2024 ANNUAL REPORT

The Power of One:
Local Leadership and Growth in 2025

FORESIGHT BANK

ABOUT OUR
COMPANY

We exist to build meaningful connections that strengthen our communities, empower our employees, and enrich lives. Our purpose goes beyond banking—it's about providing guidance, stability, and support to help individuals, businesses, and communities plan for a stronger financial future. By staying rooted in local values and looking ahead to anticipate opportunities and challenges, we create lasting success for the people, partners, and places we proudly serve.

FORESIGHT financial group, inc.

OUR SHARED VALUES

SERVICE EXCELLENCE

Consistently perform extraordinarily. Shareholders, customers, and our staff know that we care, understand, and are responsive to their needs through our actions. We actively seek out the needs of the communities we serve and volunteer our time, leadership, and expertise.

INTEGRITY

Be honest and ethical in what we say and do. Our actions align with our words.

COLLABORATION

We only succeed as a team, working together toward a common goal. We leverage our talents to serve our stakeholders' best interests. We regularly extend meaningful and sincere acknowledgment to others for contributing to our success and we celebrate our accomplishments.

ENGAGEMENT

We understand how we contribute; our work and contributions are meaningful and valued. We actively participate and are involved. We live our Mission and Values and strive toward our Vision in our daily work.

INNOVATION

We are fast-followers to utilize technology. We are market-leaders in how we serve customers.

AGILITY

We thoughtfully pivot our plan and resources to meet the needs of our stakeholders.

OUR
MISSION & VISION

MISSION

We are a market driven, people oriented, local banking organization dedicated to enhancing shareholder value by providing our customers with diversified financial services that help them to achieve economic success and financial security. We will pursue these goals while balancing shareholder and customer interests with the ongoing welfare of our employees and local communities.

Our individual markets and brands maintain the independence, flexibility and sensitivity to meet the needs of the communities that we to serve. We will seek to expand sensibly into new markets when we believe that our business model and community banking philosophy can be successfully extended.

In summary:

COMMUNITY BUILDING THROUGH COMMUNITY BANKING.

VISION

Leverage the collective strengths of our talented and market-focused teams to create customer loyalty, empower employees, and enhance value for our communities and shareholders.

Dear Fellow Shareholder:

We are pleased to report that 2024 was another successful year as we continue to position ourselves as the bank of choice in each of the respective markets that we serve. Earnings of $12.7 million remain strong despite the investments made during the year related to the expansion of our Rockford market banking talent, implementation of our new digital platform, and charter consolidation efforts. Year over year saw growth in Stockholder's Equity of 8.9% or $13 million; Assets of 3.7% or $58 million; Deposits of 3.2% or $43 million; and Loans of 2.9% or $31 million. Our Common Stock price per share at 12/31/24 of $33.00 represents a year over year increase of $9.10 per share or 29.9%. Despite an increase in Non-Performing Loans of $12 million year over year, this increase continues to be concentrated in a select few credits and is not representative of negative trends in specific lines of business. We have significantly strengthened our credit review and oversight processes over the last three years, and the identification of these credits is largely attributable to those efforts as well as increased transparency at the individual charter levels associated with the upcoming consolidation.

As noted in earlier Quarterly Newsletters, our digital banking platform implementation was completed in 2024 and is now fully functional. This new platform enables us to compete with any local, regional, or national banking competitor and enhances our ability to attract new clients and expand services to current clients, which will contribute to both loan and deposit growth as well as enhanced non-interest income. The new platform will further enable us to provide greatly expanded Treasury Management services and as such equip our Commercial Bankers with a robust array of products to take to market as we seek to increase market share across our global footprint. As also announced in Q3 of 2024, our charter consolidation efforts are well under way with a targeted legal consolidation date of May 1, 2025. The consolidation project is a huge effort across the organization, and our amazingly dedicated staff has risen to the challenge of making this as seamless as possible for our customers. The full consolidation of systems will not be complete until early Q4 of 2025, so there is a good deal of work to be done between now and then, but we have made a significant investment in systems, support, and human resources to ensure this goes as smoothly as possible. The teamwork and dedication associated with this immense effort is remarkable.

