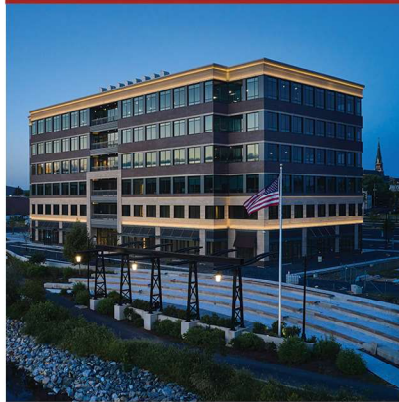


2024

ANNUAL REPORT



AmericanBank
Incorporated

Consolidated Financial Highlights

(Dollars in Thousands, except per share data)	2024	2023	Percentage Change
AT YEAR END			
Assets	\$ 986,667	\$ 918,877	7.4%
Loans receivable, net	798,338	732,180	9.0%
Deposits	793,380	701,538	13.1%
Stockholders' Equity	96,037	89,811	6.9%
FOR THE YEAR			
Net Interest Income	\$ 23,340	\$ 22,925	1.8%
Net Income	9,016	9,312	(3.2%)
PER SHARE DATA			
Earnings – Basic	\$ 1.44	\$ 1.48	(2.7%)
Earnings – Diluted	1.38	1.42	(2.8%)
Book Value	15.19	14.20	7.0%
FINANCIAL RATIOS			
Return on average assets	0.98%	1.03%	
Return on average equity	9.62%	10.68%	
Average stockholders' equity to average assets	10.15%	9.65%	
Net interest margin	2.69%	2.70%	
Net interest spread	2.16%	2.26%	
Non-interest expense to average assets	1.55%	1.46%	
Efficiency ratio	55.47%	53.44%	
Non-accruing loans/Total loans	0.20%	0.43%	
Allowance for credit losses/Non-performing loans ..	482.27%	234.13%	

TABLE OF CONTENTS

	Page
Message to Our Stockholders	1
Selected Consolidated Financial Information and Other Data.....	3
Management's Discussion and Analysis of Financial Condition and Results of Operations	4
Common Stock and Related Matters	18
Independent Auditor's Report.....	F-1
Consolidated Balance Sheets	F-4
Consolidated Statements of Income.....	F-5
Consolidated Statements of Comprehensive Income.....	F-6
Consolidated Statements of Stockholders' Equity.....	F-7
Consolidated Statements of Cash Flows.....	F-8
Notes to Consolidated Financial Statements.....	F-9



March 21, 2025

Dear Fellow Shareholder:

As we reflect on how your Company performed in 2024, we are proud of the resilience we demonstrated, the dedication of every member of our team, and the commitment to community that continues to define who we are. When compared to the prior year, our core strengths remain the same — serving our customers with integrity, supporting local businesses, and enhancing shareholder value.

Overview of Earnings

The Company reported net income for the year ended December 31, 2024, of \$9,016,000, a 3.2% decrease from net income of \$9,312,000 for the year ended December 31, 2023. The decrease in net income for the year ended December 31, 2024, was primarily due to an 8.2% increase in non-interest expense and a 234.6% increase in our loan loss reserves over the prior year. Net interest income increased \$415,000, or 1.8%, to \$23.3 million, as compared to \$22.9 million for the year ended December 31, 2023. The increase in net interest income was primarily due to interest rate increases in our loan and investment portfolios despite increased interest expense paid to depositors.

As interest rates continued to stay high throughout the year, we saw a significant increase in yields on interest-earning assets to 5.37% from 4.61% in 2023. However, we also saw an even larger increase in yields on interest-bearing liabilities to 3.21% from 2.35% in 2023.

Solid Loan Growth & Strong Asset Quality

We continued our commitment to helping local businesses and families by providing customized lending solutions as evidenced by the increase in net loans outstanding of \$66.1 million, or 9.0%, to \$798.3 million from \$732.2 million at December 31, 2023. Our commercial loan portfolio grew \$55.5 million or 8.1% while our residential loan portfolio grew \$10.3 million, or 25.2%, as we sold fewer loans on the secondary market in 2024 and retained more in portfolio at attractive yields. We recognize that the current interest rate environment may influence demand in the future, however we remain confident that our commitment to delivering a convenient and personalized customer experience will drive continued loan growth.

While our loan portfolio continued to grow at a steady pace, we did not sacrifice loan quality as we maintained our conservative underwriting standards and, as a result, there were only two non-accruing relationships totaling \$1,574,000 as of December 31, 2024. Total non-accruing relationships decreased from \$3,164,000 as of December 31, 2023, due to four properties transferred into foreclosed assets held for resale and one property was sold by the borrower.

Focus On Deposits

We have always been a community bank focused on providing the deposit products that will serve the needs of all customers, while developing the accompanying services to allow them to not only easily manage their accounts but safeguard their personal account information. As a result, we saw our total deposits grow \$91.9 million, or 13.1%, to \$793.4 million at December 31, 2024, from \$701.5 million at December 31, 2023.

We are committed to providing full FDIC insurance to more customers with the growth of the ICS program through our partnership with Intrafi. This program gives our customers access to 100% insurance coverage on all their balances while maintaining their relationship with us as their primary financial institution.

With the prevalence of attempted fraud on the rise across the industry, having the protections in place to assist our customers against these attempts was of paramount concern to us and continues into 2025 as well. We believe in a partnership approach when it comes to fraud protection. We will take the extra precautions necessary to deter fraud for our customers while giving them the tools to be educated and aware of what they can do to further enhance the security of their private information.

Overview of Earnings Ratios

We saw slight declines in both our return on assets and our return on equity primarily due to a small decrease in net income while recognizing increases in both average assets and average equity. Return on assets decreased to 0.98% from 1.03% for the same period in 2023. Return on equity for 2024 was 9.62% compared to 10.68% for the same period in 2023.

Our efficiency ratio increased to 55.47% from 53.44% for the same period in 2023 primarily due to increased salary and employee benefits, occupancy costs, Pennsylvania bank shares tax, and expenses associated with foreclosed assets held for resale. The non-interest expense to average assets ratio increased to 1.55% from 1.46% for the same period in 2023.

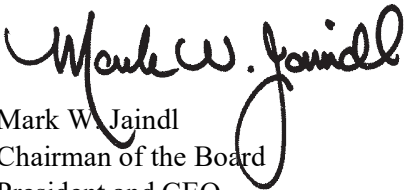
Enhancing Shareholder Value

As a shareholder, you have placed your confidence in our Board of Directors and Management team to execute on our strategic vision. This is a responsibility that is very important to us and something we consider throughout our planning process. Dividends totaling \$0.56 cents per share were paid in 2024 and this marks the 21st consecutive year of paying dividends. In January 2025, our Board of Directors declared a dividend of \$0.14 per share of common stock payable on April 1, 2025.

What's Ahead for 2025

As we enter into 2025, we are confident in our ability to navigate the future with the same commitment that has been the foundation of our success. We will continue to serve our customers, our community and you, our shareholders with an enhanced and diligent commitment to excellence.

On behalf of the Board of Directors, thank you for your continued trust and support.


Mark W. Jaendl
Chairman of the Board
President and CEO

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

The following information is derived from the audited financial statements of American Bank Incorporated (the “Company”). For additional information about the formation of American Bank Incorporated and its acquisition of all the outstanding shares of American Bank, reference is made to the Consolidated Financial Statements of American Bank Incorporated and related notes included elsewhere herein.

	At December 31,				
	2024	2023	2022	2021	2020
	(In Thousands)				
<u>Selected Financial Condition Data:</u>					
Total assets	\$ 986,667	\$ 918,877	\$ 927,284	\$ 849,150	\$ 734,290
Loans receivable, net	798,338	732,180	653,686	606,572	586,949
Equity securities	-	-	774	686	490
Investment securities available-for-sale	61,633	92,635	200,442	77,841	55,302
Investment securities held-to-maturity	-	-	-	200	200
Deposits	793,380	701,538	667,477	660,880	550,941
Short-term borrowings	10,000	61,681	101,767	37,464	37,860
Long-term borrowings	65,625	45,000	55,000	65,000	65,000
Junior subordinated debentures	2,489	2,760	2,861	6,199	10,086
Stockholders' equity	96,037	89,811	81,908	76,250	66,364
	For the year ended December 31,				
	2024	2023	2022	2021	2020
	(Dollars in thousands, except per share data)				
<u>Selected Operating Data:</u>					
Total interest income	\$ 46,667	\$ 39,126	\$ 30,257	\$ 27,374	\$ 26,817
Total interest expense	23,327	16,201	6,670	5,734	6,984
Net interest income	23,340	22,925	23,587	21,640	19,833
Provision for (release of) credit losses	214	(159)	388	521	969
Net interest income after provision for (release of) credit losses	23,126	23,084	23,199	21,119	18,864
Total non-interest income	2,398	1,768	1,743	2,435	2,191
Total non-interest expense	14,277	13,195	12,249	10,843	10,212
Income before income tax expense	11,247	11,657	12,693	12,711	10,843
Income tax expense	2,231	2,345	2,578	2,608	2,129
Net income	\$ 9,016	\$ 9,312	\$ 10,115	\$ 10,103	\$ 8,714
Dividends paid per share	\$ 0.56	\$ 0.66	\$ 0.60	\$ 0.56	\$ 0.48
Earnings per share - basic	\$ 1.44	\$ 1.48	\$ 1.63	\$ 1.82	\$ 1.57
Earnings per share - diluted	\$ 1.38	\$ 1.42	\$ 1.57	\$ 1.68	\$ 1.37
<u>Performance Ratios:</u>					
Return on assets (ratio of net income to average assets)	0.98%	1.03%	1.13%	1.28%	1.25%
Return on equity (ratio of net income to average equity)	9.62%	10.68%	12.71%	14.40%	13.73%
Average interest rate spread	2.16%	2.26%	2.56%	2.74%	2.91%
Net interest margin (ratio of net interest income divided by average earning assets)	2.69%	2.70%	2.76%	2.90%	3.00%
Ratio of operating expense to average assets	1.55%	1.46%	1.37%	1.38%	1.46%
Ratio of average interest-earning assets to average interest-bearing liabilities	119.40%	123.10%	125.20%	119.40%	108.50%
<u>Asset Quality Ratios:</u>					
Non-accruing loans to total loans at end of year	0.20%	0.43%	0.05%	0.06%	0.08%
Allowance for credit losses to non-performing loans	482.27%	234.13%	2,883.82%	2,497.07%	1,751.75%
Allowance for credit losses to total gross loans	0.94%	1.00%	1.35%	1.38%	1.34%
<u>Capital Ratios:</u>					
Stockholders' equity to total assets at end of year	9.73%	9.77%	8.83%	8.98%	9.04%
Average stockholders' equity to average assets	10.15%	9.65%	8.90%	8.91%	9.07%

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Statements

This document contains certain “forward-looking statements” which may be identified by the use of words such as “believe,” “expect,” “anticipate,” “should,” “planned,” “estimated” and “potential.” Examples of forward-looking statements include, but are not limited to, estimates with respect to our financial condition, results of operations and business that are subject to various factors which could cause actual results to differ materially from these estimates and most other statements that are not historical in nature. These factors include, but are not limited to, general and local economic conditions, changes in interest rates, deposit flows, demand for mortgage and other loans, real estate values, and competition; changes in accounting principles, policies or guidelines; changes in legislation or regulation; and other economic, competitive, governmental, regulatory and technological factors affecting our operations, product pricing and services.

Overview

American Bank Incorporated is a bank holding company whose assets consist primarily of its investment in American Bank, its wholly owned subsidiary. The principal business activity of American Bank Incorporated is overseeing and directing the business of American Bank. American Capital Trust I is a financing subsidiary of American Bank Incorporated, and the purpose of the trust was to issue shares of convertible preferred securities to the public. AB Building LLC, AMBK Services LLC and AMBK Real Estate LLC are operating subsidiaries of American Bank. The purpose of AB Building LLC is to hold real estate, leasehold improvements or other property qualifying as bank premises, the purpose of AMBK Services LLC is to pay compensation and benefits for employees of the subsidiary, and the purpose of AMBK Real Estate LLC is to hold title to real estate or leasehold interest acquired for prior debt. The consolidated financial statements include the accounts of American Bank Incorporated, American Bank and American Capital Trust I. All significant intercompany accounts and transactions have been eliminated.

