Citizens Bancshares Corporation

Report on Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

Contents

Independent Auditor's Report

The Board of Directors
Citizens Bancshares Corporation
Olanta, South Carolina

Opinion

We have audited the consolidated financial statements of Citizens Bancshares Corporation and its subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years ended December 31, 2024 and 2023, and the related notes to the consolidated financial statements (collectively, the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and 2023, and the results of their operations and their 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.

Elliott Davis, LLC

Greenville, South Carolina
March 28, 2025

Citizens Bancshares Corporation

Consolidated Balance Sheets

As of December 31, 2024 and 2023

(Dollars in thousands, except per share amounts)

	2024	2023
Assets:		
Cash and cash equivalents:		
Cash and due from banks	$ 68,657	$ 59,722
Interest-bearing deposits	84,407	79,819
Total cash and cash equivalents	153,064	139,541
Certificates of deposit with other financial institutions	8,500	9,250
Investment securities:		
Securities available-for-sale	228,086	203,723
Nonmarketable equity securities	1,326	1,347
Total investment securities	229,412	205,070
Loans receivable	575,852	544,063
Less allowance for credit losses	(6,310)	(5,899)
Loans, net	569,542	538,164
Premises, furniture and equipment, net	28,641	28,118
Bank owned life insurance	8,512	8,294
Cash surrender value of life insurance	2,051	2,023
Goodwill	18,483	18,483
Core deposit intangible	4,592	5,300
Accrued interest receivable	3,703	3,281
Other real estate owned	970	1,090
Deferred tax asset	3,103	3,155
Lease right of use asset	495	318
Other assets	1,960	1,435
Total assets	$ 1,033,028	$ 963,522
Liabilities:		
Deposits:		
Noninterest-bearing transaction accounts	$ 232,186	$ 231,634
Interest-bearing transaction accounts	182,871	183,325
Savings	406,885	340,227
Certificates of deposit $250,000 and over	16,917	16,420
Other time deposits	77,826	81,525
Total deposits	916,685	853,131
Subordinated debenture	24,572	24,513
Securities sold under agreement to repurchase	2,429	3,343
Allowance for unfunded commitments	550	1,199
Accrued interest payable	866	676
Lease liability	495	318
Other liabilities	2,510	3,116
Total liabilities	948,107	886,296
Commitments and contingencies (Notes 4, 11, 19, and 21)		
Shareholders' equity:		
Common stock, $1.00 par value; 2,500,000 shares authorized; 2,392,021 shares issued, and 1,951,320 and 1,972,955 outstanding at December 31, 2024 and 2023, respectively	2,392	2,392
Capital surplus	7,999	7,999
Retained earnings	95,538	86,103
Treasury stock, at cost (440,701 and 419,066 shares at December 31, 2024 and 2023, respectively)	(8,749)	(8,100)
Accumulated other comprehensive loss	(12,259)	(11,168)
Total shareholders' equity	84,921	77,226
Total liabilities and shareholders' equity	$ 1,033,028	$ 963,522

See Notes to Consolidated Financial Statements

Citizens Bancshares Corporation

Consolidated Statements of Income

For the years ended December 31, 2024 and 2023

(Dollars in thousands, except per share amounts)

	2024	2023
Interest income		
Loans, including fees	$ 34,819	$ 30,624
Investment securities:		
Taxable	6,390	5,730
Tax-exempt	858	851
Nonmarketable equity securities	56	42
Federal funds sold	1,830	1,487
Deposits with other banks	5,616	6,972
Total interest income	49,569	45,706
Interest expense		
Deposits	12,819	8,111
Other borrowings	1,122	1,284
Other interest expense	68	85
Total interest expense	14,009	9,480
Net interest income	35,560	36,226
Provision for credit losses – loans	835	7
(Reversal of) provision for credit losses – unfunded commitments	(649)	347
Net interest income after provision for credit losses	35,374	35,872
Noninterest income		
Service charges on deposit accounts	2,888	2,873
Gain on sale of loans held for sale	68	107
Income from cash surrender value of life insurance	218	222
Gain on sale of other real estate owned	31	-
Loss on sale of securities available-for-sale	-	(22)
Brokerage fees	579	467
Credit card and interchange fees	2,958	2,758
Other operating income	763	878
Total noninterest income	7,505	7,283
Noninterest expense		
Salaries and employee benefits	15,530	14,839
Net occupancy	2,570	2,664
Furniture and equipment	1,496	1,306
FDIC assessments	490	530
Communications	206	201
Net cost of other real estate owned	32	102
Merger related expenses	-	46
Other operating expense	9,598	9,395
Total noninterest expense	29,922	29,083
Income before income taxes	12,957	14,072
Income tax expense	2,702	2,906
Net income	$ 10,255	$ 11,166
Earnings per share		
Basic	$ 5.21	$ 5.67
Diluted	$ 5.03	$ 5.47

See Notes to Consolidated Financial Statements

Citizens Bancshares Corporation

Consolidated Statements of Comprehensive Income
For the years ended December 31, 2024 and 2023

(Dollars in thousands)

	2024	2023
Net income	$ 10,255	$ 11,166
Other comprehensive (loss) income		
Unrealized holding (losses) gains arising during the period	(1,381)	2,254
Tax effect	290	(472)
Realized losses on securities available-for-sale	-	22
Tax effect	-	(5)
Other comprehensive (loss) income, net of tax	(1,091)	1,799
Comprehensive income	$ 9,164	$ 12,965

See Notes to Consolidated Financial Statements

Citizens Bancshares Corporation

Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2024 and 2023

(Dollars in thousands, except shares)

	Common Stock Shares	Common Stock Amount	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2022	2,387,821	$ 2,388	$ 7,993	$ 77,211	$ (8,100)	$ (12,967)	$ 66,525
Adoption of ASU 2016-13	-	-	-	(1,485)	-	-	(1,485)
Proceeds from exercise of stock options	4,200	4	6	-	-	-	10
Net income	-	-	-	11,166	-	-	11,166
Other comprehensive income, net of tax	-	-	-	-	-	1,799	1,799
Cash dividends paid ($0.40 per share)	-	-	-	(789)	-	-	(789)
Balance, December 31, 2023	2,392,021	$ 2,392	$ 7,999	$ 86,103	$ (8,100)	$ (11,168)	$ 77,226
Net income	-	-	-	10,255	-	-	10,255
Treasury stock purchase	-	-	-	-	(649)	-	(649)
Other comprehensive loss, net of tax	-	-	-	-	-	(1,091)	(1,091)
Cash dividends paid ($0.42 per share)	-	-	-	(820)	-	-	(820)
Balance, December 31, 2024	2,392,021	$ 2,392	$ 7,999	$ 95,538	$ (8,749)	$ (12,259)	$ 84,921

See Notes to Consolidated Financial Statements

Citizens Bancshares Corporation

Consolidated Statements of Cash Flows
For the years ended December 31, 2024 and 2023

(Dollars in thousands)

	2024	2023
Operating activities		
Net income	$ 10,255	$ 11,166
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses - loans	835	7
(Reversal of)/provision for credit losses – unfunded commitments	(649)	347
Depreciation	1,237	1,246
Amortization of intangible assets	708	708
Write-down of other real estate owned	-	100
Origination of loans held for sale	(2,074)	(2,203)
Proceeds of loans held for sale	2,142	2,310
Gain on sale of loans held for sale	(68)	(107)
Loss on sale of securities available-for-sale	-	22
Discount accretion on purchased loans	(585)	(1,074)
Discount accretion and premium amortization on investment securities	(4)	(144)
Amortization of subordinated debentures	59	60
Increase in accrued interest receivable	(422)	(526)
Increase in accrued interest payable	190	304
Increase in BOLI and cash surrender value of life insurance	(246)	(252)
Decrease in deferred tax asset	342	142
Decrease in other assets	(525)	(418)
(Decrease) increase in other liabilities	(606)	584
Net cash provided by operating activities	10,589	12,272
Investing activities		
Purchases of securities available-for-sale	(55,494)	(75,063)
Proceeds from sale of securities available-for-sale	-	6,925
Net change in nonmarketable equity securities	21	(209)
Net change in loans made to customers	(31,798)	(27,145)
Net change in certificates of deposit with other financial institutions	750	(2,500)
Purchases of premises and equipment, net	(1,826)	(341)
Proceeds from disposal of premises and equipment	66	1,565
Proceeds from sales of other real estate owned	290	219
Proceeds from payout and surrender of life insurance policies	-	444
Proceeds from calls, maturities and paydowns of securities available-for-sale	29,754	67,755
Net cash used in investing activities	(59,237)	(28,350)
Financing activities		
Net change in demand deposits, interest-bearing transactions accounts and savings accounts	66,756	(38,764)
Net decrease in certificates of deposit and other time deposits	(3,202)	(5,068)
Net change in securities sold under agreement to repurchase	(914)	(2,495)
Issuance of common stock upon options exercise	-	10
Cash dividends paid	(820)	(789)
Repayment of junior subordinated debt	-	(3,093)
Purchase of treasury stock	(649)	-
Net cash provided by (used in) financing activities	61,171	(50,199)
Net increase (decrease) in cash and cash equivalents	13,523	(66,277)
Cash and cash equivalents, beginning of year	139,541	205,818
Cash and cash equivalents, end of year	$ 153,064	$ 139,541

See Notes to Consolidated Financial Statements

Citizens Bancshares Corporation

Consolidated Statements of Cash Flows

For the years ended December 31, 2024 and 2023

(Dollars in thousands)

	2024	2023
Non-cash investing and financing activities		
Unrealized (loss) gain on securities available-for-sale, net of tax	$ (1,091)	$ 1,799
Transfer of loans to other real estate owned	$ 170	$ 800
Lease liabilities arising from obtaining right of use assets	$ 260	$ -
Cash paid during the year for:		
Interest	$ 13,819	$ 9,176
Income taxes	$ 2,507	$ 3,229

See Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Basis of presentation and consolidation:

The accompanying consolidated financial statements include the accounts of Citizens Bancshares Corporation, a bank holding company (the "Company") and its wholly owned subsidiary, The Citizens Bank (the "Bank"). The principal business activity of the Bank is to provide banking services to domestic markets in the Midlands, Pee Dee, and Coastal areas of South Carolina. The consolidated financial statements include the accounts of the parent and its wholly owned subsidiary after elimination of all significant intercompany balances and transactions.