Relative to senior management, we are extremely proud of the highly experienced and talented team we have assembled this year which began with Brooke Crull joining us as our Chief Risk Officer. Brooke holds her CPA certification and joins us following a successful career in the banking and audit division of Wipfli. Jeff Hultman joins us as President of the Company and was the leader of the team of talented Commercial Bankers that joined us from Illinois Bank and Trust in Rockford where he held the title of President & CEO for many years. Included in the senior management individuals that joined us from Illinois Bank and Trust are our new head of commercial banking Kyle Logan, and head of consumer banking Gina Caruana. Longtime Lena State Bank President and CEO Curtis Derrer has accepted the role of head of ag lending, which further exhibits our commitment to the agribusiness sector. Lastly, Todd James joined us as Chief Financial Officer. Todd also carries the CPA designation and joined us following a long career with Blackhawk Bank in Beloit, Wisconsin where he held the title of President and CEO of the Holding Company. The addition of these individuals along with the terrific team already in place has created what I regularly refer to as the "Dream Team" that will allow us to successfully reach our goal of being the top performing bank in our markets.

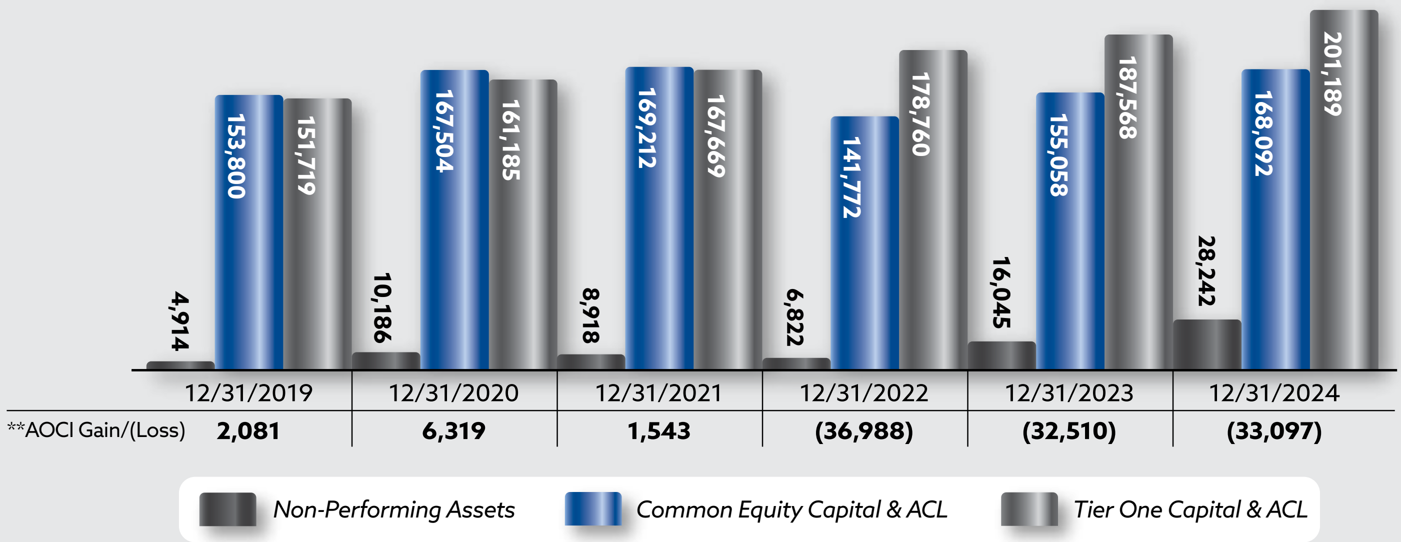
Foresight Financial Group and Foresight Bank will continue to maintain a traditional, relationship-based business model that focuses on safety and soundness and service to the communities in which we reside. Community Building through Community Banking will continue to be who we are and as such will drive our efforts to achieve that goal while at the same time acting upon opportunities for increased market share and shareholder value as they present themselves.

Thank you again for being a shareholder of Foresight Financial Group. It is through your continued support that we realize the success we have achieved to date, and the success for which we strive as we move into the future.

