Enterprise Bank

2024 ANNUAL REPORT

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Letter to Our Shareholders

Dear Fellow Shareholders:

We are pleased to report that Enterprise Financial Services Group, Inc achieved another strong operating performance for the year ended September 30, 2024. The operating income grew approximately 44% as compared to last year.

The industry has struggled with an inverted interest rate curve and inflation for an extended period of time. These pressures have begun to lessen recently and we look forward to continuing improvement to our bottom line as a result of these changes.

Our strong operating results have enabled us to increase shareholder dividends in 2025. We continue to repay the Small Business Loan Fund. We expect to complete this repayment next year.

Loan growth was approximately 4%, which is at the low end of our expected range. Fee revenue and OREO gains were driven by our subsidiary operations and were at the high end of our expected range. These revenues improved as we focus on improving our subsidiary operations.

We expect the level of OREO to increase substantially in the near future due to some anticipated large loan foreclosures. The Bank rehabilitates foreclosed real estate so the community does not become full of blighted property. We expect to continue this practice with this real estate and continue to make a profit disposing of the property as we did last year.

Enterprise will be amending our Articles of Incorporation and By-Laws in the near future. The purpose behind these amendments will be to ensure our independent operation in the future and to begin our final leg of the original business plan, which is to make equity investments to assist the creation of new small business entities.

The original business concept was that when we matured and grew into our overhead, we would retain 1/3 of the profits from the Bank operations to fund growth. We would pay out 1/3 of the profits as dividends to shareholders. We would invest 1/3 of the profits in new small businesses to assist them in starting up. We feel we are close to achieving this maturity level and we are beginning to reorganize and obtain regulatory approval to continue with this plan. We feel this maturity level will be accomplished once the Small Business Lending Fund is repaid in full and that enough liquidity is placed into the market to realize a share price that approximates book value. This will assure our shareholders are rewarded for their many years of loyalty.

We encourage you to read the Management Discussion and Analysis of the Annual Report to gain a more thorough understanding of the operational and financial results.

As always, we appreciate your investment, your trust and your ongoing support of Enterprise Financial Service Group, Inc.
Sincerely,

Charles H. Leyh
Chairman of the Board

Chuck Leyh

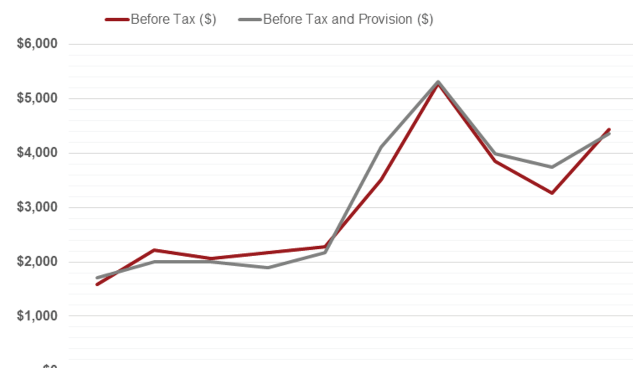
Douglas W. Lockard
Vice Chairman of the Board

Douglas W. Lockard

This discussion provides additional information and analysis for the results of operations for Enterprise Financial Services Group, Inc. (the "Company") and its wholly owned subsidiary, Enterprise Bank (the "Bank"), for the fiscal year ended September 30, 2024 ("2024"). This discussion includes results of operations for the Bank's wholly owned subsidiaries Enterprise Insurance Services, Inc., Enterprise Business Consultants, Inc., Kuzneski & Lockard, Inc., Buildonus, Inc., Enterprise Intangible Assets, LLC, Enterprise OREO, Inc. and Enterprise Child Care, LLC. This discussion is provided as a supplement to the audited financial statements and accompanying disclosures included in the Company's 2024 Annual Report.

Peer group data used in preparing the accompanying charts was taken from the Bank's Uniform Bank Performance Report ("UBPR") which is published quarterly by the Federal Financial Institutions Examination Council ("FFIEC"). The Bank's UBPR designated peer group for the years 2019-2024 includes all insured commercial banks in the United States of America with total assets between $300 million and $1 billion. The Bank's UBPR designated peer group for years 2018 and prior includes all banks in the United States of America, located in a metropolitan area, with total assets between $100 million and $300 million and two or fewer full-service offices. Please note that UBPR data is prepared on a calendar year basis. Unless specifically noted, when peer data is used in the charts the Bank's data has also been presented on a calendar year basis.

CHART #1
NET INCOME BEFORE TAX ($000s)



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Before Tax ($)	$1,581	$2,213	$2,070	$2,176	$2,275	$3,504	$5,277	$3,850	$3,257	$4,430
Before Tax and Provision ($)	$1,705	$2,007	$1,995	$1,898	$2,166	$4,111	$5,310	$3,989	$3,744	$4,365

OVERALL PERFORMANCE SUMMARY

Chart #1 illustrates the Company's net income before tax for each of the last ten fiscal years. The chart also includes a line indicating the Company's net income before tax, excluding the provision for credit losses, for the same period. This shows the Company's core net operating income without the year-to-year volatility that occurred in the provision for loan losses during the pandemic in 2020 and 2021. It also eliminates the impact of the company's adoption, in 2023, of ASU 2016-13 Financial Instruments – Credit Losses (CECL) from operating income.

The Company's net income before tax for the fiscal year ended September 30, 2024, was $4.4 million. This was an increase in pre-tax earnings of $1.2 million, or 36%, over the prior year. Net income before tax, excluding the provision for loan losses, was also $4.4 million and an increase of $621,000, or 17%, over the prior year.

The increase in earnings this year was driven by continued growth of the Company's balance sheet. In 2024 loans receivable grew $13.9 million, or 4.35%, to a balance of $333.8 million. In addition to this, cash and cash equivalents increased $22 million to a balance of $91.5 million at year end. These two factors contributed to an increase in net interest income of $472,000 over the prior year. In 2024 the Bank continued its strategy of growing the loan portfolio to utilize infrastructure that is in place. This growth in earning assets, along with a stable base of fixed overhead costs, continues to drive increases in the Company's core operating earnings.

Also contributing to the Company's increased earnings this year were gains recognized on the sale of foreclosed real estate. In 2024 the bank recorded a net gain of $764,000 on the sale of foreclosed real estate as compared to net losses of $17,000 recorded in 2023. There were two transactions that made up much of this amount. First was the sale of an office building, resulting in a gain of $597,000. This property was foreclosed late in 2023 and was highlighted in last year's discussion. The building had been under an agreement of sale prior to foreclosure at a price of $3.8 million. The sale fell through, and the building was foreclosed. Prior to foreclosure the building was being poorly managed and had lost a major tenant, dropping occupancy to 40%. At foreclosure, the building was appraised at $3.1 million which resulted in a charge-off on the balance of the loan in 2023. At the time it was management's opinion that this appraisal may have been overly conservative. In 2024, about a year after the foreclosure, the building was sold for $3.7 million resulting in this gain. This transaction will be discussed in further detail in the discussion of the Allowance for Credit Losses.

The second transaction was the sale of a mineral rights interest that was foreclosed several years ago and was being held in the Bank's Enterprise Intangible Assets subsidiary. This sale resulted in a gain of $150,000. This was the last mineral rights interest being held in the subsidiary's portfolio, and it had no interests remaining at year-end.

CORE OPERATING PHILOSOPHY

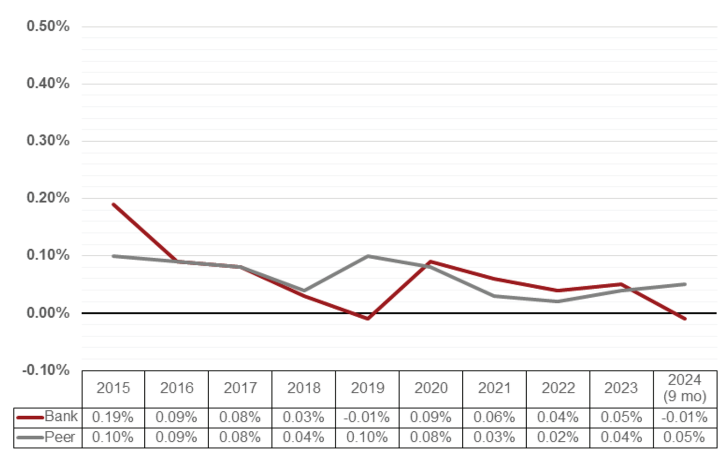
Enterprise Bank, operates with the mission , "To deliver superior, ethical service and value to our clients, shareholders and staff." All decisions are made with this mission in mind, as Management strives to strike a balance between the interests of all three stakeholders.

The focus of the business plan is on providing funding and support services to local small businesses that are in a start-up, growth, or distressed cycle. The Bank prioritizes standing behind its clients in their time of need when the client has exhibited a foundation of strong character and sound management practices.

Operating in this niche brings with it additional risks. Traditional cash flow techniques for evaluating credit are less dependable when a business is starting up or experiencing difficulties. Because of this, the Bank has developed alternative methods of evaluation that emphasize collateral valuation over cash flow projections. The Bank also uses other risk mitigation tools such as government guaranteed lending programs to support the credit when prudent for both the Bank and the client. This alternative way of evaluating and mitigating risk allows the Bank to support its clients in circumstances when many other banks are unwilling to help.

The success of this strategy can be measured by comparing the Bank's historical loan loss rates to that of its peer group. Chart #2 compares the Bank's loss rates to its peer group for the last ten years. This chart highlights that the Bank's loss rates have been consistently comparable to the peer group despite its unique business plan.

CHART #2
NET CHARGE-OFFS / AVERAGE LOANS
(CALENDAR YEAR)

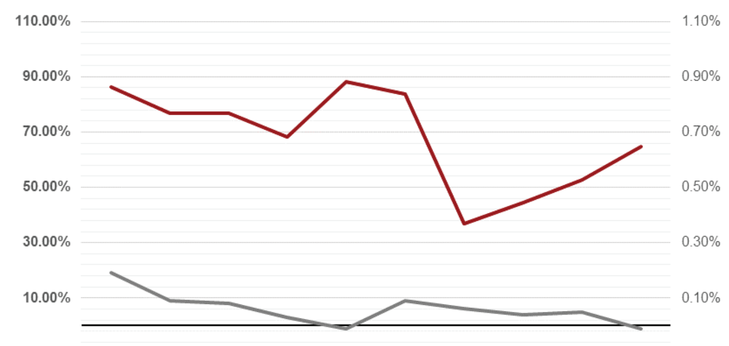


	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 (9 mo)
Bank	0.19%	0.09%	0.08%	0.03%	-0.01%	0.09%	0.06%	0.04%	0.05%	-0.01%
Peer	0.10%	0.09%	0.08%	0.04%	0.10%	0.08%	0.03%	0.02%	0.04%	0.05%

With its reliance on collateral to support underwriting and to mitigate credit losses, the Bank emphasizes the accuracy of its appraisal process and being effective and efficient when the liquidation of collateral becomes necessary. The emphasis on collateral also allows the Bank to be patient and supportive with its workout strategies for clients that are honest and pro-active in this process. As a result, the Bank typically carries a higher level of non-performing assets than its peer group.

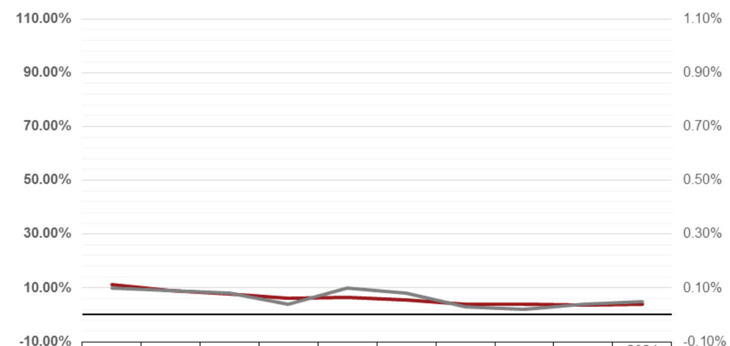
When analyzing the Bank's strength and performance, traditional bank analysis tools are often not good indicators in this business plan. An example of this would be the Texas Ratio. The Texas Ratio is a widely accepted indicator of a bank's strength and is used for projecting future losses in the loan portfolio and as a predictor of potential bank failure.

CHART #3
TEXAS RATIO AND LOSS % - BANK
(CALENDAR YEAR)



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 (9 mo)
Texas Ratio	86.26%	76.64%	76.81%	68.19%	88.30%	83.75%	37.01%	44.49%	52.57%	64.83%
Loss %	0.19%	0.09%	0.08%	0.03%	-0.01%	0.09%	0.06%	0.04%	0.05%	-0.01%

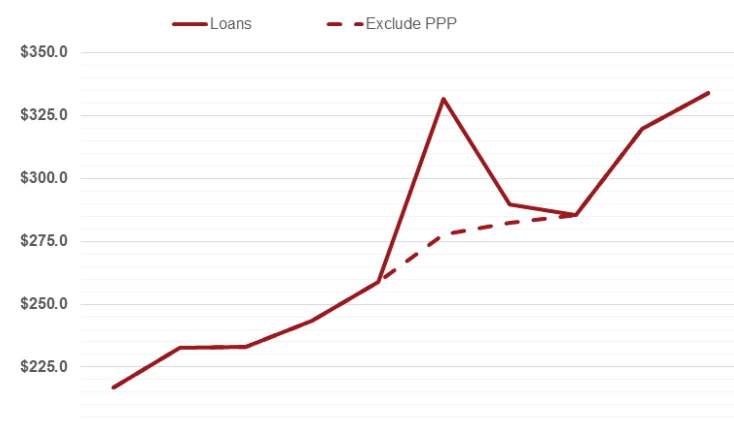
CHART #4
TEXAS RATIO AND LOSS % - PEER
(CALENDAR YEAR)



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 (9 mo)
Texas Ratio	11.12%	9.01%	7.60%	6.13%	6.35%	5.52%	3.96%	3.87%	3.51%	3.83%
Loss %	0.10%	0.09%	0.08%	0.04%	0.10%	0.08%	0.03%	0.02%	0.04%	0.05%

Chart #3 compares the Bank's Texas Ratio and loan loss ratios for the past ten years. Chart #4 illustrates the same for the Bank's peer group. The scale is the same for both charts. A comparison of the two charts clearly indicates that the correlation in the loss rates to the Texas Ratio is significantly less for the Bank than for the peer group. The comparison also highlights the long-term consistency that the Bank has maintained in minimizing losses despite the higher non-performing asset levels.

CHART #5
LOANS RECEVABLE ($ in millions)



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Loans	$216.8	$232.5	$232.9	$243.3	$258.8	$331.5	$289.5	$285.5	$319.9	$333.8
Exclude PPP	$216.8	$232.5	$232.9	$243.3	$258.8	$277.9	$282.2	$285.5	$319.9	$333.8

LOAN PORTFOLIO AND INTEREST INCOME

Chart #5 shows the Company's loans receivable balance at year-end for each of the last ten years. In 2020 and 2021, the chart also indicates, via a dotted line, the balance in the loan portfolio excluding PPP loans.

CHART #6
LOAN GROWTH (%)
(EXCLUDING PPP)

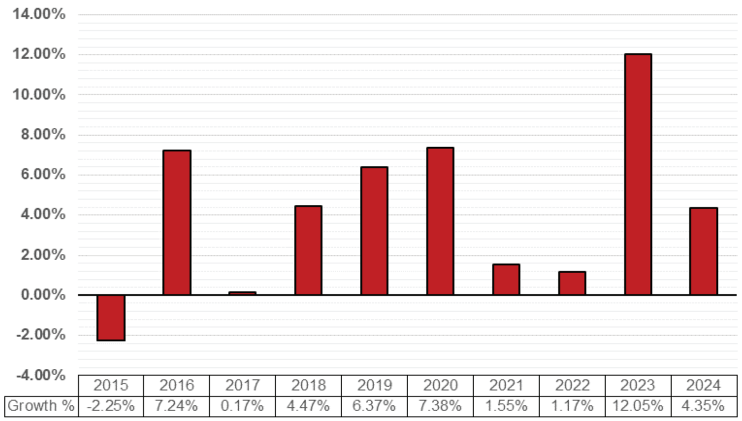


Chart #6 shows the percentage growth of the portfolio, excluding PPP loans, for the same ten-year period.

In 2024, the Bank's loan receivable balance increased $13.9 million, or 4.3%. The current year's growth was in line with targets set in the Company's five-year strategic plan. This growth is a continuation of the Company's long-term strategy to build net interest income while keeping fixed overhead costs stable. This growth is possible due to infrastructure put in place several years ago and the Bank has capacity available to support growth well into the future.

Total interest income increased $4.3 million, or 17%, in 2024. Loan growth, along with continued repricing of the portfolio in a higher interest rate environment, resulted in an increase in interest and fee income on loans of $3.5 million, or 17%, this year.

In 2024, the Bank continued to hold excess liquidity in its Federal Reserve account. The Bank has policies in place that limit how excess funds can be deployed. These policies place internal reserve requirements on large dollar deposits such that these funds cannot be used to fund loan growth or purchase securities. This provides an extra layer of protection against deposit volatility. By keeping the excess funds in its reserve account, rather than investing in securities, the Bank also avoids exposure to pricing risk. In the current interest rate environment the excess funds are earning a spread that contributes to bottom line earnings. In 2024, interest income from balances at the Federal reserve increased $705,000 over the prior year.

NONACCRUAL LOANS AND REVENUE RECOGNITION

To evaluate the Bank's balance of loans on nonaccrual status and its impact on earnings, it is important to highlight that Management, and its primary regulator, have a difference of opinion in determining when the accrual of interest income on a loan should stop.

According to GAAP, revenue is recognizable when it is both earned and either realized or realizable. For revenue to be considered realizable, a collectability threshold must be met. Management and its primary regulator have different interpretations of when this collectability threshold has been met for loans that are in default.

According to a staff paper jointly published by the International Accounting Standards Board ("IASB") and the Financial Accounting Standards Board ("FASB") in October, 2013,current guidance on the collectability threshold uses two terms: *"reasonably assured"* and *"probable"* with the terms being generally interchangeable.[1] The glossary provided in the GAAP codification includes two definitions of the term probable.[2] One definition cited is *"that which can reasonably be expected or believed on the basis of available evidence or logic but is neither certain nor proved."* A second definition is *"the future event or events are likely to occur."*

In Management's opinion, these definitions are met when a loan in default meets the following three criteria: (1) The loan is well secured by collateral which is supported by a current valuation from a trusted source; (2) the loan is in the process of collection; and (3) collection is expected to be completed within a time frame that is considered to be reasonable given the facts and circumstances and will result in the loan being brought current or with the collection of all principal and interest contractually due.

The instructions furnished by the regulator for preparation of the Bank's regulatory financial reports provide general guidance on this same topic.[3] The instructions have historically been backed by a more stringent interpretation of the collectability threshold by the regulator. In general, for regulatory purposes, a loan is required to be placed on nonaccrual when it becomes greater than 90 days past due, unless the loan is considered well secured and in the process of collection.