American Bank is a full-service, Pennsylvania state-chartered bank. We currently operate from our principal office and a branch location located in Allentown, Pennsylvania, and a loan production office in Blue Bell, Pennsylvania. Our principal business is attracting deposits from the general public and using those deposits, together with borrowings and other funds, to originate loans and to purchase investment securities. We offer a comprehensive menu of deposit and loan products for consumer, business, institutional and governmental customers, including interest-bearing checking and money market accounts, savings accounts, certificates of deposit and individual retirement accounts. We also engage in mortgage banking activities, which include the origination, purchase and, in certain instances, subsequent sale of residential mortgage loans.

AmericanBank Online is the registered trademark of American Bank and the brand name for online banking services provided by American Bank. Through *AmericanBank Online* (available at AMBK.com), American Bank delivers convenience through innovative technology, absent the restrictions of time and geography, by offering a broad menu of real-time banking services accessible through online or mobile banking.

American Bank Incorporated's results of operations depend primarily on net interest income. Net interest income is the difference between the interest income we earn on our interest-earning assets, consisting primarily of loans, investment securities and interest-bearing deposits with other financial institutions, and the interest we pay on our interest-bearing liabilities, consisting primarily of interest-bearing checking accounts, money market accounts, savings accounts, time deposits and borrowed funds. Our results of operations are also affected by our provision for credit losses, non-interest income and non-interest expense. Non-interest income consists primarily of service charges on deposit accounts, loan swap fees, net gains on sales of residential mortgage loans, net gains on foreclosed assets held for resale, and earnings on bank-owned life insurance. Non-interest expense consists primarily of expenses for salaries and employee benefits, occupancy, equipment and data processing, hosted services, professional services, Pennsylvania bank shares tax, Federal deposit insurance and expenses associated with foreclosed assets held for resale. Our results of operations may also be affected significantly by general and local economic and competitive conditions, particularly those with respect to changes in market interest rates, governmental policies and actions of regulatory authorities.

Highlights for the year ended December 31, 2024 are as follows:

- We recorded net income of \$9.0 million, compared to net income of \$9.3 million for the year ended December 31, 2023.
- Net interest income increased \$415,000, or 1.8%, to \$23.3 million for the year ended December 31, 2024 from \$22.9 million for the year ended December 31, 2023.
- The provision for credit losses increased \$373,000, or 234.6%, to \$214,000 for the year ended December 31, 2024 compared to a release of the allowance for credit losses of \$159,000 for the year ended December 31, 2023.
- Non-interest income increased \$630,000, or 35.6%, to \$2.4 million for the year ended December 31, 2024 compared to \$1.8 million for the year ended December 31, 2023.
- Non-interest expense increased \$1,082,000, or 8.2%, to \$14.3 million for the year ended December 31, 2024 compared to \$13.2 million for the year ended December 31, 2023.

Critical Accounting Policies

Disclosure of our significant accounting policies is included in Note 2 to the consolidated financial statements. Certain of these policies are particularly sensitive, requiring significant estimates and assumptions to be made by management. Management has discussed the development of such estimates and the related disclosure in this section of our Annual Report with the Audit Committee of the Board of Directors. The following accounting policy is identified by management as being critical to the results of operations:

Allowance for Credit Losses. The allowance for credit losses (“ACL”), which includes both the allowance for credit losses for loans and the allowance for credit losses for off-balance sheet credit exposures, is calculated with the objective of maintaining a reserve for current expected credit losses over the remaining expected life of the portfolio. Management’s determination of the appropriateness of the reserve is based on continuously monitoring and evaluating the loan portfolio, lending-related commitments, current as well as forecasted economic factors, and other relevant factors. The ACL for loans is an estimate of expected losses inherent within our existing loan portfolio.

The loan loss estimation process involves procedures to appropriately consider the unique characteristics of our loan portfolio segments. When computing allowance levels, credit loss assumptions are estimated using a model that characterizes loan segments based on loss history, other credit trends, and risk characteristics, including current conditions and reasonable and supportable forecasts about the future. Evaluations of the loan portfolio and individual loans are inherently subjective, as they require estimates, assumptions and judgments as to the facts and circumstances of particular situations. Determining the appropriateness of the allowance is complex and requires judgement by management about the effect of matters that are inherently uncertain. In future periods, evaluations of the overall loan portfolio, in light of the factors and forecasts then prevailing, may result in significant changes in the ACL and credit loss expense.

We estimate the ACL using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. We use a third-party software model to calculate the quantitative portion of the ACL using a methodology and assumptions specific to each loan segment. The qualitative portion of the allowance is based on general economic conditions and other internal and external factors affecting the Company as a whole as well as specific loans. Factors considered include lending policies and procedures including historically based loss/collection; volume of past-due loans; national and economic conditions; nature and volume of the loan portfolio; and the effect of loan pool concentrations and changes in the levels of such concentrations. The qualitative and quantitative portions of the allowance are added together to determine the total ACL, which reflects management’s expectations of future conditions based on reasonable and supportable forecasts. As such, the calculation of the ACL is inherently subjective and requires management to exercise significant judgement.

While management uses the best information known in order to make ACL valuations, adjustments to the ACL may be necessary based on changes in economic and other conditions, changes in the composition of the loan portfolio, or changes in accounting guidance. In times of economic slowdown, either local, regional or national, the risk inherent in the loan portfolio could increase resulting in the need for additional provisions to the ACL in future periods. An increase (decrease) could also be necessitated by an increase (decrease) in the size of the loan portfolio or in any of its components even though credit quality of the overall loan portfolio may be improving.

Interest Sensitivity

We monitor and manage the pricing and maturity of our assets and liabilities in order to manage the potential adverse impact that changes in interest rates could have on our net interest income. One monitoring technique employed by us is the measurement of our interest sensitivity “gap,” which is the positive or negative dollar difference between assets and liabilities whose interest rates may be re-priced or that mature within a given period of time. We also employ financial modeling techniques to assess the impact that varying interest rates and balance sheet mix assumptions may have on net interest income.

We attempt to manage interest rate sensitivity by, among other actions, re-pricing assets or liabilities, selling investment securities classified as available-for-sale, replacing an asset or liability at maturity, or adjusting the interest rate during the life of an asset or liability. Managing the amount of assets and liabilities re-pricing or maturing in the same time interval helps to control the risk and minimize the impact on net interest income of rising or falling interest rates. We evaluate interest rate sensitivity and formulate guidelines regarding asset generation and re-pricing, funding sources and pricing and off-balance sheet commitments in order to manage interest rate risk within our policy requirements.

The following table illustrates our gap position at December 31, 2024. Except as stated below, the amount of assets and liabilities shown which re-price or mature during a particular period were determined in accordance with the earlier of term to re-pricing or the contractual maturity of the asset or liability. Savings deposits and interest-bearing checking accounts do not have contractual maturities and are assumed to run off, or decay, at 25%, 20%, 15%, 15%, 15% and 10% during the time-frames shown on the following table.

December 31, 2024
Maturities and Re-pricings

	Over 1 Year Through 2 Years	Over 2 Years Through 3 Years	Over 3 Years Through 5 Years	Over 5 Years Through 10 Years	Over 10 Years	Total
	(Dollars in Thousands)					
Interest-earning assets:						
Interest-bearing deposits.....	\$ 65,898	\$ -	\$ -	\$ -	\$ -	\$ 65,898
Loans receivable.....	264,411	149,081	162,846	33,528	50,359	805,783
Mortgage-backed securities.....	19,704	-	-	293	22,020	42,017
Investment securities.....	9,030	11,756	750	-	-	21,536
Bank-owned life insurance.....	24,003	-	-	-	-	24,003
Restricted investment in bank stock.....	4,816	-	-	-	-	4,816
Total interest-earning assets.....	<u>\$ 387,862</u>	<u>\$ 149,081</u>	<u>\$ 163,596</u>	<u>\$ 33,821</u>	<u>\$ 72,379</u>	<u>\$ 964,053</u>
Interest-bearing liabilities:						
Demand deposits.....	\$ 56,689	\$ 34,013	\$ 34,013	\$ 34,013	\$ 22,676	\$ 226,755
Savings deposits.....	50,583	30,350	30,350	30,350	20,231	202,330
Time deposits.....	265,235	3,170	7,059	-	-	281,500
Borrowings.....	25,000	20,000	30,625	-	-	75,625
Junior subordinated debentures.....	-	-	-	2,489	-	2,489
Total interest-bearing liabilities.....	<u>\$ 397,507</u>	<u>\$ 87,533</u>	<u>\$ 102,047</u>	<u>\$ 66,852</u>	<u>\$ 42,907</u>	<u>\$ 788,699</u>
Interest sensitivity gap.....	<u>\$ (9,645)</u>	<u>\$ 61,548</u>	<u>\$ 61,549</u>	<u>\$ (33,031)</u>	<u>\$ 29,472</u>	<u>\$ 175,354</u>
Cumulative interest sensitivity gap.....	<u>\$ (9,645)</u>	<u>\$ 117,364</u>	<u>\$ 178,913</u>	<u>\$ 145,882</u>	<u>\$ 175,354</u>	<u>\$ 175,354</u>
Ratio of gap to total interest-earning assets.....	<u>(1.0)%</u>	<u>6.4%</u>	<u>6.4%</u>	<u>(3.5)%</u>	<u>3.1%</u>	<u>18.2%</u>
Ratio of cumulative gap to total interest-earning assets.....	<u>(1.0)%</u>	<u>12.2%</u>	<u>18.6%</u>	<u>15.1%</u>	<u>18.2%</u>	<u>18.2%</u>

We generally would benefit from increasing market rates of interest when it has an asset-sensitive gap and from decreasing market rates of interest when it is liability-sensitive. As of December 31, 2024, we were liability-sensitive over a time horizon of up to 12 months by \$9.6 million. Management's goal is to originate loans and purchase securities with relatively short interest rate lives and to fund those assets with liabilities that have similar or longer interest rate lives. This strategy will allow us to remain neutral or only be modestly negatively impacted from increasing interest rates. Declining interest rates would have a positive impact on our net interest income stream.

A gap analysis is not a precise indicator of a financial institution's interest sensitivity position. Such an analysis presents only a static view of the timing of maturities and re-pricing opportunities without taking into consideration that changes in interest rates do not affect all assets and liabilities equally. For example, rates paid on a substantial portion of core deposits may change contractually within a relatively short time frame, but those rates are viewed by management as significantly less interest-sensitive than market-based rates such as those paid on non-core deposits. Net interest income is also affected by other significant factors, including changes in the volume and mix of interest-earning assets and interest-bearing liabilities.

We have not engaged in off-balance sheet hedges or other transactions that may be deemed "speculative," as that term is defined by various regulatory agencies, for the purpose of managing interest rate risk.

Average Balance Sheets

The following table presents for the years indicated the total dollar amount of interest income from average interest-earning assets and the resultant yields, as well as the interest expense on average interest-bearing liabilities, expressed both in dollars and rates. No tax-equivalent adjustments have been made. All average balances are daily average balances. Loans that are classified as non-accrual are included in the average balances in the table. Income from non-accrual loans is recognized when collected and is included in interest income on the following page.