Management's estimates:

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the balance sheet date and income and expenses for the period. Actual results could differ significantly from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for credit losses, including valuation allowances for individually evaluated loans, determination of impairment of intangible assets, including goodwill, fair value of investments and the carrying amount of real estate acquired in connection with foreclosures or in satisfaction of loans. Management must also make estimates in determining the estimated useful lives and methods for depreciating premises and equipment.

While management uses available information to recognize credit losses on loans and foreclosed real estate, future additions to the allowance may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Company's allowances based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the allowances for credit losses on loans and foreclosed real estate may change materially in the near term.

Concentrations of credit risk:

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of loans receivable, investment securities, federal funds sold and amounts due from banks.

The Company makes loans to individuals and small businesses for various personal and commercial purposes primarily in the Midlands, Pee Dee, and Coastal regions of South Carolina. The Company's loan portfolio is not concentrated in loans to any single borrower or a relatively small number of borrowers. Additionally, management is not aware of any concentrations of loans to classes of borrowers or industries that would be similarly affected by economic conditions except for loans secured by commercial and residential real estate and commercial and industrial non-real estate loans.

In addition to monitoring potential concentrations of loans to particular borrowers or groups of borrowers, industries and geographic regions, management monitors exposure to credit risk from concentrations of lending products and practices such as loans that subject borrowers to substantial payment increases (e.g., principal deferral periods, loans with initial interest-only periods, etc.) and loans with high loan-to-value ratios. Management has determined that there is no concentration of credit risk associated with its lending policies or practices.

Note 1. Summary of Significant Accounting Policies, Continued

Concentrations of credit risk, continued:

Additionally, there are industry practices that could subject the Company to increased credit risk should economic conditions change over the course of a loan's life. For example, the Company makes variable rate loans and fixed rate principal-amortizing loans with maturities prior to the loan being fully paid (i.e., balloon payment loans). These loans are underwritten and monitored to manage the associated risks. Therefore, management believes that these particular practices do not subject the Company to unusual credit risk.

The Company's investment portfolio consists primarily of obligations of the United States, its agencies or its corporations, mortgage backed securities issued by government-sponsored enterprises (GSEs), and general obligation municipal securities. In the opinion of management, there is no concentration of credit risk in its investment portfolio. The Company places its deposits and correspondent accounts with and sells its federal funds to high quality institutions. Management believes credit risk associated with correspondent accounts is not significant.

Cash and cash equivalents:

For purposes of the statement of cash flows, cash and cash equivalents are defined as those amounts included in the balance sheet caption "Cash and due from banks” and "Interest-bearing balances." Cash and cash equivalents have an original maturity of three months or less.

Investment securities:

All debt securities have been designated as available-for-sale by the Company and are carried at amortized cost and adjusted to their estimated fair value. The unrealized gain or loss is recorded in shareholders’ equity net of the deferred tax effects. Management does not actively trade securities classified as available-for-sale but intends to hold these securities for an indefinite period of time and may sell them prior to maturity to achieve certain objectives. Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Gains and losses on sale are recorded on the trade date and determined using the specific identification method.

Nonmarketable equity securities:

Nonmarketable equity securities include the Company’s investment in the stock of the Federal Home Loan Bank, an investment in the stock of Community Bankers Bank Financial Corporation, and investment in the stock of Pacific Coast Bankers’ Bancshares, and investments in three other entities. These securities are carried at cost because they have no quoted market value, and no ready market exists. Investment in Federal Home Loan Bank stock is a condition of borrowing from the Federal Home Loan Bank, and the stock is pledged to collateralize any borrowings. Dividends received on nonmarketable equity securities are included as a separate component in interest income.

Note 1. Summary of Significant Accounting Policies, Continued

Loans held for sale:

Loans held for sale consist of residential mortgage loans the Company originates for sale to secondary market investors. They are carried at the lower of aggregate cost or market value. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. Fees collected in conjunction with origination activities are deferred as part of the cost basis of the loan and recognized when the loan is sold. Gains or losses on sales are recognized when the loans are sold and are determined as the difference between the sales price and the carrying value of the loans. The Company had no loans held for sale as of December 31, 2024 and 2023, respectively. The Company recognized gains on loans sold during 2024 and 2023 totaling $68 thousand and $107 thousand, respectively.

The Company issues rate lock commitments to borrowers based on prices quoted by secondary market investors. When rates are locked with borrowers, a sales commitment is immediately entered (on a best-efforts basis or mandatory delivery basis) at a specified price with a secondary market investor. Accordingly, any potential liabilities associated with rate lock commitments are offset by sales commitments to investors.

The Company's residential mortgage lending activities for sale in the secondary market are comprised of accepting residential mortgage loan applications, qualifying borrowers to standards established by investors, funding residential mortgage loans and selling mortgage loans to investors under pre-existing commitments. Funded residential mortgages held temporarily for sale to investors are recorded at the lower of cost or market value. Application and origination fees collected by the Company are recognized as income upon sale to the investor.

Accounting standards adopted in 2023:

On January 1, 2023, 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 are presented at the net amount expected to be collected by using an allowance for credit losses. Purchased credit deteriorated (“PCD”) loans received an initial allowance at the adoption date that represented an adjustment to the amortized cost basis of the loan, with no impact to earnings.

In addition, CECL made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities if management does not intend to sell and does not believe that it is more likely than not they will be required to sell.

Note 1. Summary of Significant Accounting Policies, Continued

Accounting standards adopted in 2023, continued:

The Company adopted ASC 326 and all related subsequent amendments thereto effective January 1, 2023, 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 $1.03 million, which is presented as a reduction to net loans outstanding, and an increase in the allowance for credit losses for unfunded commitments of $852 thousand. The Company recorded a net decrease to retained earnings of $1.49 million as of January 1, 2023, for the cumulative effect of adopting CECL, which reflects the transition adjustments noted above, net of the applicable deferred tax assets recorded.

The Company adopted ASC 326 using the prospective transition approach for PCD assets that were previously classified as purchased credit impaired ("PCI") under ASC 310-30. In accordance with the standard, management did not reassess whether PCI assets met the criteria of PCD assets as of the date of adoption. On January 1, 2023, the amortized cost basis of PCD assets were adjusted to reflect the addition of $86 thousand to establish the allowance for credit losses. The remaining interest-related discount of approximately $517 thousand was accredited into interest income at the effective interest rate as of January 1, 2023.

Regarding PCD assets, the Company elected to disaggregate the former PCI pools and no longer considers these pools to be the unit of account; contractually delinquent PCD loans will be reported as nonaccrual loans using the same criteria as other loans.

The Company adopted ASC 326 using the prospective transition approach for debt securities for which other-than-temporary impairment had been recognized prior to January 1, 2023. As of December 31, 2022, the Company did not have any other-than-temporarily impaired investment securities. Therefore, upon adoption of ASC 326, the Company determined that an allowance for credit losses on available-for-sale securities was not deemed material.

The Company elected not to measure an allowance for credit losses for accrued interest receivable and instead elected to reverse interest income on loans or securities that are placed on nonaccrual status, which is generally when the instrument is 90 days past due, or earlier if the Company believes the collection of interest is doubtful. The Company has concluded that this policy results in the timely reversal of uncollectible interest.

In January 2023, the Company adopted ASU 2022-02, "Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures" ("ASU 2022-02"), which eliminated the accounting guidance for troubled debt restructurings ("TDRs") while enhancing disclosure requirements for certain loan refinancing and restructurings by creditors when a borrower is experiencing financial difficulty. In addition, for public business entities, the guidance requires disclosure of current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20. The Company adopted the guidance using the modified retrospective method. Upon adoption of this guidance, the Company is no longer required to establish a specific reserve for modifications to borrowers experiencing financial difficulty. Instead, these modifications are included in their respective cohort and a historical loss rate is applied to the current loan balance to arrive at the quantitative baseline portion of the allowance. The difference between the allowance previously determined and the current allowance was not material to the Company's financial statements.

Note 1. Summary of Significant Accounting Policies, Continued

Purchased credit deteriorated loans:

Upon adoption of ASC 326, loans that were designated as PCI loans under the previous accounting guidance were classified as PCD loans without reassessment.

In future acquisitions, the Company may purchase loans, some of which have experienced more than insignificant credit deterioration since origination. In those cases, the Company will consider internal loan grades, delinquency status and other relevant factors in assessing whether purchased loans are PCD. PCD loans are recorded at the amount paid. An initial allowance for credit loss is determined using the same methodology as other loans held for investment, but with no impact to earnings. The initial allowance for credit loss determined on a collective basis is allocated to individual loans. The sum of the loan's purchase price and allowance for credit loss becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan.

Subsequent to initial recognition, PCD loans are subject to the same interest income recognition and impairment model as non-PCD loans, with changes to the allowance for credit loss recorded through provision expense.

Allowance for credit losses – available-for-sale securities:

For available-for-sale securities, management evaluates all investments in an unrealized loss position on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. If the Company has the intent to sell the security, or it is more likely than not that the Company will be required to sell the security, the security is written down to fair value, and the entire loss is recorded in earnings.

If either of the above criteria is not met, the Company evaluates whether the decline in fair value is the result of credit losses or other factors. In making the assessment, the Company may consider various factors including the extent to which fair value is less than amortized cost, performance on any underlying collateral, downgrades in the ratings of the security by a rating agency, the failure of the issuer to make scheduled interest or principal payments and adverse conditions specifically related to the security. If the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected is compared to the amortized cost basis of the security and any excess is recorded as an allowance for credit loss, limited to the amount that the fair value is less than the amortized cost basis. Any amount of unrealized loss that has not been recorded through an allowance for credit loss is recognized in other comprehensive income.