However, the regulators have a more stringent interpretation of what is considered "in the process of collection." In their opinion, for a loan to be considered in the process of collection, the timing and amount of repayment must be reasonably certain and there must be evidence that collection in full of amounts due and unpaid will occur shortly. Their indicated benchmark for an acceptable period is 30 days.[4]

When the Bank is in a well-secured position it provides assurance that as a last resort the contractual principal and interest due from the client can be collected through collateral liquidation. This assurance allows the Bank to be patient and help a client through temporary periods of stress. This willingness to stand behind the client in their time of need is oftentimes the difference between a small business failing or succeeding. Because there can be uncertainty as to the timing of collection in these situations and because the process of liquidating commercial real estate typically takes greater than thirty days, the regulatory interpretation of the standard generally dictates that all loans carried in the Bank's portfolio, that are greater than 90 days past due, must be placed on nonaccrual. This is the case in many instances even though the net fair market value of collateral pledged is significantly more than the Bank's recorded investment in the loan.

It is Management's opinion that the regulator's more stringent collectability threshold is unreasonable, and not in accordance with GAAP, given the business model of this institution. This results in a material amount of revenue recognition being deferred until the collection process is complete. Once the process is complete, all previously unrecorded revenue is then recognized as a lump sum. It is Management's opinion that this approach does not properly match revenues to expenses and creates volatility in reported earnings.

It is Management's conclusion that the financial result of this difference in interpretation of the GAAP standard is material to the financial statements. Therefore, there are differences between the financial statements reported to shareholders in this annual report and the financial statements as reported in the Bank's regulatory Call Report. The primary differences are in the balance of loans on nonaccrual status and the timing of interest income recognition for these loans. To maintain transparency for the users of the financial statements, the results of both methods and a description of the differences are presented in *Note 23 Reconciliation of Financial Statements to Regulatory Reporting* included with the financial statements in this Annual Report.

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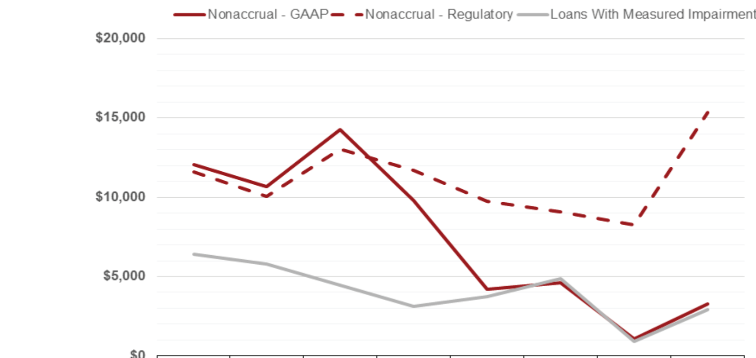
[1] Staff Paper, Revenue Recognition – Collectability, October 28, 2013, IFRS/FASB
[2] FASB Accounting Standards Codification - Master Glossary
[3] Instructions for Preparation of Consolidated Reports of Condition and Income (FFIEC 031 and 041)
[4] Bank Accounting Advisory Series, Office of the Comptroller of the Currency, August 2023

CHART #7
NONACCRUAL LOANS VS. LOANS WITH MEASURED IMPAIRMENT
($000s)



	2017	2018	2019	2020	2021	2022	2023	2024
Nonaccrual - GAAP	$12,048	$10,685	$14,288	$9,814	$4,198	$4,638	$1,067	$3,260
Nonaccrual - Regulatory	$11,577	$10,055	$13,012	$11,693	$9,743	$9,064	$8,264	$15,354
Loans With Measured Impairment	$6,435	$5,796	$4,454	$3,122	$3,765	$4,881	$896	$2,946

Chart #7 indicates the aggregate balances of loans that are on nonaccrual status for both regulatory and GAAP purposes. The solid line represents the net investment in loans that have been classified as nonaccrual on the Bank's shareholder financial statements. The dotted line represents the net investment in loans that have been classified as nonaccrual on the Bank's regulatory financial statements. The balance of nonaccrual loans, per regulatory classification on September 30, 2024, was $15.3 million. This was an increase of $7 million compared to the prior year end. The balance of nonaccrual loans, per financial statement classification, on September 30, 2024, was $3.3 million. This was an increase of $2.2 million compared to the prior year end.

Chart #7 also indicates the historical balance of loans with measured impairment for the same period. Loans with measured impairment have been individually evaluated and are deemed to have incurred some level of loss after consideration of collateral liquidation and any other loss mitigation strategies. Any shortfall of collateral to the basis in the loan is reserved. The balance of loans with measured impairment on September 30, 2024, was $2.9 million. This was an increase of $2 million over the prior year.

TABLE 1: IMPACT OF REVENUE RECOGNITION: NONACCRUAL LOANS

	(A) Interest Accrual		(B) Cash Basis Payments Received		(C) Interest Charged-off		(D) Combined Total	
Year ended:	**Current Year**	**Cumulative**	**Current Year**	**Cumulative**	**Current Year**	**Cumulative**	**Current Year**	**Cumulative**
September 30, 2012 (1)	289,000.00	289,000.00	-	-	-	-	289,000.00	289,000.00
September 30, 2013	86,000.00	375,000.00	3,000.00	3,000.00	-	-	89,000.00	378,000.00
September 30, 2014	(235,000.00)	140,000.00	280,000.00	283,000.00	-	-	45,000.00	423,000.00
September 30, 2015	123,000.00	263,000.00	647,000.00	930,000.00	-	-	770,000.00	1,193,000.00
September 30, 2016	(83,000.00)	180,000.00	(31,000.00)	899,000.00	-	-	(114,000.00)	1,079,000.00
September 30, 2017	14,000.00	194,000.00	(261,000.00)	638,000.00	-	-	(247,000.00)	832,000.00
September 30, 2018	(66,000.00)	128,000.00	(3,000.00)	635,000.00	-	-	(69,000.00)	763,000.00
September 30, 2019	129,000.00	257,000.00	202,000.00	837,000.00	-	-	331,000.00	1,094,000.00
September 30, 2020	28,000.00	285,000.00	339,000.00	1,176,000.00	-	-	367,000.00	1,461,000.00
September 30, 2021	241,000.00	526,000.00	717,000.00	1,893,000.00	-	-	958,000.00	2,419,000.00
September 30, 2022	39,000.00	565,000.00	234,000.00	2,127,000.00	-	-	273,000.00	2,692,000.00
September 30, 2023	148,000.00	713,000.00	116,000.00	2,243,000.00	(453,000.00)	(453,000.00)	(189,000.00)	2,503,000.00
September 30, 2024	10,000.00	723,000.00	779,000.00	3,022,000.00	(70,000.00)	(523,000.00)	719,000.00	3,222,000.00

(A) Interest Accrual - *Interest receivable on loans that are well secured and in the process of collection, as defined by Management, in accordance with GAAP guidance. These amounts have been accrued to interest income in the GAAP (shareholder) financial statements but have not been accrued for regulatory purposes (beginning with method change in 2020).*

(B) Cash Basis Payments Received – *Interest payments received on loans that are well secured and in the process of collection, as defined by Management, in accordance with GAAP guidance. These amounts have been recorded as interest income in the GAAP (shareholder) financial statements but have been applied to reduce the recorded investment in the associated loan for regulatory purposes.*

(C) Interest Charged-off – *This column represents amounts that have been accrued as interest income for GAAP that were later deemed to be uncollectible and charged-off. This typically occurs when updated information adjusts the value of the underlying collateral and the value no longer supports collection of interest amounts that have been accrued in prior periods.*

(1) *September 30, 2012, period change includes any cumulative adjustments to prior periods.*

Column (A) in Table 1 represents interest receivable on loans that, in Management's opinion, are well secured and in the process of collection but do not meet the threshold as set forth in the regulatory reporting guidance. For regulatory purposes, these loans are classified as nonaccrual and the recognition of interest income on an accrual basis has stopped.

In prior years, Management had made the determination that the annual, and cumulative, impact of this adjustment was not material to the financial statements as a whole and continued to follow the regulatory guidance. In early 2020, Management re-evaluated its position and determined that the year-to-year fluctuation was becoming too large to ignore. A change to the income recognition method for the shareholder financial statements was implemented in fiscal year 2020. As a result, for the shareholder financial statements, interest continues to be accrued for loans that are greater than 90 days past due but meet Management's criteria of well-secured and in the process of collection. As shown in Table 1, Column (A), cumulatively, $723,000 in interest income has been accrued, to the shareholder financial statements, through September 30, 2024. Of this amount, $10,000 was recorded as interest income in the current year.

Column (B) in Table 1 represents the annual change and cumulative amount of cash payments for interest received for loans that have a regulatory classification of nonaccrual and have been recorded into interest income in the shareholder financial statements. It is Management's opinion that these payments are from loans that are well-secured, in the process of collection and meet the collectability threshold as defined in GAAP. Management has concluded that the impact of the regulatory interpretation of this concept is material to the financial results of the Company and the financial statements as reported in accordance with GAAP. As such, the shareholder financial statements are not adjusted to mirror the regulatory financial reports for these cash payments.

As shown in Table 1, Column (B), cumulatively, $3,022,000 in interest income has been recorded to the shareholder financial statements for cash received. Of this amount, $779,000 was recorded as interest income in the current year. In the regulatory financial statements, all cash received for interest on nonaccrual loans is applied as a reduction to the net investment in the loan.

Column (C) represents the amount of interest accrued for GAAP purposes that was later deemed to be uncollectible and therefore charged off. As shown in Table 1, Column (C) $523,000 in previously accrued interest has been charged off. Of this amount $70,000 was charged off in the current year. The $523,000 represents charge-offs on two separate credits where new information became available that reduced the amount collectible.

The first credit resulted in a charge-off of approximately $396,000 in interest that was accrued in prior years for GAAP but not for regulatory accounting. The primary collateral supporting this credit was an office building. This building was initially valued at $3,800,000 and was under an agreement for sale at that amount. The building was to be sold out of bankruptcy and at the time was 100% occupied. After being under agreement for an extended period, the sale fell through, and the Bank had the property reappraised. In the interim the building was being poorly managed and lost a major tenant. Total occupancy had dropped to 40%, significantly decreasing its value. The updated appraisal done in July 2023, at the time of foreclosure, indicated that the value had dropped to $3,100,000. This was not high enough to support the amount of interest that had been accrued and therefore the uncollectible portion was charged off. Subsequently this property was sold by the Bank for $3,700,000 resulting in a gain on the sale of OREO $597,000. This gain was greater than the amount charged-off in this process and indicates that the appraisal may have been overly conservative.

The second credit resulted in a charge-off of approximately $127,000. The primary collateral supporting this credit was a building formerly occupied by a restaurant that had ceased operations. Upon gaining access to inspect the property it was discovered that a large retaining wall on the site had structural issues. After deducting estimated costs to mitigate the issues with the retaining wall and to get the property ready for sale from the then current appraisal, the net realizable value of the collateral was no longer high enough to support the amount of interest that was accrued and therefore the estimated uncollectible portion was charged-off. This property is currently in the Bank's foreclosed property portfolio.

As illustrated in Column (D), Table 1, cumulatively, through September 30, 2024, there is approximately $3.2 million of interest income that has been recorded in these financial statements that has been deferred for regulatory reporting purposes. Of this amount, $789,000 was recognized, and $70,000 was charged off in the current year.

For all columns (A), (B) and (D), for those years where the current year column is negative, this represents time periods where final liquidation of loans has occurred resulting in the recognition of income for regulatory purposes that had been recorded to the GAAP financial statements in prior periods. This is an indication of the unwinding of the timing differences for recognizing interest income on these loans.

Management's ability to make accurate judgments on these credits is driven primarily by the reliability of its appraisal process. The Bank has a solid track history of realizing at or near current appraised values upon final liquidation of its collateral. For the last eleven years the Bank has realized approximately 98% of the current appraised value when liquidating foreclosed real estate.

ALLOWANCE FOR CREDIT LOSSES ("ACL")

In 2023 the Bank early adopted *ASU 2016-13 Financial Instruments – Credit Losses (Topic 326).* This standard replaced the incurred loss methodology with the current expected credit loss ("CECL") methodology. CECL is forward looking and estimates losses for the remaining life of loans in the portfolio based on historical loss experience.

The Bank's loan portfolio is largely made up of two pools. One is the collateral-based pool which is made up of loans to start-up and distressed businesses. At September 30, 2024 this loan pool had a balance of $290.6 million, or 87% of loans receivable. Loans in this pool have been underwritten with an emphasis on collateral value as a source of repayment should the loan default. The second pool is the cash flow pool which is made up of loans that have been underwritten with an emphasis on traditional cash flow analysis to support future repayment. At September 30, 2024, this loan pool had a balance of $14.5 million, or 4% of loans receivable.

For the collateral based pool an in-house model was developed to estimate the allowance for credit losses. This model applies a historical loss factor to the weighted average remaining life of the portfolio to estimate the base level of expected losses. The historical loss factor is calculated as an average loss % in the portfolio over a base period deemed to be reasonable based on the current remaining life and composition of the portfolio. The weighted average life of the portfolio is calculated based on the contractual life of loans adjusted for an estimate of expected prepayments.

For the cash flow pool, the SCALE model was implemented. This is a model developed by the Federal Reserve for less complex portfolios. This model was selected due to the Bank's limited loss history in this pool. This model relies on peer loss data to estimate expected loss.

For both pools the base estimate is adjusted for current and expected conditions that are likely to cause losses to differ from the historical base. Factors reviewed include current and forecast economic conditions, trends in collateral valuation and other internal and external factors. For forward-looking estimates the Bank uses reliable and supportable forecasts. Typically, forecasts are for periods of up to one year and then loss estimates revert back to historical experience. The most significant qualitative factor in the Bank's allowance calculation is tied to fluctuations in market data for commercial real estate valuations. The Bank examines current and forecast trends that are relevant based on the portfolio geography and property types.

As part of the adoption of the ASU an allowance for credit losses on unfunded commitments was established and is included in accrued expenses and other liabilities on the Consolidated Statements of Financial Condition. This allowance estimates expected loss on commitments that are not unconditionally cancelable and are likely to be funded.

The adoption of the new accounting standard was done using a modified retrospective approach effective October 1, 2022. A cumulative adjustment was made to retained earnings for the increase to the allowance for credit losses and the establishment of the unfunded allowance at adoption. The net adjustment was a reduction in retained earnings, recorded in the fiscal year ended September 30, 2023, of $711,497 which was net of applicable deferred taxes.

For the year ended September 30, 2024, the Bank had a net credit from loss provisions of $65,000 for the year. This is compared to net provisions of $487,000 the prior year. At year end, the Bank's allowance for credit losses was $1.6 million, or 0.49% of loans receivable. This compares to $1.7 million, or 0.52% at the prior year end. The decrease in loss provisions in 2024 was mainly attributable to a reduction in the Bank's base period historical loss percentage and a decrease in the overall qualitative adjustment to reserve.

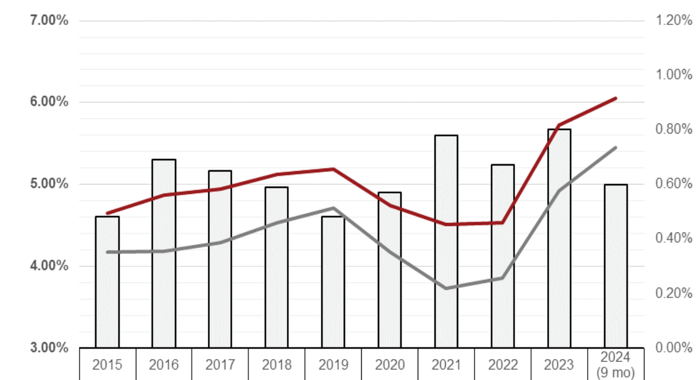
As discussed earlier, in 2024 the Bank recorded a large gain on the sale of foreclosed real estate after liquidation of an office building that was acquired via foreclosure in 2023. This building, prior to foreclosure, was valued at $3.8 million and the borrower had an agreement to sell the building for that amount. The sale agreement fell through and the Bank acquired the property. At the time of acquisition a new appraisal was completed with a value of $3.1 million. This resulted in a charge-off of $326,000 which was included in the loss history calculations for 2023. In 2024 the building was sold for $3.7 million resulting in a recorded gain of $597,000 which exceeded the original charge-off. Because the building was liquidated so quickly and at a price closer to the original value this raised doubt about the accuracy of the 2023 appraisal. Due to this it was determined that the charge-off should be removed from the updated loss history calculation. This resulted in a decrease in the base period historical loss percentage which contributed to the reduced provision in 2024.

Also contributing to the reduced provision was a decrease in the overall qualitative adjustment to the reserve this year. A large portion of this decrease is related to a specific adjustment that was removed from the calculation in 2024. This adjustment measured the value of collateral on each loan in the portfolio and compared it to the outstanding loan balance. This was done using both current and projected collateral values with projected values being based on a forecast of real estate market conditions. The adjustment then evaluated those loans where collateral did not cover the full balance on a current or projected basis and adjusted for the difference. This adjustment was part of the original model developed for the adoption of ASU 2016-13. After evaluating the methodology over the past year it was determined that this adjustment should be removed from the calculation. This was due to several factors including that this calculation was effectively adjusting for a period significantly greater than the forecast period, the theory of the adjustment was duplicated in other adjustments and the overall adjustment was not tied back to base period data. At year end September 30, 2023 this qualitative adjustment increased the allowance for credit losses in the amount of $130,000. The removal of this adjustment along with overall improvement in the underlying data related to other qualitative calculations contributed to the decrease in loss provisions in 2024.

INTEREST RATE PREMIUM

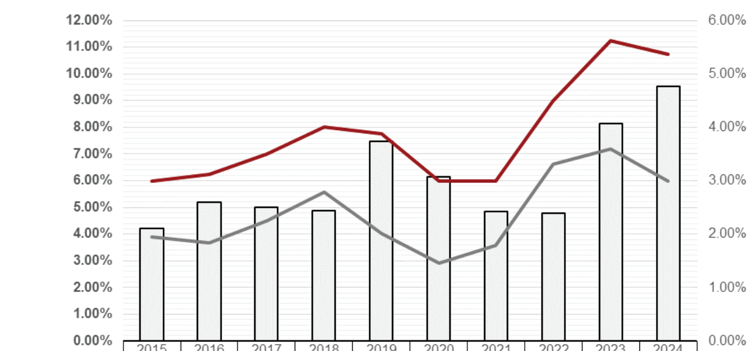
As was highlighted earlier in this discussion, the Bank typically carries a higher balance of non-performing assets than its peer group. As illustrated in Chart #2, while the Bank carries a higher balance of non-performing assets, it has not historically been an indicator of a higher amount of charge offs to peers. While this shows that the Bank has been able to minimize its loss of principal, there are additional costs to be considered. This includes legal and collection expenses, costs to preserve and protect collateral, and costs to hold and liquidate foreclosed real estate. To absorb these additional costs the Bank must earn a yield on its assets that is greater than the yield earned by peer banks with a conventional risk portfolio.