For the Years Ended December 31,

	2024			2023			2022		
	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate
(Dollars in Thousands)									
Interest-earning assets:									
Interest-bearing deposits.....	\$ 26,201	\$ 1,330	5.08%	\$ 10,153	\$ 501	4.93%	\$ 23,943	\$ 203	0.85%
Loans receivable, net.....	766,300	42,742	5.58	696,229	34,583	4.97	640,968	26,753	4.17
Equity securities	-	-	-	267	4	1.50	330	2	0.61
Mortgage-backed securities.....	27,895	1,324	4.75	18,388	786	4.27	21,438	446	2.08
Investment securities	43,737	985	2.25	119,481	2,849	2.38	164,028	2,586	1.58
Restricted inv. in bank stock	4,172	286	6.86	4,640	403	8.69	5,103	267	5.23
Total interest-earning assets	<u>868,305</u>	<u>46,667</u>	<u>5.37</u>	<u>849,158</u>	<u>39,126</u>	<u>4.61</u>	<u>855,810</u>	<u>30,257</u>	<u>3.54</u>
Interest-bearing liabilities:									
Demand deposits	205,118	3,676	1.79	167,726	1,604	0.96	189,084	472	0.25
Savings deposits	193,279	5,695	2.95	200,951	4,113	2.05	227,380	1,249	0.55
Time deposits	245,083	10,599	4.32	200,766	6,747	3.36	144,558	2,082	1.44
Borrowings	81,016	3,203	3.95	117,697	3,572	3.03	118,850	2,656	2.23
Junior subordinated debentures.....	2,643	154	5.83	2,817	165	5.86	3,804	211	5.55
Total interest-bearing liabilities	<u>727,139</u>	<u>23,327</u>	<u>3.21</u>	<u>689,957</u>	<u>16,201</u>	<u>2.35</u>	<u>683,676</u>	<u>6,670</u>	<u>0.98</u>
Net interest income.....		<u>\$ 23,340</u>			<u>\$ 22,925</u>			<u>\$ 23,587</u>	
Net interest rate spread.....			<u>2.16%</u>			<u>2.26%</u>			<u>2.56%</u>
Net earning assets	<u>\$ 141,166</u>			<u>\$ 159,201</u>			<u>\$ 172,134</u>		
Net yield on average interest-earning assets			<u>2.69%</u>			<u>2.70%</u>			<u>2.76%</u>
Ratio of interest-earning assets to interest-bearing liabilities	<u>119.4%</u>			<u>123.1%</u>			<u>125.2%</u>		

Rate/Volume Analysis

The following table presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities. It distinguishes between the changes related to outstanding balances and those due to changes in interest rates. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (a) changes in volume (*i.e.*, changes in volume multiplied by old rate) and (b) changes in rate (*i.e.*, changes in rate multiplied by old volume). For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately to the change due to volume and the change due to rate.

	For the Years Ended December 31, 2024 v. 2023			For the Years Ended December 31, 2023 v. 2022		
	Increase/Decrease Due to		Total Increase/ Decrease	Increase/Decrease Due to		Total Increase/ Decrease
	Volume	Rate		Volume	Rate	
	(In Thousands)					
Interest-earning assets:						
Interest-bearing deposits.....	\$ 791	\$ 38	\$ 829	\$ (117)	\$ 415	\$ 298
Loans receivable, net	3,459	4,700	8,159	2,610	5,220	7,830
Mortgage-backed securities.....	(97)	635	538	63	277	340
Investment securities	(1,526)	(342)	(1,868)	(704)	969	265
Restricted inv. in bank stock.....	(41)	(76)	(117)	(24)	160	136
Total interest-earning assets	<u>2,586</u>	<u>4,955</u>	<u>7,541</u>	<u>1,828</u>	<u>7,041</u>	<u>8,869</u>
Interest-bearing liabilities:						
Demand deposits.....	358	1,714	2,072	(53)	1,281	1,228
Savings deposits.....	(157)	1,739	1,582	(145)	2,913	2,768
Time deposits.....	1,489	2,363	3,852	809	3,856	4,665
Borrowings.....	(1,111)	742	(369)	(26)	942	916
Junior subordinated debentures	(10)	(1)	(11)	(55)	9	(46)
Total interest-bearing liabilities.....	<u>569</u>	<u>6,557</u>	<u>7,126</u>	<u>530</u>	<u>9,001</u>	<u>9,531</u>
Net interest income	<u>\$ 2,017</u>	<u>\$ (1,602)</u>	<u>\$ 415</u>	<u>\$ 1,298</u>	<u>\$ (1,960)</u>	<u>\$ (662)</u>

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

Net Income

For the year ended December 31, 2024, we reported net income of \$9.0 million, or \$1.38 per diluted share for a return on average assets of 0.98% and a return on average equity of 9.62%. For the year ended December 31, 2023, we reported net income of \$9.3 million, or \$1.42 per diluted share for a return on average assets of 1.03% and a return on average equity of 10.68%. The decrease in net income for the year ended December 31, 2024 was primarily the result of an increase in non-interest expense.

Net Interest Income

Net interest income, which is the sum of interest and certain loan origination fees generated by interest-earning assets minus interest paid on deposits and other funding sources, is the principal source of our earnings. Net interest income increased \$415,000, or 1.8%, to \$23.3 million for the year ended December 31, 2024, as compared to \$22.9 million for the year ended December 31, 2023. Average interest-earning assets increased to \$868.3 million for the year ended December 31, 2024, an increase of \$19.1 million, or 2.3%, as compared to the average of \$849.2 million for the year ended December 31, 2023. Average interest-bearing liabilities increased to \$727.1 million for the year ended December 31, 2024, an increase of \$37.1 million, or 5.4%, compared to the average of \$690.0 million for the year ended December 31, 2023.

The increase in net interest income was primarily due to interest rate increases in our loan and investment portfolios despite increased interest expense paid to depositors.

The yield on average interest-earning assets was 5.37% for the year ended December 31, 2024, an increase of 76 basis points from the yield of 4.61% for the year ended December 31, 2023. The cost of funds was 3.21% for the year ended December 31, 2024, an increase of 86 basis points from the cost of funds of 2.35% for the year ended December 31, 2023. The increase in the cost of funds was primarily due to increases in interest rates paid on deposit products and our increased reliance on borrowings to fund loan originations.

Net interest margin (net interest income as a percentage of average interest-earning assets) decreased 1 basis point to 2.69% for the year ended December 31, 2024, as compared 2.70% for the year ended December 31, 2023.

Provision for Credit Losses

The provision for credit losses includes a provision for losses on loans and unfunded commitments. The provision provides for losses inherent in the financial assets as determined by a quarterly analysis and calculation of various factors related to financial assets. The amount of the provision expense reflects the adjustment management determines necessary to ensure the ACL is adequate to cover any losses inherent in the financial assets.

For the year ended December 31, 2024, there was a provision for credit losses for loans in the amount of \$250,000, which was an increase of \$397,000, or 270.1%, from the release of the allowance for credit losses for loans of \$147,000 recorded for the year ended December 31, 2023. For the year ended December 31, 2024, there was also a release of the allowance for credit losses for unfunded commitments in the amount of \$36,000 compared to a release of the allowance for credit losses for unfunded commitments in the amount of \$12,000 for the year ended December 31, 2023. The total provision for credit losses in 2024 in the amount of \$214,000 was primarily due to decreases in qualitative factors in the allowance for credit losses calculation.

During the year 2024, we charged down one loan totaling \$73,000 and received \$6,000 in recoveries of previously charged-off loans. During the year 2023, we charged off two loans totaling \$5,000 and received \$1,000 in recoveries on previously charged-off loans.

While the credit quality of our loan portfolio has remained very strong, as evidenced by our level of past-due, non-accruing and charged-off loans, management recognizes the possibility for deterioration in credit quality. At December 31, 2024, the allowance for credit losses as a percentage of total gross loans was 0.94% compared to 1.00% at December 31, 2023. This decrease was impacted by overall decreases in qualitative factors in the allowance for credit losses calculation and changes in the loan portfolio mix. Management considers the allowance for credit losses at December 31, 2024 to be adequate for the inherent risks of loss in the loan portfolio at that date.

Please refer to Note 6 – Allowance for Credit Losses for further information.

Non-Interest Income

Total non-interest income for the year ended December 31, 2024 was \$2.4 million, an increase of \$630,000, or 35.6%, from the \$1.8 million for the year ended December 31, 2023. Service fees on deposit accounts decreased \$44,000 to \$136,000 for the year ended December 31, 2024 from \$180,000 for the year ended December 31, 2023. Loan swap fees were \$17,000 for the year ended December 31, 2024 as compared to \$74,000 for the year ended December 31, 2023. Net gains on sales of residential mortgage loans decreased \$8,000 to \$7,000 during 2024, the result of the Bank originating only \$285,000 in loans to be sold on the secondary market compared to \$872,000 in 2023. We also recorded a \$24,000 loss on the sale of an investment security in 2023. Net gains on foreclosed assets held for resale amounted to \$236,000 in 2024. Earnings on bank-owned life insurance were \$597,000 at December 31, 2024, an increase of \$48,000 compared to 2023. Other income is comprised primarily of income from automated teller machine fees, safe deposit box rental fees, wire transfer fees, sales of checks and checkbooks, rental income, mark-to-market adjustments on interest rate swaps, and miscellaneous fee income on loans. Other income increased \$431,000 to \$1,405,000 for the year ended December 31, 2024 from \$974,000 for the year ended December 31, 2023, which was primarily due to higher merchant card income and rental income received at our principal office.

Non-Interest Expense

Non-interest expense for the year ended December 31, 2024 increased \$1,082,000, or 8.2%, to \$14.3 million as compared to \$13.2 million for the year ended December 31, 2023. Salaries and employee benefits for the year ended December 31, 2024 totaled \$7.4 million, an increase of \$459,000 as compared to salaries and employee benefits for the year ended December 31, 2023. The increase was primarily the result of higher employee benefit costs and merit pay increases. Occupancy expense increased \$95,000 to \$1.3 million for the year ended December 31, 2024 compared to 2023 primarily due to costs associated with leasing space for our principal office. Equipment and data processing expense decreased \$103,000 to \$1.0 million for the year ended December 31, 2024 compared to 2023. Equipment and data processing expense was higher in 2023 due to additional costs for the new leased location. Other changes in non-interest expense categories from the period ending December 31, 2023 to December 31, 2024 were as follows: Hosted services increased \$123,000 to \$554,000; Professional fees increased \$98,000 to \$516,000; Pennsylvania bank shares tax expense increased \$247,000 to \$896,000; Federal deposit insurance expense decreased \$9,000 to \$398,000; and Other expense increased \$172,000 to \$2.1 million.

Income Tax Expense

Income tax expense decreased \$114,000 or 4.9% to \$2.2 million for the year ended December 31, 2024 compared to 2023. Income before income tax expense was \$410,000 lower for the year ended December 31, 2024 than the prior year, which contributed to the decrease in income tax expense. The effective income tax rate for the year ended December 31, 2024 was 19.8%, compared to 20.1% for the year ended December 31, 2023.

Comparison of Financial Condition at December 31, 2024 and 2023

Overview

Total Assets

Total assets increased to \$986.7 million at December 31, 2024 from \$918.9 million at December 31, 2023, an increase of \$67.8 million, or 7.4%.

Cash and Cash Equivalents

Cash and cash equivalents increased \$29.7 million, or 75.2%, to \$69.2 million at December 31, 2024 compared to \$39.5 million at December 31, 2023. This increase was primarily to enhance our liquidity position. Loan payoffs received near the end of the year and large deposits received from several depositors were held for future loan originations.

Investment Securities

Investment securities available-for-sale decreased \$31.0 million or 33.5% to \$61.6 million at December 31, 2024 compared to \$92.6 million at December 31, 2023. The decrease was due to the Bank's decision to pay down borrowings and fund future loan originations with proceeds from maturing investments.

There were no sales of investment securities available-for-sale for the year ended December 31, 2024. Proceeds from the sale of an investment security available-for-sale totaled \$4,976,000, and the gross realized loss on the one sold investment security totaled \$24,000 in 2023.

We concluded that the decline in fair value of the investment securities in an unrealized loss position as of December 31, 2024 was not indicative of a credit loss. No investment securities in the portfolio required an allowance for credit losses to be recorded during the years ended December 31, 2024 and 2023.