Respectfully,

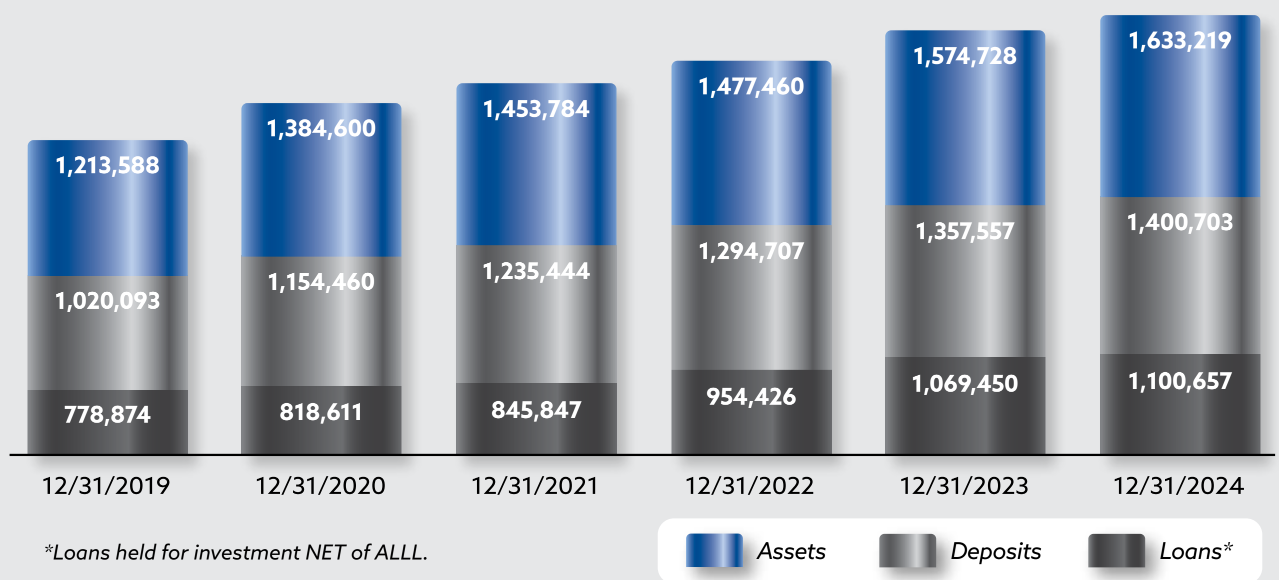
Peter Q. Morrison
Chief Executive Officer

TRENDS IN CAPITAL & ACL* AND NON-PERFORMING ASSETS (in thousands)