CHART #8
INTEREST INCOME TO AVERAGE EARNING ASSETS
(SPREAD TO PEER)



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 (9 mo)
Spread	0.48%	0.69%	0.65%	0.59%	0.48%	0.57%	0.78%	0.67%	0.80%	0.60%
Bank	4.65%	4.87%	4.94%	5.12%	5.19%	4.74%	4.51%	4.53%	5.72%	6.05%
Peer	4.17%	4.18%	4.29%	4.53%	4.71%	4.17%	3.73%	3.86%	4.92%	5.45%

CHART #9
SBA MAX RATE (PRIME PLUS 275bps) TO
CONVENTIONAL RISK RATE (5 YEAR SWAP PLUS 250bps)
(ON SEPTEMBER 30)



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Spread	2.11%	2.59%	2.51%	2.44%	3.73%	3.07%	2.42%	2.39%	4.07%	4.77%
SBA Max Rate	6.00%	6.25%	7.00%	8.00%	7.75%	6.00%	6.00%	9.00%	11.25%	10.75%
Conv Rate	3.89%	3.66%	4.49%	5.56%	4.02%	2.93%	3.58%	6.61%	7.18%	5.98%

To analyze this, Chart #8 illustrates the Bank's yield on earning assets compared to peer for the last ten years. During this period, the Bank's spread to peers has fluctuated between 48-80bps. For the nine months ending September 30, 2024, the spread was 60bps and remains within an acceptable range. The Bank's strategy of holding additional cash on the balance sheet has contributed to the narrowing spread.

Management monitors two benchmark rates to compare prevalent rates for conventional risk financing to rates for financing that correlate more closely with the Bank's level of risk. The benchmark rate that most closely correlates to the level of risk in the Bank's loan portfolio is the maximum rate allowable by the SBA for loans with similar terms. For the Bank, that rate is Prime plus 275 basis points. The benchmark that most closely correlates to conventional lending is the 5-year swap rate plus 250 basis points.

Chart #9 tracks these two benchmark rates, and the spread between them, for the last 10 years. In 2024 the spread between the benchmark rates remained elevated at 4.77%. This continues to be driven by the inverted yield curve. The SBA benchmark is tied to prime with adjusts with the short-term fed funds rate. The traditional benchmark is tied to the five-year rate which is further out on the yield curve. The current spread continues to indicate that the Bank is operating in a favorable pricing environment for its loan portfolio.

FORECLOSED REAL ESTATE

Because of the Bank's emphasis on collateral to mitigate risk in the underwriting process, it is important that Management can effectively and efficiently liquidate foreclosed real estate. In a traditional bank setting, the priority is to liquidate the asset as quickly as possible, in an as-is condition, and often at significantly less than the fair market value. Enterprise prioritizes the return of a productive asset to the benefit of the community while at the same time maximizing the value realized, and thus mitigating loss.

The Bank accomplishes this through a team approach that utilizes expertise across many areas of the organization. Property management, real estate brokerage, construction, valuation, legal, accounting and the Relationship Manager ("RM") team are all brought together to develop and execute liquidation strategies. The Bank has established a long track history of liquidating properties at or near their appraised values. On average, the Bank has been able to realize approximately 98% of the current appraised value of properties that it liquidates.

CHART #10
FORECLOSED REAL ESTATE ($000s)

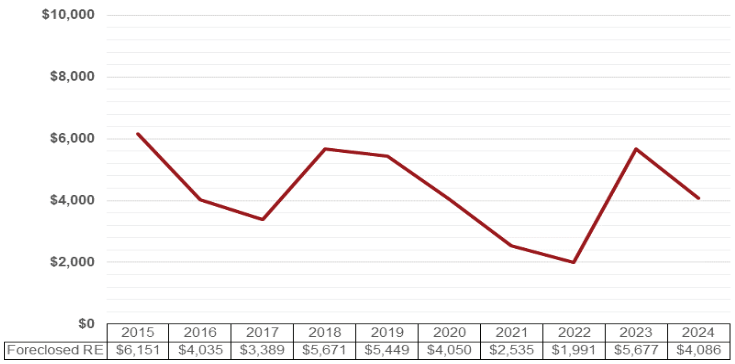


Chart #10 illustrates the Bank's balance of foreclosed properties for the past ten years. On September 30, 2024, the balance was $4.1 million. This was a decrease of $1.6 million from September 30th of the prior year.

In 2024, the Bank liquidated five properties generating net proceeds of $4.3 million and resulting in a net gain of $764,000. The Bank financed $225,000 of the total proceeds. Of this amount, the largest sale was for an office building with a cost basis of approximately $3 million. This sale resulted in a net gain of $597,000. The building was initially brought into the portfolio last year.

In 2024, the Bank foreclosed two properties with an aggregate book value of approximately $1.5 million. This included a multi-use property in Wheeling, WV and a bar/restaurant building on the South Side of Pittsburgh. During the year, the Bank recorded $163,000 in valuation losses on foreclosed real estate. Valuation losses are recorded, as necessary, when properties in the portfolio are annually re-appraised. Valuation losses also include a loss contingency that is established for any vacant properties brought into the portfolio. In 2024, total valuation losses included $158,000 in write-downs upon reappraisal of properties in the portfolio and $5,000 in recorded vacancy contingencies.

CHART #11
FORECLOSED REAL ESTATE
DIRECT HOLDING COSTS/(INCOME) ($000s)

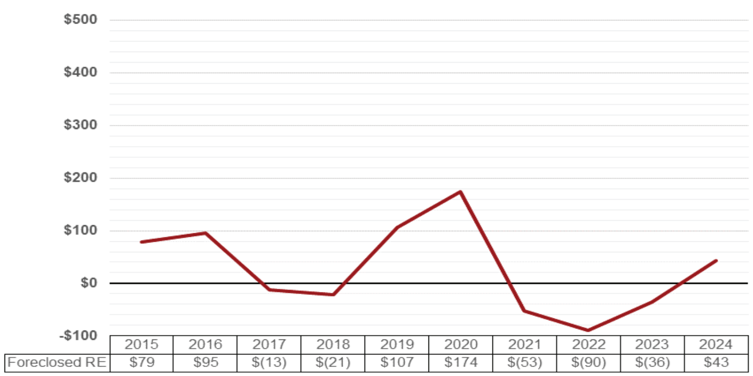


Chart #11 highlights the Bank's direct costs, net of rental and other income, to carry foreclosed real estate over the past 10-year period. In 2024, the Bank incurred net costs of approximately $43,000. This was an increase of $79,000 over the prior year but remains within an acceptable range given the size of the real estate portfolio. It is important to note that the chart illustrates only direct holding costs. There is an additional payroll component for managing and maintaining properties that is included in Bank management and administrative wages. These costs are generally fixed regardless of the size of the portfolio.

LIQUIDITY AND FUNDING

Total cash and cash equivalents on September 30, 2024, was $91.5 million. This was an increase of $22.1 million over the balance on September 30, 2023. In 2024 Management increased cash on hand above its target to provide additional liquidity on the balance sheet and to earn additional net interest income.

The Bank's target balance of cash and cash equivalents is based on its liquidity policy and modeling process which accounts for anticipated fluctuations in deposit account balances, projected needs for funding loan commitments and reserves for other anticipated risk factors. The Bank's policy rigidly aligns its liquidity requirements with current and projected capital levels. The Bank's access to wholesale funding sources would be interrupted if its capital ratios fell below a well-capitalized regulatory classification.

The Bank has policies in place that limit how excess funds can be deployed. The Bank’s policy requires that funds be held in an account at the Federal Reserve to cover a portion of large depositor balances. This protects the Bank from volatility that can occur in these accounts. It also restricts the Bank from investing excess funds in long-term fixed rate instruments which carry pricing and interest rate risk. Over the past several years many banks that do not have these restrictions have seen their fixed rate portfolios lose value as interest rates increased. This limited their use as a source of liquidity as selling these investments to raise funds would trigger large realized losses. Enterprise did not face this issue as funds held at the Federal Reserve are immediately available and carry a variable rate of interest based on the Fed Funds rate.

Balances in the Bank’s transactional accounts, including DDA, NOW and Savings accounts, decreased $26.4 million, or 16%, compared to the prior year-end balances. This decrease was driven by several factors including the continued migration out of the banking system of excess funds that were created by pandemic era government stimulus programs. Also contributing to the decrease is the transition of excess funds to higher interest-bearing accounts including institutional money market funds.

The Bank’s time deposit balances grew $64.8 million in 2024, or 45%, to a balance of $208.0 million. The Bank’s time deposit balances consist of two components. Time deposits that originate from the Bank’s local market and time deposits issued on the national brokered market. In 2024, the Bank’s balance in local market CD balances remained largely unchanged while its broker deposit balances increased $64.7 million year over year. While time deposits issued in the local market typically carry lower rates than those issued on the brokered market, this must be balanced against the operational overhead to process those accounts. Growth in local market time deposits typically consists of lower balance accounts while brokered CDs can be issued as one large denomination certificate aggregating a group of smaller accounts.

The Bank will continue to utilize the brokered CD market as a primary funding source. There are several advantages to the Bank when using this source of funding. Interest rates are typically comparable to local market rates while the cost of administration is less than that of retail deposits. Brokered CDs are well protected from early withdrawal in a rising interest rate environment. This, along with the ability to manage terms, makes brokered certificates a valuable tool for interest rate risk management.

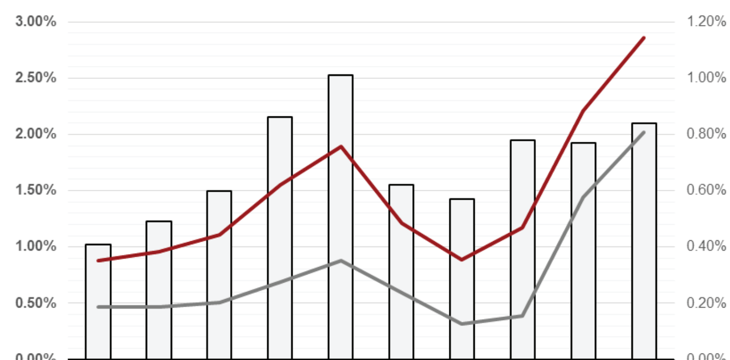
The Bank mitigates the risks associated with wholesale funding by utilizing multiple brokers and underwriters to protect against interruption in the marketplace or with a particular issuer. In addition, Management has policies in place to ladder maturities to protect against large blocks of maturities should a liquidity event occur. The Bank also closely monitors liquidity levels and regularly performs stress testing by modeling various emergency liquidity scenarios.

The Bank maintains contingent sources of funding for use should a liquidity event, such as a disruption in the brokered CD market, occur. Sources of contingent liquidity include borrowing capacity with the Federal Home Loan Bank ("FHLB") and the Federal Reserve Discount Window. The Bank's borrowing capacities are tested on at least an annual basis to ensure their availability in an emergency situation. The Bank also uses a portion of its borrowing capacity at the FHLB as a tool for managing interest rate risk and to take advantage of favorable pricing for funds when available. As of September 30, 2024, the Bank had pledged a combined total of $219.1 million in collateral to support a maximum borrowing capacity of $158.9 million at the Fed and FHLB. At year-end, the Bank had advances outstanding in the amount of $63.2 million, all with the FHLB. As a result, the Bank had unused capacity of $95.7 available on September 30, 2024.

COST OF FUNDS

Total interest expense for the Company increased $3.9 million, or 53% as compared to the prior year. This increase was driven by an increase in total deposits of $38.3 million, or 12.6% over the prior year, and an increase in the overall cost of the Bank's time deposits. Time deposits that were originally issued in a lower rate environment continue to mature and are either being renewed or replaced at higher current market rates.

CHART #12
INTEREST EXPENSE TO AVERAGE EARNING ASSETS
(SPREAD TO PEER)



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 (9 mo)
Spread	0.41%	0.49%	0.60%	0.86%	1.01%	0.62%	0.57%	0.78%	0.77%	0.84%
Bank	0.88%	0.96%	1.11%	1.55%	1.89%	1.21%	0.89%	1.17%	2.21%	2.86%
Peer	0.47%	0.47%	0.51%	0.69%	0.88%	0.59%	0.32%	0.39%	1.44%	2.02%

Chart #12 displays the Bank's total interest expense to average earning assets over the past ten years as compared to its peer group. The spread to peer each year is indicated by the bars in the chart. The chart shows that the Bank's cost of funds is consistently higher than its peer group. The bank carries a higher cost of funds because it does not have a large retail deposit operation and replaces this by utilizing wholesale funding sources as an alternative. The higher cost is offset in part as the Bank also does not carry the added overhead costs associated with a large retail operation or branch network. Management also ladders the maturity of its wholesale funding to mitigate interest rate and liquidity risk. The extension in terms of these products is typically at higher rates and contributes to the elevated cost of funds.   Despite these factors, Management strives to minimize this spread to peers while recognizing that the Bank's funding structure dictates that it likely cannot be eliminated entirely.

As highlighted earlier in its mission statement, the Bank strives to strike a balance in providing value to its clients, shareholders, and employees. An area where this is demonstrated is in the Bank's rate setting philosophy. In the rising rate environment, the Bank remained loyal to its clients and increased rates on transaction and savings accounts without delay and in proportion to increases in benchmark rates tied to those accounts. Peer banks often delayed raising rates in response to the higher rate cycle to the benefit of their bottom line. Later in the fiscal year as short-term benchmark rates fell, the Bank continued to follow this pricing strategy by dropping rates on its non-maturity deposits proportionately to this decrease. This strategy contributed to the 8bps increase in the Bank's cost of funds spread to peers in 2024.

BANK OPERATING OVERHEAD AND EFFICIENCY

Total other operating expenses increased approximately $1.5 million, or 13% compared to the prior year. While there were no significant additions to the Bank's infrastructure in 2024, the cumulative impact of an elevated inflation rate over the past several years, and expected increases in variable costs, contributed to an increase in overhead expense this year. The Bank continues to have the operating capacity in place to support significant asset growth going forward.

The largest component of the current year's increase in overhead expense was personnel cost. The Company's total personnel expense increased $691,000, or 9.8% over last year. Personnel expense includes costs associated with Bank operations personnel, subsidiary operations personnel, and the RM team.

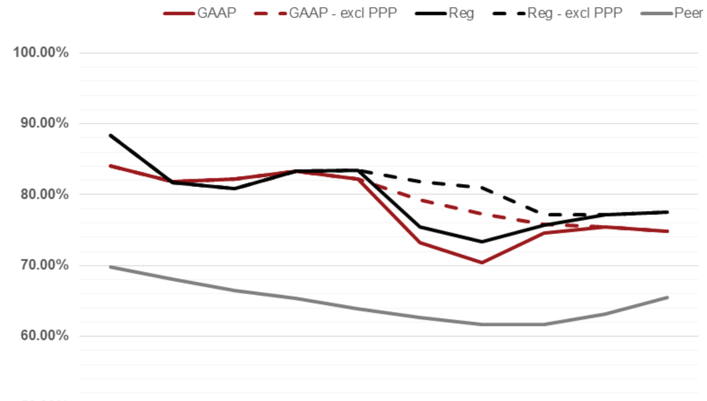
Personnel expenses associated with Bank operations management and staff increased $319,000, or 10.3% over the prior year. This amount included approximately $90,000 in executive performance bonuses. Bonuses were not paid in fiscal 2023. On a net basis, the executive performance bonuses were paid out in the form of stock therefore limiting any impact on the Bank's regulatory capital ratios. The remaining increase in expense was generally due to salary increases driven by a tight labor market and continued inflationary pressures.

RM expense is variable and is based on a formula tied to income generated by each RM, net of loss provisions. This formula was put in place so that the RM has a personal stake in the success of his or her client's business and in the Bank's overall performance. The overall increase in personnel costs this year includes a $261,000 increase in RM salary and benefits. This increase was expected and represents the RM's proportionate share of this year's increases in net interest income and gains on sale of foreclosed real estate.

FDIC insurance expenses increased $187,000, or 40%, year over year. There are many factors that go into the assessment rate used to calculate the Bank's premiums including, but not limited to, a base assessment rate, asset size, and bank performance ratios. The Bank's philosophy of emphasizing real estate collateral to mitigate credit risk, along with its usage of wholesale funding, generally result in higher assessment rates under the current formula. These factors along with the Bank's asset growth in 2024 resulted in this increase in FDIC insurance expense for 2024.

Other operating expenses increased $538,000, or 20% versus last year. Included in this was an increase in real estate agency commission expenses of $236,000. Real estate agency commission expense is a variable expense and was offset by a $283,000 increase in commission and fee revenue generated by the subsidiary. Another component of the increase in other operating expenses was an increase in foreclosed real estate expenses of $243,000 over the prior year. This was partially offset by an increase in rental income from foreclosed real estate of $163,000. A large portion of this increase was net holding expenses associated with a large office property that was sold in September 2024. The sale resulted in a recorded gain of $597,000.

CHART #13
EFFICIENCY RATIO (%)
(BANK – FISCAL YEAR; PEER – CALENDAR YEAR)



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
GAAP	84.09%	81.79%	82.21%	83.35%	82.25%	73.29%	70.41%	74.53%	75.41%	74.82%
GAAP - excl PPP	84.09%	81.79%	82.21%	83.35%	82.25%	79.21%	77.30%	75.86%	75.41%	74.82%
Reg	88.30%	81.69%	80.91%	83.35%	83.38%	75.46%	73.38%	75.75%	77.13%	77.54%
Reg - excl PPP	88.30%	81.69%	80.91%	83.35%	83.38%	81.85%	81.00%	77.12%	77.13%	77.54%
Peer	69.75%	68.08%	66.44%	65.34%	63.95%	62.70%	61.72%	61.64%	63.17%	65.53%

The Bank's efficiency ratio is an indicator used by Management to monitor the Bank's utilization of its infrastructure. Chart #13 compares the Bank's efficiency ratio, on a GAAP and regulatory basis, to its peer group over the past 10-year period.

When analyzing the Bank's efficiency ratio as compared to the peer group, it is important to recognize the Bank's investment in its subsidiary lines of business. The Bank has made significant investment in staff and facilities for the subsidiaries over the past few years. The Bank' s subsidiaries are service oriented and are designed to assist in strengthening small business through bookkeeping, marketing, IT, and other advisory services. The added personnel and infrastructure costs associated with these lines of business are unique to the Bank and not typical of other bank operations.

The operational infrastructure in place for the Bank and subsidiaries is sufficient to support significant future growth. The additional revenue generated coupled with minimal increases in overhead expense will support an increase in future earnings and improvement to the Bank's efficiency ratio.

SUBSIDIARY OPERATIONS

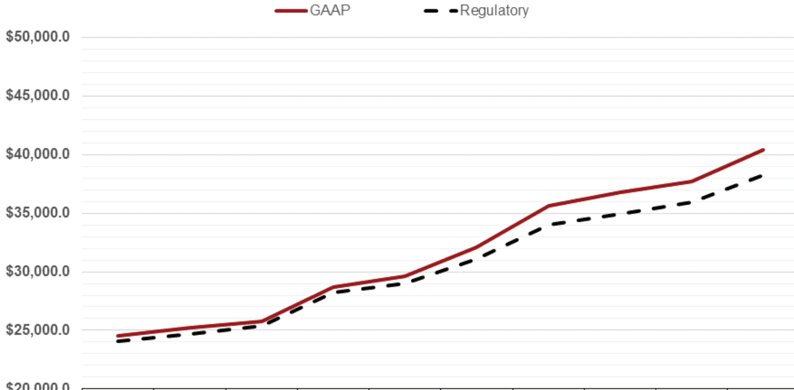
Kuzneski & Lockard, Inc. ("K&L") is a full-service real estate agency headquartered in Indiana, Pennsylvania. In 2024, commission and fee revenue, net of commission expenses paid to agents was $255,000. This was an increase of $47,000 over the prior year.

