LEDYARD

FINANCIAL GROUP

Plan well. *Live well.*

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

With Independent Auditor's Report

WIPFLI

Independent Auditor's Report

Board of Directors and Shareholders
Ledyard Financial Group Inc. and Subsidiary
Norwich, VT

Opinion

We have audited the accompanying consolidated financial statements (the ''financial statements'') of Ledyard Financial Group Inc. and Subsidiary (the "Company") which comprise the consolidated balance sheet as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income (loss), changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (''GAAP'').

Basis for Opinion

We conducted our audit 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 audit. 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 for one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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.

Wipfli LLP

Wipfli LLP
Aurora, Illinois

March 5, 2025

LEDYARD FINANCIAL GROUP, INC. AND SUBSIDIARY

Consolidated Balance Sheets

December 31, 2024 and 2023

ASSETS

	2024	2023
Cash and due from banks	**$ 4,437,186**	$ 4,816,544
Interest-bearing deposits	**39,210,716**	22,319,521
Total cash and cash equivalents	**43,647,902**	27,136,065
Securities available-for-sale, amortized cost of $100,849,150 and $173,164,545 at December 31, 2024 and 2023, respectively	**90,262,610**	162,840,079
Securities held-to-maturity	**177,692,320**	184,638,517
Nonmarketable equity securities	**2,709,150**	4,717,650
Loans receivable, net of allowance for credit losses of $3,759,188 in 2024 and $2,779,907 in 2023	**575,963,777**	415,986,217
Accrued interest receivable	**3,920,962**	3,904,244
Premises and equipment, net	**13,061,323**	13,116,455
Bank owned life insurance	**12,440,357**	12,175,725
Other assets	**30,768,330**	31,600,039
Total assets	**$ 950,466,731**	$ 856,114,991

LIABILITIES AND SHAREHOLDERS' EQUITY

	2024	2023
Deposits		
Demand	**$ 357,832,799**	$ 214,213,480
NOW accounts	**39,701,050**	44,194,169
Money market accounts	**112,757,216**	112,996,125
Savings	**62,075,412**	53,212,879
Time deposits, other	**172,775,927**	186,751,023
Time deposits, $250,000 and over	**62,620,441**	48,789,315
Total deposits	**807,762,845**	660,156,991
Borrowed funds	**56,520,304**	111,799,137
Subordinated debentures	**17,778,942**	17,738,503
Accrued expenses and other liabilities	**11,867,652**	10,400,277
Total liabilities	**893,929,743**	800,094,908
Shareholders' equity		
Common stock, $0.33 par value; 11,000,000 shares authorized, 3,526,641 and 3,483,513 shares issued, 3,410,643 and 3,367,515 shares outstanding at December 31, 2024 and 2023, respectively	**1,175,547**	1,161,171
Additional paid-in capital	**16,024,039**	15,622,989
Treasury stock, at cost; 115,998 shares at December 31, 2024 and 2023	**(1,644,238)**	(1,644,238)
Retained earnings	**55,897,756**	55,491,704
Accumulated other comprehensive loss	**(14,916,116)**	(14,611,543)
Total shareholders' equity	**56,536,988**	56,020,083
Total liabilities and shareholders' equity	**$ 950,466,731**	$ 856,114,991

The accompanying notes are an integral part of these consolidated financial statements.

LEDYARD FINANCIAL GROUP, INC. AND SUBSIDIARY

Consolidated Statements of Income

Years Ended December 31, 2024 and 2023

	2024	2023
Interest and dividend income		
Interest and fees on loans	**$ 27,471,279**	$ 17,677,245
Investment securities	**10,699,747**	10,299,945
Other interest-earning assets	**1,959,092**	508,070
Total interest and dividend income	**40,130,118**	28,485,260
Interest expense		
Deposits	**19,516,694**	6,643,748
Borrowed funds	**1,354,839**	3,846,519
Subordinated debt	**760,439**	760,439
Total interest expense	**21,631,972**	11,250,706
Net interest income	**18,498,146**	17,234,554
Provision for credit losses	**618,469**	666,999
Net interest income after provision for credit losses	**17,879,677**	16,567,555
Non-interest income		
Wealth management fee income	**14,134,277**	12,655,777
Service fees	**1,023,400**	979,769
Net gains on sales of premises and equipment	**1,348,223**	-
Net losses on sales of securities	**(1,043,985)**	(15,236)
Other	**617,097**	507,013
Total non-interest income	**16,079,012**	14,127,323
Non-interest expense		
Salaries and employee benefits	**18,090,041**	16,500,650
Occupancy and equipment	**7,068,175**	6,226,197
Federal Deposit Insurance Corporation (FDIC) insurance fees	**533,980**	327,717
Other general and administrative	**4,831,085**	4,852,039
Total non-interest expense	**30,523,281**	27,906,603
Income before income taxes	**3,435,408**	2,788,275
Income tax expense (benefit)	**174,106**	(376,919)
Net income	**$ 3,261,302**	$ 3,165,194
Basic earnings per share	**$0.98**	$0.96
Diluted earnings per share	**$0.98**	$0.96
Weighted average numbers of shares outstanding	**3,317,299**	3,296,358

The accompanying notes are an integral part of these consolidated financial statements.

LEDYARD FINANCIAL GROUP, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income (Loss)

Years Ended December 31, 2024 and 2023

		2024	2023
Net income		**$ 3,261,302**	$ 3,165,194
Other comprehensive income (loss), net of tax			
Securities:			
Changes in net unrealized (losses) gains on securities available-for-sale, net of income tax (benefit) expense of $(502,936) and $326,927 in 2024 and 2023, respectively		**(1,446,430)**	940,233
Reclassification adjustment for net losses on sales of securities available-for-sale, net of income tax benefit of $269,348 and $3,931 in 2024 and 2023, respectively		**774,637**	11,305
Reclassification adjustment for unrealized holding losses included in accumulated other comprehensive income from the transfer of securities from available-for-sale to held-to-maturity, adjusted for amortization, net of income tax benefit of $394,094 and $395,650 in 2024 and 2023, respectively		**1,133,403**	1,137,860
Total securities		**461,610**	2,089,398
Derivative Contracts:			
Unrealized losses on cash flow hedges, net of income tax benefit of $(266,408) and $(213,554) in 2024 and 2023, respectively		**(766,183)**	(614,174)
Total other comprehensive (loss) income		**(304,573)**	1,475,224
Total comprehensive income		**$ 2,956,729**	$ 4,640,418

The accompanying notes are an integral part of these consolidated financial statements.

LEDYARD FINANCIAL GROUP, INC. AND SUBSIDIARY

Consolidated Statements of Changes in Shareholders' Equity

Years Ended December 31, 2024 and 2023

	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
Balance, December 31, 2022	$ 1,154,798	$ 15,167,996	$ (1,644,238)	$ 54,407,449	$ (16,086,767)	$ 52,999,238
Net income	-	-	-	3,165,194	-	3,165,194
Other comprehensive gain, net of tax effect	-	-	-	-	1,475,224	1,475,224
Total comprehensive income	-	-	-	3,165,194	1,475,224	4,640,418
Cumulative effect of change in accounting principle (See Note 1)	-	-	-	745,758	-	745,758
Cash dividends paid, $0.84 per share	-	-	-	(2,826,697)	-	(2,826,697)
Stock-based compensation expense	-	616,489	-	-	-	616,489
Restricted stock issued, net of shares returned to cover taxes (19,120 shares)	6,373	(161,496)	-	-	-	(155,123)
Balance, December 31, 2023	1,161,171	15,622,989	(1,644,238)	55,491,704	(14,611,543)	56,020,083
Net income	**-**	**-**	**-**	**3,261,302**	**-**	**3,261,302**
Other comprehensive loss, net of tax effect	**-**	**-**	**-**	**-**	**(304,573)**	**(304,573)**
Total comprehensive (loss) income	**-**	**-**	**-**	**3,261,302**	**(304,573)**	**2,956,729**
Cash dividends paid, $0.84 per share	**-**	**-**	**-**	**(2,855,250)**	**-**	**(2,855,250)**
Stock-based compensation expense	**-**	**470,983**	**-**	**-**	**-**	**470,983**
Restricted stock issued, net of shares returned to cover taxes (43,127 shares)	**14,376**	**(69,933)**	**-**	**-**	**-**	**(55,557)**
Balance, December 31, 2024	**$ 1,175,547**	**$ 16,024,039**	**$ (1,644,238)**	**$ 55,897,756**	**$ (14,916,116)**	**$ 56,536,988**

The accompanying notes are an integral part of these consolidated financial statements.

LEDYARD FINANCIAL GROUP, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Net income	$ **3,261,302**	$ 3,165,194
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for credit losses	**618,469**	666,999
Depreciation of premises and equipment	**1,015,341**	1,004,502
Net gains on sales of premises and equipment	**(1,348,223)**	-
Net amortization of securities and subordinated debentures	**74,256**	197,302
Net losses on sales of securities	**1,043,985**	15,236
Deferred income tax benefit	**(1,002,206)**	(1,504,240)
Amortization of limited partnerships	**1,151,587**	1,152,656
Stock-based compensation	**470,983**	616,489
Increase in accrued interest receivable	**(16,718)**	(636,931)
Decrease in other assets	**2,508,090**	194,580
Amortization of right-of-use assets	**940,780**	209,374
Net payments on operating lease liabilities	**(921,717)**	(212,042)
Increase (Decrease) in accrued expenses and other liabilities	**332,370**	(2,602,943)
Net cash from operating activities	**8,128,299**	2,266,176
Cash flows from investing activities		
Proceeds from sales, calls, maturities and paydowns of securities available-for-sale	**70,490,635**	19,400,465
Purchase of securities available-for-sale	**-**	(53,525,979)
Proceeds from calls, maturities and paydowns of securities held-to-maturity	**7,693,180**	2,001,925
Purchase of securities held-to-maturity	**-**	(10,040,625)
Net redemption (purchase) of non-marketable equity securities	**2,008,500**	(1,728,900)
Low-income housing investment	**(709,824)**	(1,796,665)
Net change in loans to customers	**(160,903,181)**	(56,660,134)
Proceeds from sale of premises and equipment	**3,013,200**	-
Purchase of premises and equipment	**(2,625,186)**	(558,195)
Net cash from investing activities	**(81,032,676)**	(102,908,108)
Cash flows from financing activities		
Net change in deposits	**147,605,854**	89,825,022
Proceeds from short-term borrowings	**151,100,000**	2,170,105,000
Repayment of short-term borrowings	**(206,300,000)**	(2,171,205,000)
Proceeds from long-term borrowings	**-**	25,000,000
Repayment of long-term borrowings	**(78,833)**	(78,834)
Decrease in securities sold under agreements to repurchase	**-**	(219,243)
Restricted stock issued, net of repurchase for tax withholdings and tax benefit	**(55,557)**	(155,123)
Cash dividends paid on common stock	**(2,855,250)**	(2,826,697)
Net cash from financing activities	**89,416,214**	110,445,125
Net change in cash and cash equivalents	**16,511,837**	9,803,193
Cash and cash equivalents, beginning of year	**27,136,065**	17,332,872
Cash and cash equivalents, end of year	$ **43,647,902**	$ 27,136,065
Supplemental disclosure of cash flow information:		
Interest paid on deposits and borrowed funds	$ **22,154,358**	$ 10,427,423
Income taxes paid (refunded)	$ **100,000**	$ (200,000)
Supplemental disclosure of non-cash information:		
Lease liabilities arising from obtaining right-of-use assets	$ **3,073,698**	$ -

The accompanying notes are an integral part of these consolidated financial statements.