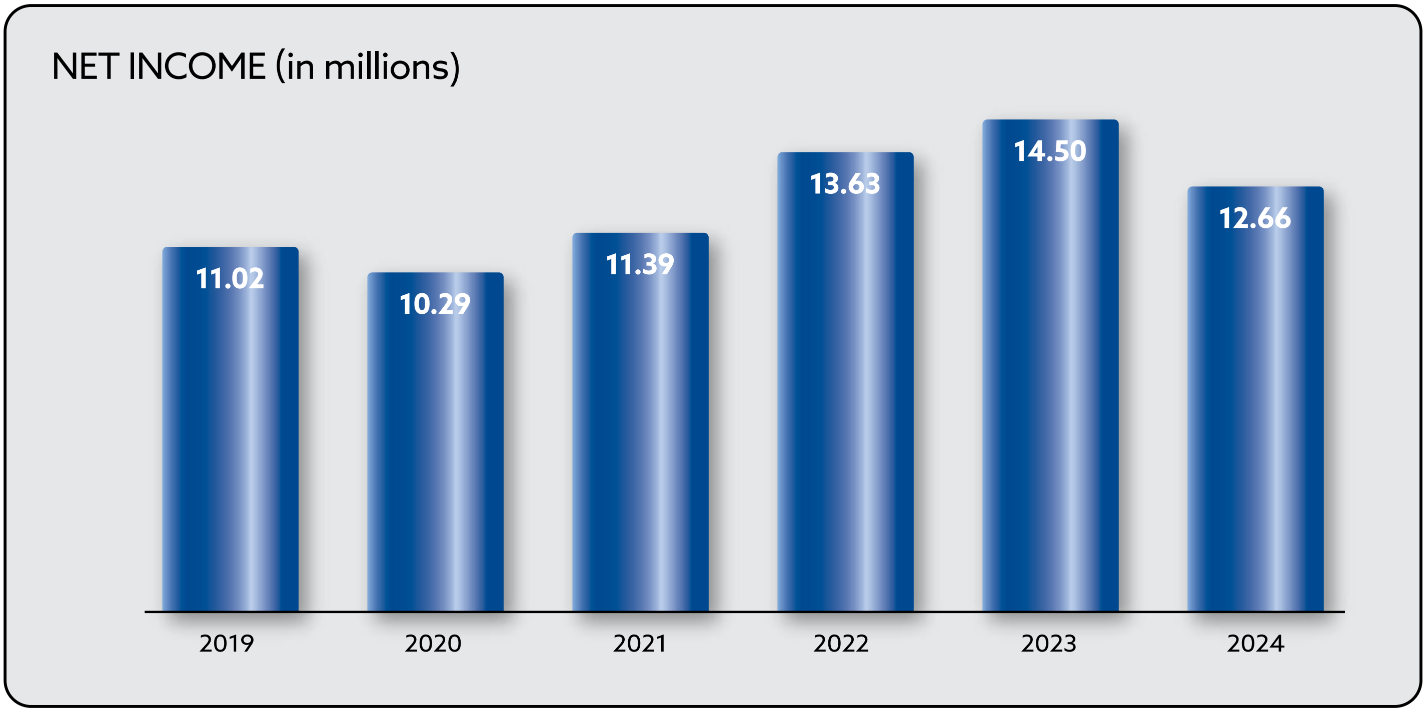


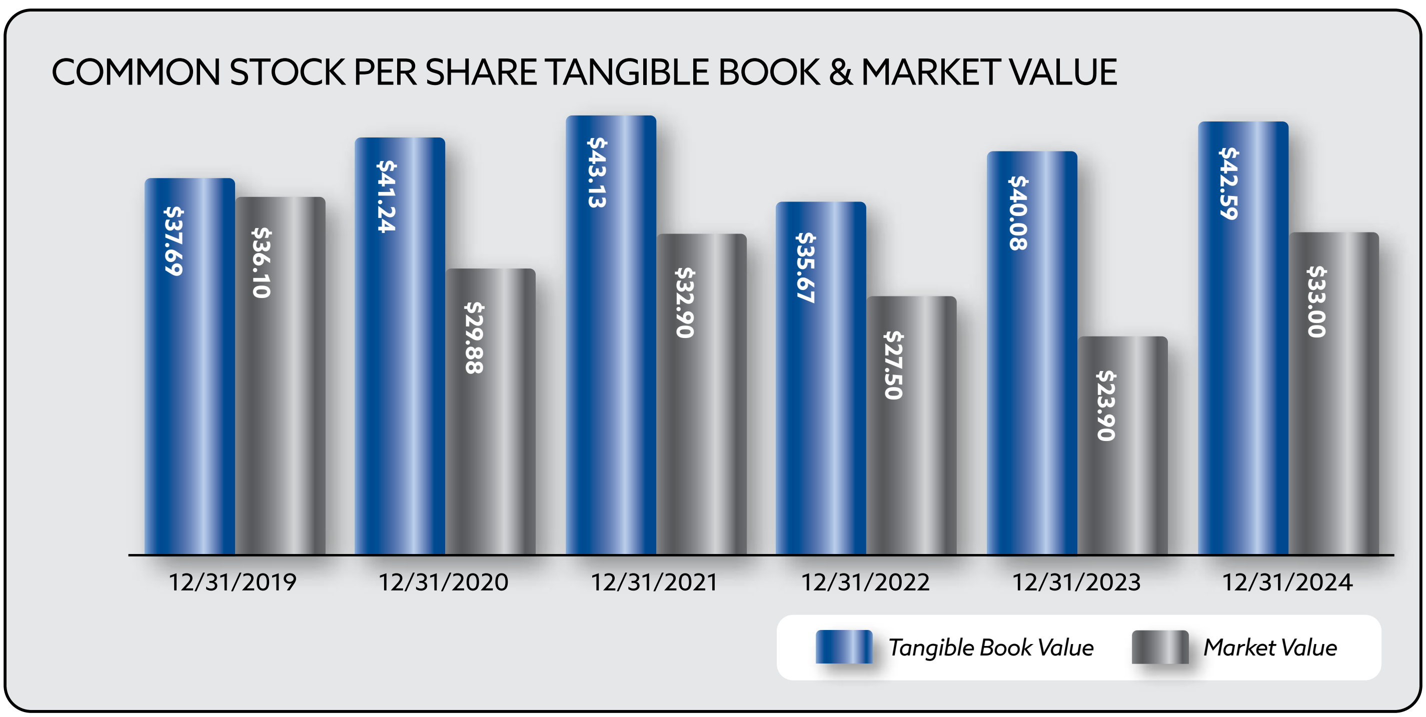
*ACL: Allowance for Credit Losses **Accumulated Other Comprehensive Income