The residential sales market continues to be impacted by the current interest rate environment. Mortgage rates that had been at historical lows for a prolonged period have increased in this rate cycle leading to a slowdown in sales activity. In addition, the shift to an internet-based model that focuses on transaction volume at lower margins has negatively impacted agencies like K&L that operate under a traditional full-service model. Moving forward, K&L's focus its efforts on commercial sales activity in the Pittsburgh market. The agency occupies office space in the Bank's newly renovated Alpha building that will support this growth.

Enterprise Insurance Services, Inc. provides residential and commercial settlement services along with title and business lines of insurance. Over the past few years the slowdown in residential sales activity has also impacted this business line. In 2024 the subsidiary generated total revenue of $621,000 which was a decrease of $50,000 from the prior year. Management continues to focus on managing overhead costs until activity returns to a normal level in the future.

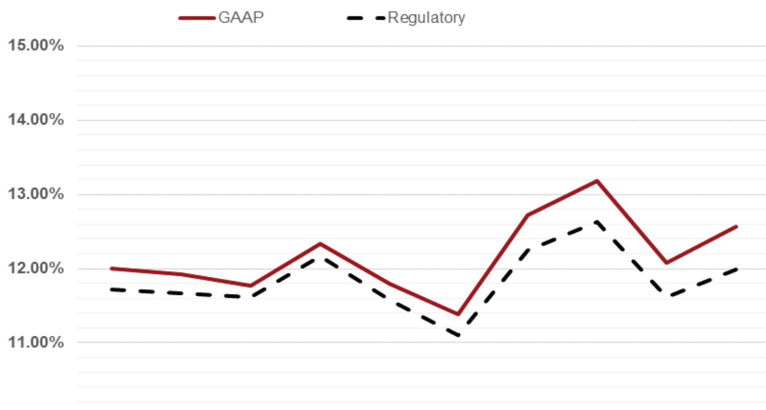
Enterprise Business Consultants, Inc. provides various support services to small businesses. Services include but are not limited to bookkeeping, temporary CFO, marketing, web design and IT support. The subsidiary also operates a small business club line of business that provides co-working space, training, and networking opportunities to its members. The club concept was developed as a way to utilize excess capacity in the Alpha building until the other subsidiaries grow into the space. In 2024 the subsidiary generated $432,000 in revenue which was an increase of $206,000 over the prior year. Focus in this subsidiary continues to be on building and maintaining a quality management and support staff and on growth in revenue to utilize the infrastructure in place.

CHART #14
TOTAL REGULATORY CAPITAL ($)



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
GAAP	$24,543	$25,198	$25,779	$28,715	$29,632	$32,062	$35,623	$36,807	$37,694	$40,439
Regulatory	$24,035	$24,697	$25,377	$28,255	$29,001	$31,110	$34,041	$34,956	$35,907	$38,209

CHART #15
TOTAL RISK BASED CAPITAL (%)



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
GAAP	12.00%	11.92%	11.77%	12.33%	11.79%	11.38%	12.72%	13.18%	12.08%	12.57%
Regulatory	11.72%	11.67%	11.61%	12.17%	11.58%	11.10%	12.25%	12.63%	11.61%	11.99%

CAPITAL

Chart #14 tracks the Bank's Total Regulatory Capital, in dollars, over the past ten year period. The chart shows regulatory capital as reported on the call report and capital as adjusted per the Company's GAAP financial statements. Regulatory Total Capital, as reported in the Bank's September 30, 2024, Call Report, increased $2.3 million over what was reported on September 30, 2023. The increase represents the Bank's current year regulatory net income, less dividends paid to the holding company to support payment of dividends to preferred and common shareholders.

In 2024, The Company paid dividends to common shareholders totaling $334,000. This represented an annual dividend of $0.285 for each outstanding share. Additionally, the Company paid dividends of $225,000, or $90 per outstanding share, on preferred stock. The 2,500 outstanding shares of preferred stock represent the Company's balance of $2,500,000 remaining as a participant in the U.S. Treasury's Small Business Lending Fund. No preferred shares were liquidated in 2024, but the Company remains ahead of the pace set in its business plan to fully liquidate the shares. The Company is obligated to pay a dividend of 9% per year, or $90 per share, on any balances that remain outstanding under this program.

Chart #15 illustrates the Bank's Total Risk Based Capital Ratio (%) for the last ten years. The Bank's Total Risk Based Capital Ratio, as reported on the September 30, 2024, Call Report, was 11.99%. This was an increase of 38bps over the prior year. Given the Bank's usage of wholesale funding markets, it is imperative that the Bank maintain a well-capitalized regulatory classification. If the Bank's capital ratios fell below well-capitalized levels its access to wholesale funding would be disrupted. The Bank has set internal requirements for regulatory capital that are above the well-capitalized threshold and are aligned with the institution's risk profile. These requirements provide a buffer for the Bank to react prior to its classification being downgraded. On September 30, 2024, all capital ratios complied with these requirements.

It is the intention of the majority shareholder group of the Company for the Bank to remain independent into the future with succession plans in place to transition to the next generation of leadership when that time arrives. The Company's original business plan also envisioned the ability for the organization to provide capital investment to assist start-ups and to promote the growth of small businesses in its marketplace. In the upcoming year, the Company will undergo a restructuring that will put the framework in place to ensure that the Bank has the ability to remain independent and form the new subsidiary to hold these equity investments.

elliott davis

Board of Directors
Enterprise Financial Services Group, Inc.
Allison Park, Pennsylvania

Opinion

We have audited the consolidated financial statements of Enterprise Financial Services Group, Inc. and its subsidiaries (the “Company”), which comprise the consolidated statements of financial condition as of September 30, 2024 and 2023, the related consolidated statements of 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 September 30, 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.

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 the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises management's discussion and analysis 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 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.

Elliott Davis, LLC

Columbia, South Carolina
January 29, 2025

ASSETS

	As of September 30,	
	2024	2023
Cash and due from banks	$ 617,044	$ 833,450
Cash on deposit with Federal Reserve Bank	90,507,802	68,145,646
Interest bearing deposits with banks	405,381	494,637
Cash and Cash Equivalents	**91,530,227**	**69,473,733**
Loans receivable	333,812,842	319,898,427
Allowance for credit losses	(1,620,909)	(1,660,147)
Net Loans	**332,191,933**	**318,238,280**
Accrued interest receivable	2,126,555	1,792,179
Premises and equipment, net	10,959,503	11,131,633
Restricted investments in bank stock	2,714,100	2,996,600
Other assets (See Note 8)	7,154,699	9,862,108
Total Assets	**$ 446,677,017**	**$ 413,494,533**

See Notes to Consolidated Financial Statements

LIABILITIES AND STOCKHOLDERS' EQUITY

	As of September 30, 2024	As of September 30, 2023
LIABILITIES		
Non-interest bearing deposits	$ 9,665,003	$ 9,725,852
Interest bearing deposits	332,414,740	294,011,770
Total Deposits	**342,079,743**	**303,737,622**
Borrowings	63,366,500	70,866,500
Accrued interest payable	628,591	738,850
Accrued expenses and other liabilities	1,992,780	2,406,342
Total Liabilities	**408,067,614**	**377,749,314**
Commitments and contingencies (See Notes 6 and 17)		
STOCKHOLDERS' EQUITY		
Senior non-cumulative perpetual preferred stock authorized 5,000,000 shares; 2,500 shares issued and outstanding at September 30, 2024 and 2023, respectively, with a liquidation value of $1,000 per share	2,500,000	2,500,000
Common stock, par value $.50; 9,846,555 shares authorized; 1,200,320 shares issued; 1,172,140 shares outstanding at September 30, 2024 and 2023, respectively	600,160	600,160
Additional paid in capital	13,932,779	13,932,779
Retained earnings	21,825,122	18,960,938
Treasury stock, cost, 28,180 shares at September 30, 2024 and 2023, respectively	(248,658)	(248,658)
Total Stockholders' Equity	**38,609,403**	**35,745,219**
Total Liabilities and Stockholders' Equity	**$ 446,677,017**	**$ 413,494,533**

See Notes to Consolidated Financial Statements

Consolidated Statements of Income

	For Period Ended September 30,	
	2024	2023
INTEREST INCOME		
Interest and fees on loans	$ 20,939,095	$ 17,348,579
Interest on Federal Reserve balances	3,864,883	3,158,592
Other interest and dividend income	273,202	229,286
Total Interest Income	**25,077,180**	**20,736,457**
Interest on deposits	9,161,419	5,781,508
Interest on borrowings	2,072,481	1,584,281
Total Interest Expense	**11,233,900**	**7,365,789**
Net Interest Income	**13,843,280**	**13,370,668**
(CREDIT FROM) PROVISION FOR CREDIT LOSSES	**(64,918)**	**486,919**
Net Interest Income After Provision For Credit Losses	**13,908,198**	**12,883,749**
OTHER OPERATING INCOME		
Service charges on deposit accounts	374,111	351,258
Other fee revenue (see Note 12)	2,514,598	1,698,355
Gain/(loss) on sale of foreclosed real estate	764,257	(16,576)
Loss on valuation of foreclosed real estate	(162,917)	(175,744)
Total Other Operating Income	**3,490,049**	**1,857,293**
OTHER OPERATING EXPENSES		
Salaries and employee benefits (see Note 13)	7,042,272	6,350,969
Occupancy	584,350	582,570
Furniture and office equipment	443,549	438,859
Data processing and computer equipment	1,004,286	942,213
FDIC insurance expense	657,873	470,832
Other (see Note 14)	3,235,961	2,698,262
Total Other Operating Expenses	**12,968,291**	**11,483,705**
Net Income From Continuing Operations, Before Tax	**4,429,956**	**3,257,337**

See Notes to Consolidated Financial Statements

	For Period Ended September 30,	
	2024	2023
INCOME TAX EXPENSE	**1,006,712**	**722,282**
Net Income	**3,423,244**	**2,535,055**
Preferred stock dividends	225,000	313,438
Net Income Attributable To Common Stockholders	**$ 3,198,244**	**$ 2,221,617**
Net Income Attributable to Common Stockholders, per share (basic)	**$ 2.73**	**$ 1.90**
Net Income Attributable to Common Stockholders, per share (diluted)	**$ 2.73**	**$ 1.90**

See Notes to Consolidated Financial Statements

Consolidated Statements of Stockholders' Equity

	Preferred Stock	Common Stock	Additional Paid In Capital	Retained Earnings	Treasury Stock	Total Stockholders' Equity
BALANCE AT SEPTEMBER 30, 2022	**$ 3,750,000**	**$ 600,160**	**$ 13,830,836**	**$ 17,783,253**	**$ (317,431)**	**$ 35,646,818**
Adoption of ASU 2016-13	-	-	-	(711,497)	-	(711,497)
Liquidation of preferred stock (1,250 shares at $1,000.00/share)	(1,250,000)	-	-	-	-	(1,250,000)
Re-issuance of treasury stock (8,091 shares at $21.10/share)	-	-	101,943	-	68,773	170,716
Cash dividends paid on preferred stock ($90.00 per share)	-	-	-	(313,437)	-	(313,437)
Cash dividends paid on common stock ($0.285 per share)	-	-	-	(332,436)	-	(332,436)
Net income	-	-	-	2,535,055	-	2,535,055
BALANCE AT SEPTEMBER 30, 2023	**2,500,000**	**600,160**	**13,932,779**	**18,960,938**	**(248,658)**	**35,745,219**
Cash dividends paid on preferred stock ($90.00 per share)	-	-	-	(225,000)	-	(225,000)
Cash dividends paid on common stock ($0.285 per share)	-	-	-	(334,060)	-	(334,060)
Net income	-	-	-	3,423,244	-	3,423,244
BALANCE AT SEPTEMBER 30, 2024	**$ 2,500,000**	**$ 600,160**	**$ 13,932,779**	**$ 21,825,122**	**$ (248,658)**	**$ 38,609,403**

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended September 30,	
	2024	**2023**
CASH FLOWS FROM OPERATING ACTIVITES		
Net income	$ 3,423,244	$ 2,535,055
Adjustments to reconcile net income to net cash provided by operating activities:		
(Credit from) provision for credit losses	(64,918)	486,919
(Gain) loss on sale of foreclosed real estate	(764,257)	16,576
Loss on valuation of foreclosed real estate	162,917	175,744
Amortization of deferred loan fees and costs, net	104,131	105,374
Depreciation of premises and equipment	845,125	762,532
Gain on disposition of premises and equipment	(46,985)	(869)
Decrease (increase) in deferred tax asset	448,773	(109,584)
Increase in accrued interest receivable	(334,376)	(512,967)
Decrease in other assets	655,239	1,013,252
(Increase) decrease in other liabilities	(353,189)	1,118
(Decrease) increase in accrued interest payable	(110,259)	410,476
Net Cash Provided By Operating Activities	**3,965,445**	**4,883,626**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of restricted investments in bank stock	(968,800)	(856,800)
Sale of restricted investments in bank stock	1,251,300	200,000
Net (increase) decrease in loans	(15,371,622)	(38,937,882)
Purchases of premises and equipment	(657,156)	(556,284)
Net proceeds from the sale of premises and equipment	31,145	6,348
Additional investment in foreclosed real estate	(583,860)	(395,117)
Proceeds from the sale of foreclosed real estate	4,106,981	282,156
Net Cash Used By Investing Activities	**(12,192,012)**	**(40,257,579)**

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended September 30, 2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in deposits	$ 38,342,121	$ (21,110,499)
Dividends paid	(559,060)	(645,873)
Proceeds from re-issuance of treasury stock	-	170,716
Liquidation of preferred stock	-	(1,250,000)
Proceeds from borrowings	23,781,500	22,390,000
Repayment on borrowings	(31,281,500)	(6,000,000)
Net Cash Provided (Used) By Financing Activities	**30,283,061**	**(6,445,656)**
Increase (Decrease) In Cash and Cash Equivalents	**22,056,494**	**(41,819,609)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**69,473,733**	**111,293,342**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 91,530,227**	**$ 69,473,733**
SUPPLEMENTARY CASH FLOWS INFORMATION		
Interest Paid	$ 11,344,159	$ 6,955,313
Income Tax Paid	$ 736,480	$ 1,105,630
NON-CASH INVESTING TRANSACTIONS		
Loans transferred to foreclosed real estate	$ 1,523,731	$ 3,816,400
Loans to facilitate sales of foreclosed real estate	$ 225,250	$ -
Donation of foreclosed real estate	$ -	$ 66,452

See Notes to Consolidated Financial Statements

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

General

The accompanying consolidated financial statements include the accounts of Enterprise Financial Services Group, Inc. (the "Company") and its wholly-owned subsidiary Enterprise Bank (the "Bank"). The accompanying statements also include the accounts of the Bank's wholly owned subsidiaries. The Bank's subsidiaries include Enterprise Insurance Services, Inc., Enterprise Business Consultants, Inc., Buildonus, Inc., Enterprise Intangible Assets, LLC, Enterprise OREO, Inc., Enterprise Child Care LLC, and Kuzneski & Lockard, Inc. All significant inter-company accounts and transactions have been eliminated in consolidation.

Enterprise Bank commenced operations as a state bank in October, 1998. The Bank operates from one location in Allison Park, Allegheny County, Pennsylvania. The primary source of revenue is from providing commercial loans to business customers located within Allegheny and its bi-contiguous counties. The Bank is subject to regulation by the Pennsylvania Department of Banking, the Federal Reserve Board and the Federal Deposit Insurance Corporation.

Enterprise Insurance Services, Inc. provides real estate title verification and insurance services. Enterprise Business Consultants, Inc. is a professional services firm that provides bookkeeping, marketing, advertising and web design services for its small business clients. Enterprise Business Consultants, Inc. also operates "The Club" which is a membership oriented service for small businesses that provides training and networking opportunities as well as flexible office and event space for its members. Buildonus, Inc. provides light construction support to the Bank for its foreclosed properties. Buildonus, Inc. has also served in the past as a general contractor for the construction of the Kuzneski & Lockard, Inc. office facility in Indiana, Pennsylvania and for the expansion of the Bank's headquarters in Allison Park, Pennsylvania. Kuzneski & Lockard, Inc. is a full service real estate agency with headquarters in Indiana, Pennsylvania. Enterprise Intangible Assets, LLC holds title to mineral rights the Bank has obtained through foreclosure. Enterprise OREO, Inc. is a holding company for foreclosed properties and Enterprise Child Care LLC provides daycare services for Company employees.

Cash and Cash Equivalents

Cash and cash equivalents includes cash in banks with original maturities of less than 90 days. For purposes of reporting cash flows, the Bank has defined cash and cash equivalents as those amounts included in the Consolidated Statements Of Financial Condition captioned, "Cash and due from banks", "Cash on deposit with Federal Reserve Bank", and "Interest bearing deposits with banks".

Adoption of New Accounting Standards

On October 1, 2022, the Company adopted ASU 2016-13 *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses.

The Company adopted ASC 326, and all related subsequent amendments thereto, effective October 1, 2022 using the modified retrospective approach for all financial assets measured at amortized cost and off-balance sheet credit exposures. The transition adjustment of the adoption of CECL included an increase in the allowance for credit losses on loans of $798,827, which is presented as a reduction to net loans outstanding, and an increase in the allowance for credit losses on unfunded loan commitments of $101,799, which is recorded within Accrued expenses and other liabilities. The company recorded a net decrease to retained earnings of $711,497 as of October 1, 2022 for the cumulative effect of adopting CECL, which reflects the transition adjustments noted above, net of applicable deferred tax assets recorded. Results for reporting periods beginning after October 1, 2022 are presented under CECL while prior period amounts continue to be reported in accordance with previously applicable accounting standards ("Incurred Loss").

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans Receivable

Loans that management has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are reported at amortized cost. Amortized cost is the principal balance outstanding, net of purchase premiums and discounts and deferred fees and costs. Interest income is accrued on the unpaid principal balance and is credited to income as earned. Accrued interest receivable related to loans totaled $1,910,783 at September 30, 2024 and was reported in Accrued interest receivable in the Consolidated Statements of Financial Condition. Loan origination fees, net of certain direct origination costs, are deferred and are recognized as an adjustment to the effective yield of the related loan through interest income. The Bank is generally amortizing these amounts over the contractual life of the loan.

The accrual of interest is generally discontinued when a loan becomes 90 days past due and is not well secured and in the process of collection, or when management believes, after considering economic and business conditions and collection efforts, that the principal or interest will not be collectible in the normal course of business. Past Due status is based on contractual terms of the loan. A loan is considered to be past due when a scheduled payment has not been received 30 days after the contractual due date.

For interest that has been accrued but unpaid at the time a loan is placed on nonaccrual status a reversal is made to either interest income in the current year or charged against the allowance for credit losses depending on the period in which the interest was originally accrued.

For loans that are on nonaccrual, with measured impairment, payments received are generally applied against principal. For loans that are on nonaccrual, with no measured impairment, a portion of payments received may be recognized as interest income on a cash basis. Generally, loans are restored to accrual status when the interest due is brought current, the loan has performed in accordance with the contractual terms for a reasonable period of time, and doubt about the ultimate collectability of the total contractual principal and interest has been alleviated.