Nature of Business

Ledyard Financial Group, Inc. (the Company) is headquartered in Hanover, New Hampshire and, as a bank holding company, it provides financial services to its customers through its wholly-owned bank subsidiary, Ledyard National Bank (the Bank). The Bank provides retail and commercial banking and wealth advisory services through its office locations in New Hampshire and Vermont.

1. Summary of Significant Accounting Policies

The accounting policies of the Company are in conformity with U.S. generally accepted accounting principles (U.S. GAAP) and general practices within the banking industry. The following is a description of the more significant policies.

Basis of Presentation

The Company follows accounting standards as set by the Financial Accounting Standards Board (FASB). FASB sets U.S. GAAP that management follows to consistently report the Company's financial condition, results of operations and cash flows.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned bank subsidiary. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

In preparing financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses. In connection with the determination of the allowance, management obtains independent appraisals for significant properties and collateral securing significant loans. Accordingly, the ultimate collectability of a substantial portion of the Company's loan portfolio is susceptible to changes in local market conditions.

While management uses available information to recognize losses on loans, 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 loan portfolio. Such agencies may require the Company to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

1. Summary of Significant Accounting Policies (continued)

Significant Group Concentrations of Credit Risk

The Company's operations are affected by various risk factors, including interest rate risk, credit risk, and risk from geographic concentration of lending activities. Management attempts to manage interest rate risk through various asset/liability management techniques designed to match maturities of assets and liabilities. Loan policies and administration are designed to provide assurance that loans will only be granted to creditworthy borrowers, although credit losses are expected to occur because of subjective factors beyond the control of the Company. Although the Company has a diversified loan portfolio, most of its lending activities are conducted within the geographic area where it is located. As a result, the Company and its borrowers may be especially vulnerable to the consequences of changes in the local economy. In addition, a substantial portion of the Company's loans are secured by real estate.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include cash and due from banks, and interest-bearing deposits.

The Company's due from bank accounts and interest-bearing deposits, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant risk on cash and cash equivalents.

Investment Securities

Securities that management has the positive intent and ability to hold to maturity are classified as held-to-maturity and carried at cost, adjusted for amortization of premiums and accretion of discounts over the period to call or maturity using methods approximating the interest method. Securities not classified as held-to-maturity are classified as available-for-sale and are carried at fair value. Nonmarketable equity securities, consisting of stock in the Federal Home Loan Bank (FHLB), Federal Reserve Bank (FRB), and Connecticut On-Line Computer Center (COCC) are carried at cost, subject to adjustments for any observable market transactions on the same or similar instruments of the investee. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Unrealized gains and losses on securities available-for-sale are reported as a net amount in other comprehensive income or loss, net of tax. Gains and losses on the sale of securities are recorded on the trade date and determined using the specific-identification method.

Held to Maturity Securities

Effective January 1, 2023, the Company uses a current expected credit loss ("CECL") model to estimate the allowance for credit losses on securities held to maturity. The CECL model considers historical loss rates and other qualitative adjustments, as well as a new forward-looking component that considers reasonable and supportable forecasts over the expected life of each security.

1. Summary of Significant Accounting Policies (continued)

Investment Securities (continued)

Management believes the Company will collect all amounts owed on securities held to maturity issued by the U.S. government or a U.S. government-sponsored agency since these securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. Management evaluates all other securities held to maturity using a probability of default method. The probability of default method estimates the probability a security with a certain credit rating will default during its remaining contractual term (probability of default) and how much loss is expected to be incurred if a security defaults (loss given default rate). The Company obtains information from Moody's to estimate the probability of default for each credit rating based on the remaining term of the security and the loss given default rate.

The past due status of a security is based on the contractual terms in the security. The accrual of interest on a security is discontinued whenever management believes the issuer will be unable to make payments as they become due. When securities are placed on nonaccrual status, all unpaid accrued interest is reversed against interest income.

The Company excludes accrued interest receivable from the amortized cost basis of securities held to maturity when estimating credit losses and when presenting required disclosures in the financial statements. Accrued interest on securities held to maturity totaling $1,175,186 and $1,262,357 at December 31, 2024 and 2023, respectively, was excluded from the amortized cost basis of securities held to maturity.

Available for Sale Securities

Effective January 1, 2023, the Company evaluates individual securities available for sale in an unrealized loss position by first determining whether the decline in fair value below the amortized cost basis of the security has resulted from a credit loss or other factors. A credit loss exists when the present value of cash flows expected to be collected from the security is less than the amortized cost basis of the security. In determining whether a credit loss exists, the Company considers the extent to which the fair value is less than the amortized cost basis, adverse conditions related to the security, the industry, or geographic areas, the payment structure of the debt security, failure of the issuer to make scheduled payments, and any changes to the rating of the security. Impairment related to credit losses is recognized through an allowance for credit losses up to the amount that fair value is less than the amortized cost basis. Changes to the allowance are recognized through earnings as a provision for (or recovery of) credit losses. Impairment related to other factors is recognized in other comprehensive income or loss.

If the Company intends to sell, or it is more likely than not the Company will be required to sell, the security before recovery of its amortized cost basis, any allowance for credit losses is written off and the amortized cost basis is written down to the security's fair value at the reporting date with any incremental impairment recognized in earnings.

The accrual of interest on a security available for sale is discontinued whenever management believes the issuer will be unable to make payments as they become due. When securities are placed on nonaccrual status, all unpaid accrued interest is reversed against interest income. No accrued interest was written off during 2024 or 2023.

1. Summary of Significant Accounting Policies (continued)

Investment Securities (continued)

The Company excludes accrued interest receivable from the amortized cost basis of securities available for sale when estimating credit losses and when presenting required disclosures in the financial statements. Accrued interest on securities available for sale totaling $763,415 and $1,190,747 at December 31, 2024 and 2023, respectively, was excluded from the amortized cost basis of securities available for sale.

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are stated at the amount of unpaid principal adjusted for purchase premiums and discounts, deferred loan fees and costs, charge-offs, and an allowance for credit losses. Interest on loans is accrued and credited to income based on the unpaid principal balance.

Loans past due 30 days or more are considered delinquent. Management is responsible to initiate immediate collection efforts to minimize delinquency and any eventual adverse impact on the Company.

In general, consumer loans will be charged off if the loan is delinquent for 120 consecutive days. Commercial and real estate loans are charged off in part or in full if they are considered uncollectible.

Loan interest income is accrued daily on the outstanding balances. Accrual of interest is discontinued when a loan is specifically determined to be individually analyzed or management believes, after considering collection efforts and other factors, that the borrower's financial condition is such that collection of interest is doubtful. Any unpaid interest previously accrued on those loans is reversed from income. Interest income on nonaccrual loans is recognized only to the extent of interest payments received. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loan origination and commitment fees and certain direct origination costs are being deferred and the net amount amortized as an adjustment of the related loan's yield. The Company is generally amortizing these amounts over the contractual life of the loan.

1. Summary of Significant Accounting Policies (continued)

Loans (continued)

The Company excludes accrued interest receivable from the amortized cost basis of loans when estimating credit losses and when presenting required disclosures in the financial statements. Accrued interest on loans totaling $1,945,533 and $1,341,545 at December 31, 2024 and 2023, respectively, was excluded from the amortized cost basis of loans.

Allowance for Credit Losses on Loans and Unfunded Loan Commitments

The Company adopted ASU No. 2016-13 and began accounting for credit losses under ASC 326, *Financial Instruments - Credit Losses*, on January 1, 2023. The new standard significantly changed the impairment model for most financial assets that are measured at amortized cost, including off-balance sheet credit exposures, from an incurred loss impairment model to an expected credit loss model. Refer to the "Recently Adopted Accounting Pronouncements " section of this note for more information on the impact to the consolidated financial statements.

The allowance for credit losses on loans is a valuation allowance that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the Company's loan portfolio. The allowance for credit losses on loans is established through provisions for credit losses charged against earnings. When available information confirms that specific loans, or portions thereof, are uncollectible, these amounts are charged against the allowance for credit losses on loans, and subsequent recoveries, if any, are credited to the allowance for credit losses on loans.

Effective January 1, 2023, the Company uses a current expected credit loss ("CECL") model to estimate the allowance for credit losses on loans. The CECL model considers historical loss rates and other qualitative adjustments, as well as a new forward-looking component that considers reasonable and supportable forecasts over the expected life of each loan. To develop the allowance for credit losses on loans estimate under the CECL model, the Company segments the loan portfolio into loan pools based on loan type and similar credit risk elements; performs an individual evaluation of certain collateral dependent and other credit-deteriorated loans; calculates the historical loss rates for the segmented loan pools; applies the loss rates over the calculated life of the collectively evaluated loan pools; adjusts for forecasted macro-level economic conditions and other anticipated changes in credit quality; and determines qualitative adjustments based on factors and conditions unique to the Company's loan portfolio.