TRENDS IN ASSETS, DEPOSITS & LOANS* (in thousands)



*Loans held for investment NET of ALLL.


NET INCOME (in millions)
11.02
10.29
11.39
13.63
14.50
12.66
2019
2020
2021
2022
2023
2024


COMMON STOCK PER SHARE TANGIBLE BOOK & MARKET VALUE
$37.69
$36.10
$41.24
$29.88
$43.13
$32.90
$35.67
$27.50
$40.08
$23.90
$42.59
$33.00
12/31/2019
12/31/2020
12/31/2021
12/31/2022
12/31/2023
12/31/2024
Tangible Book Value
Market Value

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Independent Auditor's Report

To the Audit Committee and the Board of Directors
Foresight Financial Group, Inc.

Opinion

We have audited the consolidated financial statements (the "financial statements") of Foresight Financial Group, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023 and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Company and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Prior Year Financial Statements

The financial statements of Foresight Financial Group, Inc. and its subsidiaries as of December 31, 2022 were audited by other auditors, who expressed an unmodified opinion on those statements on March 8, 2023.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor’s Responsibilities for the Audits 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 audits 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 audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Plante & Moran, PLLC

March 10, 2025

Consolidated Balance Sheets
(000s omitted except share data)

December 31, 2024 and 2023

ASSETS	2024	2023
Cash and due from banks	**$16,905**	$22,168
Interest-bearing deposits in banks	**45,357**	20,828
Federal funds sold	**1,738**	2,722
Total cash and cash equivalents	**64,000**	45,718
Interest-bearing deposits in banks - term deposits	**4,434**	4,511
Debt securities:		
Debt securities available-for-sale (AFS)	**369,945**	365,618
Debt securities held-to-maturity (HTM)	**3,263**	3,596
Marketable equity securities and other investments	**7,592**	5,718
Loans held for sale	**852**	990
Loans, net of allowance for credit losses of $14,694 and $14,195, respectively	**1,100,657**	1,069,450
Foreclosed assets and other real estate owned, net	**-**	-
Premises and equipment, net	**17,125**	17,525
Bank owned life insurance	**24,459**	24,644
Other assets	**40,892**	36,958
Total assets	**$1,633,219**	$1,574,728

LIABILITIES AND STOCKHOLDERS' EQUITY	2024	2023
Liabilities:		
Deposits:		
Noninterest-bearing	**$249,076**	$256,205
Interest-bearing	**1,151,627**	1,101,352
Total deposits	**1,400,703**	1,357,557
Federal funds purchased	**5,804**	1,153
Securities sold under agreements to repurchase	**15,017**	31,554
Federal Home Loan Bank (FHLB) and other borrowings	**40,911**	25,954
Accrued interest payable and other liabilities	**17,386**	17,647
Total liabilities	**1,479,821**	1,433,865
Stockholders' equity:		
Preferred stock (no par value; authorized 500,000 shares)	**-**	-
Common stock ($.25 par value; authorized 10,000,000 shares; 4,242,121 and 4,080,304 shares issued, respectively)	**1,060**	1,020
Additional paid-in capital	**16,482**	11,432
Retained earnings	**184,961**	174,826
Treasury stock, at cost (644,079 and 569,079 shares, respectively)	**(16,008)**	(13,905)
Accumulated other comprehensive loss	**(33,097)**	(32,510)
Total stockholders' equity	**153,398**	140,863
Total liabilities and stockholders' equity	**$1,633,219**	$1,574,728

See Notes to Consolidated Financial Statements

Consolidated Statements of Income
(000s omitted except share data)