Management’s interpretation of GAAP with regard to the recognition of interest income on loans receivable differs from regulatory reporting guidance. This results in a difference between interest income as presented in this report and interest income as presented in the Bank’s regulatory financial reporting. Please refer to Note 23 Reconciliation Of Financial Statements To Regulatory Reporting (Unaudited) for more detail and discussion of these differences.

Allowance for Credit Losses - Loans

The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged-off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Accrued interest receivable is excluded from the estimate of credit losses.

The allowance for credit losses represents management's estimate of lifetime credit losses inherent in loans as of the balance sheet date. The allowance for credit losses is estimated by management using relevant available information, from both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Management's evaluation of the allowance is inherently subjective, as it requires material estimates that may be susceptible to significant change, including the amounts and timing of future cash flows expected to be received on individually evaluated loans.

The Company measures expected credit losses for loans on a pooled basis when similar risk characteristics exist. The Company has identified the following portfolio segments:

Collateral Based Pool - Loans in this pool have been underwritten with an emphasis on collateral values as an important source of repayment. The allowance for credit losses for this portfolio segment is estimated using a weighted average remaining maturity ("WARM") methodology. This methodology applies a historical loss factor to the estimated remaining life of the portfolio on the period end date. The historical loss factor is calculated as an average of the Bank's specific loss history over a base period deemed reasonable based on the estimated remaining life of the portfolio. The weighted average remaining life is estimated based on the remaining contractual life of the loan adjusted for an estimate of expected prepayments.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Flow Based Pool - Loans in the pool have been underwritten with an emphasis on traditional cash flow analysis when determining the borrower's ability to pay. Due to the Company's limited historical loss experience for loans in this pool, the allowance for credit losses for this segment is estimated using the Scaled CECL for Allowance for Losses Estimator (SCALE). This methodology was developed by the Federal Reserve and estimates expected lifetime loss rates utilizing industry or peer data from the Call Report.

Additionally, the allowance for credit losses calculation includes subjective adjustments for qualitative risk factors that are likely to cause estimated credit losses to differ from historical experience. These qualitative adjustments may increase or reduce reserve levels and include adjustments for asset quality and portfolio trends, trends in the valuation of underlying collateral, current and forecast economic conditions and other external factors. For forecast information the Bank is typically using forecast periods of up to one year and then reverting back to historical loss data.

Loans that do not share risk characteristics are evaluated on an individual basis. When management determines that foreclosure is probable and the borrower is experiencing financial difficulty, the expected credit losses are based on the fair value of collateral at the reporting date, net of estimated selling costs as appropriate.

Allowance for Credit Losses - Unfunded Commitments

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit issued to meet customer financing needs. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for off-balance sheet loan commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded.

The Company records an allowance for credit losses - unfunded commitments, unless the commitments to extend credit are unconditionally cancelable, through a charge to provision for credit losses in the Company's Consolidated Statements of Income. The allowance for credit losses - unfunded commitments is estimated by loan segment at each balance sheet date under the current expected credit loss model using the same methodologies as portfolio loans, taking into consideration the likelihood that funding will occur as well as any third-party guarantees. The allowance for credit losses - unfunded commitments is included in Accrued expenses and other liabilities in the Company's Consolidated Statements of Financial Condition.

Foreclosed Real Estate

Real estate properties acquired through, or in lieu of, loan foreclosure are to be sold and are initially recorded at fair value net of estimated costs to sell on the date of foreclosure establishing a new carrying value. On the date of acquisition, any deficiency between the asset’s net fair value and the basis of the underlying loan is charged to the allowance for credit losses. If the asset’s net fair value exceeds the Bank’s basis in the underlying loan then a gain is recorded and classified as a gain on valuation of foreclosed real estate on the Consolidated Statements of Income. After foreclosure, properties are re-appraised on at least an annual basis. When re-appraised, the property is adjusted to the lower of the carrying amount, which may include capitalized remodeling expenses, or the new fair value less estimated costs to sell. A write-down of the carrying value is recorded as a loss on the valuation of foreclosed real estate on the Consolidated Statements of Income.

The Bank recorded net valuation losses on foreclosed real estate of $162,917 and $175,744 for the years ended September 30, 2024 and 2023, respectively. There were no gains recorded upon foreclosure of real estate for the years ended September 30, 2024 and September 30, 2023.

The Bank held foreclosed real estate with an aggregate carrying value, net of valuation allowance, of $4,086,375 and $5,677,429 at September 30, 2024 and 2023, respectively, which is included in Other assets in the Company's Consolidated Statements of Financial Condition.

The Bank had loans with a balance of $947,470 secured by 1-4 family residential real estate that were in the process of foreclosure on September 30, 2024. There were no loans secured by 1-4 family residential real estate that were in the process of foreclosure on September 30, 2023.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Premises and Equipment

Land is carried at cost. Premises and equipment are carried at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from three to forty years. Charges for maintenance and repairs are expensed as incurred.

Income Taxes

The applicable federal income tax expense or benefit for the Company's wholly owned subsidiaries is properly allocated to each subsidiary based upon taxable income or loss calculated on a separate company basis. Each subsidiary is responsible for its own federal income tax liability and receives reimbursement for federal income tax benefits.

Deferred income tax assets and liabilities are determined based on the differences between financial statement carrying amounts and the tax basis of existing assets and liabilities. These differences are measured at the enacted tax rates expected to be in effect when such amounts are realized or settled. 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. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Deposits

Interest expense on deposits is accrued and charged to expense daily and is paid or compounded in accordance with the terms of the accounts.

Advertising Costs

The Bank follows the policy of charging costs of advertising to expense as incurred. Advertising costs are included in the line item Other in the Other Operating Expenses section of the Consolidated Statements of Income. Total advertising expense for the years ended September 30, 2024 and 2023 was $16,397 and $21,923, respectively.

Concentration of Risks

The Bank maintains deposits in financial institutions that at times may exceed the federal deposit insurance limits for each account of $250,000. The Bank has not experienced any losses from these deposit relationships.

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note (see Note 22). Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH BALANCES WITH FEDERAL RESERVE BANKS

Regulations of the Board of Governors of the Federal Reserve System impose uniform reserve requirements on all depository institutions with transaction accounts (checking accounts, NOW accounts, etc.). Reserves are maintained in the form of vault cash or cash balances held with the Federal Reserve Bank. The Bank also, from time to time, maintains deposits with the Federal Reserve Bank and other banks for various services such as check clearing. Effective March 26, 2020, in response to the COVID-19 pandemic, the Federal Reserve reduced its reserve requirement ratios to zero percent. As a result, the Bank had no reserve requirement at September 30, 2024 and 2023.

The Federal Reserve Bank paid interest on any required reserves and excess balances during the years ended September 30, 2024 and 2023. The Bank had interest bearing balances with the Federal Reserve of $90,507,802 and $68,145,646 at September 30, 2024 and 2023, respectively. These balances are classified as Cash on deposit with Federal Reserve Bank in the Consolidated Statements of Financial Condition.

NOTE 3 - RESTRICTED INVESTMENTS IN BANK STOCK

Restricted investments in bank stock include equity securities of the Federal Home Loan Bank (“FHLB”) and the Atlantic Community Bankers Bank (“ACBB”) recorded at cost, at September 30, 2024 and 2023 as follows:

	2024	2023
Federal Home Loan Bank stock	$ 2,684,100	$ 2,966,600
Atlantic Community Bankers Bank stock	30,000	30,000
Total	**$ 2,714,100**	**$ 2,996,600**

As a member of the FHLB, the Bank is required to maintain a capital stock investment. The FHLB requires a minimum investment based upon the member's borrowing balance, collateral pledged and participation in other FHLB programs.

FHLB stock does not have a readily determinable fair value and therefore is carried at cost. The investment is periodically evaluated for impairment based on an assessment of recoverability of the cost basis. Cash dividends received on FHLB and ACBB stock are included in Other interest and dividend income in the Consolidated Statements of Financial Condition.

NOTE 4 - LOANS RECEIVABLE

The composition of the Bank's loan portfolio at September 30, 2024 and 2023 was as follows:

	2024	2023
Real estate:		
Construction and land development	$ 25,718,302	$ 16,446,598
Mortgage:		
Residential	28,640,907	23,762,523
Commercial	249,514,052	246,789,015
Agricultural	2,220,000	-
Commercial and industrial loans	26,929,093	32,085,823
Consumer loans	38,411	56,417
Other	49,854	7,327
Total	**333,110,619**	**319,147,703**
Unamortized deferred loan (fees) and origination costs, net	702,223	750,724
Total	**333,812,842**	**319,898,427**
Less allowance for credit losses	(1,620,909)	(1,660,147)
Net loans	**$ 332,191,933**	**$ 318,238,280**

The Bank grants commercial loans, residential mortgages and consumer loans to customers generally located within Allegheny County and its bi-contiguous counties. Although the Bank has a diversified portfolio, exposure to credit loss can be adversely impacted by downturns in local economic and employment conditions.

On September 30, 2024, the Bank had concentrations in loans to lessors of non-residential buildings (except mini-warehouses), lessors of residential buildings, and hotels (except casino hotels) in the amounts of $69,415,707, $40,171,944 and $21,720,859, respectively. On September 30, 2023, the Bank had concentrations in loans to lessors of non-residential buildings (except mini-warehouses), lessors of residential buildings, and hotels (except casino hotels) in the amounts of $66,630,496, $31,370,155 and $21,192,288, respectively.

NOTE 4 - LOANS RECEIVABLE (CONTINUED)

Risk characteristics applicable to each material segment of the loan portfolio are described as follows:

Construction and Land Development: Construction and land development real estate loans are usually based upon estimates of costs and estimated value of the completed project and include independent appraisal reviews and a financial analysis of the developers and property owners. Sources of repayment of these loans may include permanent loans, sales of developed property or an interim loan commitment from the Bank until permanent financing is obtained. These loans are considered to be higher risk than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, general economic conditions and the availability of long-term financing. Credit risk in these loans may be impacted by the creditworthiness of a borrower, property values and the local economies in the Bank's market areas.

Residential Real Estate: Residential real estate loans are generally secured by owner-occupied 1-4 family residences. In most instances this collateral is pledged to secure a loan to a commercial borrower. When securing a commercial loan, repayment is generally derived from the cash flow of a borrower's principal business operation. Repayment of these loans oftentimes is dependent on the personal income and credit rating of the borrowers. Credit risk in these loans can be impacted by economic conditions within the Bank's market areas that might impact property values, performance of the borrower's business or personal income.

Commercial Real Estate: Commercial real estate loans typically involve larger principal amounts, and repayment of these loans is generally dependent on the successful operations of the property securing the loan or the business conducted on the property securing the loan. Credit risk in these loans may be impacted by the creditworthiness of a borrower, property values and the local economies in the Bank's market areas.

Commercial and Industrial: The commercial portfolio includes loans to commercial customers for use in financing working capital needs, equipment purchases and expansion. The loans in this category are repaid primarily from the cash flow of a borrower's principal business operation. Credit risk in these loans is driven by creditworthiness of a borrower and the economic conditions that impact the cash flow stability from business operations. Enterprise Bank puts a strong emphasis on tangible collateral and sometimes uses a government guarantee to mitigate its risk due to the business plan which includes an element of higher risk lending.

Agricultural: The commercial portfolio includes loans to finance agricultural production and other loans to farmers. This can include loans and advances made for the purpose of financing agricultural production, including the growing and storing of crops, the marketing or carrying of agricultural products by the growers thereof, and the breeding, raising, fattening or marketing of livestock. Credit risk in these loans can be impacted by economic conditions that might impact the performance of the borrower's business, personal income or property values.

NOTE 4 - LOANS RECEIVABLE (CONTINUED)

The following is a detail of the Bank's loans, classified by delinquent status, at September 30, 2024 and 2023 along with the value of risk mitigation programs in place to limit the Bank's exposure to loss from these loans.

September 30, 2024		**Days Past Due and Accruing**			**Past Due and**		**Total Loans**
	Current	**30-59**	**60-89**	**90+**	**Accruing Total**	**Nonaccrual**	**Receivable**
Real Estate							
Construction and land development	$ 25,225,927	$ -	$ 492,375	$ -	$ 492,375	$ -	$ 25,718,302
Mortgage:							
Residential	27,288,467	133,116	-	-	133,116	1,219,324	28,640,907
Commercial	230,105,080	4,160,464	-	14,160,644	18,321,108	1,087,864	249,514,052
Agricultural	2,220,000	-	-	-	-	-	2,220,000
Commercial and industrial loans	24,953,311	-	1,023,416	-	1,023,416	952,366	26,929,093
Consumer loans	38,411	-	-	-	-	-	38,411
Other	49,854	-	-	-	-	-	49,854
Total	**309,881,050**	**4,293,580**	**1,515,791**	**14,160,644**	**19,970,015**	**3,259,554**	**333,110,619**
Less government guaranteed portion	37,508,940	-	795,221	3,325,221	4,120,442	1,634,232	43,263,614
SBA 504 financing (1)	33,805,574	280,000	492,375	1,333,330	2,105,705	-	35,911,279
Net after SBA credit enhancements	**$ 238,566,536**	**$ 4,013,580**	**$ 228,195**	**$ 9,502,093**	**$ 13,743,868**	**$ 1,625,322**	**$ 253,935,726**

(1) SBA loan structure typically carries a loan to value ratio of ≤ 50%

NOTE 4 - LOANS RECEIVABLE (CONTINUED)

September 30, 2023		Days Past Due and Accruing					
	Current	30-59	60-89	90+	Past Due and Accruing Total	Nonaccrual	Total Loans Receivable
Real Estate							
Construction and land development	$ 16,446,598	$ -	$ -	$ -	$ -	$ -	$ 16,446,598
Mortgage:							
Residential	23,748,932	-	-	-	-	13,591	23,762,523
Commercial	229,851,204	3,402,222	4,296,028	8,535,596	16,233,846	703,965	246,789,015
Agricultural	-	-	-	-	-	-	-
Commercial and industrial loans	29,766,255	750,000	841,000	378,710	1,969,710	349,858	32,085,823
Consumer loans	56,417	-	-	-	-	-	56,417
Other	7,327	-	-	-	-	-	7,327
Total	**299,876,733**	**4,152,222**	**5,137,028**	**8,914,306**	**18,203,556**	**1,067,414**	**319,147,703**
Less government guaranteed portion	42,383,970	-	630,750	1,196,173	1,826,923	311,661	44,522,554
SBA 504 financing (1)	30,039,221	-	-	1,068,626	1,068,626	-	31,107,847
Net after SBA credit enhancements	**$ 227,453,542**	**$ 4,152,222**	**$ 4,506,278**	**$ 6,649,507**	**$ 15,308,007**	**$ 755,753**	**$ 243,517,302**

(1) SBA loan structure typically carries a loan to value ratio of ≤ 50%

NOTE 5 - ALLOWANCE FOR CREDIT LOSSES

Internal Credit Risk Grades

The following summarizes the Bank's internal credit risk grades used as part of its credit risk valuation process for loans as presented in the following tables:

Grade 1 (Excellent risk)

This category includes only credits of the highest quality. Risk of financial deterioration and/or ultimate loss is extremely low. This category typically includes lines of credit and loans fully secured with negotiable securities or bank time deposits, within Bank policy guidelines. This category may include credits to very strong net worth and cash flow borrowers with good collateral, proper guarantees, and a defined short to intermediate term repayment schedule. This category includes the government guaranteed portion of Small Business Administration loans. Collateral may include less than 50% advances against real estate. Credits contain no policy exceptions.

Grade 2 (Above average risk)

This category includes credits of a high quality with minor or no policy exceptions. The risk of serious financial deterioration and/or loss is very low. Typically this category includes credits secured with business assets providing a significant level of protection beyond the loan balance and may include personal real estate collateral when significant equity exists, is personally guaranteed and has a defined repayment agreement. Borrower consistently meets all reporting requirements.

Grade 3 (Satisfactory risk)

This category contains good quality credits. The risk of financial deterioration and/or ultimate loss is low. This category includes unsecured credits to very strong net worth and cash flow borrowers with excellent track records or credit ratings. Loans substantially comply with Bank policy with only minor exceptions. This category typically includes credits which may have been rated a Grade 2 but for over advances on collateral or extended repayment terms. This category may include loans to new or acquired businesses which have good collateral, but lack of a track record. Commercial mortgages with advances less than 75% may be rated in this category. The borrower is generally prompt with reporting requirements, needing only occasional reminders to comply.

Grade 4 (Acceptable risk)

This category contains average quality credits. The risk is acceptable in its current form, but the possibility of financial deterioration exists if adverse conditions occur. This rating may be indicative of factors such as less than favorable earnings trends, untested management abilities, limited secondary sources of repayment, higher than average leverage or marginal collateral. Generally, this category includes monitored business lines of credit and receivable purchase facilities. This category also includes credits which may have one major policy exception or a limited number of minor exceptions, such as advances on real estate in excess of that defined under the Grade 3 category, or having cash flow characteristics which are untested or of duration less than that of the loan. This category will include otherwise higher rated loans to borrowers who frequently fail to meet reporting requirements or incur occasional delinquency.

Grade 5 (Marginal risk and "Watch List")

This category contains credits of below average quality. One or two important negative factors exist which could result in serious financial deterioration leading to a risk of loss. Credit may still be protected by good collateral or guarantor support. This category usually includes loans which have been downgraded due to a repeated delinquency, deterioration of financial condition, including collateral value and/or cash flow, repeated failure to meet reporting requirements or other factors, which, if not corrected, may result in further weakness.

Grade 6 (Classified)

This category contains credits of below average quality with several weaknesses. Weaknesses include significant financial deterioration in collateral value or the Bank's ability to liquidate collateral, financial statements which indicate unacceptable leverage, or cash flow insufficient to service debt.