Under the CECL model, loans that do not share similar risk characteristics with loans in their respective pools are individually evaluated for expected credit losses and are excluded from the collectively evaluated loan credit loss estimates. Management individually evaluates certain collateral dependent and other credit-deteriorated loans. For loans individually evaluated, a specific reserve is estimated based on either the fair value of collateral or the discounted value of expected future cash flows.

1. Summary of Significant Accounting Policies (continued)

Allowance for Credit Losses on Loans and Unfunded Loan Commitments (continued)

The Company has engaged a third-party vendor to evaluate all collectively evaluated loans using the discounted cash flow (DCF) methodology. Portfolio level econometric loss models are used to forecast periodic loss rates. The forecasts are based on economic scenarios continuously updated by Oxford Economics, a leading provider of global economic analysis. The DCF methodology incorporates assumptions for both the length of the forecast and the reversion to be applied at the pool level. The discounted cash flow methodology uses loan level attributes (such as interest rates and maturity dates), as well as pool level inputs (such as prepayment rates and probability of default and loss given default rates), to estimate credit losses over the contractual term of each collectively evaluated loan. Expected credit losses are determined by comparing the loan's amortized cost with the expected future principal and interest cash flows. Individual loan level results are aggregated for collectively evaluated loans and are then adjusted for qualitative factors deemed appropriate by management.

The qualitative factors are determined based on the various risk characteristics of each loan segment. Risk characteristics relevant to each portfolio segment are as follows:

Commercial: Loans in this segment are made to businesses and are generally secured by assets of the business. Repayment is expected from the cash flows of the business. A weakened economy and resultant decreased consumer spending will have an effect on the credit quality in this segment.

Commercial real estate: Loans in this segment are primarily income-producing properties or properties occupied by businesses. The underlying cash flows generated by the properties are adversely impacted by a downturn in the economy as evidenced by increased vacancy rates or a general slowdown in business which, in turn, will have an effect on the credit quality of this segment. Management obtains rent rolls and business financial statements on an annual basis and continually monitors the cash flows of these loans.

Construction: Loans in this segment include real estate development loans for which payment is derived from sale of the property. Credit risk is affected by cost overruns, time to sell at an adequate price, and market conditions.

Residential real estate: All loans in this segment are collateralized by 1-4 family residential real estate and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality of this segment.

Consumer: Repayment of loans in this segment is generally dependent on the credit quality of the individual borrower.

1. Summary of Significant Accounting Policies (continued)

Allowance for Credit Losses on Loans and Unfunded Loan Commitments (continued)

In addition to the allowance for credit losses on loans, the Company maintains a reserve for unfunded loan commitments at a level that management believes is adequate to absorb estimated probable credit losses over the contractual terms of the Company's noncancelable loan commitments. The reserve for unfunded commitments, which is included in accrued expenses and other liabilities on the accompanying balance sheets, is established through provisions for credit losses charged against earnings.

Unfunded loan commitments are segmented into the same pools used for estimating the allowance for credit losses on loans. Estimated credit losses on unfunded loan commitments are based on the same methodology, inputs, and assumptions used to estimate credit losses on collectively evaluated loans, adjusted for estimated funding probabilities. The estimated funding probabilities represent management's estimate of the amount of the current unfunded loan commitment that will be funded over the remaining contractual life of the commitment and is based on historical data.

The Company may modify loans to borrowers experiencing financial difficulty and grant certain concessions that include principal forgiveness, a term extension, an other-than-insignificant payment delay, an interest rate reduction, or a combination of these concessions. An assessment of whether the borrower is experiencing financial difficulty is made at the time of the loan modification.

Upon the Company's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or 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.

Credit Related Financial Instruments

In the ordinary course of business, the Company has entered into commitments to extend credit, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded when they are funded.

Derivative Financial Instruments

Fair values for interest rate swap agreements and interest rate caps (derivative contracts) are based upon the amounts required to settle the contracts.

The Company utilizes derivative contracts to provide an effective hedge against changes in the Secured Overnight Financing Rate (SOFR) swap curve. Derivative contracts are contracts in which a series of interest rate flows are exchanged over a prescribed period. The notional amount on which the interest payments are based is not exchanged.

1. Summary of Significant Accounting Policies (continued)

Derivative Financial Instruments (continued)

At the inception of a derivative contract, the Company designates the derivative as one of two types based on the Company's intentions and belief as to likely effectiveness as a hedge. These two types are (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value hedge"), or (2) a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"). For a fair value hedge, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged item, are recognized in current earnings as fair values change. For a cash flow hedge, the gain or loss on the derivative is reported in other comprehensive income (loss) and is reclassified into earnings in the same periods during which the hedged transaction affects earnings. For both types of hedges, changes in the fair value of derivatives that are not highly effective in hedging the changes in fair value or expected cash flows of the hedged item are recognized immediately in current earnings.

Derivative contracts receive hedge accounting treatment only if they are designated as a hedge and are expected to be, and are, effective in substantially reducing interest rate risk arising from the assets and liabilities identified as exposing the Company to risk. Those derivative financial contracts that do not meet the hedging criteria discussed below would be classified as trading activities and would be recorded at fair value with changes in fair value recorded in non-interest income. Derivative contracts must meet specific effectiveness tests (i.e., over time the change in their fair values due to the designated hedge risk must be within 80 to 125% of the opposite change in the fair values of the hedged assets or liabilities). Changes in fair value of the derivative contracts must be effective at offsetting changes in the fair value of the hedged items due to the designated hedge risk during the term of the hedge. Further, if the underlying financial instrument differs from the hedged asset or liability, there must be a clear economic relationship between the prices of the two financial instruments. If periodic assessment indicates derivatives no longer provide an effective hedge, the derivatives contracts would be closed out and settled or classified as a trading activity.

Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost, less accumulated depreciation. The provision for depreciation is computed over the estimated useful life of the related asset, principally by the straight-line method. Improvements to leased property are amortized over the lesser of the term of the lease or life of the improvements.

Bank Owned Life Insurance (BOLI)

The Company has purchased BOLI policies on certain key executives. BOLI is measured at the amount that could be realized under the insurance contract as of the balance sheet date, which generally is the cash surrender value adjusted for other changes or other amounts due that are probable at settlement.

1. Summary of Significant Accounting Policies (continued)

ASC 842 Lease Accounting

Leases are classified as operating or finance leases at the lease commencement date. The Company does not have any finance leases. The Company has operating leases pertaining to bank premises. Lease expense for operating leases are recognized on a straight line basis over the lease term. Right-of-use (ROU) assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recorded in "Other assets" and "Accrued expenses and other liabilities" on the accompanying balance sheets, respectively.

ROU assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. Variable payments are included in the future lease payments when those variable payments depend on an index. Increases (decrease) to variable lease payments due to subsequent changes in an index are recorded as variable lease expense (income) in the future period in which they are incurred.

The Company uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known. The Company's incremental borrowing rate is based on the FHLB amortizing advance rate, adjusted for the lease term and other factors.

Income Taxes

The Company recognizes income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are established for the temporary differences between the book bases and the tax bases of the Company's assets and liabilities at enacted tax rates expected to be in effect when the amounts related to such temporary differences are realized or settled. Adjustments to the Company's deferred tax assets are recognized as deferred income tax expense or benefit based on management's judgment relating to the realizability of such assets.

FASB Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, defines the criteria that a tax position must satisfy for some or all of the benefits of that position to be recognized in a company's financial statements. Topic 740 prescribes a recognition threshold of more-likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. The Company is currently open to audit under the statute of limitations by the Internal Revenue Service and State tax authorities for the years ended December 31, 2021 through 2024.

Earnings per Share

Basic earnings per share data is computed based on the weighted average number of the Company's common shares outstanding during the year. Potential common stock is considered in the calculation of weighted average shares outstanding for diluted earnings per share, and is determined using the treasury stock method.

1. Summary of Significant Accounting Policies (continued)

Stock Based Compensation Plans

Restricted stock awards are measured at the fair value of the stock at the grant date and recognized as expense over the period in which they vest.

Wealth Management Assets and Fees

Assets held by the Bank's Wealth Management division for its customers, other than trust cash on deposit at the Bank, are not included in these financial statements because they are not assets of the Bank. Wealth Management service fees are determined as a percentage of client assets under management. As services are provided over time, the Company has determined the performance obligation to be satisfied over time and therefore, revenue is recognized as earned.

Comprehensive Income or Loss

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities and cash flow hedges, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income or loss.

Dividend Restrictions

Banking regulations require maintaining certain capital levels and may limit the dividends paid by the Bank to the Company or by the Company to shareholders.

Recently Adopted Accounting Pronouncements

In June 2016, FASB issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* The standard replaces the existing incurred loss model of recognizing credit losses and is referred to as the current expected credit loss model (CECL). Under the new guidance, expected credit losses for financial assets held at the reporting date that are accounted for at amortized cost are measured and recognized based on historical experience, and current and reasonably supportable forecasted conditions, to reflect the full amount of expected credit losses. CECL also applies to held-to-maturity debt securities and certain off-balance sheet credit exposures, such as loan commitments, standby letters of credit, and financial guarantees.

The Company adopted ASU No. 2016-13 on January 1, 2023, and recorded a cumulative effect adjustment of $745,758 to retained earnings. Results for the year ended December 31, 2023, are presented under ASC 326, while prior period amounts continue to be reported in accordance with previously applicable U.S. GAAP.

1. Summary of Significant Accounting Policies (continued)

Recently Adopted Accounting Pronouncements (continued)

As a part of the adoption of ASU 2016-13, the Company analyzed the corporate and municipal bonds in the Company's held-to-maturity security portfolio and determined an allowance for current expected credit losses is not warranted as of the effective date. The expected credit losses are adjusted quarterly on an ongoing basis and recorded in an allowance for expected credit losses on the balance sheets, which is deducted from the amortized cost basis of the held-to-maturity portfolio as a contra asset. The losses are expected to be recorded on the income statement through the provision for credit losses. Held-to-maturity investments in U.S. Government sponsored entities and agencies, as well as mortgage-backed securities and collateralized mortgage obligations, which are all either issued by direct governmental entities or government-sponsored entities, have no historical evidence supporting expected credit losses; therefore, the Company estimates these losses at zero, and will monitor this assumption in the future for any economic or governmental policies that could affect this assumption.