Loans Receivable

Loans receivable, net of the allowance for credit losses and deferred origination fees and costs, was \$798.3 million at December 31, 2024, an increase of \$66.1 million, or 9.0%, compared to the December 31, 2023 balance of \$732.2 million. Loans receivable represented 80.9% of total assets at December 31, 2024, compared to 79.7% of total assets at December 31, 2023.

Commercial, industrial and other loans (not secured by real estate) increased \$6.7 million, or 7.7%, to \$93.6 million at December 31, 2024, from \$86.9 million at December 31, 2023. Commercial mortgage loans increased \$36.9 million, or 6.7%, to \$585.9 million at December 31, 2024, compared to \$549.0 million at December 31, 2023. Commercial construction loans increased \$11.9 million, or 23.3%, to \$63.0 million at December 31, 2024, compared to \$51.1 million at December 31, 2023.

The commercial loan portfolio experienced \$55.5 million in net growth resulting from our continued efforts to expand our share of the commercial loan market for small and medium sized businesses in the Lehigh Valley and the Philadelphia area. Our success in generating loans reflects the improving economy of the Lehigh Valley during the year 2024.

In 2024, we originated \$153.4 million in commercial, commercial mortgage and commercial construction loans, but experienced \$63.0 million in payoffs and \$31.8 million in principal amortization.

Residential mortgage loans totaled \$51.2 million at December 31, 2024, an increase of \$10.3 million, or 25.2%, compared to \$40.9 million at December 31, 2023. The increase was the result of the Bank keeping residential loans in portfolio instead of selling them into the secondary market due to more attractive interest rates. We originated \$19.1 million of residential mortgage loans with terms of 15 to 30 years during 2024 and sold or have contracts to sell \$292,000 to the secondary market.

Consumer loans increased \$644,000, or 5.6%, to \$12.0 million at December 31, 2024, from \$11.4 million at December 31, 2023.

Allowance for Credit Losses

We have established an allowance for credit losses as an estimate of expected credit losses, measured over the contractual life of a loan, that considers our historical loss experience, current conditions, and forecasts of future economic conditions. Changes to the allowance for credit losses are recorded through the provision for credit losses.

We run the allowance model on a monthly basis, and we qualitatively adjust model results for risk factors that are not considered within the quantitative portion of the model but which are relevant in assessing the expected credit losses within the loan pools. Qualitative factors include, but are not limited to, volume of past-due loans, national and economic conditions that may have an impact on credit quality, and nature and volume of the loan portfolio.

At December 31, 2024 and December 31, 2023, we had an allowance for credit losses of \$7.6 million and \$7.4 million, respectively. Management believes that the allowance for credit losses at December 31, 2024 was sufficient to absorb losses inherent in the portfolio at that date. Although management believes that it uses the best information available to make such determinations, future adjustments to the allowance for credit losses may be necessary and the results of operations could be significantly and adversely affected if circumstances differ substantially from the assumptions we used in making the determinations. Furthermore, while we believe we have established our existing allowance for credit losses in accordance with U.S. generally accepted accounting principles (“GAAP”), there can be no assurance that the Pennsylvania Department of Banking or the Board of Governors of the Federal Reserve System, in reviewing our loan portfolio, will not request us to increase our allowance for credit losses. In addition, because future events affecting borrowers and collateral cannot be predicted with certainty, there can be no assurance that the existing allowance for credit losses is adequate or that material increases will not be necessary should the quality of any loans deteriorate as a result of the factors discussed above. Any material increase in the allowance for credit losses may adversely affect our financial condition and results of operations.

Please refer to Note 2 – Significant Accounting Policies and Note 6 – Allowance for Credit Losses for further information.

Foreclosed Assets Held for Resale

Foreclosed assets held for resale amounted to \$1.9 million and \$0 million at December 31, 2024 and 2023, respectively. During 2024, the Company took possession of four commercial collateral properties through the foreclosure process.

Deposits

Total deposits increased \$91.9 million, or 13.1%, to \$793.4 million at December 31, 2024 from the December 31, 2023 balance of \$701.5 million. Non-interest bearing demand deposits decreased \$9.9 million, or 10.7%, to \$82.8 million, at December 31, 2024, compared to \$92.7 million at December 31, 2023. Interest-bearing checking accounts increased \$29.6 million, or 15.0%, to \$226.8 million, at December 31, 2024, compared to \$197.2 million at December 31, 2023. Savings deposits, including money market accounts, increased \$16.1 million, or 8.6%, to \$202.3 million at December 31, 2024, from the balance of \$186.2 million at December 31, 2023. Total certificates of deposit increased \$56.1 million, or 24.9%, to \$281.5 million, at December 31, 2024 from the December 31, 2023 balance of \$225.4 million.

Short-Term Borrowings

Short-term borrowings amounted to \$10.0 million and \$61.7 million at December 31, 2024 and 2023, respectively.

The Bank did not have an outstanding balance of FHLB overnight borrowings as of December 31, 2024 and 2023, respectively.

We also have the ability to borrow funds from the FHLB at a fixed rate secured by the master agreement. In 2020, we secured a \$10.0 million fixed rate advance with a three-month maturity, and upon its maturity, we secured an additional \$10.0 million three-month fixed rate advance. We intend to continue securing a \$10.0 million three-month fixed rate advance until the maturity of our cash flow hedge on February 28, 2030. Please refer to Note 22 – Derivatives and Hedging Activities for further information about our cash flow hedge.

We also have borrowing capacity with the Federal Discount Window of \$4,317,000 and \$1,858,000 at December 31, 2024 and 2023, respectively. We did not have an outstanding balance of the Federal Discount Window during 2024 or 2023.

In March 2023, the Federal Reserve Bank established the Bank Term Funding Program (the “BTFP”) as an additional source of liquidity against high-quality securities. The Bank had an outstanding balance of BTFP borrowings of \$0 and \$41,000,000 as of December 31, 2024 and 2023, respectively. The Federal Reserve Bank ceased making new loans under the BTFP on March 11, 2024.

We have also secured a \$10.0 million revolving line of credit with a maturity date of September 14, 2024 with another financial institution, which was extended to April 3, 2027. The outstanding balance on the line of credit was \$5.0 million and \$10.0 million at December 31, 2024 and 2023, respectively. The \$5.0 million outstanding at December 31, 2024 was classified within long-term borrowings on the Consolidated Balance Sheets.

Securities sold under agreements to repurchase totaled \$0 and 681,000 at December 31, 2024 and 2023, respectively.

Long-Term Borrowings

Long-term borrowings amounted to \$65.6 million at December 31, 2024 and \$45.0 million at December 31, 2023. Long-term borrowings with the FHLB consisted of \$60.6 million at December 31, 2024 and \$45.0 million at December 31, 2023. The \$60.6 million outstanding at December 31, 2024 consists of fixed maturity advances with maturity dates ranging from September 18, 2025 to September 24, 2029. Interest rates on these advances range from 3.33% to 3.99%, with a weighted-average rate of 3.71%. Please refer to Note 10 – Long-Term Borrowings for our maximum borrowing capacity with FHLB.

We have also secured a \$10.0 million revolving line of credit with a maturity date of April 3, 2027 with another financial institution. At December 31, 2024, we were in compliance with the covenants, and the outstanding balance on the line of credit was \$5.0 million and \$10.0 million at December 31, 2024 and 2023, respectively. The \$10.0 million outstanding at December 31, 2023 was classified within short-term borrowings on the Consolidated Balance Sheets.

Junior Subordinated Debentures

On April 26, 2002, American Bank Incorporated issued a \$10.5 million principal amount of 6.0% junior subordinated debentures due March 31, 2032 to American Capital Trust I. Preferred securities were convertible into 286,370 shares of common stock at December 31, 2024. We repurchased 1,734 shares of trust-preferred securities during 2024. We also converted 28,926 shares of trust-preferred securities to common shares during 2024. Please refer to Note 11 – Subordinated Debt for further information.

Stockholders' Equity

Stockholders' equity at December 31, 2024 was \$96.0 million, an increase of \$6.2 million, or 6.9%, from the December 31, 2023 balance of \$89.8 million. The increase was primarily the result of \$9.0 million in earnings, \$246,000 for the conversion of trust-preferred securities to common shares, and \$1.0 million impact of accumulated other comprehensive loss, offset by the payment of \$3.5 million of dividends on common stock.

Capital Resources and Liquidity

Our liquidity management objectives are to ensure the availability of sufficient cash flows to meet all financial commitments and to capitalize on opportunities for expansion. Liquidity management addresses the ability to meet deposit account withdrawals on demand or at contractual maturity, to repay borrowings as they mature, and to fund new loans and investments as opportunities arise. Our primary sources of internally generated funds are principal and interest payments on loans receivable, cash flows generated from operations and cash flows generated by investments. External sources of funds include increases in deposits, advances from the FHLB and other borrowing lines of credit.

We monitor our liquidity position on an ongoing basis and report regularly to the Board of Directors the level of liquidity as compared to minimum levels established by Board policy. As of December 31, 2024, our level of liquidity was in excess of the minimum established by Board policy.

American Bank Incorporated and American Bank are subject to various regulatory capital adequacy requirements promulgated by the Pennsylvania Department of Banking and The Board of Governors of the Federal Reserve System. Failure to meet minimum capital requirements can result in certain mandatory and, possibly, additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our financial condition and results of operations. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, American Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices.

Quantitative measures established by regulation to ensure capital adequacy require American Bank Incorporated and American Bank to maintain minimum amounts and ratios of Total and Tier 1 capital to risk-weighted assets, Tier 1 capital to average assets and Common Equity Tier 1 capital to risk-weighted assets.

As of December 31, 2024, American Bank Incorporated and American Bank exceeded all applicable capital adequacy requirements. The most recent notification from the Federal Reserve Bank categorized the Bank as “Well Capitalized” under the regulatory framework for prompt corrective action. Please refer to Note 19 – Regulatory Matters for further information.

Commitments and Off-Balance Sheet Obligations

Our consolidated financial statements do not reflect various commitments that are made in the normal course of business, which may involve some liquidity risk. These commitments consist mainly of unfunded loans and letters of credit made under the same standards as on-balance sheet instruments. Unused commitments at December 31, 2024 totaled \$201.4 million. This consisted of \$50.0 million in commitments to fund commercial business, commercial real estate, residential real estate and commercial and residential construction loans, \$125.1 million under lines of credit, including \$14.9 million in home equity lines of credit, and \$26.3 million in standby letters of credit. Because these commitments have a fixed maturity date and because many of them will expire without being drawn upon, they do not generally present any significant liquidity risk to us.

Management believes that any amounts actually drawn upon can be funded in the normal course of operations. American Bank Incorporated has no investment in or financial relationship with any unconsolidated entities that are reasonably likely to have a material effect on liquidity or the availability of capital resources.

Contractual Obligations and Capital Resources

The following table represents our contractual obligations to make future payments as of December 31, 2024.

	Due by December 31, 2025	Due after December 31, 2025 through December 31, 2027	Due after December 31, 2027 through December 31, 2029	Due after December 31, 2029	Total
	(In Thousands)				
Time deposits.....	\$ 265,235	\$ 9,206	\$ 7,059	\$ -	\$ 281,500
Short-term borrowings.....	10,000	-	-	-	10,000
Long-term borrowings.....	15,000	20,000	30,625	-	65,625
Junior subordinated debentures.....	-	-	-	2,489	2,489
Operating leases.....	230	520	521	973	2,244
Total.....	<u>\$ 290,465</u>	<u>\$ 29,726</u>	<u>\$ 38,205</u>	<u>\$ 3,462</u>	<u>\$ 361,858</u>

We are not aware of any known trends or any known demands, commitments, events or uncertainties which would result in any material increase or decrease in liquidity.

The greater the capital resources, the more likely we will be able to meet our cash obligations and unforeseen expenses. Stockholders’ equity at December 31, 2024 totaled \$96.0 million and was in excess of our required regulatory capital levels.