NOTE 5 - ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

The following table presents the Company's recorded investment in loans by internal risk grade by year of origination as of September 30, 2024:

	Term Loans by Year of Origination, Fiscal year ending September 30,							
	2024	**2023**	**2022**	**2021**	**2020**	**Prior**	**Revolving**	**Total**
Construction and land development								
Grade 1	$ 1,380,703	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,380,703
Grade 2	-	-	128,695	-	-	-	-	128,695
Grade 3	6,542,478	1,259,543	759,915	-	-	-	-	8,561,936
Grade 4	1,713,072	7,605,711	1,934,662	705,848	1,785,000	-	419,144	14,163,437
Grade 5	-	1,483,531	-	-	-	-	-	1,483,531
Grade 6	-	-	-	-	-	-	-	-
Total construction and land development	**9,636,253**	**10,348,785**	**2,823,272**	**705,848**	**1,785,000**	**-**	**419,144**	**25,718,302**
Current period gross write-offs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Mortgage - residential								
Grade 1	1,936,338	462,592	-	450,041	139,181	783,155	-	3,771,307
Grade 2	148,000	567,149	711,094	371,657	494,203	838,090	-	3,130,193
Grade 3	1,930,832	4,128,980	466,220	854,369	650,863	2,303,277	4,619,630	14,954,171
Grade 4	1,505,569	1,096,635	169,647	1,419,640	264,513	670,528	-	5,126,532
Grade 5	-	-	-	25,821	46,394	-	-	72,215
Grade 6	-	541,003	-	58,490	234,049	10,208	742,739	1,586,489
Total mortgage - residential	**5,520,739**	**6,796,359**	**1,346,961**	**3,180,018**	**1,829,203**	**4,605,258**	**5,362,369**	**28,640,907**
Current period gross write-offs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Mortgage - commercial								
Grade 1	-	701,526	5,667,100	290,460	-	10,633,123	-	17,292,209
Grade 2	-	619,027	276,191	-	1,711,519	2,910,510	15,815	5,533,062
Grade 3	14,862,456	19,033,827	21,111,673	15,279,494	11,781,411	38,318,318	4,529,048	124,916,227
Grade 4	4,359,123	14,132,466	10,104,921	4,085,584	12,765,808	27,470,679	55,000	72,973,581
Grade 5	-	192,960	33,486	472,709	5,375,116	985,984	-	7,060,255
Grade 6	-	2,116,361	5,029,690	8,758,329	-	5,834,338	-	21,738,718
Total mortgage - commercial	**19,221,579**	**36,796,167**	**42,223,061**	**28,886,576**	**31,633,854**	**86,152,952**	**4,599,863**	**249,514,052**
Current period gross write-offs	**-**	**-**	**-**	**-**	**-**	**70,011**	**-**	**70,011**

NOTE 5 - ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

	Term Loans by Year of Origination, Fiscal year ending September 30,							
	2024	2023	2022	2021	2020	Prior	Revolving	Total
Agricultural								
Grade 1	-	-	-	-	-	-	-	-
Grade 2	-	-	-	-	-	-	-	-
Grade 3	2,220,000	-	-	-	-	-	-	2,220,000
Grade 4	-	-	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-	-	-
Grade 6	-	-	-	-	-	-	-	-
Total agricultural	**2,220,000**	**-**	**-**	**-**	**-**	**-**	**-**	**2,220,000**
Current period gross write-offs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Commercial and industrial loans								
Grade 1	495,424	5,680,041	1,872,014	2,386,004	-	1,861,849	2,573,375	14,868,707
Grade 2	-	-	-	-	192,537	-	-	192,537
Grade 3	52,919	1,025,473	1,027,783	63,275	293,276	320,358	3,414,090	6,197,174
Grade 4	157,942	615,069	160,147	228,310	453,192	1,012,093	1,710,074	4,336,827
Grade 5	14,042	-	-	36,802	134,464	11,784	-	197,092
Grade 6	-	-	-	386,259	-	64,236	686,261	1,136,756
Total commercial and industrial	**720,327**	**7,320,583**	**3,059,944**	**3,100,650**	**1,073,469**	**3,270,320**	**8,383,800**	**26,929,093**
Current period gross write-offs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Consumer loans								
Grade 1	-	-	-	-	-	-	-	-
Grade 2	-	-	-	-	-	-	-	-
Grade 3	-	-	-	-	-	2,981	-	2,981
Grade 4	-	22,390	-	12,202	838	-	-	35,430
Grade 5	-	-	-	-	-	-	-	-
Grade 6	-	-	-	-	-	-	-	-
Total consumer	**-**	**22,390**	**-**	**12,202**	**838**	**2,981**	**-**	**38,411**
Current period gross write-offs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

NOTE 5 - ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

	Term Loans by Year of Origination, Fiscal year ending September 30,							
	2024	**2023**	**2022**	**2021**	**2020**	**Prior**	**Revolving**	**Total**
Other								
Grade 1	49,854	-	-	-	-	-	-	49,854
Grade 2	-	-	-	-	-	-	-	-
Grade 3	-	-	-	-	-	-	-	-
Grade 4	-	-	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-	-	-
Grade 6	-	-	-	-	-	-	-	-
Total other	**49,854**	**-**	**-**	**-**	**-**	**-**	**-**	**49,854**
Current period gross write-offs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

The following table presents the Company's recorded investment in loans by internal risk grade by year of origination as of September 30, 2023:

	Term Loans by Year of Origination, Fiscal year ending September 30,							
	2023	**2022**	**2021**	**2020**	**2019**	**Prior**	**Revolving**	**Total**
Construction and land development								
Grade 1	$ 127,500	$ 831,282	$ -	$ -	$ -	$ -	$ -	$ 958,782
Grade 2	-	292,567	-	-	-	-	-	292,567
Grade 3	3,906,948	3,364,722	584,860	-	-	-	-	7,856,530
Grade 4	1,386,174	4,575,632	-	1,376,913	-	-	-	7,338,719
Grade 5	-	-	-	-	-	-	-	-
Grade 6	-	-	-	-	-	-	-	-
Total construction and land development	**5,420,622**	**9,064,203**	**584,860**	**1,376,913**	**-**	**-**	**-**	**16,446,598**
Current period gross write-offs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Mortgage - residential								
Grade 1	709,209	-	573,761	367,893	587,805	362,282	621,032	3,221,982
Grade 2	-	576,515	228,599	-	49,268	331,156	230,374	1,415,912
Grade 3	2,468,571	871,420	955,608	2,991,223	741,638	3,135,160	630,103	11,793,723
Grade 4	3,576,353	372,794	1,780,043	274,687	991,458	99,349	100,000	7,194,684
Grade 5	-	-	-	56,991	-	-	-	56,991
Grade 6	-	-	-	65,640	-	13,591	-	79,231
Total mortgage - residential	**6,754,133**	**1,820,729**	**3,538,011**	**3,756,434**	**2,370,169**	**3,941,538**	**1,581,509**	**23,762,523**
Current period gross write-offs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

NOTE 5 - ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

	Term Loans by Year of Origination, Fiscal year ending September 30,							
	2023	2022	2021	2020	2019	Prior	Revolving	Total
Mortgage - commercial								
Grade 1	600,069	9,558,374	752,615	-	347,617	11,483,654	-	22,742,329
Grade 2	181,589	285,997	-	137,824	1,416,358	3,407,797	51,310	5,480,875
Grade 3	22,871,362	19,470,317	16,308,807	16,103,026	9,620,626	31,693,499	2,895,430	118,963,067
Grade 4	14,093,218	10,400,479	9,325,642	13,048,382	6,826,403	25,279,550	775,000	79,748,674
Grade 5	-	34,672	434,705	5,583,776	115,872	1,020,684	-	7,189,709
Grade 6	-	-	4,588,305	-	4,287,874	3,788,182	-	12,664,361
Total mortgage - commercial	**37,746,238**	**39,749,839**	**31,410,074**	**34,873,008**	**22,614,750**	**76,673,366**	**3,721,740**	**246,789,015**
Current period gross write-offs	**-**	**-**	**-**	**-**	**-**	**599,738**	**-**	**599,738**
Commercial and industrial loans								
Grade 1	6,276,791	2,070,314	3,087,323	-	1,527,432	2,310,607	3,181,696	18,454,163
Grade 2	-	-	-	231,361	-	-	42,000	273,361
Grade 3	892,492	1,150,752	-	445,856	12,760	1,624,145	2,782,298	6,908,303
Grade 4	830,805	186,867	348,089	752,858	183,664	468,104	3,137,109	5,907,496
Grade 5	-	-	88,067	180,361	19,519	5,577	210,250	503,774
Grade 6	-	-	-	-	-	10,164	28,562	38,726
Total commercial and industrial	**8,000,088**	**3,407,933**	**3,523,479**	**1,610,436**	**1,743,375**	**4,418,597**	**9,381,915**	**32,085,823**
Current period gross write-offs	**-**	**-**	**-**	**-**	**-**	**21,150**	**-**	**21,150**
Consumer loans								
Grade 1	-	-	-	-	-	-	-	-
Grade 2	-	-	-	-	-	-	-	-
Grade 3	-	-	-	-	7,315	-	-	7,315
Grade 4	27,000	-	19,236	2,866	-	-	-	49,102
Grade 5	-	-	-	-	-	-	-	-
Grade 6	-	-	-	-	-	-	-	-
Total consumer	**27,000**	**-**	**19,236**	**2,866**	**7,315**	**-**	**-**	**56,417**
Current period gross write-offs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

NOTE 5 - ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

	Term Loans by Year of Origination, Fiscal year ending September 30,							
	2023	2022	2021	2020	2019	Prior	Revolving	Total
Other								
Grade 1	7,327	-	-	-	-	-	-	7,327
Grade 2	-	-	-	-	-	-	-	-
Grade 3	-	-	-	-	-	-	-	-
Grade 4	-	-	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-	-	-
Grade 6	-	-	-	-	-	-	-	-
Total other	**7,327**	**-**	**-**	**-**	**-**	**-**	**-**	**7,327**
Current period gross write-offs	-	-	-	-	-	-	-	-

NOTE 5 - ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

The following table is a summary of the Company's nonaccrual loans by major categories for the periods indicated:

	September 30, 2024			September 30, 2023		
	with No Allowance	Nonaccrual Loans with an Allowance	Total	with No Allowance	Nonaccrual Loans with an Allowance	Total
Mortgage:						
Residential	$ 476,585	$ 742,739	$ 1,219,324	$ 13,591	$ -	$ 13,591
Commercial	507,494	580,370	1,087,864	420,202	283,763	703,965
Commercial and industrial loans	-	952,366	952,366	-	349,858	349,858
Total	**$ 984,079**	**$ 2,275,475**	**$ 3,259,554**	**$ 433,793**	**$ 633,621**	**$ 1,067,414**

The Company recognized $19,005 and $12,631 of interest income on nonaccrual loans during the twelve months ended September 30, 2024 and 2023, respectively

The following table represents the accrued interest receivables written off by reversing interest income during the twelve months ended September 30:

	2024	2023
Mortgage: Residential	$ 4,096	$ -
Commercial and industrial loans	2,610	3,061
Total	**$ 6,706**	**$ 3,061**

NOTE 5 - ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

The Company designates individually evaluated loans on nonaccrual status, as well as other loans that management of the Company designates as having higher risk, as collateral dependent loans. Collateral dependent loans are loans for which the repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty. These loans do not share common risk characteristics and are not included within the collectively evaluated loans for determining the allowance for credit losses. Under CECL, for collateral dependent loans, the Company has adopted the practical expedient to measure the allowance for credit losses based on the fair value of collateral, net of estimated selling costs, as appropriate. The allowance for credit losses is calculated on an individual loan basis based on the shortfall between the fair value of the loan's collateral, which is adjusted for estimated costs to sell, and the amortized cost basis of the loan. If the fair value of the collateral exceeds the amortized cost basis of the loan, no allowance is required.

The following table presents the analysis of collateral-dependent loans of the Company as of September 30, 2024:

	Residential Properties	Commercial Properties	Business Assets	Total Loans
Construction and land development	$ -	$ -	$ -	$ -
Mortgage:				
Residential	1,582,593	-	-	1,582,593
Commercial	216,709	21,525,905	-	21,742,614
Agricultural	-	-	-	-
Commercial and industrial loans	-	-	1,136,755	1,136,755
Consumer loans	-	-	-	-
Other	-	-	-	-
Total	**$ 1,799,302**	**$ 21,525,905**	**$ 1,136,755**	**$ 24,461,962**

The following table presents the analysis of collateral-dependent loans of the Company as of September 30, 2023:

	Residential Properties	Commercial Properties	Business Assets	Total Loans
Construction and land development	$ -	$ -	$ -	$ -
Mortgage:				
Residential	276,151	-	-	276,151
Commercial	357,924	13,123,901	-	13,481,825
Agricultural	-	-	-	-
Commercial and industrial loans	3,521	-	349,858	353,379
Consumer loans	-	-	-	-
Other	-	-	-	-
Total	**$ 637,596**	**$ 13,123,901**	**$ 349,858**	**$ 14,111,355**

NOTE 5 - ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

The following table summarizes activity related to the allowance for credit losses for the year ended September 30, 2024:

	Residential Mortgage	Commercial Mortgage	Construction and Land Development	Commercial & Industrial	Agricultural	Consumer	Other	Total
Beginning balance	$ 96,095	$ 1,271,051	$ 75,336	$ 217,335	$ -	$ 330	$ -	$ 1,660,147
Provision for credit losses	161,320	(126,361)	17,816	(42,112)	4,887	(193)	-	15,357
Recoveries of previously charged off loans	11,537	1,317	-	2,562	-	-	-	15,416
Charge-offs	-	(70,011)	-	-	-	-	-	(70,011)
Ending balance	**$ 268,952**	**$ 1,075,996**	**$ 93,152**	**$ 177,785**	**$ 4,887**	**$ 137**	**$ -**	**$ 1,620,909**

The following table summarizes activity related to the allowance for credit losses for the year ended September 30, 2023:

	Residential Mortgage	Commercial Mortgage	Construction and Land Development	Commercial & Industrial	Agricultural	Consumer	Other	Total
Beginning balance	$ 34,830	$ 755,879	$ 7,441	$ 207,768	$ -	$ 38	$ -	$ 1,005,956
Adjustment to allowance for adoption of ASU 2016-13	60,987	763,259	37,364	(62,974)	-	191	-	798,827
Provision for credit losses	(19,108)	350,471	30,531	91,100	-	101	-	453,095
Recoveries of previously charged off loans	19,386	1,180	-	2,591	-	-	-	23,157
Charge-offs	-	(599,738)	-	(21,150)	-	-	-	(620,888)
Ending balance	**$ 96,095**	**$ 1,271,051**	**$ 75,336**	**$ 217,335**	**$ -**	**$ 330**	**$ -**	**$ 1,660,147**

NOTE 5 - ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Modifications Made to Borrowers Experiencing Financial Difficulty

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

Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance, a change to the allowance for credit losses is generally not recorded upon modification.

The Company's modifications generally are comprised of the granting of an interest only period or a maturity extension. In some cases, the Company will modify a certain loan by providing multiple types of concessions. Typically, this would be the granting of both an interest only period and an extension of the maturity date. For the real estate loans included in the "combination" columns below, multiple types of modifications have been made on the same loan within the current reporting period.

The following table indicates the amortized cost basis of the loans modified to borrowers experiencing financial difficulty, disaggregated by class of loans and type of concession granted. The table also describes the financial effect of the modifications made to borrowers experiencing financial difficulty. Loans with insignificant modifications have been omitted from this table. The Company considers granting a borrower an interest only period or extension of maturity of three months or less during the reporting period to be an insignificant modification.

	Interest only extension		
	Amortized Cost Basis	**% of Total Loan Type**	**Financial Effect**
For twelve months ended September 30, 2024			
Mortgage - commercial	$ 4,414,085	2%	Granting of interest only periods in a
Commercial and industrial loans	1,344,182	5%	range of 4 to 15 months
Total	**$ 5,758,267**		
For twelve months ended September 30, 2023			
Mortgage - commercial	$ 9,719,763	4%	Granting of interest only periods in a
Construction and land development	2,102,384	13%	range of 4 to 15 months
Commercial and industrial loans	64,236	< 1%	
Total	**$ 11,886,383**		

NOTE 5 - ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

	Combination - Interest only and maturity extension			
	Amortized Cost Basis		% of Total Loan Type	Financial Effect
For twelve months ended September 30, 2024				
Mortgage - commercial	$	3,442,835	1%	Granting of 2 month interest only period and maturity extension
	$	**3,442,835**		
For twelve months ended September 30, 2023				
Commercial and industrial loans	$	285,622	< 1%	Granting of 9 month interest only period and maturity extension
Total	**$**	**285,622**		

Upon the Company's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is charged off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

The following table provides the amortized cost basis of loans that had a payment default during the period and were modified in the 12 months before default to borrowers experiencing financial difficulty:

	Amortized cost basis of modified loans that subsequently defaulted			
	Interest only extension		Combination - Interest only and maturity extension	
For twelve months ended September 30, 2024	$	-	$	-
For twelve months ended September 30, 2023				
Mortgage - commercial	$	426,043	$	-
Commercial and industrial loans		64,236		285,622
Total	**$**	**490,279**	**$**	**285,622**

NOTE 5 - ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table depicts the performance of loans that have been modified in the last 12 months:

At September 30, 2024

	Payment Status (Amortized Cost Basis)		
	Current	**30-89 Days Past Due**	**90+ Days Past Due**
Mortgage - commercial	7,856,920	-	-
Commercial and industrial loans	1,279,946	-	64,236
Total	**$ 9,136,866**	**$ -**	**$ 64,236**

At September 30, 2023

	Payment Status (Amortized Cost Basis)		
	Current	**30-89 Days Past Due**	**90+ Days Past Due**
Mortgage - commercial	4,997,691	4,296,029	426,043
Construction and land development	2,102,384	-	-
Commercial and industrial loans	-	285,622	64,236
Total	**$ 7,100,075**	**$ 4,581,651**	**$ 490,279**

NOTE 5 - ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Unfunded Commitments

The Company maintains an allowance for off-balance sheet credit exposures such as unfunded balances for existing lines of credit, commitments to extend future credit, as well as both standby and commercial letters of credit when there is a contractual obligation to extend credit and when this extension of credit is not unconditionally cancellable (i.e. commitment cannot be canceled at any time). The allowance for off-balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur, which is based on historical funding trends, and an estimate of expected credit losses on commitments expected to be funded over its estimated life, which are the same loss rates that are used in computing the allowance for credit losses on loans, and are discussed in Note 1. The allowance for credit losses for unfunded loan commitments was$55,348 and $135,623 at September 30, 2024 and 2023, respectively, and is included in Accrued expenses and other liabilities in the Consolidated Statements of Financial Condition.

	2024	2023
Beginning balance	$ 135,623	$ -
Adjustment to allowance for unfunded commitments for adoption of ASU 2016-13	-	101,799
Provision for unfunded commitments	(80,275)	33,824
Ending balance	**$ 55,348**	**$ 135,623**

NOTE 6 - FINANCIAL INSTRUMENTS WITH OFF - BALANCE SHEET RISK

The Bank is a party to credit related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its clients. These financial instruments include commitments to extend credit, standby letters of credit and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Statements of Financial Condition.

The Bank's exposure to credit loss is represented by the contractual amount of these commitments. Such financial instruments are recorded when they are funded. The Bank follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

At September 30, 2024 and 2023, the following financial instruments were outstanding whose contract amounts represent credit risk:

	2024	2023
Commitments to grant loans	$ 2,533,400	$ 160,000
Unfunded commitments under lines of credit	38,979,318	44,145,025
Standby letters of credit	3,231,956	4,666,858

Commitments to extend credit are agreements to lend to a client as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments under lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Bank, is based on management's credit evaluation of the client.

Standby letters of credit are conditional lending commitments issued by the Bank to guarantee the performance of a client to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. Essentially, all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to clients. The Bank generally holds collateral sufficient to support those commitments. There are no recourse provisions that would enable the Bank to recover any amounts from third parties.

The Bank has concluded that $25,385,747 of off-balance sheet credit exposures are unconditionally cancellable and are therefore not considered for credit loss exposure when determining the allowance for credit losses-unfunded commitments.

NOTE 7 - PREMISES AND EQUIPMENT

The following summarizes major classifications of premises and equipment at September 30, 2024 and 2023:

	2024	2023
Land and improvements	$ 1,946,186	$ 1,945,057
Buildings and improvements	9,187,527	9,183,763
Furniture and equipment	5,562,195	5,238,631
Vehicles	949,222	844,197
Accumulated Depreciation	(6,685,627)	(6,080,015)
Total	**$ 10,959,503**	**$ 11,131,633**

Depreciation expense of $845,125 and $762,532 was incurred by the Company for the years ended September 30, 2024 and 2023, respectively and is included in Other operating expense in the Consolidated Statements of Income.