ASU No. 2022-02, *Troubled Debt Restructurings and Vintage Disclosures, Topic 326 (Financial Instruments-Credit Losses)* – This standard eliminates the recognition and measurement guidance for troubled debt restructurings by creditors under ASC Subtopic 310-40, *Receivables-Troubled Debt Restructurings by Creditors*, and, instead, requires the Company to evaluate (consistent with other loan modification accounting standards) whether a loan modification represents a new loan or a continuation of an existing loan. The amendments enhance existing disclosure requirements, and introduce new requirements related to certain modifications of loans made to borrowers experiencing financial difficulty. ASU 2022-02 also requires that public business entities disclose current-period gross charge-offs by year of origination for financing receivables and net investments in leases within the scope of ASC Subtopic 326-20, *Financial Instruments-Credit Losses-Measured at Amortized Cost*. The Company adopted ASU No. 2022-02 on January 1, 2023, on a prospective basis, with no material impact on its consolidated financial statements.

Business Segments

U.S. GAAP requires public companies to report (i) certain financial and descriptive information about "reportable operating segments," as defined, and (ii) certain enterprise-wide financial information. Operating segment information is reported using a "management approach" that is based on the way management organizes the segments for purposes of making operating decisions and assessing performance.

The Company's two primary business segments are banking and wealth advisory services. Banking consists principally of lending to commercial and consumer customers, as well as deposit gathering activities. Wealth advisory services includes, as its principal business lines, financial planning services, investment management services, personal tax services, trustee services and estate planning.

1. Summary of Significant Accounting Policies (continued)

Business Segments (continued)

The Company's business segment disclosure is based on information generated by an internal profitability reporting system, which generates information by business segment based on the needs of management responsible for managing those segments. Allocations between the business segments can be subjective in nature and are reviewed and refined as circumstances warrant. Any allocations that may affect the reported results of any business segment will not affect the consolidated financial position or results of operations of the Company as a whole. The Company does not allocate assets by segment.

The following tables provide selected financial information for the Company's business segments:

Year ended December 31, 2024	Banking	Wealth Advisory Services	Total Consolidated
Net interest income	**$ 18,498,146**	**$ -**	**$ 18,498,146**
Provision for credit losses	**618,469**	**-**	**618,469**
Non-interest income	**1,944,735**	**14,134,277**	**16,079,012**
Non-interest expense	**19,033,964**	**11,489,317**	**30,523,281**
Income before income taxes	**790,448**	**2,644,960**	**3,435,408**
Income tax (benefit) expense	**(559,077)**	**733,183**	**174,106**
Net income	**$ 1,349,525**	**$ 1,911,777**	**$ 3,261,302**

Year ended December 31, 2023	Banking	Wealth Advisory Services	Total Consolidated
Net interest income	$ 17,234,554	$ -	$ 17,234,554
Provision for credit losses	666,999	-	666,999
Non-interest income	1,471,546	12,655,777	14,127,323
Non-interest expense	17,146,003	10,760,600	27,906,603
Income before income taxes	893,098	1,895,177	2,788,275
Income tax (benefit) expense	(902,262)	525,343	(376,919)
Net income	$ 1,795,360	$ 1,369,834	$ 3,165,194

1. Summary of Significant Accounting Policies (continued)

Subsequent Events

For the purposes of the presentation of these financial statements in conformity with U.S. GAAP, management has considered transactions or events occurring through March 5, 2025, which is the date that the financial statements are available to be issued. Management has not evaluated subsequent events after that date for inclusion in the financial statements.

There were no subsequent events for potential recognition and/or disclosure identified.

Reclassifications

Certain reclassifications have been made to the 2023 financial statements to conform to the 2024 classifications.

2. Investment Securities

The amortized cost and fair value of securities, with gross unrealized gains and losses, follow:

	2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale				
Mortgage-backed securities	**$ 2,594,820**	**$ -**	**$ (110,044)**	**$ 2,484,776**
Collateralized mortgage obligations	**23,806,011**	**42,251**	**(130,775)**	**23,717,487**
State and municipal	**53,877,080**	**-**	**(7,051,068)**	**46,826,012**
Corporate bonds	**20,571,239**	**-**	**(3,336,904)**	**17,234,335**
Total securities available-for-sale	**$ 100,849,150**	**$ 42,251**	**$ (10,628,791)**	**$ 90,262,610**
Securities held-to-maturity				
U.S. Government sponsored enterprises	**$ 53,670,272**	**$ -**	**$ (3,777,855)**	**$ 49,892,687**
Mortgage-backed securities	**21,265,035**	**-**	**(3,631,111)**	**17,633,924**
Collateralized mortgage obligations	**3,665,736**	**20,177**	**-**	**3,685,913**
State and municipal	**99,091,277**	**-**	**(13,624,615)**	**85,466,662**
Total securities held-to-maturity	**$ 177,692,320**	**$ 20,177**	**$ (21,033,311)**	**$ 156,679,186**

	2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale				
Mortgage-backed securities	$ 10,860,294	$ -	$ (168,985)	$ 10,691,309
Collateralized mortgage obligations	54,887,092	-	(345,558)	54,541,534
State and municipal	84,853,271	-	(6,335,584)	78,517,687
Corporate bonds	22,563,888	-	(3,474,339)	19,089,549
Total securities available-for-sale	$ 173,164,545	$ -	$ (10,324,466)	$ 162,840,079
Securities held-to-maturity				
U.S. Government sponsored enterprises	$ 57,892,765	$ -	$ (4,062,256)	$ 53,830,509
Mortgage-backed securities	22,532,973	-	(3,470,461)	19,062,512
Collateralized mortgage obligations	4,465,808	11,512	-	4,477,320
State and municipal	99,746,971	17,954	(10,244,727)	89,520,198
Total securities held-to-maturity	$ 184,638,517	$ 29,466	$ (17,777,444)	$ 166,890,539

2. Investment Securities (continued)

During 2022, the Company reassessed classification of certain investments and transferred $194,144,720 from available-for-sale to held-to-maturity securities. The transfer occurred at fair value. The related unrealized loss of $17,109,767 included in other comprehensive income (loss) is being amortized out of other comprehensive income (loss) with an offsetting entry to interest income as a yield adjustment through earnings over the remaining term of the securities. No gain or loss was recorded or realized at the time of transfer.

At December 31, 2024 and 2023, securities with a carrying amount of $267,954,930 and $347,478,596, respectively, were pledged to the Federal Reserve, the Federal Home Loan Bank (FHLB) and to secure deposits of business customers.

At year end 2024 and 2023, there were no holding of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholders equity.

The amortized cost and fair value of investment securities by contractual maturity at December 31, 2024 are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

	Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Less than 1 year	$ -	$ -	$ 14,779,692	$ 14,553,750
Over 1 year through 5 years	500,000	492,600	9,795,531	9,582,920
After 5 years through 10 years	25,457,801	21,818,942	22,859,708	20,558,142
Over 10 years	48.490,518	41,748,805	105,326,618	90,664,537
Mortgage-backed securities	2,594,820	2,484,776	21,265,035	17,633,924
Collateralized mortgage obligations	23,806,011	23,717,487	3,665,736	3,685,913
Total	$100,849,150	$ 90,262,610	$177,692,320	$156,679,186

During 2024 and 2023, proceeds from sales of securities available for sale were $66,735,731 and $7,090,948, respectively. Gross losses on the sales of securities available for sale were $1,092,957 and $31,427 in 2024 and 2023, respectively. Gross gains on sales of securities available for sale were $48,972 and $16,191, in 2024 and 2023, respectively.

During 2024, proceeds from calls of securities held to maturity were $5,500,000. There were no gross gains or losses on calls of securities held to maturity in 2024. There were no sales or calls of securities held to maturity in 2023.

2. Investment Securities (continued)

The following table presents information pertaining to securities with gross unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous loss position at December 31, 2024 and 2023:

	2024 Available-for-sale					
	Less Than 12 Months		Greater Than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Mortgage-backed securities	**$ -**	**$ -**	**$ 2,484,776**	**$ (110,044)**	**$ 2,484,776**	**$ (110,044)**
Collateralized mortgage obligations	**3,837,700**	**(50,499)**	**12,712,886**	**(80,276)**	**16,550,586**	**(130,775)**
State and municipal	**-**	**-**	**46,826,012**	**(7,051,068)**	**46,826,012**	**(7,051,068)**
Corporate bonds	**-**	**-**	**17,234,335**	**(3,336,904)**	**17,234,335**	**(3,336,904)**
Total	**$ 3,837,700**	**$ (50,499)**	**$79,258,009**	**$(10,578,292)**	**$ 83,095,709**	**$(10,628,791)**

	2023 Available-for-sale					
	Less Than 12 Months		Greater Than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Mortgage-backed securities	$ 7,434,375	$ (38,287)	$ 3,256,934	$ (130,698)	$ 10,691,309	$ (168,985)
Collateralized mortgage obligations	45,839,844	(172,362)	8,701,690	(173,196)	54,541,534	(345,558)
State and municipal	12,296,919	(54,628)	66,220,768	(6,280,956)	78,517,687	(6,335,584)
Corporate bonds	-	-	19,089,549	(3,474,339)	19,089,549	(3,474,339)
Total	$65,571,138	$ (265,277)	$97,268,941	$(10,059,189)	$162,840,079	$(10,324,466)

2. Investment Securities (continued)

These unrealized losses related principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. Based on this analysis, the Company believes it will collect all amounts owed on these securities and has not recognized an allowance for credit losses on these securities.