Asset Quality

Non-Current Loans and Delinquencies

When a borrower fails to make a required payment on a loan, we attempt to cure the deficiency by contacting the borrower and seeking the payment. Late notices are mailed no more than 16 days after the payment is due. In most cases, deficiencies are cured promptly. If a delinquency continues, additional contact is made through written notice and direct contact from an assigned account officer. We will remain in continual contact with the borrower and, if needed, will attempt to work out a payment schedule acceptable to us and the borrower. While we generally prefer to work with borrowers to resolve such problems, we will institute foreclosure or other proceedings, as necessary, to minimize any potential loss.

For all classes of loans receivable, the accrual of interest is discontinued when the contractual payment of principal or interest has become 120 days past due or when management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on non-accrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for credit losses. Interest received on non-accrual loans generally is either applied against principal or reported as interest income on a cash basis, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current and 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. The past-due status of all classes of loans receivable is determined based on contractual due dates for loan payments. The Board of Directors is informed monthly of the status of all loans delinquent more than 15 days.

During the year ended December 31, 2024, we charged down one loan totaling \$73,000 and received \$6,000 in recoveries on previously charged-off loans. At December 31, 2024, we had nine loans with unpaid balances of \$2,171,000 that were delinquent 30 days or more, including two non-accruing relationships totaling \$1,574,000.

During the year ended December 31, 2019, we initiated formal foreclosure proceedings on a \$309,000 commercial loan. As of December 31, 2024, this property has not yet been transferred into foreclosed assets due to governmental delays experienced during the COVID-19 pandemic and an out-of-state foreclosure process. During the year ended December 31, 2023, we initiated formal foreclosure proceedings on a \$1,265,000 commercial mortgage loan relationship consisting of five loans, and as of December 31, 2024, these properties have not yet been transferred into foreclosed assets.

Asset Classification

The Pennsylvania Department of Banking and Board of Governors of the Federal Reserve System have adopted various regulations regarding problem assets of banking institutions. The regulations require that each insured institution review and classify its assets on a regular basis. In addition, in connection with examinations of insured institutions, regulatory examiners have authority to identify problem assets and, if appropriate, require them to be classified. There are three classifications for problem assets: "Substandard," "Doubtful" and "Loss." "Substandard" assets have a well-defined weakness based on objective evidence and are characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected. "Doubtful" assets have the weaknesses of "Substandard" assets with the additional characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable based on existing circumstances. An asset classified as "Loss" is considered uncollectible or of such value that continuance as an asset is not warranted. If an asset or portion thereof is classified as "Loss," we must establish a specific allowance for credit losses for the amount of the portion of the asset classified as "Loss." All or a portion of general credit loss allowances established to cover possible losses related to assets classified "Substandard" or "Doubtful" can be included in determining our regulatory capital, while specific valuation allowances for credit losses generally do not qualify as regulatory capital. Assets that do not currently expose us to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses are designated as "Special Mention" and monitored by us.

At December 31, 2024, the aggregate amount of our assets classified as "Special Mention" and "Substandard" were \$4.8 million and \$1.8 million, respectively, which consisted entirely of loans. No assets were classified as "Doubtful" or "Loss."

Impact of Inflation and Changing Prices

The consolidated financial statements and related notes of American Bank Incorporated have been prepared in accordance with GAAP. GAAP generally requires the measurement of financial position and operating results in terms of historical dollars without consideration for changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of our operations. Unlike industrial companies, our assets and liabilities are primarily monetary in nature. As a result, changes in market interest rates have a greater impact on performance than the effects of inflation.

COMMON STOCK AND RELATED MATTERS

We began paying a cash dividend to stockholders in March 2004. We initially paid dividends annually on our common stock. We began paying dividends quarterly during 2006. Payment of dividends on American Bank Incorporated's common stock is subject to determination and declaration by the Board of Directors and depends upon a number of factors, including capital requirements, regulatory limitations on the payment of dividends, American Bank Incorporated's results of operations and financial condition, tax considerations and general economic conditions. No assurance can be given that cash dividends will continue to be declared and paid or, if declared, what the amount of dividends will be.

Our shares of common stock are listed for trading on the OTC Pink under the symbol "AMBK." As of March 11, 2025, we had five registered market makers, 204 stockholders of record (excluding the number of persons or entities holding stock in street name through various brokerage firms), and 6,324,742 shares outstanding.

The following tables set forth market price and dividend information for the common stock for the last two fiscal years.

<u>Year Ended December 31, 2024</u>	<u>High</u>	<u>Low</u>	<u>Cash Dividends Declared</u>
Fourth Quarter	\$ 15.24	\$ 14.31	\$ 0.14
Third Quarter	15.75	14.77	0.14
Second Quarter	16.25	15.50	0.14
First Quarter	17.85	16.01	0.14

<u>Year Ended December 31, 2023</u>	<u>High</u>	<u>Low</u>	<u>Cash Dividends Declared</u>
Fourth Quarter	\$ 17.85	\$ 16.55	\$ 0.14
Third Quarter	18.73	16.66	0.14
Second Quarter	17.30	16.16	0.24
First Quarter	19.50	16.75	0.14



INDEPENDENT AUDITOR'S REPORT

Board of Directors
American Bank Incorporated
Allentown, Pennsylvania

Opinion

We have audited the accompanying consolidated financial statements of American Bank Incorporated and subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023; 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 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, 2024 and 2023, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the 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.

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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.

Other Information Included in Annual Report

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

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



Conshohocken, Pennsylvania
March 14, 2025

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AMERICAN BANK INCORPORATED

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2024	2023
	(In Thousands, Except Share and Per Share Data)	
ASSETS		
Cash and due from banks	\$ 3,281	\$ 3,123
Interest-bearing deposits with other banks	65,898	36,379
Total cash and cash equivalents	69,179	39,502
Investment securities available-for-sale, at fair value (net of allowance for credit losses of \$0 in 2024 and 2023)	61,633	92,635
Loans receivable, net of allowance for credit losses (2024 – \$7,591; 2023 – \$7,408)	798,338	732,180
Restricted investment in bank stock	4,816	3,904
Bank-owned life insurance	24,003	23,406
Premises and equipment, net	11,450	11,736
Accrued interest receivable	3,303	3,049
Foreclosed assets held for resale	1,874	-
Other assets	12,071	12,465
Total Assets	<u>\$ 986,667</u>	<u>\$ 918,877</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Non-interest bearing	\$ 82,795	\$ 92,727
Interest-bearing	710,585	608,811
Total deposits	793,380	701,538
Short-term borrowings	10,000	61,681
Long-term borrowings	65,625	45,000
Junior subordinated debentures	2,489	2,760
Accrued interest payable	1,041	1,510
Other liabilities	18,095	16,577
Total Liabilities	<u>890,630</u>	<u>829,066</u>
STOCKHOLDERS' EQUITY		
Common stock, par value \$0.10 per share; authorized 15,000,000 shares in 2024 and 2023; issued 7,632,555 in 2024 and 2023; outstanding 6,323,121 in 2024 and 6,325,221 in 2023	763	763
Paid-in capital	35,592	35,615
Treasury stock, at cost, 1,309,434 shares in 2024 and 1,307,334 shares in 2023	(12,156)	(11,923)
Allocated but unvested shares in SERP, at cost, 32,905 shares in 2024 and 30,850 shares in 2023	(329)	(311)
Retained earnings	72,518	67,049
Accumulated other comprehensive loss	(351)	(1,382)
Total Stockholders' Equity	<u>96,037</u>	<u>89,811</u>
Total Liabilities and Stockholders' Equity	<u>\$ 986,667</u>	<u>\$ 918,877</u>

See notes to consolidated financial statements.

AMERICAN BANK INCORPORATED

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,	
	2024	2023
	(In Thousands, Except Per Share Data)	
INTEREST INCOME		
Loans receivable, including fees	\$ 42,742	\$ 34,583
Investment securities	2,309	3,639
Restricted investment in bank stock	286	403
Interest-bearing deposits with other banks	1,330	501
Total interest income	46,667	39,126
INTEREST EXPENSE		
Deposits	19,970	12,464
Short-term borrowings	1,070	1,985
Long-term borrowings	2,133	1,587
Junior subordinated debentures	154	165
Total interest expense	23,327	16,201
Net interest income	23,340	22,925
PROVISION FOR (RELEASE OF) CREDIT LOSSES	214	(159)
Net interest income after provision for (release of) credit losses	23,126	23,084
NON-INTEREST INCOME		
Service fees	136	180
Loan swap fees	17	74
Net gains on sales of residential mortgage loans	7	15
Net loss on sale of investment security	-	(24)
Net gains on foreclosed assets held for resale	236	-
Earnings on bank-owned life insurance	597	549
Other	1,405	974
Total non-interest income	2,398	1,768
NON-INTEREST EXPENSE		
Salaries and employee benefits	7,410	6,951
Occupancy, net	1,348	1,253
Equipment and data processing	1,033	1,136
Hosted services	554	431
Professional services	516	418
Pennsylvania bank shares tax	896	649
Federal deposit insurance	398	407
Other	2,122	1,950
Total non-interest expense	14,277	13,195
Income before income tax expense	11,247	11,657
INCOME TAX EXPENSE	2,231	2,345
Net income	\$ 9,016	\$ 9,312
PER SHARE DATA		
Net earnings per common share:		
Basic	\$ 1.44	\$ 1.48
Diluted	\$ 1.38	\$ 1.42
Dividends paid per share	\$ 0.56	\$ 0.66

See notes to consolidated financial statements.

AMERICAN BANK INCORPORATED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,	
	2024	2023
	(In Thousands)	
Net income	\$ 9,016	\$ 9,312
Other comprehensive income:		
Investment securities available-for-sale:		
Unrealized holding gains on available-for-sale investment securities	1,285	2,941
Tax effect	(270)	(617)
Reclassification adjustment for losses on available-for-sale investment securities	-	(24)
Tax effect	-	5
Net of tax amount	<u>1,015</u>	<u>2,305</u>
Derivatives and hedging activities adjustments:		
Changes in unrealized gain on derivatives	472	151
Tax effect	(100)	(31)
Reclassification adjustment for gains on derivatives included in net income	(450)	(415)
Tax effect	94	87
Net of tax amount	<u>16</u>	<u>(208)</u>
Other comprehensive income, net of tax	<u>1,031</u>	<u>2,097</u>
Comprehensive income	<u>\$ 10,047</u>	<u>\$ 11,409</u>

See notes to consolidated financial statements.

AMERICAN BANK INCORPORATED

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years Ended December 31, 2024 and 2023

(In Thousands, Except Share and Per Share Data)

	Shares of Common Stock Outstanding	Common Stock	Paid-In Capital	Treasury and SERP Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE – DECEMBER 31, 2022	6,330,915	\$ 763	\$ 35,577	\$ (12,023)	\$ 61,070	\$ (3,479)	\$ 81,908
Net income	-	-	-	-	9,312	-	9,312
Other comprehensive income	-	-	-	-	-	2,097	2,097
Cumulative effect of adoption of ASU 2016-13	-	-	-	-	862	-	862
Compensation exp on stock options	-	-	36	-	-	-	36
Exercise of stock options	2,000	-	6	18	-	-	24
Purchase of shares into Treasury	(16,130)	-	-	(305)	-	-	(305)
Treasury shares released to ESOP	1,500	-	-	13	-	-	13
Retirement of trust-preferred shares	-	-	-	-	(20)	-	(20)
Conversion of trust-preferred shares to common shares	6,936	-	(4)	63	-	-	59
Dividends declared – \$0.66 per share	-	-	-	-	(4,175)	-	(4,175)
BALANCE – DECEMBER 31, 2023	6,325,221	763	35,615	(12,234)	67,049	(1,382)	89,811
Net income	-	-	-	-	9,016	-	9,016
Other comprehensive income	-	-	-	-	-	1,031	1,031
Compensation exp on stock options	-	-	13	-	-	-	13
Exercise of stock options	798	-	(15)	7	-	-	(8)
Purchase of shares into Treasury	(34,129)	-	-	(546)	-	-	(546)
Treasury shares released to ESOP	250	-	-	2	-	-	2
Treasury shares released to SERP	2,055	-	-	19	-	-	19
Retirement of trust-preferred shares	-	-	-	-	(6)	-	(6)
Conversion of trust-preferred shares to common shares	28,926	-	(21)	267	-	-	246
Dividends declared – \$0.56 per share	-	-	-	-	(3,541)	-	(3,541)
BALANCE – DECEMBER 31, 2024	6,323,121	\$ 763	\$ 35,592	\$ (12,485)	\$ 72,518	\$ (351)	\$ 96,037

See notes to consolidated financial statements.