Changes in the allowance for credit loss are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance for credit loss when management believes an available-for-sale security is confirmed to be uncollectible or when either of the criteria regarding intent or requirement to sell is met. At December 31, 2024 and 2023 there was no allowance for credit loss related to the available-for-sale portfolio.

Accrued interest receivable on available-for-sale debt securities at December 31, 2024 and 2023 totaled $1.5 million and $1.2 million, respectively and was excluded from the estimate of credit losses.

Note 1. Summary of 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. Accrued interest receivable related to loans at December 31, 2024 and 2023 totaled $2.2 million and $2.0 million, respectively and was reported in accrued interest receivable on the consolidated balance sheets. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using methods that approximate a level yield without anticipating prepayments.

The accrual of interest is generally discontinued when a loan becomes 90 days past due and is not well collateralized 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.

All accrued interest is reversed against interest income when a loan is placed on nonaccrual status. Interest received on such loans is accounted for using the cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, there is a sustained period of repayment performance, and future payments are reasonably assured.

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.

Note 1. Summary of Significant Accounting Policies, Continued

Allowance for credit losses – loans, continued:

The Company measures expected credit losses for loans on a pooled basis when similar risk characteristics exist. The Company calculates the allowance for credit losses on loans for each pool of loans using a remaining life loss methodology with a four quarter reasonable and supportable forecast period and an immediate reversion period. The Company has applied the loss history from a designated peer group of ten institutions of similar size and geography. Management believes that the peer group's historical loss experience provides the best basis for its assessment of expected credit losses on loans to determine the allowance for credit losses on loans. The Company then forecasts the calculated historical loss rates over the calculated remaining life of loans by pool. The Company has identified the following portfolio segments and calculates the allowance for credit losses for each using a weighted-average remaining maturity methodology:

- Real estate-construction – Construction, land development, and other land loans. Short term financing is associated with this class of loans and may or may not be converted to permanent financing. Construction loans are secured by dwellings or commercial buildings while land serves as collateral for land development and other land loans. The primary risks are associated with non-completion of a project within the term of the construction period and inadequate funds to complete the improvement.

  Significant changes in the cost to build (such as change orders and cost-overruns) can have a material effect on the borrower's ability to repay.

- Real estate-commercial – Owner occupied nonresidential properties include office buildings, other commercial facilities, and farmland. Commercial mortgages secured by owner occupied properties are primarily dependent on the ability of borrowers to achieve business results consistent with those projected at loan origination. While these loans and leases are collateralized by real property in an effort to mitigate risk, it is possible the liquidation of collateral will not fully satisfy the obligation. Non-owner occupied commercial mortgages consist of loans to purchase or refinance investment nonresidential properties. This includes office, retail, and industrial buildings along with hotels and other facilities rented or leased to unrelated parties, as well as farmland and multifamily properties. The primary risk associated with income-producing commercial mortgage loans is the ability of the income-producing property that collateralizes the loan to produce adequate cash flow to service the debt. While these loans are collateralized by real property in an effort to mitigate risk, it is possible the liquidation of collateral will not fully satisfy the obligation.

- Real estate-residential - Residential mortgages consist of loans to purchase or refinance the borrower's primary dwelling, second residence or vacation home and are secured by 1-4 family residential property. Significant and rapid declines in real estate values can result in borrowers having debt levels in excess of the current market value of the collateral.

- Commercial and industrial - Commercial and industrial business loans consist of loans or lines of credit to finance accounts receivable, inventory or other general business needs, business credit cards, and lease financing agreements for equipment, vehicles, or other assets. The primary risk associated with commercial and industrial and lease financing loans is the ability of borrowers to achieve business results consistent with those projected at origination. Failure to achieve these projections presents risk the borrower will be unable to service the debt consistent with the contractual terms of the loan.

Note 1. Summary of Significant Accounting Policies, Continued

Allowance for credit losses – loans, continued:

- Consumer and other - Consumer loans consist of loans to finance unsecured home improvements, student loans, automobiles and revolving lines of credit that can be secured or unsecured. The value of the underlying collateral within this class is at risk of potential rapid depreciation which could result in unpaid balances in excess of the collateral.

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 management lending experience and risk tolerance, loan review and audit results, asset quality and portfolio trends, loan portfolio growth, industry concentrations, trends in underlying collateral, external factors and local economic conditions not already captured. Loans that do not share risk characteristics are evaluated on an individual basis. When the borrower is experiencing financial difficulty and repayment is expected to be provided through operation or sale of the collateral, the expected credit losses are based on the fair value of collateral at the reporting date, adjusted for 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 on off-balance sheet credit exposures, unless the commitments to extend credit are unconditionally cancelable, through a (reversal of) provision for unfunded commitments in the Company's consolidated statements of income. The allowance for credit losses on off-balance sheet credit exposures 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.

Premises, furniture and equipment:

Premises, furniture and equipment are stated at cost less accumulated depreciation. The provision for depreciation is computed principally by accelerated cost recovery methods allowed for income tax reporting purposes if there are no material differences from generally accepted accounting principles. Rates of depreciation are generally based on the following estimated useful lives: buildings and land improvements - 10 to 40 years and furniture and equipment - 5 to 10 years. The cost of assets sold or otherwise disposed of and the related accumulated depreciation is eliminated from the accounts, and the resulting gains or losses are reflected in the income statement. Maintenance and repairs are charged to current expense as incurred, and the costs of major renewals and improvements are capitalized.

Note 1. Summary of Significant Accounting Policies, Continued

Leases:

The Company determines if an arrangement is a lease at inception. Operating leases are included in right of use (ROU) assets on operating leases and operating lease liabilities on the consolidated balance sheets. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, an incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments is used. The implicit rate is used when readily determinable. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Other real estate owned:

Other real estate owned includes real estate acquired through foreclosure. Other real estate owned is initially recorded at the lower of the loan amount or fair value less estimated costs to sell. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of cost or fair value less costs to sell. Costs to maintain such assets, subsequent write-downs, and gains and losses on disposal are charged to expense and are included in net cost of other real estate owned.

Goodwill and other intangible assets:

Goodwill represents the cost in excess of fair value of net assets acquired (including identifiable intangibles) in purchase transactions. Fair values are subject to refinement for up to one year after the closing date of the acquisition as information relative to closing date fair values becomes available. Other intangible assets represent premiums paid for acquisitions of core deposits (core deposit intangibles). Core deposit intangibles are being amortized over a 10-year period based on amortization schedules prepared by an outside consultant. Goodwill and identifiable intangible assets are reviewed for impairment annually or whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of identifiable intangible assets is measured by a comparison of the carrying amount of the asset to future undiscounted cash flows expected to be generated by the asset. The Company's evaluation considers various components, to include economic conditions, industry considerations, financial performance as well as other information. No impairment losses have been recorded as a result of the Company's analysis during the years ended December 31, 2024 and 2023.

Retirement and deferred compensation plans:

The Bank has a profit sharing plan covering all full-time employees with at least twelve months of service and who have obtained the age of eighteen. Normal retirement age is the first of the month following attainment of age sixty-five or ten years of participation if later. Early retirement can be obtained at age fifty-five upon ten years of participation. Expenses charged to earnings for each of the years ended December 31, 2024 and 2023 totaled $550 thousand and $500 thousand, respectively, and are included within salaries and employee benefits on the consolidated statements of income.

Note 1. Summary of Significant Accounting Policies, Continued

Income and expense recognition and revenue from contracts with customers:

The accrual method of accounting is used for all significant categories of income and expense. Immaterial amounts of insurance commissions and other miscellaneous fees are reported when received.

In accordance with Topic 606, revenues are recognized when control of promised goods or services is transferred to customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of Topic 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation.

The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract Is determined to be within the scope of Topic 606, the Company assesses the goods or services that are promised within each contract and identifies those that contain performance obligations, and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount or the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

Service charges on deposit accounts: Service charges on deposit accounts are included in noninterest income and include fees from the Company's deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. 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.

Credit card and interchange fees: Credit card and interchange fees are included in noninterest income and includes interchange fees the Company earns from debit cardholder transactions conducted through payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, with the transaction processing services provided to the cardholder. Fees are recognized on a daily basis.

Gains/Losses on OREO Sales: Gains/losses on the sale of OREO are included in noninterest income and are generally recognized when the performance obligation is complete. This is typically at delivery of control over the property to the buyer at the time of each real estate closing.

Income taxes:

Amounts provided for income taxes are based on income reported for financial statement purposes. Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Note 1. Summary of Significant Accounting Policies, Continued

Income taxes, continued:

The Company believes that its income tax filing positions taken or expected to be taken in its tax returns will more likely than not be sustained upon audit by the taxing authorities and does not anticipate any adjustments that will result in a material adverse impact on the Company's financial condition, results of operations, or cash flow. Therefore, no reserves for uncertain income tax positions have been recorded.

Business combinations:

The Company accounts for business combinations using the acquisition method of accounting. The accounts of an acquired entity are included as of the date of acquisition, and any excess of purchase price over the fair value of the net assets acquired is capitalized as goodwill. Under this method, all identifiable assets acquired, including purchased loans, and liabilities assumed are recorded at fair value. The Company typically issues common stock and/or pays cash for an acquisition, depending on the terms of the acquisition agreement. The value of shares of common stock issued is determined based on the market price of the stock as of the closing of the acquisition.

Advertising expense:

Advertising and public relations costs are generally expensed as incurred. External costs incurred in producing media advertising are expensed the first time the advertising takes place. External costs relating to direct mailing costs are expensed in the period in which the direct mailings are sent. Advertising and public relations costs of $919 thousand and $766 thousand were included in other operating expenses for 2024 and 2023, respectively.

Comprehensive income:

The Company reports comprehensive income in accordance with Accounting Standards Codification (ASC) 220, "Comprehensive Income." ASC 220 requires that all items that are required to be reported under accounting standards as comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The disclosure requirements have been included in the Company's consolidated statements of comprehensive income. The only item included in accumulated other comprehensive loss on the consolidated balance sheets is unrealized holding losses on available-for-sale investment securities.