December 31, 2024, 2023, and 2022

	2024	2023	2022
Interest and dividend income:			
Loans, including fees	**$69,284**	$59,919	$42,990
Debt securities:			
Taxable	**7,214**	6,287	6,117
Tax-exempt	**1,647**	1,935	2,518
Interest-bearing deposits in banks and other	**2,451**	2,198	646
Federal funds sold	**108**	188	190
Total interest and dividend income	**80,704**	70,527	52,461
Interest expense:			
Deposits	**29,855**	19,802	6,291
Federal funds purchased	**64**	78	38
Securities sold under agreements to repurchase	**484**	668	323
FHLB and other borrowings	**1,314**	708	136
Total interest expense	**31,717**	21,256	6,788
Net interest and dividend income	**48,987**	49,271	45,673
Provision for credit losses	**1,052**	1,105	552
Net interest and dividend income, after provision for credit losses	**47,935**	48,166	45,121
Noninterest income:			
Customer service fees	**1,421**	1,155	1,055
Loss on sales and calls of AFS securities, net	**(111)**	(185)	(246)
Gain on sale of loans, net	**772**	611	969
Loan servicing fees, net	**249**	814	1,978
Bank owned life insurance	**1,110**	585	580
ATM / interchange fees	**2,143**	2,155	2,126
Other	**1,609**	2,421	1,947
Total noninterest income	**7,193**	7,556	8,409
Noninterest expenses:			
Salaries and employee benefits	**24,670**	22,627	22,627
Occupancy expense of premises, net	**2,404**	2,298	2,312
Outside services	**1,611**	1,311	1,553
Data processing	**3,188**	3,025	3,040
Foreclosed assets and other real estate owned, net	**12**	(43)	(53)
Other	**7,009**	7,384	6,343
Total noninterest expenses	**38,894**	36,602	35,822
Income before income taxes	**16,234**	19,120	17,708
Income tax expense	**3,570**	4,574	4,082
Net income	**$12,664**	$14,546	$13,626
Earnings per common share:			
Basic	**$3.61**	$4.08	$3.83
Diluted	**$3.59**	$4.08	$3.81

See Notes to Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

(000s omitted except share data)

December 31, 2024, 2023, and 2022

	2024	2023	2022
Net income	**$12,664**	$14,546	$13,626
Other comprehensive (loss) income:			
Unrealized holding (losses) gains on securities available for sale, net of tax of $155, $1,917, & $15,292, respectively	**(666)**	4,346	(38,707)
Reclassification adjustments for net securities losses recognized in income, net of tax of $32, $53, & $70, respectively	**79**	132	176
Total other comprehensive (loss) income	**(587)**	4,478	(38,531)
Total comprehensive income (loss)	**$12,077**	$19,024	$(24,905)

See Notes to Consolidated Financial Statements

Consolidated Statements of Changes in Stockholders' Equity

(000s omitted except share data)

December 31, 2024, 2023, and 2022

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance – January 1, 2022	$1,015	$10,768	$152,903	$(11,002)	$1,543	$15,227
Net income	-	-	13,626	-	-	13,626
Other comprehensive loss	-	-	-	-	(38,531)	(38,531)
Cash dividends ($.54 per share)	-	-	(1,932)	-	-	(1,932)
Purchase of treasury stock (44,760 shares)	-	-	-	(1,532)	-	(1,532)
Stock-based compensation expense	-	25	-	-	-	25
Restricted stock vested (11,406 shares)	3	345	-	-	-	348
Balance – December 31, 2022	1,018	11,138	164,597	(12,534)	(36,988)	127,231
Effect of change in accounting principle -						
Adoption of ASU 2016-13	-	-	(2,029)	-	-	(2,029)
Net income	-	-	14,546	-	-	14,546
Other comprehensive income	-	-	-	-	4,478	4,478
Cash dividends ($.64 per share)	-	-	(2,288)	-	-	(2,288)
Purchase of treasury stock (60,000 shares)	-	-	-	(1,371)	-	(1,371)
Stock-based compensation expense	-	16	-	-	-	16
Restricted stock vested (8,810 shares)	2	278	-	-	-	280
Balance – December 31, 2023	1,020	11,432	174,826	(13,905)	(32,510)	140,863
Net income	-	-	12,664	-	-	12,664
Other comprehensive loss	-	-	-	-	(587)	(587)
Cash dividends ($.72 per share)	-	-	(2,529)	-	-	(2,529)
Purchase of treasury stock (75,000 shares)	-	-	-	(2,103)	-	(2,103)
Stock private placement (152,718 shares)	38	4,762	-	-	-	4,800
Stock-based compensation expense	-	16	-	-	-	16
Restricted stock vested (9,099 shares)	2	272	-	-	-	274
Balance – December 31, 2024	$1,060	$16,482	$184,961	$(16,008)	$(33,097)	$153,398