The following table presents information pertaining to the number and percent of gross unrealized losses within each investment category at December 31, 2024:

	Number of Securities	Aggregate Depreciation
Securities available-for-sale		
Mortgage-backed securities	**7**	**4.24%**
Collateralized mortgage obligations	**4**	**0.78%**
State and municipal	**41**	**13.09%**
Corporate bonds	**8**	**16.22%**

Information regarding credit ratings for securities held to maturity by investment category type as of December 31, 2024 is as follows:

	Moody's Rating					
	AAA	AA	A	BBB	Not Rated	Total
U.S. Government sponsored enterprises	**$ 46,867,899**	**$ 4,207,543**	**$ -**	**$ -**	**$ 2,594,830**	**$ 53,670,272**
Mortgage backed securities	**-**	**21,265,035**	**-**	**-**	**-**	**21,265,035**
Collateralized mortgage obligations	**-**	**3,665,736**	**-**	**-**	**-**	**3,665,736**
State and municipal	**25,342,354**	**73,748,923**	**-**	**-**	**-**	**99,091,277**
Total	**$ 72,210,253**	**$ 102,887,237**	**$ -**	**$ -**	**$ 2,594,830**	**$ 177,692,320**

2. Investment Securities (continued)

Information regarding credit ratings for securities held to maturity by investment category type as of December 31, 2023 is as follows:

	Moody's Rating					
	AAA	AA	A	BBB	Not Rated	Total
U.S. Government sponsored enterprises	$ 51,276,120	$ 4,092,155	$ -	$ -	$ 2,524,490	$ 57,892,765
Mortgage-backed securities	-	22,532,973	-	-	-	22,532,973
Collateralized mortgage obligations	-	4,465,808	-	-	-	4,465,808
State and municipal	26,294,188	73,195,635	257,148	-	-	99,746,971
Total	$ 77,570,308	$ 104,286,571	$ 257,148	$ -	$ 2,524,490	$ 184,638,517

No accrued interest was written off during 2024 or 2023. No securities held to maturity were past due or on non-accrual as of December 31, 2024 or 2023.

3. Loans

The composition of net loans at December 31 was as follows:

	2024	2023
Commercial	**$ 72,566,466**	$ 52,711,483
Commercial real estate	**196,532,138**	144,235,343
Construction	**58,067,358**	21,232,776
Residential real estate	**235,050,275**	188,613,093
Consumer	**17,093,815**	11,781,748
Subtotal	**579,310,052**	418,574,443
Less: Allowance for credit losses	**(3,759,188)**	(2,779,907)
Add: Net deferred loan costs	**412,913**	191,681
Loans, net	**$ 575,963,777**	$ 415,986,217

The Company has transferred a portion of its originated commercial and commercial real estate loans to participating lenders. The amounts transferred have been accounted for as sales and are therefore not included on the Company's accompanying consolidated balance sheets. The Company and participating lenders share ratably in any gains or losses that may result from a borrower's lack of compliance with contractual terms of the loan. The Company continues to service the loans on behalf of the participating lenders and, as such, collects cash payments from the borrowers and remits payments (net of servicing fees) to participating lenders. At December 31, 2024 and 2023, the Company was servicing loans for participants aggregating $28,987,227 and $16,359,927, respectively.

Deposit accounts in an overdraft position and reclassified as loans totaled $3,493 at December 31, 2024 and $10,632 at December 31, 2023.

3. Loans (continued)

An analysis of the allowance for credit losses on loans by portfolio segment follows for the year ended December 31, 2024:

	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer	Unallocated	Total
Balance at beginning of year	**$ 613,651**	**$ 673,794**	**$ 363,898**	**$ 1,119,607**	**$ 8,957**	**$ -**	**$ 2,779,907**
Provision for (reduction in) credit losses on loans	**146,215**	**264,297**	**273,375**	**281,586**	**(39,852)**	**-**	**925,621**
Loans charged off	**-**		**-**	**-**	**(14,831)**	**-**	**(14,831)**
Recoveries of loans previously charged off	**4,879**	**2,210**	**-**	**-**	**61,402**	**-**	**68,491**
Balance at end of year	**$ 764,745**	**$ 940,301**	**$ 637,273**	**$ 1,401,193**	**$ 15,676**	**$ -**	**$ 3,759,188**

An analysis of the allowance for credit losses on loans by portfolio segment follows for the year ended December 31, 2023:

	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer	Unallocated	Total
Balance at beginning of year	$ 270,253	$ 1,557,553	$ 48,589	$ 1,130,297	$ 182,301	$ 653,772	$ 3,842,765
Impact of adoption of ASU No. 2016-13 (ASC 326)	(64,592)	(99,587)	(34,269)	(155,266)	(20,322)	(653,772)	(1,027,808)
Provision for (reduction in) credit losses on loans	380,314	(784,172)	349,578	126,926	(156,791)	-	(84,145)
Loans charged off	-	-	-	-	(10,995)	-	(10,995)
Recoveries of loans previously charged off	27,676	-	-	17,650	14,764	-	60,090
Balance at end of year	$ 613,651	$ 673,794	$ 363,898	$ 1,119,607	$ 8,957	$ -	$ 2,779,907

At December 31, 2024, the Company maintained a reserve for unfunded loan commitments totaling $466,735, which is included in accrued expenses and other liabilities on the accompanying balance sheet. The reduction in credit losses on unfunded loan commitments totaled $307,152 for the year ended December 31, 2024.

At December 31, 2023, the Company maintained a reserve for unfunded loan commitments totaling $773,887, which is included in accrued expenses and other liabilities on the accompanying balance sheet. As a part of the adoption of ASU No. 2016-13, the Company recorded an initial adjustment to the reserve for unfunded loan commitments of $22,743. The provision for credit losses on unfunded loan commitments totaled $751,144 for the year ended December 31, 2023.

3. Loans (continued)

The Company categorizes each loan category, with the exception of consumer loans, by credit risk exposure. The following tables present the credit risk profile by creditworthiness category as of December 31, 2024 and 2023.

Loans in the "pass" category are considered to be low to average risk.

Loans in the "special mention" category are starting to show signs of potential weakness and are being closely monitored by management.

Loans in the "substandard" category are inadequately protected by the current net worth and paying capacity of the borrowers and/or the collateral pledged, thus there is an increased possibility that the Company will sustain some loss if the weakness is not corrected.

Loans classified as "doubtful" have all the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, highly questionable and improbable.

Loans in the "loss" category are considered uncollectible and of such little value that their continuance as loans is not warranted.

On an annual basis, or more often if needed, the Company formally reviews the ratings on all commercial, commercial real estate, construction and residential real estate loans. Annually, the Company also engages an independent third-party to review a significant portion of loans within these segments. Management uses the results of these reviews as part of its annual review process.

3. Loans (continued)

The following tables present the loan portfolio by risk classification and origination year for the year ended December 31, 2024:

Commercial	2024	2023	2022	2021	Prior	Revolving	Revolving Loans Converted to Term Loans	Total
Pass	$ 26,288,253	$ 19,145,379	$ 10,766,591	$ 3,921,016	$ 9,469,955	$ 2,975,272	$ -	$ 72,566,466
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total	$ 26,288,253	$ 19,145,379	$ 10,766,591	$ 3,921,016	$ 9,469,955	$ 2,975,272	$ -	$ 72,566,466
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Commercial Real Estate	2024	2023	2022	2021	Prior	Revolving	Revolving Loans Converted to Term Loans	Total
Pass	$ 57,507,203	$ 17,147,940	$ 22,018,834	$ 15,861,247	$77,014,017	$ 6,935,693	$ -	$ 196,484,934
Special mention	-	-	-	-	-	-	-	-
Substandard	47,204	-	-	-	-	-	-	47,204
Doubtful	-	-	-	-	-	-	-	-
Total	$ 57,554,407	$ 17,147,940	$ 22,018,834	$ 15,861,247	$77,014,017	$ 6,935,693	$ -	$ 196,532,138
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Construction	2024	2023	2022	2021	Prior	Revolving	Revolving Loans Converted to Term Loans	Total
Pass	$ 13,884,502	$ 27,148,835	$ 238,811	$ 1,000,000	$ 4,501,577	$ 7,568,632	$ -	$ 54,342,357
Special mention	-	-	-	-	-	-	-	-
Substandard	3,725,001	-	-	-	-	-	-	3,725,001
Doubtful	-	-	-	-	-	-	-	-
Total	$ 17,609,503	$ 27,148,835	$ 238,811	$ 1,000,000	$ 4,501,577	$ 7,568,632	$ -	$ 58,067,358
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Residential Real Estate	2024	2023	2022	2021	Prior	Revolving	Revolving Loans Converted to Term Loans	Total
Pass	$ 60,032,478	$ 38,607,212	$ 20,705,535	$ 38,094,962	$ 66,444,798	$ 9,765,197	$ -	$ 233,650,182
Special mention	-	-	-	-	-	-	-	-
Substandard	119,832	230,069	16,571	-	968,547	65,074	-	1,400,093
Doubtful	-	-	-	-	-	-	-	-
Total	$ 60,152,310	$ 38,837,281	$ 20,722,106	$ 38,094,962	$ 67,413,345	$ 9,830,271	$ -	$ 235,050,275
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

3. Loans (continued)

The following tables present the loan portfolio by risk classification and origination year for the year ended December 31, 2023:

Commercial	2023	2022	2021	Prior	Revolving	Revolving Loans Converted to Term Loans	Total
Pass	$ 17,899,530	$ 13,795,691	$ 5,600,190	$ 13,483,501	$ 1,932,571	$ -	$ 52,711,483
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total	$ 17,899,530	$ 13,795,691	$ 5,600,190	$ 13,483,501	$ 1,932,571	$ -	$ 52,711,483
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Commercial Real Estate	2023	2022	2021	Prior	Revolving	Revolving Loans Converted to Term Loans	Total
Pass	$ 18,256,050	$ 19,259,936	$ 16,615,588	$ 88,377,485	$ 1,724,665	$ -	$ 144,233,724
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	1,619	-	-	1,619
Doubtful	-	-	-	-	-	-	-
Total	$ 18,256,050	$ 19,259,936	$ 16,615,588	$ 88,379,104	$ 1,724,665	$ -	$ 144,235,343
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Construction	2023	2022	2021	Prior	Revolving	Revolving Loans Converted to Term Loans	Total
Pass	$ 7,805,399	$ 3,805,757	$ 2,794,400	$ 827,220	$ 6,000,000	$ -	$ 21,232,776
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total	$ 7,805,399	$ 3,805,757	$ 2,794,400	$ 827,220	$ 6,000,000	$ -	$ 21,232,776
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Residential Real Estate	2023	2022	2021	Prior	Revolving	Revolving Loans Converted to Term Loans	Total
Pass	$ 40,437,809	$ 24,471,198	$ 41,186,143	$ 72,300,293	$ 7,896,775	$ -	$ 186,292,218
Special mention	-	-	-	-	-	-	-
Substandard	109,456	-	-	2,007,103	204,316	-	2,320,875
Doubtful	-	-	-	-	-	-	-
Total	$ 40,547,265	$ 24,471,198	$ 41,186,143	$ 74,307,396	$ 8,101,091	$ -	$ 188,613,093
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -

3. Loans (continued)

The following table presents a loan aging analysis as of December 31, 2024:

	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater	Total Loans
Commercial	**$ 72,566,466**	**$ -**	**$ -**	**$ -**	**$ 72,566,466**
Commercial real estate	**196,532,138**	**-**	**-**	**-**	**196,532,138**
Construction	**58,067,358**	**-**	**-**	**-**	**58,067,358**
Residential real estate	**233,482,764**	**343,919**	**503,320**	**720,272**	**235,050,275**
Consumer	**17,088,120**	**500**	**4,674**	**521**	**17,093,815**
Total	**$ 577,736,846**	**$ 344,419**	**$ 507,994**	**$ 720,793**	**$ 579,310,052**

The following table presents a loan aging analysis as of December 31, 2023:

	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater	Total Loans
Commercial	$ 51,880,017	$ 412,612	$ -	$ 418,854	$ 52,711,483
Commercial real estate	144,235,343	-	-	-	144,235,343
Construction	21,232,776	-	-	-	21,232,776
Residential real estate	186,039,535	1,684,883	210,035	678,640	188,613,093
Consumer	11,781,660	88	-	-	11,781,748
Total	$ 415,169,331	$ 2,097,583	$ 210,035	$ 1,097,494	$ 418,574,443

The following nonaccrual tables are presented net of third-party guarantees.

Information regarding nonaccrual loans during the year ended December 31, 2024 follows:

December 31, 2024	Nonaccrual Loans with No Allowance for Credit Losses	Nonaccrual Loans with an Allowance for Credit Losses	Total Nonaccrual Loans	Total Nonaccrual Loans at Beginning of Year	Interest Income Recognized on Nonaccrual Loans
Commercial real estate	**$ -**	**$ -**	**$ -**	**$ 1,619**	**$ -**
Residential real estate	**556,117**	**697,080**	**1,253,197**	**1,292,866**	**80,889**
Consumer	**821**	**-**	**821**	**775**	**4,565**
Total	**$ 556,938**	**$ 697,080**	**$ 1,254,018**	**$ 1,295,260**	**$ 85,454**

3. Loans (continued)

Information regarding nonaccrual loans during the year ended December 31, 2023 follows:

December 31, 2023	Nonaccrual Loans with No Allowance for Credit Losses	Nonaccrual Loans with an Allowance for Credit Losses	Total Nonaccrual Loans	Total Nonaccrual Loans at Beginning of Year	Interest Income Recognized on Nonaccrual Loans
Commercial real estate	$ -	$ 1,619	$ 1,619	$ 3,611	$ 7,288
Residential real estate	788,859	504,007	1,292,866	1,440,638	73,039
Consumer	775	-	775	1,276	168
Total	$ 789,634	$ 505,626	$ 1,295,260	$ 1,445,525	$ 80,495

No loans were 90+ days past due and still accruing interest at December 31, 2024 or 2023.

The Company did not have any loan modifications to borrowers experiencing financial difficulty during the years ended December 31, 2024 and 2023.

4. Premises and Equipment

A summary of the cost and accumulated depreciation of premises and equipment follows:

	2024	2023
Land and improvements	**$ 1,666,760**	$ 2,335,893
Buildings and improvements	**15,778,607**	16,099,353
Equipment	**10,523,368**	10,109,829
	27,968,735	28,545,075
Accumulated depreciation	**(14,907,412)**	(15,428,620)
	$ 13,061,323	$ 13,116,455

Depreciation, included in occupancy and equipment expense, amounted to $1,015,341 and $1,004,502 for the years ended December 31, 2024 and 2023, respectively.

In December 2024, the Company completed two sale-leaseback transactions for properties located in New Hampshire for a total consideration of $3,139,013. As part of the transactions, the Company entered into two 15-year lease agreements with the buyer for the properties. Both leases are classified as operating leases. As a result of the sales, the Company recorded a total gain of $1,348,223.

5. Deposits

At December 31, 2024, the scheduled maturities of time deposits are as follows:

2025	$ 172,909,634
2026	17,461,551
2027	17,182,104
2028	17,827,342
2029	10,015,737
Total	$ 235,396,368

Brokered deposits totaled $50,979,570 and $79,388,665 at December 31, 2024, and 2023, respectively. Deposit accounts with related parties were $5,538,034 and $5,637,622 at December 31, 2024 and 2023, respectively.

On January 23, 2024, the Company, through its Bank, transferred the Money Market funds held by the wealth management division for its clients to the Company's Balance Sheet. The total value as of the transfer date was $123,180,081.

6. Securities Sold Under Agreements to Repurchase

During 2024, the Company no longer offered repurchase agreements. All securities sold under repurchase agreements matured at December 31, 2023. The maximum amount of repurchase agreements outstanding at any month end during 2023 was $629,112. The average amount of repurchase agreements outstanding during 2023 was $258,298.

7. Borrowed Funds

The Company has fixed rate advances with the FHLB of $31,520,304 and $81,799,137 at December 31, 2024 and 2023, respectively. At December 31, 2024, FHLB fixed-rate advances have a 0% to 4.30% interest rate. At December 31, 2023, FHLB fixed-rate advances have a 0% to 5.59% interest rate. The Company also has $25,000,000 of 7-day 4.50% advances with the FRB at December 31, 2024, and $30,000,000 of 90-day 5.50% FRB advances outstanding at December 31, 2023.

Outstanding FHLB and FRB borrowings are secured by a blanket lien on qualified collateral consisting primarily of loans with first mortgages secured by one to four family properties, certain unencumbered investment securities, and other qualified assets.

7. Borrowed Funds (continued)

The contractual maturities of advances and other borrowings at December 31, 2024 were as follows:

	Amount	Weighted Average Rate
2025	$ 26,478,540	4.25%
2026	1,105,150	0.00%
2027	582,000	0.00%
2028	25,750,000	3.95%
2029	633,100	0.00%
Thereafter	1,971,514	0.00%
Total	$ 56,520,304	

The Company has a borrowing capacity based on excess collateral with the FHLB, of $188,373,606 and $164,703,850, at December 31, 2024 and 2023, respectively. The Company also has a long-term line of credit with the FHLB in the amount of $2,803,000 that does not expire. There were no amounts outstanding at December 31, 2024 or 2023. The Company has the ability to borrow from the FRB Discount Window due to the pledged market value of $149,527,010 and $187,127,434 of investment securities that it owned at December 31, 2024 and 2023, respectively. The Company has an unsecured line of credit at a correspondent bank totaling $5,000,000. No amounts were outstanding on the line of credit at December 31, 2024 or 2023.

8. Subordinated Debentures

On March 29, 2022, the Company issued $18,000,000 of 10-year fixed to floating subordinated debentures (notes) to certain institutional investors. The notes are due April 1, 2032, are noncallable for five years, and carry an initial fixed rate of 4.00%. The Company may redeem the subordinated notes in whole or in part on or after March 31, 2027 at 100% of the principal amount plus accrued and unpaid interest. The subordinated notes mature on April 1, 2032 and are also redeemable, in whole or in part, upon the occurrence of specific events defined within the trust indenture. In conjunction with the issuance of the notes, the Company incurred and capitalized $332,265 of financing costs which are shown net with the subordinated debentures on the consolidated balance sheets and are being amortized over the life of the notes. The amortization expense of the financing costs was $40,439 and $40,438 for years ended December 31, 2024 and 2023, respectively.

The subordinated debentures may be included in Tier 2 capital (with certain limitations applicable) under current regulatory guidelines and interpretations.

9. Income Taxes

Allocation of federal and state income taxes between current and deferred portions was as follows:

	2024	2023
Current tax provision		
Federal	**$ 1,216,796**	$ 1,098,642
State	**(40,484)**	28,679
Total current	**1,176,312**	1,127,321
Deferred tax benefit		
Federal	**(852,284)**	(1,226,027)
State	**(149,922)**	(278,213)
Total deferred	**(1,002,206)**	(1,504,240)
Total provision for income taxes	**$ 174,106**	$ (376,919)

The income tax provision differs from the expense that would result from applying federal statutory rates to income before income taxes, as follows:

	2024	2023
Computed tax expense	**$ 721,436**	$ 585,538
Increase (reduction) in income taxes resulting from:		
Tax exempt income	**(122,063)**	(451,782)
Income from life insurance	**(55,573)**	(52,191)
Tax credits, net of amortization	**(135,766)**	(323,271)
State tax	**(150,421)**	(197,132)
Other	**(83,507)**	61,919
	$ 174,106	$ (376,919)

9. Income Taxes (continued)

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

	2024	2023
Deferred tax assets		
Allowance for credit losses	**$ 1,067,303**	$ 897,129
Employee benefit plan	**192,734**	175,818
Net unrealized loss on securities available-for-sale and derivative contracts	**5,359,548**	5,253,647
Limited partnerships	**620,590**	562,238
Tax credits	**4,496,923**	3,211,928
Net operating losses	**585,468**	995,015
Other	**-**	1,771
	12,322,566	11,097,546
Deferred tax liabilities		
Depreciation	**697,787**	768,806
Prepaid expenses	**181,345**	-
Other	**6,587**	-
	885,719	768,806
Net deferred tax asset	**$ 11,436,847**	$ 10,328,740

No valuation allowance is deemed necessary for the deferred income tax asset. The net deferred tax asset is included with other assets on the consolidated balance sheets.

The Company invests in qualified affordable housing projects. At December 31, 2024 and 2023, the balance of the investment for qualified housing projects was $6,423,098 and $7,574,685, respectively. These balances are reflected in other assets on the consolidated balance sheets.

New investments in qualified affordable housing projects are amortized using the proportional amortization method. All investments made before January 1, 2015, are amortized using the effective yield method. During the years ended December 31, 2024, and 2023, the Company recognized amortization expense of $1,151,587 and $1,152,656, respectively, which was included within income tax expense in the consolidated statements of income. Additionally, during the years ended December 31, 2024, and 2023, the Company recognized tax credits from its investments in affordable housing tax projects of $1,169,390 and $1,222,435, respectively. At December 31, 2024, the Company carried forward $4,029,861 in tax credits related to qualified affordable housing projects.