AMERICAN BANK INCORPORATED

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2024	2023
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 9,016	\$ 9,312
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for (release of) credit losses	214	(159)
Provision for depreciation	543	542
Proceeds from sales of residential mortgage loans	292	887
Net gains on sales of residential mortgage loans	(7)	(15)
Net gains on foreclosed assets held for resale	(236)	-
Loans originated for sale	(285)	(872)
Net amortization of deferred loan costs	(143)	(90)
Net accretion of investment securities premiums and discounts	(330)	(844)
Net loss on sale of investment security	-	24
Net gains on sales of equity securities	-	(462)
Net losses on equity securities	-	450
Compensation expense on stock options	13	36
Earnings on bank-owned life insurance	(597)	(549)
Decrease (increase) in deferred taxes	40	(312)
Increase in other assets and accrued interest receivable	(747)	(932)
Increase (decrease) in other liabilities and accrued interest payable	1,190	(769)
Net cash provided by operating activities	<u>8,963</u>	<u>6,247</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Activity in available-for-sale investment securities:		
Purchases	(28,055)	(6,389)
Maturities, calls and principal repayments	60,672	112,957
Sales	-	4,976
Proceeds from sales of equity securities	-	1,041
Purchases of equity securities	-	(255)
Net increase in loans receivable	(67,415)	(76,831)
Purchases of restricted investment in bank stock	(1,777)	(3,218)
Redemption of restricted investment in bank stock	865	5,921
Purchases of premises and equipment	(257)	(881)
Net cash (used in) provided by investing activities	<u>(35,967)</u>	<u>37,321</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in demand and savings deposits	35,830	(44,596)
Net increase in time deposits	56,012	78,657
Net decrease in short-term borrowings	(51,681)	(40,086)
Proceeds from long-term borrowings	45,625	-
Repayment of long-term borrowings	(25,000)	(10,000)
Purchase of shares into Treasury	(546)	(305)
Treasury shares released to ESOP	2	13
Treasury shares released to SERP	19	-
Retirement and repurchase of trust-preferred shares	(6)	(20)
Exercise of stock options	(8)	24
Repayment of junior subordinated debentures	(271)	(101)
Conversion of trust-preferred securities to common shares	246	59
Dividends paid to shareholders	(3,541)	(4,176)
Net cash provided by (used in) financing activities	<u>56,681</u>	<u>(20,531)</u>
Net increase in cash and cash equivalents	29,677	23,037
CASH AND CASH EQUIVALENTS – BEGINNING	39,502	16,465
CASH AND CASH EQUIVALENTS – ENDING	<u>\$ 69,179</u>	<u>\$ 39,502</u>

See notes to consolidated financial statements.

AMERICAN BANK INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – NATURE OF OPERATIONS AND BASIS OF PRESENTATION

American Bank Incorporated (the “Company”) was formed to become the holding company of American Bank (the “Bank”), a wholly owned subsidiary. American Capital Trust I is a financing subsidiary of American Bank Incorporated, and the purpose of the trust was to issue shares of convertible preferred securities to the public. AB Building LLC, AMBK Services LLC and AMBK Real Estate LLC are operating subsidiaries of American Bank. The purpose of AB Building LLC is to hold real estate, leasehold improvements or other property qualifying as bank premises, the purpose of AMBK Services LLC is to pay compensation and benefits for employees of the subsidiary, and the purpose of AMBK Real Estate LLC is to hold title to real estate or leasehold interest acquired for prior debt. The consolidated financial statements include the accounts of American Bank Incorporated, American Bank and American Capital Trust I. All significant intercompany accounts and transactions have been eliminated. The Company is subject to regulation and supervision by the Federal Reserve Bank.

The Bank was incorporated under the laws of the Commonwealth of Pennsylvania and is a Pennsylvania state-chartered bank. The Bank provides a full range of banking services. The Bank is subject to regulation of the Pennsylvania Department of Banking and the Federal Reserve Bank.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles (“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 Sheets and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses.

Significant Concentrations of Credit Risk

The Company maintains its principal office and a branch location in Allentown, Pennsylvania and a loan production office in Blue Bell, Pennsylvania. The Bank’s local service area includes Lehigh and Northampton counties, along with portions of Carbon, Berks, Bucks, Montgomery, Delaware and Philadelphia counties in Pennsylvania. Applications can be received online for consumer and residential mortgage loans. Note 4 – Investment Securities discuss the types of securities in which the Company invests. Note 5 – Loans Receivable discusses the types of lending in which the Company engages. Excluding commercial real estate loans, the Company does not have any significant concentrations to any one industry or customer except for \$84.2 million in loans to the Accommodation and Food Services Industry, which included \$53.5 million to the Hotel Industry. Although the Company has a diversified loan portfolio, its debtors’ ability to honor their contracts is influenced by their local economy.

Segment Reporting

The Company’s subsidiary, American Bank, operates as an independent community banking provider, and offers traditional banking services to individuals, business, government, and public and institutional customers. The Company offers a full array of commercial and financial products, including the taking of time, savings and demand deposits, and the making of commercial, residential mortgage and consumer loans. Management does not separately allocate expenses, including the cost of funding loan demand between the commercial, residential mortgage and consumer banking operations. Accordingly, all significant operating decisions are based upon analysis of the Company as one operating segment.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Cash and Cash Equivalents**

For purposes of reporting consolidated cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and interest-bearing deposits with other banks with original maturities of 90 days or less.

Investment Securities

Management determines the appropriate classification of its investment in debt securities (“investment securities”) as either “available-for-sale” or “held-to-maturity” at the time of purchase and reevaluates such designation as of each Consolidated Balance Sheet date. Investment securities are accounted for on a trade date basis. The Company did not have any investment securities classified as held-to-maturity at December 31, 2024 and 2023.

Investment securities classified as available-for-sale are those investment securities that the Company intends to hold for an indefinite period of time but not necessarily to maturity. Investment securities available-for-sale are carried at fair value. Any decision to sell an investment security classified as available-for-sale would be based on various factors, including significant movements in interest rates, changes in the maturity mix of the Company’s assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors. Unrealized gains or losses, net of the related deferred tax effect, are included in accumulated other comprehensive income (loss) in the Consolidated Balance Sheets and Consolidated Statements of Changes in Stockholders’ Equity. Realized gains or losses, determined on the basis of the cost of the specific securities sold, are included in earnings in net gains (losses) on sales of investment securities on the Consolidated Statements of Income. Premiums and discounts are recognized in interest income using the interest method over the terms of the investment securities.

Allowance for Credit Losses – Available-for-Sale Investment Securities

FASB ASC 326-30, “Financial Instruments – Credit Loss – Available-for-Sale Debt Securities,” requires the Company to measure expected credit losses on available-for-sale investment securities when the Company does not intend to sell, or when it is not more likely than not that it will be required to sell, the investment security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the investment security’s amortized cost basis is written down to fair value through income. For available-for-sale investments that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Company considers the extent to which fair value is less than amortized cost, any changes to the rating of the investment security by a rating agency, and adverse conditions specifically related to the investment security, among other factors. If this evaluation 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 investment 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, equal to the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in accumulated other comprehensive income (loss).

The allowance for credit losses on available-for-sale investment securities is included within investment securities available-for-sale on the Consolidated Balance Sheets. Changes in the allowance for credit losses are recorded within the provision for credit losses on the Consolidated Statements of Income. Losses are charged against the allowance when the Company believes the collectability of an available-for-sale investment security is in jeopardy or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available-for-sale investment securities totaled \$242,000 and \$484,000 at December 31, 2024 and 2023, respectively, and is included within accrued interest receivable on the Consolidated Balance Sheets. This amount is excluded from the estimate of credit losses.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Loans Held for Sale**

Residential mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by a charge against income. Gains and losses on sales of residential mortgage loans are included in non-interest income on the Consolidated Statements of Income. Servicing rights are not retained on residential mortgage loans sold.

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff generally are stated at their outstanding unpaid principal balances, net of an allowance for credit losses and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the yield (interest income) of the related loans. The Company is generally amortizing these amounts over the contractual life of the loan.

Accrued interest receivable totaled \$2,951,000 and \$2,408,000 at December 31, 2024 and 2023, respectively, and is included within accrued interest receivable on the Consolidated Balance Sheets. This amount is excluded from the estimate of credit losses.

The loans receivable portfolio is segmented into commercial, industrial and other (“commercial”), commercial mortgage, commercial construction, residential mortgage and consumer portfolios. Additionally, management monitors credit quality and determines the adequacy of the allowance for credit losses using these segments.

Commercial, Industrial and Other Lending

The Company originates commercial and industrial loans primarily to businesses located in its primary market area and surrounding areas. These loans are used for various business purposes, which include term loans and lines of credit to finance machinery and equipment, inventory, accounts receivable and working capital. Generally, the maximum term for loans extended on machinery and equipment is based on the projected useful life of such machinery and equipment. Most business lines of credit are written on demand and reviewed or renewed annually.

Commercial and industrial loans are generally secured with short-term assets; however, in many cases, additional collateral such as real estate is provided as additional security for the loan. Loan-to-value maximum thresholds have been established by the Company and are specific to the type of collateral. Collateral values may be determined using invoices, inventory reports, accounts receivable aging reports, business financial statements, collateral appraisals, etc. Commercial and industrial loans are typically guaranteed by any individual owning 20% or more of the borrower.

In underwriting commercial and industrial loans, an analysis is performed to evaluate the borrower’s balance sheet and capacity to repay the loan, the adequacy of the borrower’s capital and collateral, as well as the conditions affecting the borrower. Evaluation of the borrower’s character and past, present and future cash flows is also an important aspect of the Company’s analysis of the borrower’s ability to repay.

Commercial and industrial loans generally present a higher level of risk than other types of loans due primarily to the effect of general economic conditions. Commercial and industrial loans are primarily made on the basis of the borrower's ability to make repayment from cash flows from the borrower's primary business activities. As a result, the availability of funds for the repayment of commercial and industrial loans is dependent on the success of the business itself, which in turn, is likely to be dependent upon the general economic environment.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Loans Receivable (Continued)***Commercial Mortgage Lending*

The Company engages in commercial real estate lending in its primary market area and surrounding areas. The Company's commercial real estate portfolio is secured primarily by commercial retail space, commercial and medical office buildings, commercial warehouses and industrial buildings, storage units, multi-family residential housing and hotels. Generally, commercial real estate loans have terms that do not exceed ten years, have loan-to-value ratios of eighty percent or less of the value of the collateral property, and are typically guaranteed by the owners of the borrower(s).

In underwriting these loans, the Company performs a thorough analysis of the financial condition of the borrower, the borrower's credit history, and the reliability and predictability of the cash flow generated by the property securing the loan. The value of the property is determined primarily by independent appraisers and in some cases internal evaluations by the Bank's credit department. Global cash flow of the borrower, guarantors, and guarantor's net worth, liquidity and contingent liabilities are also taken into consideration.

Commercial real estate loans generally present a higher level of risk than residential real estate secured loans. Repayment of loans secured by commercial real estate is typically dependent upon the successful operation of the related real estate project and/or the effect of the general economic conditions on income producing properties.