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

(000s omitted except share data)

December 31, 2024, 2023, and 2022

	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	**$12,664**	$14,546	$13,626
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:			
Provision for credit losses	**1,052**	1,105	552
Foreclosed asset valuation losses	**-**	-	64
Depreciation	**1,172**	1,098	1,106
Net amortization of securities premiums	**1,859**	2,160	3,019
Change in fair value of equity securities	**(59)**	(70)	(97)
Originations of loans held-for-sale	**(26,911)**	(21,310)	(39,073)
Proceeds from sales of loans held-for-sale	**27,821**	21,352	41,875
Net gains on sales of mortgage loans	**(772)**	(611)	(969)
Income on bank owned life insurance	**(633)**	(585)	(547)
Gain on death benefits from bank owned life insurance	**(477)**	-	(33)
Deferred income tax expense	**76**	292	115
Stock-based compensation expense	**16**	16	25
Restricted stock expense	**274**	280	348
Net loss on the sales and calls of AFS securities	**111**	185	246
Net gain on the sales of foreclosed assets	**(8)**	(43)	(262)
Change in mortgage servicing rights	**437**	(67)	(1,208)
Net change in:			
Other assets	**(4,213)**	(6,507)	(270)
Accrued interest payable and other liabilities	**(261)**	5,796	1,463
Net cash provided by operating activities	**$12,148**	$17,637	$19,980
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net change in interest-bearing deposits in banks - term deposits	**77**	1,547	6,140
Proceeds from sales of AFS securities	**4,857**	13,501	10,348
Proceeds from maturities, call, and paydowns of AFS securities	**32,077**	25,707	45,029
Proceeds from maturities, call, and paydowns of HTM securities	**356**	510	345
Purchases of AFS securities	**(44,075)**	(9,604)	(64,023)
Purchases of bank owned life insurance	**-**	-	(930)
Proceeds from death benefits of bank owned life insurance	**1,295**	-	662
Purchase of marketable equity securities, net	**(1,815)**	(1,703)	(1,581)
Loan originations and principal collections, net	**(32,327)**	(119,588)	(109,201)
Proceeds from sale of foreclosed assets	**76**	733	237
Purchases of premises and equipment, net	**(772)**	(1,025)	(1,573)
Net cash used in investing activities	**(40,251)**	(89,922)	(114,547)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net change in deposits	**43,146**	62,843	59,263
Net change in securities sold under agreements to repurchase	**(16,537)**	(4,744)	1,189
Cash dividends paid	**(2,529)**	(2,288)	(1,932)
Net change in federal funds purchased	**4,651**	1,153	(533)
Purchase of treasury stock	**(2,103)**	(1,371)	(1,532)
Stock private placement	**4,800**	-	-
Proceeds from FHLB and other borrowings	**48,413**	64,441	18,950
Payments on FHLB and other borrowings	**(33,456)**	(45,853)	(28,660)
Net cash provided by financing activities	**46,385**	74,181	46,745
Net Increase (Decrease) in cash and cash equivalents	**18,282**	1,896	(47,822)
Cash and cash equivalents at beginning of year	**45,718**	43,822	91,644
Cash and cash equivalents at end of year	**$64,000**	$45,718	$43,822

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

(000s omitted except share data)

December 31, 2024, 2023, and 2022

	2024	2023	2022
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid for:			
Interest	**$30,840**	$19,940	$6,505
Taxes	**$4,639**	$3,600	$2,882
SUPPLEMENTAL DISCLOSURES OF NONCASH FINANCING ACTIVITIES:			
Foreclosed assets acquired in settlement of loans	**$68**	$620	$70

(1) Summary of Significant Accounting Policies

The accounting and reporting principles of Foresight Financial Group, Inc. (Company) and its wholly-owned subsidiaries (Banks) conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry. The following is a description of the more significant accounting policies:

(a) Nature of Operations

The Company provides a variety of banking services to individuals and businesses through its facilities in the Rockford, Freeport, German Valley, Davis, Lena, Winnebago, Pecatonica, Kankakee, Loves Park, Machesney Park, Belvidere, and Herscher, Illinois areas. Its primary deposit products are demand deposits and certificates of deposit and its primary lending products are agriculture, agribusiness, commercial, real estate, and installment loans.