Per-share amounts:

Basic earnings per-share is computed by dividing net income by the weighted-average number of shares outstanding for the period. Diluted earnings per-share is similar to the computation of basic earnings per-share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. The dilutive effect of options outstanding under the Company's stock option plan are reflected in diluted earnings per-share by the application of the treasury stock method. See Note 13 for further detail.

For purposes of computing earnings per-share, allocated shares and shares released for allocation by the employee retirement and stock ownership plan, The Citizens Bank KSOP Plan (the "KSOP"), a component of which includes Company stock, are considered outstanding.

Note 1. Summary of Significant Accounting Policies, Continued

Statement of cash flows:

For purposes of reporting cash flows in the financial statements, the Company considers certain highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents include amounts due from banks, interest-bearing deposits, and federal funds sold. Generally, federal funds are sold for one day periods.

Off-balance-sheet financial instruments:

In the ordinary course of business, the Company enters into off-balance-sheet financial instruments consisting of commitments to extend credit and letters of credit. These financial instruments are recorded in the financial statements when they become payable by the customer.

Segment information:

The Company adopted Accounting Standards Update 2023-07 "Segment Reporting (Topic 280) - Improvement to Reportable Segment Disclosures" on January 1, 2024. The Company has determined that all of its banking divisions and subsidiaries meet the aggregation criteria of ASC 280, Segment Reporting, as its current operating model is structured whereby banking divisions and subsidiaries serve a similar base of primarily commercial clients utilizing a company-wide offering of similar products and services managed through similar processes and platforms that are collectively reviewed by the Company's President and Chief Operating Officer, who have been identified as the chief operating decision maker ("CODM").

The CODM regularly assesses performance of the aggregated single operating and reporting segment and decides how to allocate resources based on net income calculated on the same basis as net income reported in the Company's consolidated statements of income and other comprehensive income. The CODM is also regularly provided with expense information at a level consistent with that disclosed in the Company's consolidated statements of income and other comprehensive income.

Recently issued accounting pronouncements:

The following is a summary of recent authoritative pronouncements that could impact the accounting, reporting, and/or disclosure of financial information by the Company.

Note 1. Summary of Significant Accounting Policies, Continued

In December 2023, the FASB issued guidance requiring public business entities to disclose additional information in specified categories with respect to the reconciliation of the effective tax rate to the statutory rate (the rate reconciliation) for federal, state, and foreign income taxes. It also requires greater detail about individual reconciling items in the rate reconciliation to the extent the impact of those items exceeds a specified threshold. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The Company does not expect this amendment to have a material change to the consolidated financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

Risks and uncertainties:

In the normal course of its business, the Company encounters two significant types of risks: economic and regulatory. There are three main components of economic risk: interest rate risk, credit risk and market risk. The Company is subject to interest rate risk to the degree that its interest-bearing liabilities mature or reprice at different speeds, or on different basis, than its interest-earning assets. Credit risk is the risk of default on the Company's loan portfolio that results from a borrower's inability or unwillingness to make contractually required payments. Market risk reflects changes in the value of collateral underlying loans receivable and the valuation of real estate held by the Company.

The Company is subject to the regulations of various governmental agencies. These regulations can and do change significantly from period to period. The Company also undergoes periodic examinations by the regulatory agencies, which may subject it to further changes with respect to asset valuations, amounts of required loss allowances and operating restrictions from the regulators' judgments based on information available to them at the time of their examination.

Reclassifications:

Certain captions and amounts in the 2023 consolidated financial statements were reclassified to conform with the 2024 presentation. These reclassifications had no effect on the results of operations or shareholders' equity.

Note 2. Restrictions on Cash and Due From Banks

The Company has been required by regulation to maintain an average cash reserve balance based on a percentage of deposits. There were no such requirements as of December 31, 2024 and 2023.

Note 3. Investment Securities

The amortized cost and estimated fair value of securities available-for-sale along with gross unrealized gains and losses, for which an allowance for credit loss has not been recorded, are summarized as follows:

	December 31, 2024			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government-sponsored enterprises	$ 74,671	$ 8	$ (4,372)	$ 70,307
Mortgage backed securities	96,463	44	(7,265)	89,242
Obligations of state and local governments	42,007	49	(3,500)	38,556
U.S. Treasuries	30,463	48	(530)	29,981
	$ 243,604	$ 149	$ (15,667)	$ 228,086

	December 31, 2023			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government-sponsored enterprises	$ 58,995	$ 23	$ (4,723)	$ 54,295
Mortgage backed securities	86,866	240	(6,283)	80,823
Obligations of state and local governments	38,697	181	(2,863)	36,015
U.S. Treasuries	33,302	160	(872)	32,590
	$ 217,860	$ 604	$ (14,741)	$ 203,723

The following is a summary of maturities of securities available-for-sale as of December 31, 2024. The amortized cost and estimated fair values are based on the contractual maturity dates. Actual maturities may differ from the contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.

	Securities Available-for-Sale	
(Dollars in thousands)	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 15,735	$ 15,640
Due after one year but within five years	47,343	45,508
Due after five years but within ten years	67,175	62,210
Due after ten years	113,351	104,728
Total	$ 243,604	$ 228,086

Note 3. Investment Securities, Continued

At December 31, 2024 and 2023, investment securities with a book value of $74.7 million and $52.3 million and a market value of $69.5 million and $47.7 million, respectively, were pledged as collateral to secure public deposits and for other purposes as required or permitted by law.

During 2024, no investment securities were sold. During 2023, investment securities classified as available-for-sale, with a book value of $8.8 million, were sold for a loss of approximately $58 thousand. Investment securities classified as available-for-sale, with a book value of $1.9 million, were sold for a gain of approximately $36 thousand.

The following table shows the gross unrealized losses and estimated fair value of available sale securities for which an allowance for credit losses has not been recorded aggregated by category and length of time that securities have been in a continuous unrealized loss position, at December 31, 2024 and 2023.

	December 31, 2024					
	Less Than Twelve Months		Twelve Months or More		Total	
(Dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Government-sponsored enterprises	$ 30,947	$ (225)	$ 35,351	$ (4,147)	$ 66,298	$ (4,372)
Mortgage backed securities	30,737	(717)	52,857	(6,548)	83,594	(7,265)
Obligations of state and local governments	8,265	(196)	26,199	(3,304)	34,464	(3,500)
U.S. Treasuries	2,899	(5)	22,126	(525)	25,025	(530)
	$ 72,848	$ (1,143)	$ 136,533	$ (14,524)	$ 209,381	$ (15,667)

	December 31, 2023					
	Less Than Twelve Months		Twelve Months or More		Total	
(Dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Government-sponsored enterprises	$ 7,466	$ (31)	$ 41,807	$ (4,692)	$ 49,273	$ (4,723)
Mortgage backed securities	3,586	(27)	64,545	(6,256)	68,131	(6,283)
Obligations of state and local governments	2,644	(29)	25,547	(2,834)	28,191	(2,863)
U.S. Treasuries	-	-	24,702	(872)	24,702	(872)
	$ 13,696	$ (87)	$ 156,600	$ (14,654)	$ 170,297	$ (14,741)

Note 3. Investment Securities, Continued

At December 31, 2024 and 2023, the Company had 255 and 213 individual investments that were in an unrealized loss position, respectively. The unrealized losses were primarily attributable to changes in interest rates, rather than deterioration in credit quality. The individual securities are each investment grade securities. The Company considers factors such as the financial condition of the issuer including credit ratings and specific events affecting the operations of the issuer, volatility of the security, underlying assets that collateralize the debt security, and other industry and macroeconomic conditions. The Company does not intend to sell these securities, and it is more likely than not that the Company will not be required to sell these securities before recovery of the amortized cost. Accordingly, the Company has not recognized an allowance for credit losses on available-for-sale securities.

Note 4. Loans Receivable

The following is a summary of the major categories of loans receivable at December 31, 2024 and 2023:

(Dollars in thousands)	2024	2023
Real estate - construction	$ 53,429	$ 64,241
Real estate - commercial	162,772	153,099
Real estate - residential	272,198	235,673
Commercial and industrial	46,148	49,436
Consumer and other	41,305	41,614
Total loans, net of deferred fees and costs	575,852	544,063
Less allowance for credit losses	(6,310)	(5,899)
Loans, net	$ 569,542	$ 538,164

The above balances are inclusive of deferred fees and costs of $121 thousand and $83 thousand as of December 31, 2024 and 2023, respectively.

Delinquency disclosures:

The following table presents an analysis of past-due loans as of December 31, 2024:

(Dollars in thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	Loans 90 Days or More Past Due and Still Accruing	Nonaccrual Loans	Current Loans	Total Loans
Real estate - construction	$ 26	$ -	$ -	$ -	$ 53,403	$ 53,429
Real estate - commercial	230	45	-	-	162,497	162,772
Real estate - residential	765	84	-	666	270,683	272,198
Commercial and industrial	318	34	-	-	45,796	46,148
Consumer and other	462	180	28	51	40,584	41,305
	$ 1,801	$ 343	$ 28	$ 717	$ 572,963	$ 575,852

Note 4. Loans Receivable, Continued

Delinquency disclosures, continued:

The following table presents an analysis of past-due loans as of December 31, 2023:

(Dollars in thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	Loans 90 Days or More Past Due and Still Accruing	Nonaccrual Loans	Current Loans	Total Loans
Real estate - construction	$ 236	$ 53	$ -	$ -	$ 63,952	$ 64,241
Real estate - commercial	404	-	-	4	152,691	153,099
Real estate - residential	1,132	281	73	276	233,911	235,673
Commercial and industrial	236	37	-	4	49,159	49,436
Consumer and other	192	66	-	119	41,237	41,614
	$ 2,200	$ 437	$ 73	$ 403	$ 540,950	$ 544,063

Credit quality indicators:

The Company uses a risk based approach based on the following credit quality measures when analyzing the loan portfolio: pass, watch, special mention, and substandard. These indicators are used to rate the credit quality of loans for the purposes of determining the Company's allowance for credit losses.

Grades 1, 2, and 3 are considered "Acceptable/Pass", and are deemed to be loans that are performing and are deemed adequately protected by the net worth of the borrower or the underlying collateral value. These loans are considered the least risky in terms of determining the allowance for credit losses.