NOTE 8 - OTHER ASSETS

The following summarizes other assets at September 30, 2024 and 2023:

	2024	2023
Foreclosed real estate	$ 4,086,375	$ 5,677,429
SBA guarantee receivable	1,535,933	1,567,394
Loan costs receivable	(643,769)	513,014
Deferred tax assets	213,345	662,118
Other receivables	592,839	389,722
Other prepaid expenses	1,323,737	1,007,965
Miscellaneous	46,239	44,466
Total	**$ 7,154,699**	**$ 9,862,108**

NOTE 9 - INTEREST BEARING DEPOSITS

Interest bearing deposits at September 30, 2024 and 2023 are further detailed as follows:

	2024	2023
NOW accounts	$ 77,572,424	$ 90,181,963
Savings accounts	46,833,468	60,573,544
Certificates and other time deposits	208,008,848	143,256,263
Total	**$ 332,414,740**	**$ 294,011,770**

The Bank utilizes the services of deposit brokers to obtain a portion of its total deposits. The Bank had total deposit balances of $164,051,176 and $100,633,313 at September 30, 2024 and 2023, respectively that were obtained through the use of deposit brokers.

The Bank had $14,980,397 and $20,439,042 in outstanding certificates of deposit issued in denominations greater than $250,000 as of September 30, 2024 and 2023, respectively. Generally, deposits in excess of $250,000 are not federally insured.

NOTE 9 - INTEREST BEARING DEPOSITS (CONTINUED)

Certificates and other time deposits had the following maturities as of September 30:

2025	$ 70,637,683
2026	50,064,065
2027	29,549,199
2028	21,750,134
2029	36,007,767
	$ 208,008,848

Time deposits that exceeded the FDIC insurance limit of $250,000 at September 30, 2024 and 2023 were $14,980,397 and $20,439,042, respectively. On September 30, 2024, 32.94% of total deposits were in accounts with balances greater than the FDIC insurance limit of $250,000. On September 30, 2024, the company had one depositor relationship, with a balance of apr in excess of 5% of total deposits. The Bank had no deposits that were composed of public funds on September 30, 2024.

NOTE 10 - BORROWINGS

Borrowings at September 30, 2024 and 2023 are as follows:

	2024	**2023**
Federal Home Loan Bank borrowings	$ 63,171,500	$ 70,671,500
Junior subordinated debentures	195,000	195,000
	$ 63,366,500	**$ 70,866,500**

Federal Reserve Bank Discount Window

On September 30, 2024, the Bank had overnight borrowing capacity at the Federal Reserve Bank discount window in the amount of $28,561,914. Loans receivable with a book value of $32,686,023 were pledged to the Federal Reserve Bank of Cleveland as eligible collateral at September 30, 2024. The Bank had no outstanding borrowings at September 30, 2024 and 2023. These funds are advanced when necessary to meet the Bank's short-term liquidity needs. The rate of interest on these borrowings is an adjustable rate equal to the Federal Reserve discount rate, which was 5.00% at September 30, 2024.

NOTE 10 - BORROWINGS (CONTINUED)

Federal Home Loan Bank

The Bank has established a borrowing capacity at the Federal Home Loan Bank ("FHLB"). On September 30, 2024, the Bank had pledged qualifying loans in the amount of $186,389,000 in support of a maximum borrowing capacity of approximately $130,350,800.

Interest on advances is accrued daily and payable on the quarterly interest payment date. Principal payment on advances is due on the maturity date of the advance. Fixed rate advances are subject to a prepayment penalty if principal amounts are repaid prior to the maturity date.

Advances from the FHLB at September 30, 2024 and 2023 consisted of the following:

Loan Type	Maturity Date	Interest Rate	2024	2023
Fixed Rate	November 13, 2023	1.93%	-	4,000,000
Fixed Rate	November 20, 2023	3.21%	-	6,000,000
Fixed Rate	December 19, 2023	3.03%	-	5,000,000
Fixed Rate	February 28, 2024	2.83%	-	5,000,000
Fixed Rate	March 14, 2024	2.70%	-	5,000,000
Fixed Rate	August 23, 2024	1.72%	-	6,281,500
Fixed Rate	March 3, 2025	1.31%	5,000,000	5,000,000
Fixed Rate	February 2, 2026	4.64%	2,000,000	-
Fixed Rate	August 13, 2026	1.14%	3,000,000	3,000,000
Fixed Rate	September 8, 2026	3.94%	7,500,000	-
Fixed Rate	June 10, 2027	3.70%	10,000,000	10,000,000
Fixed Rate	July 21, 2027	4.66%	10,000,000	10,000,000
Fixed Rate	September 22, 2027	5.03%	1,500,000	1,500,000
Fixed Rate	April 4, 2028	3.76%	6,350,000	6,350,000
Fixed Rate	May 12, 2028	3.64%	2,855,000	2,855,000
Fixed Rate	July 6, 2028	4.55%	685,000	685,000
Fixed Rate	December 20, 2028	4.18%	8,000,000	-
Fixed Rate	August 22, 2029	4.03%	6,281,500	-
			$ 63,171,500	**$ 70,671,500**

NOTE 10 - BORROWINGS (CONTINUED)

Junior Subordinated Debentures

The Company had outstanding junior subordinated debt securities ("subordinated debentures") in the amount of $195,000 on September 30, 2024 and 2023.

Interest on the debentures is reset quarterly on the 15th of January, April, July and October at a rate equal to 3-Month Libor plus 4.25% (9.80% as of July 15, 2024, the last reset date). The subordinated debentures mature on December 15, 2037. Subject to regulatory approval the Company may redeem the debentures, in whole or in part, at its option on any interest payment date on or after December 15, 2017, at a redemption price equal to 100% of the principal amount of the debentures.

NOTE 11 - EMPLOYEE BENEFITS PLANS

Enterprise Bank 401(k) Plan

The Bank has a defined contribution pension plan covering all employees. The Bank makes a contribution equal to 3% of wages for each eligible employee regardless of the employee's own elective contributions to the plan. The Bank's contributions for the years ended September 30, 2024 and 2023 were $179,196 and $174,722, respectively. The Bank also has the right to make an additional discretionary contribution to the plan, which is determined by the Board of Directors. The Bank made no additional discretionary contribution to the plan for the years ended September 30, 2024 and 2023.

Employee Stock Ownership Plan

In April 2006, the Bank established the Enterprise Employee Stock Ownership Plan ("ESOP"), which covers substantially all full-time employees of the Bank.

The shares for the ESOP plan were purchased with the proceeds of a $1,650,000 Non-Revolving Promissory Note (the "Note") from Atlantic Community Bankers Bank, which matured April 18, 2016 and was repaid in full.

Compensation expense related to the ESOP totaled $249,961 and $250,000 for the years ended September 30, 2024 and 2023, respectively. Additional expenses incurred in relation to the ESOP plan include professional fees associated with the administration of the plan. Administrative costs of $11,612 and $13,125 were incurred in the years ended September 30, 2024 and 2023, respectively.

The fair value of allocated and unreleased shares held by the ESOP is determined by an annual valuation of the Company's common stock. This valuation is completed by an independent appraisal firm based on data available as of June 30 each year.

There were 179,020 and 177,761 shares held by the ESOP and allocated to beneficiary accounts at September 30, 2024 and 2023, respectively. There were no unallocated shares held by the ESOP during these periods. The fair value of the allocated shares was $3,884,734 at September 30, 2024. This valuation was based on the independent appraisal of the Company's shares completed as of June 30, 2024.

NOTE 11 - EMPLOYEE BENEFIT PLANS (CONTINUED)

The Company is obligated, at the option of each beneficiary, to repurchase shares of the ESOP upon the beneficiary’s termination or retirement. If the value of the beneficiary’s account exceeds $25,000 at the time the beneficiary elects the option to repurchase, the benefit will be paid in five equal annual installments.

At September 30, 2024 there are 36,067 shares subject to the repurchase obligation with a fair value of $782,429. Total account balances subject to distribution request, including the shares subject to the repurchase obligation, are $797,481 at September 30, 2024. Of this amount, $231,475 would be payable in the year of the beneficiary's' request for distribution. The remainder would be payable over the remaining five year period.

In addition, employees who meet minimum age and service requirements are subject to a diversification option whereby the employee has the right to sell, and the Bank has the obligation to purchase, a portion of their vested shares. At September 30, 2024 there were 2,253 shares pending distribution, with a fair value of $48,890, whereby the diversification option has been exercised.

NOTE 12 - REVENUE RECOGNITION AND ASC 606

The Bank’s primary source of revenue is interest income from its commercial lending operations. Interest income is recognized on all interest-earning assets, including commercial loans, based on the constant effective yield of the financial instrument.

The Bank also earns non-interest income from various sources. The Bank recognized fee income from lending operations including fees earned from the issuing of loan commitments, documentation, unfunded commitments under lines of credit, standby letters of credit and financing guarantees. All fee revenue from commercial loans and loan servicing is recognized based on contractual terms, as transactions occur or services are provided. Gains on the sale of loans, if any, are recognized upon cash settlement of the transactions. The Company's other fee for service revenue that falls within the scope of ASC 606 is recognized as revenue as services are provided and the Company satisfies its obligations to the customer.

All of the Company’s revenue from contracts with customers that falls within the scope of ASC 606 is recognized in Other operating income in the Consolidated Statements of Income.

NOTE 12 - REVENUE RECOGNITION AND ASC 606 (CONTINUED)

The following table presents the Company's sources of total other operating income for the fiscal years ending September 30, 2024 and 2023:

	2024	2023
Other Operating Income		
Service charges on deposit accounts		
Overdraft fees	$ 16,065	$ 7,179
Other	358,046	344,079
Total	**374,111**	**351,258**
Other fee revenue		
Real estate subsidiary commission income	720,543	461,544
Real estate subsidiary other fee income	72,952	49,373
Consulting subsidiary fee income	431,591	225,312
Rental and other income from foreclosed real estate	326,081	162,903
ATM fee and service charge income	54,007	53,550
Insurance subsidiary income	621,447	671,760
Other fee income	287,977	73,913
Total	**2,514,598**	**1,698,355**
Gain/(Loss) on sale of foreclosed real estate	**764,257**	**(16,576)**
Loss on valuation of foreclosed real estate	**(162,917)**	**(175,744)**
Total Other Operating Income	**$ 3,490,049**	**$ 1,857,293**

NOTE 12 - REVENUE RECOGNITION AND ASC 606 (CONTINUED)

Service Charges on Deposit Accounts and ATM fee and service charge income:

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

Real estate subsidiary commission and other fee income:

The Bank's wholly owned subsidiary, Kuzneski & Lockard, Inc. ("K&L"), is a full-service real estate agency and its primary source of income is from commissions earned by acting as an agent between buyers and sellers of real estate. Commission revenues are recognized upon settlement of the real estate sale transaction. Other fee based income on services provided to customers that are not commission based are recognized in the period that services are rendered and earned.

Consulting subsidiary fee income:

The Bank's wholly owned subsidiary, Enterprise Business Consultants, Inc. ("EBC"), provides professional services to its customers for a fee. Services include, but are not limited to, bookkeeping, marketing, web design and IT consulting. The customer is generally billed and revenue recognized in the period in which the professional services were provided. EBC oftentimes provides services to clients that are in a distressed situation and therefore collectability of fee revenue is questionable. Under these circumstances revenue recognition is deferred.

Insurance subsidiary income:

The Bank's wholly owned subsidiary, Enterprise Insurance Services, Inc. ("EIS") provides title insurance and real estate transaction settlement services as well as consulting services for the selection of property, business line and employee benefit insurance policies. The primary source of revenue is from commissions earned on the sale of insurance policies. Commission revenue is recognized by the company upon completion of the policy transaction. Revenue from services rendered for real estate settlement transactions is recognized upon completion of the transaction. All other service revenue is recognized monthly as services are rendered. Revenue is deferred on any fee for services where collectability may be questionable.

Construction subsidiary income:

The Bank's wholly owned subsidiary, Buildonus, Inc. provides maintenance and light construction services in support of the Bank's facilities and foreclosed properties. The subsidiary invoices the Bank monthly for completed services. In consolidation, Buildonus revenue is generally eliminated against the corresponding Bank expense.

Rental and other income from foreclosed real estate:

The Bank occasionally forecloses on properties that have existing lease agreements or ongoing lease operations. For these properties the Bank collects rents based on the terms of its lease agreements and recognizes rental income on a monthly basis. In instances where collectability of rents is questionable revenue recognition is deferred until collection is made.

NOTE 12 - REVENUE RECOGNITION AND ASC 606 (CONTINUED)

Gain/(Loss) on sale of foreclosed real estate:

The Company records a gain or loss from the sale of foreclosed real estate when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Company finances the sale of foreclosed real estate to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the foreclosed asset is derecognized and the gain or loss on the sale is recorded upon the transfer of control of the property to the buyer.

Loss on valuation of foreclosed real estate:

Properties held in the Company's portfolio of foreclosed real estate are appraised on at least an annual basis. Upon completion of the annual appraisal, properties are adjusted to the lower of the Company's original cost basis or the new appraised value through an adjustment to a valuation allowance. The offset to this adjustment is recognized as a gain or (loss) on the valuation of the foreclosed real estate. This category is not within the scope of ASC 606.

NOTE 13 - SALARIES AND EMPLOYEE BENEFITS

Salaries and employee benefits expense includes wages and cost of employee benefit plans paid to the employees of the Bank and its subsidiaries. Further detail of the expense for the years ended September 30, 2024 and 2023 is as follows:

	2024	2023
Wages and Benefits		
Bank management and administrative	$ 3,411,812	$ 3,093,112
Enterprise Business Consultants	1,130,073	1,074,450
Kuzneski & Lockard	132,140	95,484
Enterprise Insurance Services	445,108	459,090
Relationship Manager compensation	2,145,889	1,884,583
ASC 310-20 salary deferral for loan origination activities	(222,750)	(255,750)
Total salaries and employee benefits	**$ 7,042,272**	**$ 6,350,969**

Relationship Manager ("RM") compensation is calculated on a formula basis as a percentage of net interest income after provision for credit losses earned by the RM's portfolio.

NOTE 14 - OTHER OPERATING EXPENSES

Further detail of other operating expenses for the years ended September 30, 2024 and 2023 is as follows:

	2024	2023
Business development	$ 514,251	$ 464,361
Foreclosed real estate expense	369,465	126,419
Real estate agency commissions	538,284	302,555
Legal and accounting services	249,778	246,127
Directors' fees	319,710	265,238
Telephone	44,132	32,493
Bank shares tax	318,262	305,692
Other loan and collections	11,938	201,530
Other - Bank operations	547,693	472,793
Other - Subsidiary operations	322,448	281,054
Total	**$ 3,235,961**	**$ 2,698,262**

NOTE 15 - INCOME TAXES

The components of net deferred tax assets and liabilities at September 30, 2024 and 2023 are as follows:

	2024	2023
Deferred tax assets		
Allowance for credit losses - loans	$ 231,523	$ 343,766
Allowance for credit losses - unfunded commitments	11,623	28,481
Deferred compensation	70,304	50,344
Other real estate owned	101,796	376,478
Nonaccrual interest	40,727	40,727
Subsidiary net-operating loss	424,017	488,307
Other	22,087	23,929
Total Deferred Tax Assets	**902,077**	**1,352,032**
Deferred tax liabilities		
Premises and equipment	(527,452)	(532,262)
Deferred loan origination fees	(147,467)	(157,652)
Other	(13,813)	-
Total Deferred Tax Liabilities	**(688,732)**	**(689,914)**
Net Deferred Tax Assets	**$ 213,345**	**$ 662,118**

The Company has determined that no valuation allowance was required for the deferred tax asset balances at September 30, 2024 and 2023, respectively, because it is more likely than not these assets will be realized through future reversals of existing temporary differences and through future taxable income.

The tax provision for financial reporting purposes differs from the amount computed by applying the statutory income tax rate to income before income taxes. The statutory rate was 21% for 2024 and 2023. The differences for the years ended September 30, 2024 and 2023 are as follows:

	2024	2023
Tax at statutory rate	$ 930,291	$ 684,041
Nondeductible and other expenses	76,421	38,241
Income Tax Expense	**$ 1,006,712**	**$ 722,282**

NOTE 15 - INCOME TAXES (CONTINUED)

The Bank's provision for income taxes for 2024 and 2023 consists of the following:

	2024	2023
Current federal and state tax expense	$ 557,939	$ 831,866
Deferred federal tax (benefit) expense	448,773	(109,584)
	$ 1,006,712	**$ 722,282**

The Bank utilizes a comprehensive model to recognize, measure, present and disclose in its financial statements uncertain tax positions that the Company has taken or expects to take on a tax return. At September 30, 2024 and 2023 there were no unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate. The Bank recognizes interest accrued and penalties (if any) related to unrecognized tax benefits in other expense. ($2,001) and $3,309 in penalties and interest were recognized for the years ended September 30, 2024 and 2023, respectively.

The Bank has evaluated its tax positions taken for all open tax years. Currently, the 2020 through current tax years are open and subject to examination by the Internal Revenue Service and the Commonwealth of Pennsylvania. Based on the evaluation of the Bank's tax positions and elections, management believes all tax positions taken and corporate elections will be upheld under examination.

NOTE 16 - PREFERRED STOCK

The Company is authorized to issue up to 5,000,000 shares of preferred stock with a par value of $.50 per share. There were 2,500 shares issued and outstanding with liquidation value of $2,500,000, or $1,000 per share, on September 30, 2024 and 2023, respectively.

On August 25, 2011 the Company completed a transaction to participate in the U.S. Treasury ("Treasury") sponsored Small Business Lending Fund ("SBLF") program. The Treasury purchased 5,000 shares of Senior Non-Cumulative Perpetual Preferred Stock, Series A (the "Series A Preferred Stock") resulting in proceeds of $5 million to the Bank.

As per the terms of the Securities Purchase Agreement the Bank was required to use a portion of the proceeds from this transaction to repurchase all preferred shares issued on June 12, 2009 as part of the Bank's participation in the Treasury's Capital Purchase Program ("CPP"). Proceeds of $4,200,000 were used to repurchase 4,200 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series 001 and 002 issued under the CPP. The Series A Preferred Stock dividend rate is 9% per annum until the shares are redeemed.

On March 15, 2022 the Company redeemed 1,250 shares of the outstanding SBLF preferred stock in the amount of $1,250,000, or $1,000 per share.

On April 14, 2023 the Company redeemed 1,250 shares of the outstanding SBLF preferred stock in the amount of $1,250,000 or $1,000 per share.

As is typical with preferred stock, dividend payments for outstanding preferred shares must be current before dividends can be paid on junior shares, including common stock. Outstanding SBLF preferred shares are redeemable at their liquidation value, plus accrued and unpaid dividends, subject to the approval of the Bank's regulators.

NOTE 17 - CONTINGENCIES AND COMMITMENTS

There are ongoing legal proceedings which arise in the normal course of business. In the opinion of management, these will not have a material effect on the financial position or results of operations of the Bank.

NOTE 18 - RELATED PARTY TRANSACTIONS

Some of the Bank's directors and principal officers and their related interests had transactions with the Bank in the ordinary course of business. All loans and commitments to extend loans were made on substantially the same terms, including collateral and interest rates, as those prevailing at the time for comparable transactions. In the opinion of management, these transactions do not involve more than normal risk of collectability or present other unfavorable features.