10. Earnings per Share

The following sets forth the computation of basic and diluted earnings per share for 2024 and 2023.

	2024	2023
Net income, as reported	$ 3,261,302	$ 3,165,194
Weighted average shares outstanding	3,317,299	3,296,358
Effect of unvested stock grants	10,394	3,185
Adjusted weighted average shares and assumed conversion	3,327,693	3,299,543
Basic earnings per share	$0.98	$0.96
Diluted earnings per share	$0.98	$0.96

11. 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 and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit, standby and commercial letters-of-credit, and interest rate caps and floors written on adjustable-rate loans. Such instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized on the balance sheets. 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 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. For interest rate caps and floors written on adjustable-rate loans, the contract or notional amounts do not represent exposure to credit losses.

The Company generally requires collateral or other security to support financial instruments with credit risk.

11. Financial Instruments with Off-Balance-Sheet Risk (continued)

At December 31, 2024 and 2023, the following financial instruments were outstanding whose contract amounts represent credit risk:

	Contract Amount	
	2024	2023
Commitments to grant loans	**$ 170,773,919**	$ 165,601,848
Commercial and standby letters-of-credit	**$ 1,682,428**	$ 382,735

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 many 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 counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial property.

Standby letters-of-credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support private borrowing arrangements. The credit risk involved in issuing letters-of-credit is essentially the same as that involved in extending loan facilities to customers.

At times, the Company places interest rate caps and floors on loans written by the Company to enable customers to transfer, modify, or reduce their interest rate risk.

12. Legal Contingencies

Various legal claims arise from time-to-time in the normal course of business which, in the opinion of management, will have no material effect on the Company's financial statements.

13. Minimum Regulatory Capital Requirements

The Company and its bank subsidiary are subject to various regulatory capital requirements administered by the Office of the Comptroller of the Currency (OCC). Failure to meet minimum capital requirements can result in mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements.

These capital requirements represent quantitative measures of the Company's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices.

The Company's capital amounts, and classification are also subject to qualitative judgments by its regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios of total and Tier 1 capital, and Common Equity Tier 1 (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital to average assets (as defined). Management believes that, as of December 31, 2024, the Company and its bank subsidiary meet all capital requirements to which they are subject. As of December 31, 2024, the most recent notification from the OCC categorized the banking subsidiary as well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, a financial institution must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the following tables. There are no conditions or events since the notification that management believes have changed the Bank's category. Prompt corrective action provisions are not applicable to bank holding companies.

The ability of the Company to pay cash dividends depends on the receipt of dividends from its banking subsidiary. The Company, as the sole shareholder of the banking subsidiary, is entitled to dividends from legally available funds when and as declared by the banking subsidiary's Board of Directors.

Regulatory capital requirements limit a banking organization's capital distributions and certain discretionary bonus payments if the banking organization does not hold a "capital conservation buffer" consisting of 2.5% above its minimum risk-based capital requirements. As of December 31, 2024, the Company and the Bank had a capital conservation buffer of 2.7% and 4.7%, respectively, which was in excess of the regulatory requirement of 2.5%. As of December 31, 2023, the Company and the Bank had a capital conservation buffer of 5.8% and 8.2%, respectively, which was in excess of the regulatory requirement of 2.5%.

13. Minimum Regulatory Capital Requirements (continued)

The actual capital amounts and ratios for the Company and the Bank are presented below.

	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2024	(Dollar amounts in thousands)					
Total Capital to Risk Weighted Assets						
Company	$ 70,597	10.7%	$ 52,781	8.0%	$ 65,976	10.0%
Bank	$ 83,777	12.7%	$ 52,671	8.0%	$ 65,839	10.0%
Tier 1 Capital to Risk Weighted Assets						
Company	$ 66,371	10.1%	$ 39,586	6.0%	$ 52,781	8.0%
Bank	$ 79,551	12.1%	$ 39,504	6.0%	$ 52,671	8.0%
Common Equity Tier 1 Capital to Risk Weighted Assets						
Company	$ 66,371	10.1%	$ 29,689	4.5 %	$ 42,884	6.5%
Bank	$ 79,551	12.1%	$ 29,628	4.5 %	$ 42,796	6.5%
Tier 1 Capital to Average Assets						
Company	$ 66,371	7.1%	$ 37,250	4.0%	$ 46,563	5.0%
Bank	$ 79,551	8.6%	$ 37,196	4.0%	$ 46,495	5.0%

13. Minimum Regulatory Capital Requirements (continued)

	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2023	(Dollar amounts in thousands)					
Total Capital to Risk Weighted Assets						
Company	$ 74,186	13.8%	$ 43,046	8.0%	$ 53,807	10.0%
Bank	$ 86,950	16.2%	$ 42,930	8.0%	$ 53,663	10.0%
Tier 1 Capital to Risk Weighted Assets						
Company	$ 70,632	13.1%	$ 32,284	6.0%	$ 43,046	8.0%
Bank	$ 83,396	15.5%	$ 32,198	6.0%	$ 42,930	8.0%
Common Equity Tier 1 Capital to Risk Weighted Assets						
Company	$ 70,632	13.1%	$ 24,213	4.5 %	$ 34,975	6.5%
Bank	$ 83,396	15.5%	$ 24,148	4.5 %	$ 34,881	6.5%
Tier 1 Capital to Average Assets						
Company	$ 70,632	8.5%	$ 33,217	4.0%	$ 41,521	5.0%
Bank	$ 83,396	10.1%	$ 33,159	4.0%	$ 41,449	5.0%

14. Derivative Financial Instruments

The Company uses interest rate derivative contracts (interest rate swap agreements and interest rate caps) for asset/liability management purposes, to hedge various exposures or to modify interest rate characteristics of various balance sheet accounts. Such derivatives are used as part of the asset/liability management process and are linked to specific assets or liabilities and have high correlation between the contract and the underlying item being hedged, both at inception and throughout the hedge period. The notional amount of the derivative contracts does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual derivatives contracts.

Derivative contracts related to borrowings are cash flow hedges and derivative contracts related to loan and municipal bonds are fair value hedges.

At December 31, 2024 and 2023, the information pertaining to outstanding interest rate derivative contracts are as follows:

	2024	2023
Total notional amount of all derivative contracts	**$149,780,498**	$151,630,621
Interest rate swaps		
Notional amount	**$119,780,498**	$121,630,621
Weighted average pay rate	**2.81%**	2.81%
Weighted average receive rate	**4.59%**	5.45%
Weighted average maturity in years	**2.3**	3.3
Interest rate caps		
Notional amount	**$ 30,000,000**	$ 30,000,000
Weighted average strike rate	**0.58%**	0.58%
Weighted average maturity in years	**1.3**	2.3

The interest rate swaps provide for the Company to make payments at a fixed rate in exchange for receiving payments at a floating rate, determined by a specified index. Interest rate caps provide for the Company to receive payments when the strike rate is exceeded, determined by a specified index. Interest income recorded on these derivative transactions totaled $4,297,382 and $3,755,449 during 2024 and 2023, respectively, and is reported as components of the applicable interest income or expense in the consolidated statements of income. Gains of $94,227 and $8,147 for the ineffectiveness of the fair value hedges were recorded in earnings for the years ended December 31, 2024 and 2023, respectively. The Company expects all hedges outstanding at year end to remain highly effective during the remaining terms of the derivative contracts.

14. Derivative Financial Instruments (continued)

The following table reflects the gain (loss) related to derivatives in cash flow and fair value hedging relationships for the years ended December 31, 2024 and 2023:

	Location and Amount of Gain (Loss) Recognized in Income on Cash Flow and Fair Value Hedging Relationships			
	2024		2023	
	Interest Income	Interest Expense	Interest Income	Interest Expense
Gain (loss) on cash flow hedges:				
Interest contracts:				
Amount of gain reclassified from accumulated other comprehensive income	$ -	$ 1,455,694	$ -	$ 1,382,551
Gain (loss) on fair value hedges:				
Interest contacts:				
Hedged items	(2,869,669)	-	(2,383,280)	-
Derivatives designated as hedging instruments	2,841,687	-	2,372,898	-

14. Derivative Financial Instruments (continued)

As of December 31, 2024 and 2023, the following cumulative basis adjustments for fair value hedges were recognized:

	Carrying Amount of the Hedged Asset		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Asset	
	2024	2023	**2024**	2023
Loans receivable*	**$ 133,950,010**	$ 141,884,267	**$ (1,280,542)**	$ (913,831)
Securities available-for-sale**	**67,960,672**	83,468,248	**(1,014,088)**	(1,536,301)

* These amounts include the amortized cost basis of closed portfolios used to designate hedging relationships in which the hedged item is the last layer expected to be remaining at the end of the hedging relationship. At December 31, 2024 and 2023, the amortized cost basis of the closed portfolios used in these hedging relationships was $119,229,361 and $126,448,975, respectively, the cumulative basis adjustments associated with these hedging relationships were $(220,692) and $281,499, respectively, and the amounts of the designated hedged items were $50,000,000.

** These amounts include the amortized cost basis of closed portfolios used to designate the hedging relationships in which the hedged item is the last layer expected to be remaining at the end of the hedging relationship. At December 31, 2024 and 2023, the amortized cost basis of the closed portfolios used in the hedging relationships was $24,981,595 and $27,386,278, respectively, the cumulative basis adjustments associated with these hedging relationships were $81,450 and $426,007, respectively, and the amounts of the designated hedged items were $24,000,000 and $25,000,000, respectively.