Grade 4 is considered "Watch - Special Mention", respectively, and are deemed to be loans that have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's position at some future date.

Grade 5 is considered "Substandard" and is deemed to be loans that are considered the most risky. These loans typically have an identified weakness or weaknesses and are inadequately protected by the net worth of the borrower or collateral value.

Note 4. Loans Receivable, Continued

Vintage disclosures:

The following table presents the Company's recorded investment in loans by credit quality indicators by year of origination as of December 31, 2024:

(Dollars in thousands)

	Term Loans by Year of Origination							
	2024	2023	2022	2021	2020	Prior	Revolving	Total
Real estate - construction								
Acceptable/Pass	$ 25,729	$ 8,339	$ 8,548	$ 3,675	$ 1,978	$ 3,020	$ 2,054	$ 53,343
Watch - Special Mention	-	-	-	-	-	86	-	86
Substandard	-	-	-	-	-	-	-	-
Total real estate - construction loans	$ 25,729	$ 8,339	$ 8,548	$ 3,675	$ 1,978	$ 3,106	$ 2,054	$ 53,429
Current period gross write-offs	-	-	-	-	-	-	-	-
Real estate - commercial								
Acceptable/Pass	$ 16,178	$ 24,227	$ 19,061	$ 27,454	$ 14,121	$ 41,613	$ 11,945	$ 154,599
Watch - Special Mention	-	109	1,217	3,776	-	1,132	1,765	7,999
Substandard	39	-	-	-	108	27	-	174
Total real estate - commerical loans	$ 16,217	$ 24,336	$ 20,278	$ 31,230	$ 14,229	$ 42,772	$ 13,710	$ 162,772
Current period gross write-offs	-	-	(50)	-	-	-	-	(50)
Real estate - residential								
Acceptable/Pass	$ 35,658	$ 50,787	$ 40,087	$ 32,410	$ 25,951	$ 46,970	$ 37,020	$ 268,883
Watch - Special Mention	-	567	-	80	125	594	109	1,475
Substandard	-	206	-	52	-	1,016	566	1,840
Total real estate - residential loans	$ 35,658	$ 51,560	$ 40,087	$ 32,542	$ 26,076	$ 48,580	$ 37,695	$ 272,198
Current period gross write-offs	-	-	-	-	-	-	-	-
Commercial and industrial								
Acceptable/Pass	$ 18,775	$ 11,523	$ 5,616	$ 2,365	$ 757	$ 1,917	$ 4,910	$ 45,863
Watch - Special Mention	12	77	-	16	-	28	1	134
Substandard	103	6	-	-	-	42	-	151
Total commercial and industrial loans	$ 18,890	$ 11,606	$ 5,616	$ 2,381	$ 757	$ 1,987	$ 4,911	$ 46,148
Current period gross write-offs	-	(45)	(11)	(4)	-	-	-	(60)
Consumer and other								
Acceptable/Pass	$ 19,334	$ 12,262	$ 5,628	$ 2,753	$ 876	$ 262	$ -	$ 41,115
Watch - Special Mention	2	43	10	17	-	12	-	84
Substandard	30	6	59	11	-	-	-	106
Total consumer and other loans	$ 19,366	$ 12,311	$ 5,697	$ 2,781	$ 876	$ 274	$ -	$ 41,305
Current period gross write-offs	(361)	(120)	(94)	(1)	(1)	-	(7)	(584)

Note 4. Loans Receivable, Continued

Vintage disclosures, continued:

The following table presents the Company's recorded investment in loans by credit quality indicators by year of origination as of December 31, 2023:

(Dollars in thousands)

	Term Loans by Year of Origination								
	2023	2022	2021	2020	2019	Prior	Revolving	Total
Real estate - construction								
Acceptable/Pass	$ 30,372	$ 13,296	$ 4,673	$ 4,711	$ 1,331	$ 2,677	$ 7,029	$ 64,089
Watch - Special Mention	-	-	-	-	24	128	-	152
Substandard	-	-	-	-	-	-	-	-
Total real estate - construction loans	$ 30,372	$ 13,296	$ 4,673	$ 4,711	$ 1,355	$ 2,805	$ 7,029	$ 64,241
Current period gross write-offs	-	-	-	-	-	-	-	-
Real estate - commercial								
Acceptable/Pass	$ 17,785	$ 21,938	$ 30,694	$ 13,077	$ 21,026	$ 30,985	$ 12,335	$ 147,840
Watch - Special Mention	-	-	3,891	13	-	1,093	125	5,122
Substandard	-	-	-	-	-	137	-	137
Total real estate - commerical loans	$ 17,785	$ 21,938	$ 34,585	$ 13,090	$ 21,026	$ 32,215	$ 12,460	$ 153,099
Current period gross write-offs	-	-	-	-	-	(3)	-	(3)
Real estate - residential								
Acceptable/Pass	$ 37,578	$ 42,222	$ 37,095	$ 28,989	$ 14,967	$ 41,087	$ 30,459	$ 232,397
Watch - Special Mention	416	-	-	-	65	814	159	1,454
Substandard	-	-	54	-	451	1,168	149	1,822
Total real estate - residential loans	$ 37,994	$ 42,222	$ 37,149	$ 28,989	$ 15,483	$ 43,069	$ 30,767	$ 235,673
Current period gross write-offs	-	-	-	-	-	-	-	-
Commercial and industrial								
Acceptable/Pass	$ 23,855	$ 9,992	$ 4,572	$ 2,735	$ 1,658	$ 2,433	$ 3,879	$ 49,124
Watch - Special Mention	79	-	27	-	-	57	9	172
Substandard	-	-	4	2	66	68	-	140
Total commercial and industrial loans	$ 23,934	$ 9,992	$ 4,603	$ 2,737	$ 1,724	$ 2,558	$ 3,888	$ 49,436
Current period gross write-offs	-	(75)	-	-	-	-	-	(75)
Consumer and other								
Acceptable/Pass	$ 22,312	$ 10,658	$ 5,495	$ 2,102	$ 512	$ 169	$ 148	$ 41,396
Watch - Special Mention	34	-	20	-	20	-	-	74
Substandard	41	90	10	-	-	3	-	144
Total consumer and other loans	$ 22,387	$ 10,748	$ 5,525	$ 2,102	$ 532	$ 172	$ 148	$ 41,614
Current period gross write-offs	(602)	(40)	(4)	(2)	-	-	(8)	(656)

Note 4. Loans Receivable, Continued

Nonaccrual disclosures:

The following table is a summary of the Company's nonaccrual loans by major categories as of December 31, 2024:

	December 31, 2024		
(Dollars in thousands)	Nonaccrual Loans with No Allowance	Nonaccrual Loans with An allowance	Total Nonaccrual Loans
Real estate - residential	$ 613	$ 53	$ 666
Consumer and other	5	46	51
Total loans	$ 618	$ 99	$ 717

The following table is a summary of the Company's nonaccrual loans by major categories as of December 31, 2023:

	December 31, 2023		
(Dollars in thousands)	Nonaccrual Loans with No Allowance	Nonaccrual Loans with An allowance	Total Nonaccrual Loans
Real estate - commercial	$ 4	$ -	$ 4
Real estate - residential	276	-	276
Commercial and industrial	-	4	4
Consumer and other	71	48	119
Total loans	$ 351	$ 52	$ 403

The Company recognized $27 thousand and $13 thousand of interest income on nonaccrual loans during the year ended December 31, 2024 and 2023, respectively. The Company has determined that nonaccrual loans that are exhibiting the ability for repayment and are not delinquent as of the balance sheet date are excluded from individual evaluation unless it is determined that these loans exhibit different risk characteristics than the collective loan pool.

Note 4. Loans Receivable, Continued

Nonaccrual disclosures, continued:

The following table represents the accrued interest receivables written off by reversing interest income during the year ended December 31, 2024:

(Dollars in thousands)	For the Period Ended December 31, 2024	2023
Real estate - residential	$ -	$ 2
Consumer and other	1	3
Total loans	$ 1	$ 5

Collateral dependent disclosures:

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

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

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

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

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

Note 4. Loans Receivable, Continued

Collateral dependent disclosures, continued:

The following table details the amortized cost of collateral dependent loans:

(Dollars in thousands)	For the Period Ended December 31, 2024	For the Period Ended December 31, 2023
Real estate - commercial	$ -	$ 4
Real estate - residential	$ 509	$ 117
Commercial and industrial	$ -	$ 4
Consumer and other	$ 52	$ 119
Total loans	$ 561	$ 244

Allowance for credit losses disclosures:

The following table summarizes the activity related to the allowance for credit losses for the year ended December 31, 2024.

(Dollars in thousands)	Real Estate Construction	Real Estate Commercial	Real Estate Residential	Commercial and Industrial	Consumer and Other	Total
Allowance for credit losses:						
Balance, December 31, 2023	$ 562	$ 1,598	$ 2,669	$ 873	$ 197	$ 5,899
Charge-offs	-	(50)	-	(60)	(584)	(694)
Recoveries	-	3	11	38	218	270
Provision for credit losses	60	184	307	52	232	835
Balance, December 31, 2024	$ 622	$ 1,735	$ 2,987	$ 904	$ 62	$ 6,310

The following table summarizes the activity related to the allowance for credit losses for the year ended December 31, 2023.

(Dollars in thousands)	Real Estate Construction	Real Estate Commercial	Real Estate Residential	Commercial and Industrial	Consumer and Other	Total
Allowance for credit losses:						
Balance, December 31, 2022	$ 451	$ 1,335	$ 2,244	$ 708	$ 160	$ 4,898
Adjustment to allowance for adoption of ASU 2016-13	132	314	483	101	86	1,116
Charge-offs	-	(3)	-	(75)	(656)	(734)
Recoveries	-	1	18	155	438	612
Provision for credit losses	(21)	(49)	(76)	(16)	169	7
Balance, December 31, 2023	$ 562	$ 1,598	$ 2,669	$ 873	$ 197	$ 5,899

Note 4. Loans Receivable, 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. Occasionally, the Company modifies loans by providing principal forgiveness on certain of its real estate loans. When principal forgiveness is provided, the amortized cost basis of the asset is written off against the allowance for credit losses. The amount of the principal forgiveness is deemed to be uncollectible; therefore, that portion of the loan is written off, resulting in a reduction of the amortized cost basis and a corresponding adjustment to the allowance for credit losses.