The Company also engages in owner occupied commercial real estate. These credits are evaluated along the same guidelines as commercial and industrial lending as the owner's business is the primary source of repayment for the loan. Loan-to-value ratios of eighty percent or less of the collateral property are typical and are additionally secured by personal guarantees of the owners as well as the operating entity.

Commercial Construction Lending

A commercial construction loan is made on the security of a real estate mortgage, the proceeds of which are funded periodically to pay for the costs of construction as construction progresses. The collateral value of the loan is based upon the timely completion of the project. Primary source of repayment is the "takeout" permanent mortgage at the completion of the project or the terming out of the loan, with interest on the construction loan funded by business cash flow or a Bank-funded interest reserve. This segment also includes raw land loans and loans for partially or fully approved land and/or partially or fully improved land for residential and commercial purposes.

The level of risk associated with commercial construction lending is slightly higher than that of commercial mortgage lending due to the risks associated with managing a construction project. Loans for partially or fully approved land and/or partially or fully improved land also carry a higher level of risk due to risk of development approvals and ultimate construction of the project.

Residential Mortgage Lending

The Company's residential real estate portfolio is comprised of one-to-four family residential mortgage loan originations. These loans are generated by the Company's marketing efforts, its present customers, walk-in customers and referrals. These loans originate primarily within or with customers from the Company's marketing area.

The Company's one-to-four family residential mortgage originations are secured primarily by properties located in its primary market area and surrounding areas. The Company offers fixed-rate mortgage and adjustable-rate mortgage loans with terms up to a maximum of thirty years for both permanent structures and those under construction. Generally, the majority of the Company's residential mortgage loans originate with a loan-to-value of

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Loans Receivable (Continued)**

eighty percent or less, or those with private mortgage insurance at greater than eighty percent (up to ninety-seven percent). However, the Company offers a specialized Physicians Loan Program which offers adjustable-rate mortgages with loan-to-values up to one hundred percent and no private mortgage insurance.

In underwriting one-to-four family residential mortgage loans, the Company evaluates the borrower's ability to make monthly payments, the borrower's credit history and the value of the property securing the loan. The ability and willingness to repay is determined by the borrower's employment history, current financial conditions and credit background. Properties securing residential real estate loans made by the Company and held in portfolio are appraised by independent appraisers. The Company requires mortgage loan borrowers to obtain title insurance and fire and property insurance, including flood insurance, if applicable.

Residential mortgage loans generally present a lower level of risk than consumer or commercial loans because they are first lien secured by the borrower's primary residence. Risk is increased when the Company is in a subordinate position, especially to another lender, for the loan collateral.

Consumer Lending (including Home Equity)

The Company offers a variety of secured and unsecured consumer loans for personal, family or household purposes, including personal term loans, personal credit lines, automobile loans, home equity term loans, home equity lines of credit and loans secured by funds on deposit with the Company. Consumer loans vary according to the borrower's needs, the loan term and whether the loan will be collateralized.

Generally, home equity term loans are secured by the borrower's primary residence with a maximum loan-to-value of less than eighty-five percent and a maximum term of fifteen years. Generally, home equity lines of credit are secured by the borrower's primary residence with a maximum loan-to-value of eighty-five percent with a term of ten years and an amortization period of fifteen years.

In underwriting consumer loans, a thorough analysis is performed which takes into consideration criteria such as understanding the purpose of the loan, the borrower's ability to repay the loan as agreed, the borrower's creditworthiness, the borrower's credit background, employment history and the value and condition of the collateral.

Home equity term loans and home equity lines of credit generally present a lower level of risk than consumer loans because they are secured by the borrower's primary residence. Risk is increased when the Company is in a subordinate position, especially to another lender, for the loan collateral. Other types of consumer loans may entail greater credit risk than loans secured by residential real estate, particularly in the case of consumer loans which are unsecured or are secured by rapidly depreciable assets, such as automobiles. In such cases, repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation.

In addition, consumer loan collections are dependent on the borrower's continuing financial stability and therefore, are more likely to be affected by adverse personal circumstances. Furthermore, the application of various federal and state laws, including bankruptcy and insolvency laws, may limit the amount which can be recovered on such loans.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Non-performing Assets**

For all classes of loans receivable, the accrual of interest is discontinued when the contractual payment of principal or interest has become 120 days past due or when management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on non-accrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for credit losses. Interest received on non-accrual loans generally is either applied against principal or reported as interest income on a cash basis, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current and 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. The past-due status of all classes of loans receivable is determined based on contractual due dates for loan payments.

Allowance for Credit Losses – Loans

The allowance for credit losses ("ACL") is a valuation reserve established and maintained by charges against income and is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. Loans, or portions thereof, are charged against the ACL when they are deemed uncollectible, and subsequent recoveries, if any, are credited to the allowance for credit losses. Changes to the allowance for credit losses are recorded through the provision for credit losses.

The ACL is an estimate of expected credit losses, measured over the contractual life of a loan, that considers the Company's historical loss experience, current conditions, and forecasts of future economic conditions. Determination of an appropriate ACL is inherently subjective and may have significant changes from period to period.

The methodology for determining the ACL has two main components: evaluation of expected credit losses for certain homogeneous loans that share similar risk characteristics and evaluation of loans that do not share similar risk characteristics with other loans.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Company's loan pools include commercial, industrial and other loans, commercial mortgage, commercial construction, residential mortgage, and consumer. Loans that do not share similar risk characteristics are evaluated on an individual basis. Loans evaluated individually are also not included in the collective evaluation.

The ACL for individual loans begins with the use of normal credit review procedures to identify whether a loan no longer shares similar risk characteristics with other pooled loans and therefore, should be individually assessed. The Company evaluates all loans that meet the following criteria: 1) when it is determined that foreclosure is probable, 2) substandard, doubtful and non-performing loans when repayment is expected to be provided substantially through the operation or sale of the collateral, and 3) when it is determined by the Company that the loan does not share similar risk characteristics with other loans. Specific reserves are established based on the following three acceptable methods for measuring the ACL: 1) the present value of expected future cash flows discounted at the loan's original effective interest rate; 2) the loan's observable market price; or 3) the fair value of collateral method when the loan is collateral-dependent. The Company's individual loan evaluations consist primarily of the fair value of collateral method because a majority of the Company's loans are collateral-dependent.

Collateral values are discounted to consider disposition costs where appropriate. A specific reserve is established or a charge-off taken if the fair value of the loan is less than the loan balance.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Allowance for Credit Losses – Loans (Continued)**

For all loan pools with the exception of credit cards included in the consumer loan pool, the allowance for credit losses on collectively assessed loans is measured over the expected life of the loan using a vintage loss rate approach, which will then be supplemented with qualitative factors. The vintage loss rate approach creates pools of loans (made up of individual loans) based on the loan segmentation. The loan pools are aggregated by origination year. Charge-offs, net of recoveries, are allocated by the year of charge-off to each loan pool. An average life is prescribed to a pool of loans that were originated in a particular year. The actual charge-offs as a percentage of total loans are calculated for each historical year, and projected for future years for each year within the average life time horizon. The sum of the actual charge-offs and projected charge-offs are divided by the average amortized origination amount for each respective year. Those charge-off percentages are added together to obtain an aggregated vintage loss percentage which is then multiplied by the outstanding loan balances to obtain a reserve requirement. The Company has elected to use the Probability of Default approach for its credit card loan pool due to the nature and volume of these loans.

The Company runs the Current Expected Credit Loss (“CECL”) allowance model on a monthly basis and qualitatively adjusts model results quarterly for risk factors that are not considered within the model but which are relevant in assessing the expected credit losses within the loan pools. Management generally considers the following factors:

- Lending policies and procedures, including underwriting standards and historically based loss/collection;
- Volume of past-due loans, including non-accrual and classified loans;
- National and economic conditions that may have an impact on credit quality;
- Nature and volume of the loan portfolio; and
- Existence and effect of loan pool concentrations and changes in the levels of such concentrations.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet credit exposures is adjusted through the provision for credit losses and is included within other liabilities on the Consolidated Balance Sheets.

Derivative Instruments and Hedging Activities

The Company records all derivatives on the Consolidated Balance Sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting, and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or the Company elects not to apply hedge accounting.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Derivative Instruments and Hedging Activities (Continued)**

In accordance with the FASB's fair value measurement guidance, the Company made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

Restricted Investment in Bank Stock

The Company owns restricted stock investments in the Federal Home Loan Bank of Pittsburgh ("FHLB"), the Federal Reserve Bank of Philadelphia ("FRB"), and the Atlantic Community Bancshares, Inc. ("ACB"). These restricted stocks are reflected on the Consolidated Balance Sheets at cost. At December 31, 2024, the Bank held \$3,309,000 in stock at FHLB, \$1,482,000 in stock at FRB, and \$25,000 in stock at ACB. At December 31, 2023, the Bank held \$2,697,000 in stock at FHLB, \$1,182,000 in stock at FRB, and \$25,000 in stock at ACB.

Under the Bank's membership agreement with the FHLB, required stock purchases are based on a percentage of outstanding borrowings and a percentage of unused borrowing capacity and may also include a percentage of assets sold to the FHLB. The stock is bought from and sold to the FHLB based upon its \$100 par value.

These restricted stocks do not have a readily determinable fair value and as such are classified as restricted investment in bank stock, are carried at cost and evaluated for impairment as necessary. The restricted stocks' value is determined by the ultimate recoverability of the par value rather than by recognizing temporary declines. The determination of whether the par value will ultimately be recovered is influenced by criteria such as the following: (a) the significance of the decline in net assets of the FHLB as compared to the capital stock amount and the length of time this situation has persisted; (b) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance; (c) the impact of legislative and regulatory changes on the customer base of the FHLB; and (d) the liquidity position of the FHLB. Management evaluated the restricted stocks and concluded that the restricted stocks were not impaired for the periods presented herein.

Bank-Owned Life Insurance

The Company invests in bank-owned life insurance ("BOLI") on a chosen group of employees. The policies were purchased to help offset the increase in the costs of various fringe benefit plans, including healthcare. The Bank is the owner and beneficiary of the policies. This life insurance investment is carried at the cash surrender value of the underlying policies. Income from the increase in cash surrender value of the policies is included in non-interest income on the Consolidated Statements of Income. In the event of the death of an insured individual under these policies, the Company would receive an additional death benefit, which would be recorded as non-interest income.

Endorsement Split-Dollar Life Insurance Arrangements

The Company recognizes a liability and related compensation cost for endorsed split-dollar life insurance arrangement that provides a benefit to specific retired and former employees. The amount recognized as a liability represents the present value of the post retirement cost for the endorsement split-dollar life insurance policies. The Company's accrued liability for this benefit agreement amounted to \$627,000 and \$563,000 as of December 31, 2024 and 2023, respectively. The related expense for this benefit agreement amounted to \$64,000 and \$62,000 for the years ended December 31, 2024 and 2023, respectively.

AMERICAN BANK INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreclosed Assets Held for Resale

Foreclosed assets held for resale is comprised of property acquired through a foreclosure proceeding through tax and/or upset sale and quiet title action, or acceptance of a deed-in-lieu of foreclosure and loans classified as in-substance foreclosure. A loan is classified as in-substance foreclosure when the Company has taken possession of the collateral regardless of whether formal proceedings take place. Foreclosed assets held for resale is initially recorded at fair value, net of estimated selling costs, at the date of foreclosure establishing a new cost basis. Any write-downs based on fair value at the date of foreclosure are charged to the allowance for credit losses. If any increase in cost basis results, it is classified as non-interest income unless there has been a prior charge-off, in which case a recovery to the allowance for credit losses is recorded. After foreclosure, valuations are periodically performed by management and the assets are carried at the lower of cost or fair value minus estimated costs to sell. Revenues and expenses from operations and write-downs are included in other non-interest expense on the Consolidated Statements of Income. In addition, any gain or loss realized upon disposal is included in non-interest expense. The Company had foreclosed assets held for resale of \$1,874,000 and \$0 at December 31, 2024 and 2023, respectively.