The aggregate amount of credit extended to these directors and principal officers was $2,991,104 and $3,089,887 (including unused lines of credit) at September 30, 2024 and 2023, respectively.

The following is an analysis of loans to these parties during the year ended September 30, 2024 and 2023:

	2024	2023
Balance at beginning of year	$ 2,576,829	$ 2,731,549
New loans	-	-
Advances	308,974	36,942
Repayments	(148,784)	(191,662)
Balance at end of year	**$ 2,737,019**	**$ 2,576,829**

The aggregate amount of deposits on account at the Bank for directors and principal officers, and their related interests, was $2,789,473 and $3,227,126 for the years ended September 30, 2024 and 2023, respectively.

NOTE 19 - DIVIDEND RESTRICTIONS

The amount of funds available for distributions of dividends may be limited for Pennsylvania banks by regulations promulgated by the Federal Deposit Insurance Corporation and the Pennsylvania Department of Banking, which relate to capital requirements and cumulative earnings. These limitations would not restrict the Bank from paying dividends at current levels.

NOTE 20 - CAPITAL REQUIREMENTS

Banks are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative adjustments by regulators. Failure to meet capital requirements can initiate regulatory action.

The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. Banks (Basel III rules) became effective for the Bank on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. Under the Basel III rules, the Bank must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios of 2.5%. Management believes, as of September 30, 2024, the Bank meets all capital adequacy requirements to which it is subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required.

As of September 30, 2024 and 2023, the most recent regulatory notification categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based capital, Tier I risk-based capital, common equity Tier I risk-based capital, and Tier I leverage ratios as set forth in the following table. The requirements for capital adequacy purposes exclude the capital conservation buffer. There are no conditions or events since that notification that management believes have changed the Bank's category.

The numbers in this table are based on information as reported by the Bank to its regulator on the September 30, 2024 and September 30, 2023 call reports. Please refer to Note 23 Reconciliation Of Financial Statements To Regulatory Reporting (Unaudited) for detail and discussion of differences between the Bank's regulatory reporting and the financial statements included in this report.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
(Dollar amounts in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of September 30, 2024:						
Total capital (to risk-weighted assets)	$ 38,209	11.99 %	$ 25,499	≥ 8.00%	$ 31,874	≥ 10.00%
Tier 1 capital (to risk-weighted assets)	36,979	11.60	19,124	≥ 6.00	25,499	≥ 8.00
Common Equity Tier 1 Capital (to risk-weighted assets)	36,979	11.60	14,343	≥ 4.50	20,718	≥ 6.50
Tier 1 capital (to average assets)	36,979	8.50	17,407	≥ 4.00	21,759	≥ 5.00
As of September 30, 2023:						
Total capital (to risk-weighted assets)	$ 35,907	11.61 %	$ 24,738	≥ 8.00%	$ 30,923	≥ 10.00%
Tier 1 capital (to risk-weighted assets)	34,629	11.20	18,554	≥ 6.00	24,738	≥ 8.00
Common Equity Tier 1 Capital (to risk-weighted assets)	34,629	11.20	13,915	≥ 4.50	20,100	≥ 6.50
Tier 1 capital (to average assets)	34,629	8.42	16,458	≥ 4.00	20,572	≥ 5.00

NOTE 21 - EARNINGS PER SHARE

The following table sets forth the composition of the weighted average common shares (denominator) and net income (numerator) used in the basic and diluted earnings per share calculation at September 30, 2024 and 2023:

	2024	2023
Weighted-average common shares (Denominator)		
Weighted-average common shares outstanding	1,200,320	1,200,320
Average treasury shares	(28,180)	(32,261)
Weighted-average common shares and common stock equivalents earnings per share (base, denominator)	**1,172,140**	**1,168,059**
Weighted-average common shares and common stock equivalents outstanding used to calculate diluted earnings per share (diluted, denominator)	**1,172,140**	**1,168,059**
Net Income (Numerator)		
Net Income	$ 3,423,244	$ 2,535,055
Less: Preferred stock dividend	(225,000)	(313,438)
Net income attributable to common shareholders	**$ 3,198,244**	**$ 2,221,617**
Net income attributable to common shareholders, per share		
Basic	**$ 2.73**	**$ 1.90**
Diluted	**$ 2.73**	**$ 1.90**

NOTE 22 - FAIR VALUES OF FINANCIAL INSTRUMENTS

Disclosures About Fair Values of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Nonrecurring Measurements

The following tables present the fair value measurement of assets and liabilities measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2024 and 2023:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2024				
Collateral dependent loans				
Residential real estate	$ 742,498	$ -	$ -	$ 742,498
Commercial real estate	833,077	-	-	833,077
Commercial and industrial	946,080	-	-	946,080
Total	**$ 2,521,655**	**$ -**	**$ -**	**$ 2,521,655**
Other Real Estate Owned				
Commercial real estate	$ 1,393,900	$ -	$ -	$ 1,393,900
Total	**$ 1,393,900**	**$ -**	**$ -**	**$ 1,393,900**

NOTE 22 - FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2023				
Collateral dependent loans				
Residential real estate	$ 260,149	$ -	$ -	$ 260,149
Commercial real estate	219,113	-	-	219,113
Commercial and industrial	310,030	-	-	310,030
Total	**$ 789,292**	**$ -**	**$ -**	**$ 789,292**
Other Real Estate Owned				
Commercial real estate	$ 466,130	$ -	$ -	$ 466,130
Total	**$ 466,130**	**$ -**	**$ -**	**$ 466,130**

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying balance sheet, as well as the general classification of such assets pursuant to the valuation hierarchy. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Other Real Estate Owned

Other real estate owned (OREO) is carried at the lower of fair value, less estimated costs to sell, at the acquisition date or current estimated fair value, less estimated costs to sell. Estimated fair value of OREO is based on appraisals or evaluations. OREO is classified within Level 3 of the fair value hierarchy.

Appraisals of OREO are obtained when the real estate is acquired and subsequently on at least an annual basis. Appraisers are selected from the list of approved appraisers maintained by management. Appraisals are only obtained from independent licensed appraisers following Uniform Standards of Professional Appraisal Practice (USPAP). Appraisals are analyzed by Management to detect apparent errors or inconsistencies. The Bank compares and accumulates actual real estate sales price data with the most recent USPAP appraisal to cumulatively assess and monitor accuracy. The cumulative appraisal accuracy percentage exceeds 98% as of September 30, 2024. Sales that are not considered arms length transactions or where the sales price was not negotiated under normal market conditions have been excluded from this analysis.

The tables above indicate the aggregate value of OREO properties that have been adjusted to a fair value, less estimated costs to sell, that is less than the fair value, less estimated costs to sell, at the acquisition date.

NOTE 22 - FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Collateral dependent loans, net of allowance for credit losses

The Bank has identified collateral dependent loans with fair value considerations as those loans with a recorded investment less the applicable reserve allocation. The estimated fair value of collateral dependent loans is based on the appraised fair value of the collateral, less estimated cost to sell. Collateral dependent loans are classified within level 3 of the fair value hierarchy.

The Bank considers the appraisal or evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals of the collateral securing collateral dependent loans are obtained when the loan is determined to be collateral dependent and subsequently, as deemed necessary, according to Bank policy. Appraisers are selected from the list of approved appraisers maintained by Management. Appraisals are only obtained from independent licensed appraisers following USPAP.

Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements other than goodwill at September 30, 2024 and 2023:

September 30, 2024

	Fair Value	Valuation Technique	Unobservable Inputs	Range
Other real estate owned				
Commercial real estate	$ 1,393,900			
Total	**$ 1,393,900**	**Cost, Income and Sales Comparison**	**Estimated Costs to Sell**	**5%-10%**
Collateral-dependent individually evaluated loans				
Residential real estate	$ 742,498			
Commercial real estate	833,077			
Commercial and industrial	946,080			
Total	**$ 2,521,655**	**Cost, Income and Sales Comparison**	**Estimated Costs to Sell**	**5%-10%**

September 30, 2023

	Fair Value	Valuation Technique	Unobservable Inputs	Range
Other real estate owned				
Commercial real estate	$ 466,130			
Total	**$ 466,130**	**Cost, Income and Sales Comparison**	**Estimated Costs to Sell**	**5%-10%**
Collateral-dependent individually evaluated loans				
Residential real estate	$ 260,149			
Commercial real estate	219,113			
Commercial and industrial	310,030			
Total	**$ 789,292**	**Cost, Income and Sales Comparison**	**Estimated Costs to Sell**	**5%-10%**

NOTE 22 - FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

The carrying amounts and estimated fair values of financial instruments not carried at fair value, at September 30, 2024 and 2023 are as follows:

	Fair Value Measurements at September 30, 2024				
	Carrying Amount	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS					
Cash and due from banks	$ 617,044	$ 617,044	$ -	$ -	$ 617,044
Cash on deposit with Federal Reserve Bank	90,507,802	90,507,802	-	-	90,507,802
Interest bearing deposits with banks	405,381	405,381	-	-	405,381
Net loans	332,191,933	-	-	321,959,931	321,959,931
Accrued interest receivable	2,126,555	-	2,126,555	-	2,126,555
Restricted investment in bank stock	2,714,100	N/A	N/A	N/A	N/A
Total financial assets	**428,562,815**	**91,530,227**	**2,126,555**	**321,959,931**	**415,616,713**
FINANCIAL LIABILITIES					
Non interest bearing deposits	9,665,003	-	9,665,003	-	9,665,003
Savings, money market and NOW accounts	124,405,892	-	124,405,892	-	124,405,892
Certificate and other time deposits	208,008,848	-	208,770,947	-	208,770,947
Borrowings	63,366,500	-	63,046,364	-	63,046,364
Accrued interest payable	628,591	-	628,591	-	628,591
Total financial liabilities	**$ 406,074,834**	**$ -**	**$ 406,516,797**	**$ -**	**$ 406,516,797**

NOTE 22 - FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

	Fair Value Measurements at September 30, 2023				
	Carrying Amount	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS					
Cash and due from banks	$ 833,450	$ 833,450	$ -	$ -	$ 833,450
Cash on deposit with Federal Reserve Bank	68,145,646	68,145,646	-	-	68,145,646
Interest bearing deposits with banks	494,637	494,637	-	-	494,637
Net loans	318,238,280	-	-	300,346,307	300,346,307
Accrued interest receivable	1,792,179	-	1,792,179	-	1,792,179
Restricted investment in bank stock	2,996,600	N/A	N/A	N/A	N/A
Total financial assets	**392,500,792**	**69,473,733**	**1,792,179**	**300,346,307**	**371,612,219**
FINANCIAL LIABILITIES					
Non interest bearing deposits	9,725,852	-	9,725,852	-	9,725,852
Savings, money market and NOW accounts	150,755,507	-	150,755,507	-	150,755,507
Certificate and other time deposits	143,256,263	-	138,373,934	-	138,373,934
Borrowings	70,866,500	-	68,362,559	-	68,362,559
Accrued interest payable	738,850	-	738,850	-	738,850
Total financial liabilities	**$ 375,342,972**	**$ -**	**$ 367,956,702**	**$ -**	**$ 367,956,702**

NOTE 23 - RECONCILIATION OF FINANCIAL STATEMENTS TO REGULATORY REPORTING (UNAUDITED)

The Company's financial statements as illustrated in this report differ from the Company's financial statements as reported to its primary regulator for the same periods. Variance between the statements is the result of differences between Management and the Bank's regulator in interpreting certain GAAP accounting standards.

The following outlines the primary areas where management's interpretation differs from that of it's regulator:

1. Recognition of accrued interest income on loans

Management's interpretation of GAAP is that interest income on a loan should be accrued when collectability of the Bank's total investment in the loan is "reasonably assured". The Bank's total investment in a loan includes outstanding principal, unpaid interest and any amounts legally reimbursable and outstanding.

According to written guidance provided by FASB, "reasonably assured" and "probable" are interchangeable and defined as "that which can reasonably be expected or believed on the basis of available evidence or logic but is neither certain nor proved."

In Management's opinion the threshold of "reasonably assured" is met when the loan meets the three following criteria: (1) The loan is well secured by collateral which is supported by a current valuation from a trusted source; (2) the loan is in the process of collection; and (3) collection is expected to be completed within a time frame that is considered to be reasonable given the facts and circumstances and will result in the loan being brought current with the collection of all principal and interest contractually due.

The Bank's primary regulator has provided more stringent guidance on when to stop accruing interest on a loan. The instructions furnished by the regulator generally require the accrual of interest on a loan to cease when it becomes greater than 90 days past due, unless the loan is considered well secured and in the process of collection.

In order for a loan to be considered in the process of collection the timing and amount of repayments must be reasonably certain and there must be evidence that collection in full will occur shortly. Their indicated benchmark of an acceptable time frame is 30 days.

The financial statements included with this report are prepared using Management's interpretation of the GAAP standards for the accrual of interest income. When filing regulatory financial statements the Bank continues to follow the instructions provided by the regulator.

2. Recording cash payments of interest for loans on nonaccrual status

Management's interpretation of GAAP is that a portion of cash payments received for interest on nonaccrual loans may be recorded as income when the Bank is "reasonably assured" of collecting all outstanding principal on the loan. According to written guidance provided by FASB, "reasonably assured" and "probable" are interchangeable and defined as "that which can reasonably be expected or believed on the basis of available evidence or logic but is neither certain nor proved."

The Bank's regulator has provided more stringent guidance and interprets "reasonably assured" as existing only when no clear possibility of the loss of principal is present. Published regulatory guidance on this topic states, "When doubt exists as to the collectability of the remaining recorded investment in an asset on nonaccrual status, any payments received must be applied to reduce the recorded investment in the asset to the extent necessary to eliminate such doubt."

NOTE 23 - RECONCILIATION OF FINANCIAL STATEMENTS TO REGULATORY REPORTING (UNAUDITED) (CONTINUED)

The regulatory guidance, in many instances, results in cash basis payments being applied as a reduction to the principal balance of the loan, rather than a portion being recorded to income, when management believes that the ultimate collectability of the full amount of principal is probable.

It is management's opinion that the more stringent regulatory interpretation of this standard does not accurately reflect the Bank's financial results given the Bank's collateral evaluation techniques, collection processes and loss history.

The following tables outline the differences between the Company's financial statements included with this report and the Company's financial statements as provided to its regulator for the years ending September 30, 2024 and 2023:

Year ended September 30, 2024

	As Reported Financial Statements	As Reported Regulatory Reporting	Variance
Consolidated Statements of Financial Condition			
Loans receivable	$ 333,812,842	$ 331,593,794	$ (2,219,048)
Allowance for credit losses	(1,620,909)	(1,181,693)	439,216
Net Loans	**332,191,933**	**330,412,101**	**(1,779,832)**
Accrued interest receivable	2,126,555	1,403,417	(723,138)
Other Assets	7,154,699	8,177,981	1,023,282
Total Assets	**446,677,017**	**445,197,329**	**(1,479,688)**
Accrued expenses and other liabilities	1,992,780	2,296,725	303,945
Total Liabilities	**408,067,614**	**408,371,559**	**303,945**
Retained Earnings	21,825,122	20,041,489	(1,783,633)
Total Stockholders' Equity	**38,609,403**	**36,825,770**	**(1,783,633)**
Total Liabilities and Stockholders' Equity	**446,677,017**	**445,197,329**	**(1,479,688)**

	As Reported Financial Statements	As Reported Regulatory Reporting	Variance
Consolidated Statements of Income			
Interest and fees on loans	$ 20,939,095	$ 20,150,152	$ (788,943)
Total Interest Income	**25,077,180**	**24,288,237**	**(788,943)**
(Credit From) Provision for Credit Losses	(64,918)	(62,648)	2,270
Salaries and employee benefits	7,042,272	6,902,493	(139,779)
Total Other Operating Expenses	**12,968,291**	**12,828,512**	**(139,779)**
Income Before Income Tax Expense	**4,429,956**	**3,778,522**	**(651,434)**
Income tax expense	1,006,712	869,911	(136,801)
Net income	**3,423,244**	**2,908,611**	**(514,633)**

NOTE 23 - RECONCILIATION OF FINANCIAL STATEMENTS TO REGULATORY REPORTING (UNAUDITED) (CONTINUED)

Year ended September 30, 2023

	As Reported Financial Statements	As Reported Regulatory Reporting	Variance
Consolidated Statements of Financial Condition			
Loans receivable	$ 319,898,427	$ 318,388,331	$ (1,510,096)
Allowance for loan losses	(1,660,147)	(1,181,070)	479,077
Net Loans	**318,238,280**	**317,207,261**	**(1,031,019)**
Accrued interest receivable	1,792,179	1,079,020	(713,159)
Other Assets	9,862,108	10,608,810	746,702
Total Assets	**413,494,533**	**412,497,057**	**(997,476)**
Accrued expenses and other liabilities	2,406,342	2,677,867	271,525
Total Liabilities	**377,749,314**	**378,020,839**	**271,525**
Retained Earnings	18,960,938	17,691,937	(1,269,001)
Total Stockholders' Equity	**35,745,219**	**34,476,218**	**(1,269,001)**
Total Liabilities and Stockholders' Equity	**413,494,533**	**412,497,057**	**(997,476)**

	As Reported Financial Statements	As Reported Regulatory Reporting	Variance
Consolidated Statements of Income			
Interest and fees on loans	$ 17,348,579	$ 17,084,774	$ (263,805)
Total Interest Income	**20,736,457**	**20,472,652**	**(263,805)**
(Credit From) Provision for Loan Losses	486,919	(129,241)	(616,160)
Salaries and employee benefits	6,350,969	6,416,401	65,432
Total Other Operating Expenses	**11,483,705**	**11,549,137**	**65,432**
Income Before Income Tax Expense	**3,257,337**	**3,544,260**	**286,923**
Income tax expense	722,282	782,535	60,253
Net income	**2,535,055**	**2,761,725**	**226,670**

NOTE 23 - RECONCILIATION OF FINANCIAL STATEMENTS TO REGULATORY REPORTING (UNAUDITED) (CONTINUED)

The following table outlines differences between the financial statements and regulatory accounting for Bank capital levels:

(Dollar amounts in thousands)	Financial Statements	Regulatory Reporting	Variance
As of September 30, 2024			
Total Stockholders' Equity	$ 38,763	$ 36,979	$ (1,784)
Total Common Stockholders' Equity	38,763	36,979	(1,784)
Total Stockholders' Equity plus Allowance for Credit Losses	40,439	38,209	(2,230)
As of September 30, 2023			
Total Stockholders' Equity	$ 35,898	$ 34,629	$ (1,269)
Total Common Stockholders' Equity	35,898	34,629	(1,269)
Total Stockholders' Equity plus Allowance for Credit Losses	37,694	35,907	(1,787)

NOTE 24 - SUBSEQUENT EVENTS

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The Company evaluated its September 30, 2024 financial statements for subsequent events through the date of the independent Auditor's Report which is the date the financials statements were available to be issued, noting no items requiring accrual or disclosure.

The Company has disclosed deposit concentrations in Note 9. In relation to current economic conditions, management has monitored deposit concentrations through the date the financial statements were issued noting no significant changes to concentrations. In addition, there has been no significant deposit deterioration through the date the financial statements were issued.

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