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

Note 4. Loans Receivable, Continued

Modifications made to borrowers experiencing financial difficulty, continued:

The following table shows the amortized cost basis as of December 31, 2024 of the loans modified to borrowers experiencing financial difficulty, disaggregated by class of loans and type of concession granted and describes the financial effect of the modifications made to borrowers experiencing financial difficulty:

	Term Extension		
	Amortized Cost Basis	% of Total Loan Type	Financial Effect
	($ in thousands)		
Commercial and industrial	$ 31	0.07%	Extension of terms greater than 3 months, which reduced payment amounts for the borrowers.
Consumer and other	29	0.06%	Extension of terms greater than 3 months, which reduced payment amounts for the borrowers.
Total loans	$ 60		

	Combination – Term Extension and Interest Rate Reduction		
	Amortized Cost Basis	% of Total Loan Type	Financial Effect
	($ in thousands)		
Real Estate - residential	$ 28	0.01%	Provided payment deferrals to borrowers and reduced contractual interest rates for borrowers, which reduced payment amounts for the borrowers.
Total loans	$ 28		

The Company did not commit to lend additional amounts to the borrowers included in the previous table.

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 written 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.

Note 4. Loans Receivable, Continued

Modifications made to borrowers experiencing financial difficulty, continued:

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 written 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 during the year ended December 31, 2024, before default to borrowers experiencing financial difficulty (in thousands):

	Amortized Costs Basis of Modified Loans That Subsequently Defaulted		
	Interest Rate Reduction	Term Extension	Combination - Interest Rate Reduction and Term Extension
Consumer and other	$ -	$ -	$ 22
Total	$ -	$ -	$ 22

The Company closely monitors the performance of the 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 during the year ended December 31, 2024:

	Payment Status (Amortized Cost Basis)		
	Current	30-89 Days Past Due	90+ Days Past Due
Real estate - residential	$ 28	$ -	$ -
Commercial and industrial	31	-	-
Consumer and other	29	-	-
Total	$ 88	$ -	$ -

Note 4. Loans Receivable, Continued

Modifications made to borrowers experiencing financial difficulty, continued:

The following table shows the amortized cost basis as of December 31, 2023 of the loans modified to borrowers experiencing financial difficulty, disaggregated by class of loans and type of concession granted and describes the financial effect of the modifications made to borrowers experiencing financial difficulty:

	Term Extension		
	Amortized Cost Basis	% of Total Loan Type	Financial Effect
	($ in thousands)		
Real estate - residential	$ 33	0.01%	Extension of terms greater than 3 months, which reduced payment amounts for the borrowers.
Total loans	$ 33		

	Combination – Term Extension and Interest Rate Reduction		
	Amortized Cost Basis	% of Total Loan Type	Financial Effect
	($ in thousands)		
Real Estate - residential	$ 21	0.01%	Provided payment deferrals to borrowers and reduced contractual interest rates for borrowers, which reduced payment amounts for the borrowers.
Consumer and other	9	0.02%	Provided payment deferrals to borrowers and reduced contractual interest rates for borrowers, which reduced payment amounts for the borrowers.
Total loans	$ 30		

The Company did not commit to lend additional amounts to the borrowers included in the previous table.

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 written 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.

Note 4. Loans Receivable, Continued

Modifications made to borrowers experiencing financial difficulty, continued:

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 written 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.

During the year ended December 31, 2023, the Company had no loans that were modified for borrowers experiencing financial difficulty and defaulted during the period after being modified.

The Company closely monitors the performance of the 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 during the year ended December 31, 2023 (in thousands):

	Payment Status (Amortized Cost Basis)		
	Current	30-89 Days Past Due	90+ Days Past Due
Real estate - residential	$ 54	$ -	$ -
Consumer and other	9	-	-
Total	$ 63	$ -	$ -

Note 4. Loans Receivable, Continued

Unfunded commitments:

The Company maintains a separate reserve for credit losses on off-balance-sheet credit exposures. The reserve for credit losses on off-balance-sheet credit exposures is adjusted as a (reversal of) provision for credit losses in the consolidated statements of income. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life, utilizing the same models and approaches for the Company's other loan portfolio segments described above, as these unfunded commitments share similar risk characteristics as its loan portfolio segments.

On January 1, 2023, the Company recorded an adjustment for unfunded commitments of $853 thousand for the adoption of ASC Topic 326. For the year ended December 31, 2023, the Company recorded a provision for credit losses for unfunded commitments of $347 thousand.

The following table presents the balance and activity in the allowance for credit losses for unfunded loan commitments for the year ended December 31, 2024.

	Total Allowance For Credit Losses-Unfunded Commitments
Balance, December 31, 2023	$ 1,199
Reversal of unfunded commitments	(649)
Balance, December 31, 2024	$ 550

Note 5. Other Real Estate Owned

The following summarizes the activity in the other real estate owned for the years ended December 31:

(Dollars in thousands)	2024	2023
Balance, beginning of year	$ 1,090	$ 609
Additions	170	800
Sales	290	(219)
Write-downs	-	(100)
Balance, end of year	$ 970	$ 1,090

Note 6. Premises and Equipment

Premises and equipment is summarized as follows as of December 31:

(Dollars in thousands)	2024	2023
Land	$ 12,133	$ 11,589
Building and improvements	23,654	23,187
Furniture and equipment	5,950	5,316
Total	41,737	40,092
Less accumulated depreciation	(13,096)	(11,974)
Premises and equipment, net	$ 28,641	$ 28,118

Depreciation expense for the years ended December 31, 2024 and 2023 was $1.2 million and $1.2 million, respectively. During 2023 the Company recorded fixed asset impairment adjustments of $284 thousand. These impairment adjustments were recorded within other operating expense on the consolidated statements of income. No impairment was recorded for the year ended December 31, 2024.

Note 7. Goodwill and Core Deposit Intangible

The following table presents information about our core deposit intangible asset at December 31:

	2024		2023	
(Dollars in thousands)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Finite lived intangible asset:				
Core deposit intangible	$ 7,079	$ 2,487	$ 7,079	$ 1,779

Note 7. Goodwill and Core Deposit Intangible, Continued

Based on the core deposit intangibles as of December 31, 2024, the following table presents the aggregate amortization expense for each of the succeeding years ending December 31:

(Dollars in thousands)	**Amount**
2025	$ 708
2026	708
2027	708
2028	708
2029 and thereafter	1,760
Total	$ 4,592

Amortization expense of $708 thousand related to the core deposit intangibles was recognized in 2024 and 2023 and is included in other operating expense on the consolidated statements of income.

As of December 31, 2024 and 2023, goodwill totaled $18.5 million. Goodwill is reviewed for impairment annually in accordance with generally accepted accounting principles. The Company's evaluation considers various components, to include economic conditions, industry considerations, financial performance as well as other information. As of December 31, 2024 and 2023, management determined that no goodwill impairment existed.

Note 8. Deposits

At December 31, 2024, the scheduled maturities of certificates of deposit are as follows:

(Dollars in thousands)	**Amount**
2025	$ 86,938
2026	5,102
2027	1,659
2028	320
2029 and thereafter	724
Total	$ 94,743

Time deposits that meet or exceed the FDIC Insurance limit of $250 thousand at December 31, 2024 and 2023 were $17.4 million and $16.4 million, respectively. The Company did not carry brokered deposits as of December 31, 2024 and 2023.

The Company did not carry any deposits with a combined balance in excess of 5% of total deposits as of December 31, 2024 and 2023. The Company has identified a concentration of 4.85% of municipal deposits present as of December 31, 2024.

Overdrawn transaction accounts in the amount of $345 thousand and $289 thousand were classified as loans as of December 31, 2024 and 2023, respectively.

Note 9. Advances from Federal Home Loan Bank

As of December 31, 2024 and 2023, the Company did not have any outstanding advances from the Federal Home Loan Bank (FHLB). As collateral, the Bank has pledged first mortgage loans on one to four family residential loans aggregating $186.7 million and $179.5 million at December 31, 2024 and 2023, respectively. In addition, the Company's Federal Home Loan Bank stock is pledged to secure borrowings.

Note 10. Subordinated Debt

On March 11, 2022, the Company issued subordinated notes with several purchasers in the amount of $25 million. The subordinated notes are 10-year fixed-to-floating rate instruments with principal payable at maturity on March 15, 2032. The subordinated notes bear a fixed rate of 4.25 percent with semi-annual interest payments for the first five years. For the remaining term, the rate is a floating rate plus 290 basis points with quarterly interest payments. As of December 31, 2024 and 2023, respectively, the balance outstanding on the subordinated notes was $24.6 million and $24.5 million, net of debt issuance costs.

Note 11. Lease Commitments

Rental expense recorded under leases for the years ended December 31, 2024 and 2023 was $169 thousand and $144 thousand, respectively, and is recorded in other operating expenses within the consolidated statements of income.

The weighted average remaining lease term for the years ending December 31, 2024 and 2023 was 6.65 years and 4.08 years, respectively, and the weighted average discount rate used for the years ended December 31, 2024 and 2023 was 5.01% and 4.68%, respectively. The following table shows future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2024 are as follow:

(Dollars in thousands)	**Amount**
2025	$ 120
2026	120
2027	120
2028	38
2029 and thereafter	190
Total undiscounted lease payments	588
Less effect of discounting	(81)
Present value of estimated lease payments (lease liability)	$ 506

Note 12. Stock Options

The Company entered into a stock option agreement with two entities that are controlled by several major shareholders of the Company that provides for the purchase of shares of common stock at a price of $2.64 per share.

