICAN COMMUNITY BANCORP, INC. AND SUBSIDIARIES
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NOTE 15 – STOCK-BASED COMPENSATION (Continued)

The following table presents a summary of the nonvested restricted stock awards under the Bancorp's stock-based compensation plan as of December 31, 2025, and any applicable changes during the year then ended.

	Number of Nonvested Shares	Weighted- Average Grant- Date Fair Value	Weighted- Average Remaining Contractual Term (yrs.)
Nonvested at January 1, 2025	42,411	\$ 15.30	
Granted	14,261	16.06	
Vested	(11,817)	15.05	
Forfeited	<u>(1,825)</u>	<u>15.05</u>	
Nonvested at December 31, 2025	<u>43,030</u>	<u>\$ 15.39</u>	<u>1.16</u>

As of December 31, 2025 and 2024, there was approximately \$245,000 and \$236,000, respectively, of total unrecognized compensation cost related to non-vested awards.

NOTE 16 – OFF-BALANCE SHEET ACTIVITIES

The Bancorp is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements. The Bancorp'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 Bancorp uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

At December 31, 2025 and 2024, the following financial instruments, all at variable rates, were outstanding whose contract amounts represent credit risk:

	<u>2025</u>	<u>2024</u>
Real estate, other		
Commercial	\$ 8,546,319	\$ 9,440,259
Residential	7,312,209	4,572,156
Commercial and industrial	11,075,865	4,691,470
Performance letter of credit	<u>1,000,000</u>	<u>1,000,000</u>
	<u>\$ 27,934,393</u>	<u>\$ 19,703,885</u>

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

(Continued)

NOTE 16 – OFF-BALANCE SHEET ACTIVITIES (Continued)

Unfunded commitments under construction real estate loans, commercial and home equity lines-of-credit, and overdraft protection agreements are commitments for possible future extensions of credit to existing customers.

NOTE 17 – REGULATORY CAPITAL REQUIREMENTS

Banks are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2025, the Bank met all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2025 and 2024, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework (CBLR framework), for qualifying community banking organizations, consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act.

The community bank leverage ratio removes the requirement for qualifying banking organizations to calculate and report risk-based capital but rather only requires a Tier 1 to average assets (leverage) ratio. Qualifying banking organizations that elect to use the community bank leverage ratio framework and that maintain a leverage ratio greater than the required minimum will be considered to have satisfied the generally applicable risk based and leverage capital requirements in the agencies' capital rules (generally applicable rule) and, if applicable, will be considered to have met the well capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act. The community bank leverage ratio minimum requirement is 9%. An eligible banking organization is provided a two-quarter grace period to correct a ratio that falls below this required amount, provided that the bank maintains a leverage ratio greater than 8%.

An eligible banking organization can opt out of the CBLR framework and revert to the risk-weighting framework without restriction. As of December 31, 2025, both the Company and Bank were qualifying community banking organizations as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

Financial institutions under the generally applicable capital rule are required to maintain a capital conservation buffer of greater than 2.5 percent in order to avoid restrictions on capital distributions and other payments. Federal banking regulations require institutions to meet their capital conservation buffer requirement with common equity tier 1 capital. However, because qualifying institutions using the CBLR framework are considered in compliance with the generally applicable capital rule, neither the Company nor the Bank are subject to the capital conservation buffer.

(Continued)

AMERICAN COMMUNITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 17 – REGULATORY CAPITAL REQUIREMENTS (Continued)

The Bank's actual and required capital amounts and ratios are as follows:

	<u>Actual</u>		<u>Minimum Capital Requirement</u>		<u>Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
<u>December 31, 2025</u>						
Tier 1 Capital to average assets	\$ 40,744,357	12.6%	\$ 12,937,423	4.0%	\$ 16,171,779	5.0%
<u>December 31, 2024</u>						
Tier 1 Capital to average assets	\$ 37,913,035	13.3%	\$ 11,390,711	4.0%	\$ 14,238,389	5.0%

NOTE 18 – FAIR VALUES OF FINANCIAL INSTRUMENTS

Determination of Fair Value: The Bancorp uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with Accounting Standards Codification (ASC) "*Fair Value Measurements and Disclosures*", the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

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

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

Level 1: Quoted prices (unadjusted) of identical assets or liabilities in active markets that the Bancorp has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the Bancorp's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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NOTE 18 – FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets and Liabilities Measured at Fair Value on a Recurring Basis: Assets measured at fair value on a recurring basis are summarized below:

		Fair Value Hierarchy		
	Fair Value at December 31, 2025	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Agency mortgage-backed securities - residential	\$ 5,018,196	\$ -	\$ 5,018,196	\$ -
Other mortgage-backed-securities – residential	2,409,290	-	2,409,290	-
U.S. Government sponsored enterprises	4,911,536	-	4,911,536	-
Corporate debt and other	<u>10,162,874</u>	<u>-</u>	<u>10,162,874</u>	<u>-</u>
	<u>\$ 22,501,896</u>	<u>\$ -</u>	<u>\$ 22,501,896</u>	<u>\$ -</u>

		Fair Value Hierarchy		
	Fair Value at December 31, 2024	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Agency mortgage-backed securities - residential	\$ 4,823,552	\$ -	\$ 4,823,552	\$ -
Other mortgage-backed-securities – residential	2,456,456	-	2,456,456	-
Other mortgage-backed-securities – commercial	1,521,500	-	1,521,500	-
U.S. Government sponsored enterprises	5,191,772	-	5,191,772	-
Corporate debt and other	<u>11,189,740</u>	<u>-</u>	<u>11,189,740</u>	<u>-</u>
	<u>\$ 25,183,020</u>	<u>\$ -</u>	<u>\$ 25,183,020</u>	<u>\$ -</u>

There were no assets or liabilities measured on a non-recurring basis at December 31, 2025 or 2024.

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AMERICAN COMMUNITY BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 19 – REVENUE FROM CONTRACTS WITH CUSTOMERS

All of the Bancorp's revenue from contracts with customers in the scope of ASC 606 is recognized within Non-Interest Income. The following table presents the Bancorp's sources of Non-Interest Income for the twelve months ended December 31, 2025 and 2024. Items outside the scope of ASC 606 are noted as such.

	<u>2025</u>	<u>2024</u>
Non-interest income:		
Service charges on deposit accounts	\$ 364,119	\$ 441,587
Bank-owned life insurance ^(a)	113,944	110,933
Net loss on sale of available-for-sale securities ^(a)	(66,434)	(78,000)
Net gain on sale of loans held for sale ^(a)	792,696	1,255,147
Other service charges ^(a)	<u>116,057</u>	<u>112,523</u>
Total non-interest income	<u>\$ 1,320,382</u>	<u>\$ 1,842,190</u>

(a) Not within scope of ASC 606

Service Charges on Deposit Accounts: The Bancorp earns fees from its deposit customers for account maintenance, transaction-based and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Bancorp fulfills the customers' request. Account maintenance fees, which related primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Bancorp satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.