14. Derivative Financial Instruments (continued)

The following table reflects the fair value and cash flow hedges included on the consolidated balance sheets as of December 31, 2024 and 2023:

	2024		2023	
	Notional Value	Fair Value	Notional Value	Fair Value
Included in other assets				
Interest rate swaps related to funding	**$ 30,000,000**	**$ 1,299,230**	$ 30,000,000	$ 2,331,821
Interest rate swaps related to loans	**65,780,438**	**1,246,357**	66,630,621	891,629
Interest rate swaps related to municipal bonds	**24,000,000**	**(70,966)**	25,000,000	(406,314)
Interest rate caps related to municipal bonds	**30,000,000**	**1,392,251**	30,000,000	2,450,647
Total included in other assets	**$ 149,780,438**	**$ 3,866,872**	$ 151,630,621	$ 5,267,783

15. Employee Benefits

The Company sponsors a 401(k)-profit sharing plan which covers all employees who are at least 18 years of age and who have completed one year of employment. Eligible employees contribute a percentage of their annual compensation to the 401(k) plan and the Company makes a flat contribution to all eligible employees, regardless of the amount contributed by the employee. In addition, the Company may make discretionary contributions on behalf of employees under the plan. For the years ended December 31, 2024 and 2023, expense attributable to the plan amounted to $62,931 and $83,201, respectively.

Included in accrued expenses and other liabilities on the balance sheets at December 31, 2024 and 2023 are liabilities established pursuant to deferred compensation agreements with certain officers of the Company of $417,968 and $456,713. Deferred compensation expense related to these plans amounted to $16,752 and $174,046 for the years ended December 31, 2024 and 2023, respectively.

16. Stock-Based Compensation

During 2018, the Company's Board of Directors adopted the 2018 Stock Grant Plan (The Plan). Under The Plan, the maximum number of shares available for issuance is 150,000. During 2021, the Company's Board of Directors voted to increase the number of shares available for issuance by 150,000 shares. The Plan requires all grants to be issued at 100% of the fair market value at the date of grant. The restricted stock awards granted through December 31, 2024 each vest over a period of four years. During 2024 and 2023, the Company issued 47,739 and 37,466 shares, respectively, from The Plan.

16. Stock Based Compensation (continued)

The Company recorded $470,983 and $616,489 of compensation expense during the years ended December 31, 2024, and 2023, respectively. Total compensation expense related to nonvested awards not yet recognized is $1,094,692 as of December 31, 2024, and is expected to be recognized over a weighted average period of 1.8 years. There were 104,740 and 147,867 shares available to be issued under The Plan at December 31, 2024 and 2023, respectively.

A summary of nonvested restricted stock awards as of December 31, 2024 and changes during the year then ended are presented below:

	Shares	Weighted Average Grant Date Fair Value
Nonvested shares at December 31, 2023	**57,776**	**$ 19.01**
Granted	**47,739**	**15.25**
Vested	**(18,848)**	**19.17**
Forfeited	**(881)**	**18.52**
Nonvested shares at December 31, 2024	**85,786**	**16.89**

A summary of nonvested restricted stock awards as of December 31, 2023 and changes during the year then ended are presented below:

	Shares	Weighted Average Grant Date Fair Value
Nonvested shares at December 31, 2022	65,419	$ 21.40
Granted	37,466	16.70
Vested	(37,078)	20.42
Forfeited	(8,031)	21.14
Nonvested shares at December 31, 2023	57,776	19.01

17. Other Non-Interest Income and Expense

The components of other non-interest expense which are in excess of 1% of total revenues (total interest and dividend income and non-interest income) and not shown separately in the statements of income are as follows for the years ended December 31:

	2024	2023
Non-interest expense		
Advertising	$ **968,743**	$ 1,005,160
Professional fees	**737,730**	853,749

18. Related Party Transactions

The Company has had, and may be expected to have in the future, transactions in the ordinary course of business with directors, principal officers, their immediate families and affiliated companies in which they are principal shareholders (commonly referred to as related parties), all of which have been, in the opinion of management, on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others. Loans granted to related parties amounted to $2,218,969 and $2,384,000 at December 31, 2024 and 2023, respectively.

19. Components of Other Comprehensive Income (Loss)

The following tables present the components of other comprehensive income (loss) for the years ended December 31, 2024 and 2023:

	December 31, 2024		
	Before Tax	Tax Effect	Net of Tax
Changes in net unrealized losses on securities available-for-sale*	**$ (1,949,366)**	**$ (502,936)**	**$ (1,446,430)**
Reclassification adjustment for net realized losses	**1,043,985**	**269,348**	**774,637**
Amortization of unrealized net losses for the reclassification of available-for-sale securities to held-to-maturity	**1,527,497**	**394,094**	**1,133,403**
Unrealized gains on cash flow hedges	**423,103**	**109,161**	**313,942**
Reclassification adjustment for net realized gains on cash flow hedges	**(1,455,694)**	**(375,569)**	**(1,080,125)**
Total other comprehensive losses	**$ (410,475)**	**$ (105,902)**	**$ (304,573)**

	December 31, 2023		
	Before Tax	Tax Effect	Net of Tax
Changes in net unrealized losses on securities available-for-sale*	$ 1,267,160	$ 326,927	$ 940,233
Reclassification adjustment for net realized losses	15,236	3,931	11,305
Amortization of unrealized net losses for the reclassification of available-for-sale securities to held-to-maturity	1,533,510	395,650	1,137,860
Unrealized gains on cash flow hedges	554,823	143,144	411,679
Reclassification adjustment for net realized gains on cash flow hedges	(1,382,551)	(356,698)	(1,025,853)
Total other comprehensive income	$ 1,988,178	$ 512,954	$ 1,475,224

19. Components of Other Comprehensive Income (Loss) (continued)

	Unrealized Gains and Losses on Available-for-Sale Securities*	Unrealized Gains and Losses on Cash Flow Hedges	Total
Accumulated balance at December 31, 2022	$ (18,465,034)	$ 2,378,267	$ (16,086,767)
Other comprehensive income before reclassifications	940,233	411,679	1,351,912
Amortization of unrealized net losses for the reclassification of available-for-sale securities to held-to-maturity	1,137,860	-	1,137,860
Amounts reclassified from accumulated other comprehensive income	11,305	(1,025,853)	(1,014,548)
Accumulated balance at December 31, 2023	$ (16,375,636)	$ 1,764,093	$ (14,611,543)
Other comprehensive loss (gain) before reclassifications	**(1,446,430)**	**313,942**	**(1,132,488)**
Amortization of unrealized net losses for the reclassification of available-for-sale securities to held-to-maturity	**1,133,403**	**-**	**1,133,403**
Amounts reclassified from accumulated other comprehensive income	**774,637**	**(1,080,125)**	**(305,488)**
Accumulated balance at December 31, 2024	**$ (15,914,026)**	**$ 997,910**	**$ (14,916,116)**

*Unrealized gains and losses on available-for-sale securities in accumulated other comprehensive income include fair value hedge adjustments for municipal bonds.

20. Fair Value

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements.

Fair value is defined as the exchange 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. U.S. GAAP also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are:

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

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

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

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments:

Financial Instruments Recorded at Fair Value on a Recurring Basis

Investment securities: Fair values for securities are determined by obtaining quoted market prices on nationally recognized securities exchanges or matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities.

Loans held for sale: Fair values of loans held for sale are based on commitments on hand from investors or prevailing market prices.

Derivative contracts: The fair value measurements utilize a discounted cash flow model that incorporates and considers observable data that may include publicly available third-party market quotes in developing the curve utilized for discounting future cash flows.

20. Fair Value (continued)

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at December 31, 2024, Using:		
	Total	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**
Assets (market approach)			
Securities available-for-sale			
Mortgage-backed securities	**$ 2,484,776**	**$ -**	**$ 2,484,776**
Collateralized mortgage obligations	**23,717,487**	**-**	**23,717,487**
State and municipal	**46,826,012**	**-**	**46,826,012**
Corporate bonds	**17,234,335**	**-**	**17,234,335**
	$ 90,262,610	**$ -**	**$ 90,262,610**
Derivative contracts	**$ 3,866,872**	**$ -**	**$ 3,866,872**

	Fair Value Measurements at December 31, 2023, Using:		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Assets (market approach)			
Securities available-for-sale			
Mortgage-backed securities	$ 10,691,309	$ -	$ 10,691,309
Collateralized mortgage obligations	54,541,534	-	54,541,534
State and municipal	78,517,687	-	78,517,687
Corporate bonds	19,089,549	-	19,089,549
	$ 162,840,079	$ -	$ 162,840,079
Derivative contracts	$ 5,267,783	$ -	$ 5,267,783

During 2024, collateral dependent loans with a carrying amount of $4,569,296 were written down to their estimated fair value of $4,498,698 by recognizing a specific valuation allowance of $70,598.

During 2023, collateral dependent loans with a carrying amount of $1,295,103 were written down to their estimated fair value of $1,285,951 by recognizing a specific valuation allowance of $9,152.

The Company had no liabilities measured at fair value on a nonrecurring basis as of December 31, 2024 or 2023.

20. Fair Value (continued)

The estimated fair values and related carrying amounts for assets and liabilities for which fair value is only disclosed are as follows:

December 31, 2024	**Carrying Amount**	**Estimated Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Financial assets					
Securities held-to-maturity	**$177,692,320**	**$156,679,186**	**$ -**	**$156,679,186**	**$ -**
Loans	**575,963,777**	**543,191,438**	**-**	**-**	**543,191,438**
Accrued interest receivable	**3,920,962**	**3,920,962**	**-**	**3,920,962**	**-**
Financial liabilities					
Accrued interest payable	**641,130**	**641,130**	**-**	**641,130**	**-**
Deposits	**807,762,845**	**807,682,069**	**-**	**807,682,069**	**-**
Borrowings	**56,520,304**	**54,293,404**	**-**	**54,293,404**	**-**
Subordinated debentures	**17,778,942**	**17,078,452**	**-**	**17,078,452**	**-**

December 31, 2023	Carrying Amount	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets					
Securities held-to-maturity	$184,638,517	$166,890,539	$ -	$166,890,539	$ -
Loans	415,986,217	378,256,267	-	-	378,256,267
Accrued interest receivable	3,904,244	3,904,244	-	3,904,244	-
Financial liabilities					
Accrued interest payable	1,163,516	1,163,516	-	1,163,516	-
Deposits	660,156,991	660,090,975	-	660,090,975	-
Borrowings	111,799,137	110,479,907	-	110,479,907	-
Subordinated debentures	17,738,503	17,529,189	-	17,529,189	-

Excluded from the tables above were financial instruments measured at fair value on a recurring and nonrecurring basis, as previously described.