As of December 31, 2024 and 2023, there were 75,402 options outstanding. As of December 31, 2024, all of the outstanding options were exercisable. None of the options outstanding at December 31, 2024 have an expiration date. The aggregate intrinsic value of these options was $2.9 million and $2.6 million at December 31, 2024 and 2023, respectively. There were no options exercised during the year ended December 31, 2024 under the company's stock option agreement. There were 4,200 options exercised during the year ended December 31 , 2023 under the company's stock option agreement.

A summary of the status of the Stock Option Plan as of December 31, 2024 and changes during the period is presented below:

	2024		
	Shares		Weighted Average Exercise Price
Outstanding at beginning of year	75,402	$	2.64
Granted	-	$	-
Exercised	-	$	-
Forfeited	-	$	-
Outstanding at end of year	75,402	$	2.64
Options exercisable at year-end	75,402	$	2.64

As of December 31, 2024, there were no shares available to grant based on the original plan agreement.

A summary of the status of the Stock Option Plan as of December 31, 2024 and changes during the period is presented below:

	2023		
	Shares		Weighted Average Exercise Price
Outstanding at beginning of year	79,602	$	2.64
Granted	-	$	-
Exercised	4,200	$	2.64
Forfeited	-	$	-
Outstanding at end of year	75,402	$	2.64
Options exercisable at year-end	75,402	$	2.64

Note 13. Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per share is computed by dividing net income by the weighted average number of common shares outstanding and dilutive common share equivalents using the treasury stock method. Dilutive common share equivalents include common shares issuable upon exercise of outstanding stock options. Unallocated common shares held by the employee retirement and stock ownership plan are excluded from the weighted average number of common shares outstanding.

(Dollars in thousands, except share and per share amounts)	**2024**	**2023**
Basic earnings per common share:		
Net income available to common shareholders	$ 10,255	$ 11,166
Basic average common shares outstanding	1,966,990	1,970,400
Basic earnings per common share	$ 5.21	$ 5.67
Diluted earnings per common share:		
Net income available to common shareholders	$ 10,255	$ 11,166
Basic average common shares outstanding	1,966,990	1,970,400
Incremental shares from assumed conversions:		
Stock options	70,576	70,094
Diluted average common shares outstanding	$ 2,037,566	$ 2,040,494
Diluted earnings per common share	$ 5.03	$ 5.47

Note 14. Capital Requirements and Regulatory Matters

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum ratios (set forth in the table below) of Tier 1, Common Equity Tier 1 (CET1), and total capital as a percentage of assets and off-balance-sheet exposures, adjusted for risk-weights ranging from 0% to 150%. Tier 1 capital of the Bank consists of common stockholders' equity, excluding the unrealized gain or loss on securities available-for-sale, minus certain intangible assets, while CET1 is comprised of Tier 1 capital, adjusted for certain regulatory deductions and limitations. Tier 2 capital consists of the allowance for credit losses subject to certain limitations. Total capital for purposes of computing the capital ratios consists of the sum of Tier 1 and Tier 2 capital.

The Bank is also required to maintain capital at a minimum level based on average assets (as defined), which is known as the leverage ratio. Only the strongest institutions are allowed to maintain capital at the minimum requirement. All others are subject to maintaining ratios 1% to 2% above the minimum.

Effective March 31, 2015, quantitative measures established by applicable regulatory standards, including the newly implemented Basel III revised capital adequacy standards and relevant provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd Frank Act"), require the Bank to maintain (i) a minimum ratio of Tier 1 capital to average total assets, after certain adjustments, of 4.00%, (ii) a minimum ratio of Tier 1 capital to risk-weighted assets of 6.00%, (iii) a minimum ratio of total-capital to risk-weighted assets of 8.00% and (iv) a minimum ratio of CET1 to risk-weighted assets of 4.50%. A "well-capitalized" institution must generally maintain capital ratios 2% higher than the minimum guidelines.

In order to avoid restrictions on capital distributions or discretionary bonus payments to executives, the Bank is also required to maintain a "capital conservation buffer" in addition to its minimum risk-based capital requirements. This buffer is required to consist solely of CET1, but the buffer applies to all three risk-based measurements (CET1, Tier 1 and total capital). The capital conservation buffer was phased in incrementally over time, beginning January 1, 2016 at 0.625% and becoming fully effective on January 1, 2019, and ultimately consisting of an additional amount of Tier 1 capital equal to 2.5% of risk-weighted assets.

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

Note 14. Capital Requirements and Regulatory Matters, Continued

The following table summarizes the capital amounts and ratios of the Bank and the regulatory minimum requirements at December 31, 2024 and 2023:

(Dollars in thousands)	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2024						
The Bank						
Total capital (to risk weighted assets)	$ 102,657	16.94%	$ 48,493	8.00%	$ 60,617	10.00%
Tier 1 capital (to risk weighted assets)	95,797	15.80%	36,370	6.00%	48,493	8.00%
Tier 1 capital (to average assets)	95,797	9.53%	40,193	4.00%	50,241	5.00%
Common Equity Tier 1 Capital (to risk-weighted assets)	95,797	15.80%	27,278	4.50%	39,401	6.50%

(Dollars in thousands)	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2023						
The Bank						
Total capital (to risk weighted assets)	$ 93,528	16.11%	$ 46,435	8.00%	$ 58,044	10.00%
Tier 1 capital (to risk weighted assets)	86,430	14.89%	34,826	6.00%	46,435	8.00%
Tier 1 capital (to average assets)	86,430	9.37%	36,886	4.00%	46,107	5.00%
Common Equity Tier 1 Capital (to risk-weighted assets)	86,430	14.89%	26,120	4.50%	37,728	6.50%

Note 15. Restrictions on Dividends, Loans, and Advances

The ability of the Company to pay cash dividends to shareholders is dependent on its ability to receive cash, in the form of dividends from the Bank. South Carolina banking regulations restrict the amount of dividends that can be paid to shareholders. All of the Bank's dividends to the parent company are payable only from the retained earnings of the Bank. At December 31, 2024, the Bank's retained earnings were $72.8 million. The Bank is authorized to pay cash dividends up to 100% of net income in any calendar year without obtaining the prior approval of the Commissioner of Banking provided that the Bank received a composite rating of one or two at the last Federal or State regulatory examination. Under Federal Reserve Board regulations, the amounts of loans or advances from the Bank to the parent company are also restricted.

Note 16. Employee Retirement and Stock Ownership Plan

The Company sponsors an employee retirement and stock ownership plan. Employees eligible for the Company stock component of the KSOP plan include all employees who work at least 1,000 hours during the initial twelve consecutive months of employment, or any plan year beginning after the date of employment. The Company periodically makes discretionary contributions to the KSOP. For the years ended December 31, 2024 and 2023, the Company contributed $116 thousand and $99 thousand to the KSOP, respectively.

Note 16. Employee Retirement and Stock Ownership Plan, Continued

Shares of the Company held by the KSOP are as follows at December 31:

	2024	2023
Allocated shares	85,531	85,531
Shares released for allocation	3,300	-
Unreleased shares	-	-
	88,831	85,531

Note 17. Income Taxes

Income tax expense is summarized as follows for the years ended December 31:

(Dollars in thousands)	2024	2023
Current income tax expense:		
Federal	$ 2,356	$ 2,795
State	4	(31)
Total current	2,360	2,764
Deferred income tax expense	342	142
Income tax expense	$ 2,702	$ 2,906

The components of the net deferred tax asset were as follows as of December 31:

(Dollars in thousands)	2024	2023
Deferred tax assets:		
Other real estate owned	$ 183	$ 69
Allowance for credit losses	1,325	1,239
Allowance for unfunded commitments	116	252
Interest on nonaccrual loans	9	14
Reserve for contingencies	61	28
Unrealized loss on securities available-for-sale	3,258	2,968
Impairment of fixed assets	-	124
Unearned income	10	10
Net operating losses	243	198
Other	-	209
Gross deferred tax assets	5,205	5,111
Valuation allowance	243	196
Net deferred tax assets	4,962	4,915
Deferred tax liabilities:		
Accumulated depreciation	556	599
Goodwill	629	515
Mark-to-market purchase accounting	46	182
Deferred loan costs	203	198
Deferred gain on like kind exchange	244	244
Other	181	22
Total deferred tax liabilities	1,859	1,760
Net deferred tax asset	$ 3,103	$ 3,155

Note 17. Income Taxes, Continued

Tax returns for 2021 and subsequent years are subject to examination by taxing authorities.

Deferred tax assets represent the future tax benefit of deductible differences and, if it is more likely than not that a tax asset will not be realized, a valuation allowance is required to reduce the recorded deferred tax assets to net realizable value. As of December 31, 2024 and 2023, management has recorded a valuation allowance of approximately $243 and $196 thousand, respectively. The valuation allowance is associated with South Carolina net operating losses at the Holding Company. Management determined that it is more likely than not that the remaining deferred tax asset at December 31, 2024 and 2023 will be realized and, accordingly, did not establish a valuation allowance on those assets.

The Company has state net operating losses of $6.2 million for the year ended December 31, 2024.

A reconciliation between the income tax expense and the amount computed by applying the Federal statutory rate of 21% to income before income taxes follows for the years ended December 31:

(Dollars in thousands)	2024	2023
Tax expense at statutory rate	$ 2,721	$ 2,955
State income tax, net of federal income tax benefit	(86)	(24)
Tax-exempt interest income	(180)	(180)
Nondeductible interest expense to carry tax-exempt instruments	20	13
Change in valuation allowance	47	52
Meals and entertainment	72	56
Other, net	108	34
Total	$ 2,702	$ 2,906

The Company has analyzed the tax positions taken or expected to be taken in its tax returns and concluded it has no liability related to uncertain tax positions in accordance with ASC Topic 740.

Note 18. Fair Value of Financial Instruments

Generally accepted accounting principles (GAAP) provide a framework for measuring and disclosing fair value that requires disclosures about the fair value of assets and liabilities recognized in the balance sheet, whether the measurements are made on a recurring basis (for example, available-for-sale investment securities) or on a nonrecurring basis (for example, individually evaluated loans).

Fair value is defined as the exchange in price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Company utilizes fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Securities available-for-sale are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as loans held for sale, loans held for investment and certain other assets. These nonrecurring fair value adjustments typically involve application of the lower of cost or market accounting or the writing down of individual assets.