Premises and Equipment

Land is carried at cost. Premises, leasehold improvements and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the assets' estimated useful lives. Leasehold improvements are depreciated over the lesser of the estimated useful life of the improvement or the original lease term. The estimated useful lives for calculating depreciation are as follows:

	<u>Years</u>
Building	10-40
Leasehold improvements	8-20
Land improvements	15
Furniture, fixtures and equipment and automobiles	1-12
Computer equipment	3-5

Maintenance and minor repairs are charged to operations as incurred. The cost and accumulated depreciation of the premises and equipment retired or sold are eliminated from the property accounts at the time of retirement or sale, and the resulting gain or loss is reflected in current operations.

Leases

A lease is defined as a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. The Company accounts for its leases in accordance with ASC Topic 842, "Leases", which primarily affects the accounting treatment for operating lease agreements in which the Bank is a lessee.

The Company elected to separate lease and non-lease components, but elected not to include short-term leases (i.e., leases with initial terms of twelve months or less) on the Consolidated Balance Sheets.

The Bank's lease agreements often include one or more options to renew at the Bank's discretion. If at lease inception, the Bank considers the exercising of a renewal option to be reasonably certain, the Bank will include the extended term in the calculation of the right-of-use ("ROU") asset and lease liability. Regarding the discount rate, Topic 842 requires the use of the rate implicit in the lease whenever this rate is readily determinable. As this rate is

AMERICAN BANK INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

rarely determinable, the Bank utilized its incremental borrowing rate at lease inception, on a collateralized basis, over a similar term.

Transfers of Financial Assets

Transfers of financial assets 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 or the ability to unilaterally cause the holder to return the specific asset.

Advertising Costs

The Company follows the policy of charging the costs of advertising to expense as incurred. Advertising costs of \$155,000 and \$224,000 are included in other non-interest expense for the years ended December 31, 2024 and 2023, respectively.

Rental Income

The Bank leases space to tenants at its principal office and its branch location. Rental income is recorded when earned as a component of non-interest income in the Consolidated Statements of Income. These leases are operating leases, as disclosed in Note 12 – Lease Commitments and Rental Activity.

Income Taxes

Income taxes are provided on the liability method, whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. The Company recognizes interest and penalties on income taxes as a component of income tax expense.

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit and letters of credit. Such financial instruments are recorded in the Consolidated Balance Sheets when they are funded.

Treasury Stock

Common stock shares repurchased are recorded as treasury stock at cost. Shares are released from treasury using the average cost method.

Earnings Per Share

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company include the mandatory redeemable convertible debentures which are determined using the “if

AMERICAN BANK INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

converted” method and outstanding stock options which are determined using the treasury stock method. Treasury shares are not deemed outstanding for earnings per share calculations.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on investment securities available-for-sale and the net change in derivative fair value, are reported as a separate component of the stockholders’ equity section of the Consolidated Balance Sheets. Such items, along with net income, are the components of comprehensive income as presented in the Consolidated Statements of Comprehensive Income.

Stock-Based Compensation

The Company recognizes compensation cost relating to share-based payment transactions in the consolidated financial statements. The cost is measured based on the grant date fair value of the equity or liability instruments issued.

The Company calculates and recognizes compensation cost for all stock awards over the service period, generally defined as the vesting period. For awards with graded-vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. The Company uses a Black-Scholes model to estimate the fair value of stock options.

Fair Value of Financial Instruments

Fair value of financial instruments is estimated using relevant market information and other assumptions, as more fully disclosed in Note 21 – Fair Value of Financial Instruments. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect the estimates.

Reclassifications

Certain amounts previously reported have been reclassified, when necessary, to conform with presentations used in the 2024 consolidated financial statements. Such reclassifications had no effect on the Company’s net income or stockholders’ equity.

Accounting Pronouncements Adopted in 2023

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13” or “ASC 326”) and subsequent related updates. This ASU replaced the incurred loss methodology for recognizing credit losses and requires businesses and other organizations to measure the current expected credit losses on financial assets measured at amortized cost, including loans, off-balance sheet credit exposures such as unfunded commitments, and other financial instruments. In addition, ASC 326 requires credit losses on available-for-sale debt securities to be presented as an allowance rather than as a write-charge of when management does not intend to sell or believes that it is not more likely than not the Company will be required to sell. This guidance became effective on January 1, 2023 for the Company.

Accounting Pronouncements Adopted in 2024

In November 2023, the FASB issued ASU 2023-07, “Segment Reporting (Topic 280) – Improvements to Reportable Segment Disclosures” (“ASC Topic 280”). The amendments in this update improve financial reporting by requiring disclosure of incremental segment information on an annual and interim basis for all public entities to enable investors to develop more decision-useful financial analyses. The amendments in this update also do not change

AMERICAN BANK INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

how a public entity identifies its operating segments, aggregates those operating segments, or applies the quantitative thresholds to determine its reportable segments. The amendments in this update are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The Company adopted this update for fiscal year ended December 31, 2024, and it did not have a material impact on its disclosures.

NOTE 3 – RESTRICTIONS ON CASH AND DUE FROM BANK BALANCES

At December 31, 2024 and 2023, the Bank was not required to maintain a reserve balance with the Federal Reserve Bank. In response to the pandemic, the Federal Reserve Bank reduced the reserve requirement to zero effective March 26, 2020.

NOTE 4 – INVESTMENT SECURITIES

The amortized cost, gross unrealized gains and losses, and fair value of debt securities as of December 31, 2024 and 2023 are summarized as follows:

	December 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
AVAILABLE-FOR-SALE:				
U.S. treasuries	\$ 10,486	\$ -	\$ (455)	\$ 10,031
Mortgage-backed securities in government-sponsored entities	42,017	114	(1,292)	40,839
Trust-preferred obligations	799	-	(6)	793
Corporate notes in financial institutions	10,001	1	(246)	9,756
Other	250	-	(36)	214
	<u>\$ 63,553</u>	<u>\$ 115</u>	<u>\$ (2,035)</u>	<u>\$ 61,633</u>
	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
AVAILABLE-FOR-SALE:				
U.S. treasuries	\$ 42,436	\$ -	\$ (1,275)	\$ 41,161
Mortgage-backed securities in government-sponsored entities	22,294	147	(1,187)	21,254
Trust-preferred obligations	799	-	(38)	761
Corporate notes in financial institutions	30,061	-	(818)	29,243
Other	250	-	(34)	216
	<u>\$ 95,840</u>	<u>\$ 147</u>	<u>\$ (3,352)</u>	<u>\$ 92,635</u>

AMERICAN BANK INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – INVESTMENT SECURITIES (CONTINUED)

There were no sales of investment securities available-for-sale in 2024. Proceeds from the sale of an investment security available-for-sale totaled \$4,976,000, and the gross realized loss on the one sold investment security totaled \$24,000 in 2023.

Investment securities with a carrying value of \$48,978,000 and \$85,101,000 at December 31, 2024 and 2023, respectively, were pledged to secure public deposits, securities sold under agreements to repurchase, provide collateral for the Federal Reserve Bank Term Funding Program and the Federal Discount Window, and for other purposes as required or permitted by law.

The amortized cost and fair value of securities as of December 31, 2024, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because the securities may be called or prepaid with or without any penalty.

	<u>Available-for-Sale</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>
	<u>(In Thousands)</u>	
Due in one year or less	\$ 6,300	\$ 6,154
Due after one year through five years	21,170	20,611
Due after five years through ten years	6,930	6,890
Due after ten years	29,153	27,978
Total	<u>\$ 63,553</u>	<u>\$ 61,633</u>

AMERICAN BANK INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – INVESTMENT SECURITIES (CONTINUED)

The following table shows gross unrealized losses and fair value on investment securities, for which an allowance for credit losses has not been established, aggregated by category and length of time that individual securities have been in continuous unrealized loss positions, at December 31, 2024 and 2023.

	December 31, 2024					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Thousands)					
AVAILABLE-FOR-SALE:						
U.S. treasuries	\$ -	\$ -	\$ 10,031	\$ (455)	\$ 10,031	\$ (455)
Mortgage-backed securities in government-sponsored entities	26,976	(144)	9,448	(1,148)	36,424	(1,292)
Trust-preferred obligations	-	-	793	(6)	793	(6)
Corporate notes in financial institutions	-	-	5,755	(246)	5,755	(246)
Other	-	-	214	(36)	214	(36)
Total investment securities available-for-sale	<u>\$ 26,976</u>	<u>\$ (144)</u>	<u>\$ 26,241</u>	<u>\$ (1,891)</u>	<u>\$ 53,217</u>	<u>\$ (2,035)</u>
	December 31, 2023					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Thousands)					
AVAILABLE-FOR-SALE:						
U.S. treasuries	\$ -	\$ -	\$ 41,161	\$ (1,275)	\$ 41,161	\$ (1,275)
Mortgage-backed securities in government-sponsored entities	-	-	12,092	(1,187)	12,092	(1,187)
Trust-preferred obligations	-	-	761	(38)	761	(38)
Corporate notes in financial institutions	1,216	(34)	27,027	(784)	28,243	(818)
Other	-	-	216	(34)	216	(34)
Total investment securities available-for-sale	<u>\$ 1,216</u>	<u>\$ (34)</u>	<u>\$ 81,257</u>	<u>\$ (3,318)</u>	<u>\$ 82,473</u>	<u>\$ (3,352)</u>

There were 34 securities in an unrealized loss position as of December 31, 2024. The Company does not have the intent to sell these investment securities, and it is more likely than not that the Company will not be required to sell these investment securities prior to recovery of their amortized cost basis. The Company has determined that credit losses are not expected to be incurred on these investment securities identified with unrealized losses as of December 31, 2024 and December 31, 2023. The unrealized losses on these investment securities reflect non-credit related factors driven by changes in interest rates. The Company concluded that the decline in fair value of these investment securities was not indicative of a credit loss. No investment securities in the portfolio required an allowance for credit losses to be recorded during the years ended December 31, 2024 and 2023.

AMERICAN BANK INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – LOANS RECEIVABLE

The composition of net loans receivable at December 31, 2024 and 2023 is as follows:

	2024	2023
	(In Thousands)	
Commercial, industrial and other loans	\$ 93,561	\$ 86,865
Commercial mortgage	585,947	548,965
Commercial construction	62,961	51,184
Residential mortgage	51,266	40,940
Consumer	12,048	11,404
	<u>805,783</u>	<u>739,358</u>
Net deferred loan costs	146	230
Allowance for credit losses	(7,591)	(7,408)
	<u>\$ 798,338</u>	<u>\$ 732,180</u>

Age Analysis of Past-Due Loans Receivable by Class

The following table includes an aging analysis of past-due loans receivable by portfolio segment as of December 31, 2024 and 2023.

	2024					
(In Thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater	Total Past Due	Current	Total Loans
Commercial	\$ -	\$ -	\$ 309	\$ 309	\$ 93,252	\$ 93,561
Commercial mortgage	-	-	1,265	1,265	584,682	585,947
Commercial construction	-	-	-	-	62,961	62,961
Residential mortgage	592	-	-	592	50,674	51,266
Consumer	-	5	-	5	12,043	12,048
	<u>\$ 592</u>	<u>\$ 5</u>	<u>\$ 1,574</u>	<u>\$ 2,171</u>	<u>\$ 803,612</u>	<u>\$ 805,783</u>
	2023					
(In Thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater	Total Past Due	Current	Total Loans
Commercial	\$ -	\$ -	\$ 309	\$ 309	\$ 86,556	\$ 86,865
Commercial mortgage	-	371	2,578	2,949	546,016	548,965
Commercial construction	-	-	-	-	51,184	51,184
Residential mortgage	48	-	-	48	40,892	40,940
Consumer	-	-	-	-	11,404	11,404
	<u>\$ 48</u>	<u>\$ 371</u>	<u>\$ 2,887</u>	<u>\$ 3,306</u>	<u>\$ 736,052</u>	<u>\$ 739,358</u>