Note 18. Fair Value of Financial Instruments, Continued

The following methods and assumptions were used to estimate the fair value of significant financial instruments:

Fair value hierarchy:

The Company groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine the fair value. These levels are:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of option pricing models, discounted cash flow models and similar techniques.

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value.

Investment Securities Available-for-Sale - Investment securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange such as the New York Stock Exchange, Treasury securities that are traded by dealers or brokers in active over-the counter markets and money market funds. Level 2 securities include mortgage backed securities issued by government sponsored entities, municipal bonds and corporate debt securities. Securities classified as Level 3 include asset-backed securities in less liquid markets.

Individually Evaluated Loans - The fair value of individually evaluated loans is estimated using either the collateral value or discounted cash flows. The estimated fair value of collateral dependent loans is based on the appraised fair value of the collateral, less estimated cost to sell. Individually evaluated 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 individually evaluated 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 Uniform Standards of Professional Appraisal Practice. When an appraised value is not available, or an appraisal is not considered sufficient, the Company estimates fair value using the discounted cash flows of expected future payments.

Note 18. Fair Value of Financial Instruments, Continued

Fair value hierarchy, continued:

Other Real Estate Owned - Foreclosed assets are adjusted to fair value upon transfer of the loans to other real estate owned. Real estate acquired in settlement of loans is recorded initially at estimated fair value of the property less estimated selling costs at the date of foreclosure. The initial recorded value may be subsequently reduced by additional allowances, which are charges to earnings if the estimated fair value of the property less estimated selling costs declines below the initial recorded value. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company recorded the foreclosed asset as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the foreclosed asset as nonrecurring Level 3.

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy.

	December 31, 2024			
(Dollars in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Government-sponsored enterprises	$ 70,307	$ -	$ 70,307	$ -
Mortgage backed securities	89,242	-	89,242	-
Obligations of state and local governments	38,556	-	38,556	-
U.S. Treasuries	29,981	-	29,981	-
Total	$ 228,086	$ -	$ 228,086	$ -

	December 31, 2023			
(Dollars in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Government-sponsored enterprises	$ 54,295	$ -	$ 54,295	$ -
Mortgage backed securities	80,823	-	80,823	-
Obligations of state and local governments	36,015	-	36,015	-
U.S. Treasuries	32,590	-	32,590	-
Total	$ 203,723	$ -	$ 203,723	$ -

Note 18. Fair Value of Financial Instruments, Continued

Fair value hierarchy, continued:

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The following table presents the assets and liabilities carried on the balance sheet by caption and by level within the valuation hierarchy described above for which a nonrecurring change in fair value has been recorded as of December 31, 2024 and 2023.

	December 31, 2024			
(Dollars in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Other real estate owned	$ 970	$ -	$ -	$ 970
Individually evaluated loans, net specific reserve:				
Real estate - residential	509	-	-	509
Consumer and other	51	-	-	51
Total individually evaluated loans, net specific reserve	560	-	-	560
Total	$ 1,531	$ -	$ -	$ 1,531

	December 31, 2023			
(Dollars in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Other real estate owned	$ 1,090	$ -	$ -	$ 1,090
Individually evaluated loans, net specific reserve:				
Real estate - commercial	4	-	-	4
Real estate - residential	117	-	-	117
Commercial and industrial	4	-	-	4
Consumer and other	119	-	-	119
Total individually evaluated loans, net specific reserve	244	-	-	244
Total	$ 1,334	$ -	$ -	$ 1,334

Note 18. Fair Value of Financial Instruments, Continued

Fair value hierarchy, continued:

For Level 3 assets and liabilities measured at fair value on a recurring or non-recurring basis as of December 31, 2024 and 2023, the significant unobservable inputs used in the fair value measurements were as follows:

	Fair Value as of December 31, 2024	Valuation Technique	Significant Observable Inputs	Significant Unobservable Inputs
Individually evaluated loans, net of specific reserve	$ 560	Appraised Value	Appraisals and/or sales of comparable properties	Appraisals discounted 15% for sales commissions and other holding cost
Other real estate owned	$ 970	Appraised Value/Comparison Sales/Other estimates	Appraisals and/or sales of comparable properties	Appraisals discounted 15% for sales commissions and other holding cost

	Fair Value as of December 31, 2023	Valuation Technique	Significant Observable Inputs	Significant Unobservable Inputs
Individually evaluated loans, net of specific reserve	$ 244	Appraised Value	Appraisals and/or sales of comparable properties	Appraisals discounted 15% for sales commissions and other holding cost
Other real estate owned	$ 1,090	Appraised Value/Comparison Sales/Other estimates	Appraisals and/or sales of comparable properties	Appraisals discounted 15% for sales commissions and other holding cost

The Company has no liabilities measured at fair value on a non-recurring basis.

Note 18. Fair Value of Financial Instruments, Continued

Fair value hierarchy, continued:

The following table includes the estimated fair value of the Company's financial assets and financial liabilities. The methodologies for estimating the fair value of financial assets and financial liabilities measured on a recurring and non-recurring basis are discussed above. The methodologies for estimating the fair value for other financial assets and financial liabilities are discussed below. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgement is required to interpret market data in order to develop the estimates of fair value. Accordingly, the estimates presented below are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation techniques may have a material effect on the estimated fair value amounts at December 31, 2024 and 2023.

	December 31, 2024				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Assets:					
Cash and cash equivalents	$ 153,064	$ 153,064	$ 153,064	$ -	$ -
Securities available-for-sale	228,086	228,086	-	228,086	-
Nonmarketable equity securities	1,326	1,326	-	-	1,326
Loans held for investment, net	569,542	565,322	-	-	565,322
Financial Liabilities:					
Deposits	916,685	801,529	-	801,529	-
Securities sold under agreement to repurchase	2,429	2,429	-	2,429	-
Subordinated debentures	24,572	24,572	-	-	24,572

	December 31, 2023				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Assets:					
Cash and cash equivalents	$ 139,541	$ 139,541	$ 139,541	$ -	$ -
Securities available-for-sale	203,723	203,723	-	203,723	-
Nonmarketable equity securities	1,347	1,347	-	-	1,347
Loans held for investment, net	538,164	531,022	-	-	531,022
Financial Liabilities:					
Deposits	853,131	751,673	-	751,673	-
Securities sold under agreement to repurchase	3,343	3,343	-	3,343	-
Subordinated debentures	24,513	24,207	-	-	24,207

Cash and cash equivalents:

The carrying amount approximates fair value for these instruments.

Securities available-for-sale:

The fair value of investment securities are generally determined using widely accepted valuation techniques including market prices, matrix pricing, and broker-quote-based applications.

Note 18. Fair Value of Financial Instruments, Continued

Loans held for investment:

Fair values are estimated for portfolios of loans with similar financial characteristics if collateral-dependent. Loans are segregated by type. The fair value of performing loans is calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect observable market information incorporating the credit, liquidity, yield and other risks inherent in the loan. The estimate of maturity is based upon the Company's historical experience with repayments for each loan classification, modified, as required, by an estimate of the effect of the current economic and lending conditions.

Fair value for significant non-performing loans is generally based upon recent external appraisals. If appraisals are not available, estimated cash flows are discounted using a rate commensurate with the risk associated with the estimated cash flows. Assumptions regarding credit risk, cash flows and discounted rates are judgmentally determined using available market information and specific borrower information.

Nonmarketable equity securities:

Nonmarketable equity securities are carried at original cost basis, as cost approximates fair value and there is no ready market for such investments.

Deposits:

The fair value of deposits with no stated maturity date, such as noninterest-bearing demand deposits, savings and money market and checking accounts, is based on the discounted value of estimated cash flows. The fair value of time deposits is based upon the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities.

Securities sold under agreement to repurchase:

The fair value of securities sold under agreements to repurchase generally mature within 31 days and the stated balance approximates their fair value.

Subordinated debentures:

The fair value of subordinated debentures is based on the financial statement balance or aging reports (Level 3).

Note 19. Commitments and Contingencies

The Company is subject to claims and lawsuits which arise primarily in the ordinary course of business. Management is not aware of any legal proceedings, which would have a material adverse effect on the financial position or operating results of the Company.

Note 20. Unused Lines of Credit

At December 31, 2024, the Company had unused lines of credit to purchase federal funds from other financial institutions totaling $47.5 million. Under the terms of the agreements, the Company may borrow at mutually agreed- upon rates for one to fifteen day periods. The Company also has a line of credit to borrow funds from the Federal Home Loan Bank which totaled $123.3 million as of December 31, 2024. As of December 31, 2024 and 2023, the Bank had not borrowed on this line.

Note 21. Financial Instruments With Off-Balance Sheet Risk

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

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

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Company upon extension of credit is based on management's credit evaluation of the counter-party.

Collateral held for commitments to extend credit and standby letters of credit varies but may include accounts receivable, inventory, property, plant, equipment, and income-producing commercial properties. The following table summarizes the Company's off-balance-sheet financial instruments whose contract amounts represent credit risk as of December 31:

(Dollars in thousands)	2024	2023
Commitments to extend credit	$ 52,434	$ 57,906
Standby letters of credit	1,780	1,236

Note 22. Related Party Transactions

Certain parties (principally certain directors and shareholders of the Company, their immediate families and business interests) were loan customers of and had other transactions in the normal course of business with the Bank. Related party loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and do not involve more than normal risk of collectability.

The following table summarizes related party loans:

(Dollars in thousands)	**2024**	**2023**
Balance at the beginning of the year	$ 4,143	$ 4,138
New loans or advances	2,787	775
Repayments	(1,365)	(770)
Balance at the end of the year	$ 5,565	$ 4,143

Deposits by directors including their affiliates and executive officers totaled approximately $8.4 million and $9.1 million at December 31, 2024 and 2023, respectively.

Note 23. Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. Non-recognized subsequent events are events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date.

The Company has disclosed deposit concentrations in Note 8. 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.

The Company has disclosed its investment portfolio position in Note 3. There has been no significant deterioration in the investment portfolio through the date the consolidated financial statements were issued.