(b) Basis of Consolidation

The financial statements include the accounts and results of operations of the Company and its wholly-owned subsidiaries: German-American State Bank (German), State Bank of Davis (Davis), State Bank (Freeport), Northwest Bank of Rockford (Northwest), Lena State Bank (Lena), and State Bank of Herscher (Herscher) (collectively the “Banks”). All significant intercompany accounts and transactions have been eliminated in consolidation.

(c) Subsequent Events

The Company has evaluated subsequent events for recognition and disclosure through March 10, 2025, which is the date the financial statements were available to be issued. On October 24, 2024, the Company announced that each of its six bank brands will be consolidating its six bank charters into one with an expected legal day one of May 1, 2025.

(d) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The allowance for credit losses, deferred tax assets, fair values of securities, and financial instruments are particularly susceptible to change in the near-term.

(e) Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include cash and due from banks, interest-bearing deposits in banks, and federal funds sold, all of which generally mature within ninety days.

(f) Interest-bearing Deposits in Banks

Interest-bearing deposits in banks are comprised of liquid non-maturing deposits but also include some balances in time deposits with the maturity being the determining factor for inclusion in cash and cash equivalents with the non-maturing interest-bearing deposits. Interest-bearing deposits in banks are carried at cost.

(1) Summary of Significant Accounting Policies (continued)

(g) Debt Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as held to maturity (HTM) and recorded at amortized cost. Securities not classified as HTM are classified as available for sale (AFS) and recorded at fair value, with unrealized gains or losses excluded from earnings and reported in other comprehensive income or loss. Amortization of premiums and accretion of discounts are recognized in interest income using the interest method. Premiums that exceed the amount repayable by the issuer at the next call date are amortized to the next call date. Other premiums and discounts are amortized (accreted) over the estimated lives of the securities. Gains and losses on the sale of securities are recorded on the trade date and determined using the specific-identification method.

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.

Management believes the Company will collect all amounts owed on securities held to maturity which are issued by highly rated municipalities or local municipalities with which the Company holds significant banking relationships. Management evaluates municipal 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 or issuer characteristics 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 our historical loss rate to estimate the probability of default for each credit rating based on the remaining term of the security and the loss given default rate with the exception of certain immaterial held to maturity securities.

The past due status of each security is based on the contractual terms of the security. The accrual of interest on a security is discontinued when the security becomes 90 days delinquent or 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. There was $6 and $6 of accrued interest receivable on held to maturity securities as of December 31, 2024 and 2023, respectively.

The Company conducts periodic reviews of available-for-sale securities with declines in fair value below their cost to evaluate for potential impairment. In evaluating available-for-sale securities for potential impairment, management considers (1) the length of time and the extent to which the fair value has been less than amortized cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. If the Company determines that it is more likely than not that it will sell the security before recovery of its amortized cost basis, the Company will record an allowance for credit losses related to securities available-for-sale with an offsetting entry to the provision for credit losses on securities on the statement of income.

(1) Summary of Significant Accounting Policies (continued)

(h) Marketable Equity Securities and Other Investments

Marketable equity securities have a readily determinable fair value and are measured at fair value with changes in fair value reported in net income. Gains and losses on the sale of marketable equity securities are recorded on the trade date and determined using the specific-identification method.

Other investments include equity securities without a readily determinable fair value which consists primarily of Federal Home Loan Bank (FHLB) stock and a participating interest in an energy LLC. The Company has elected to account for equity securities without readily determinable fair values using the alternative measurement method. Under this method, those securities are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment. The Company is required to hold FHLB stock as a member of the FHLB and transfer of the stock is substantially restricted. The FHLB stock is pledged as collateral for outstanding FHLB advances. FHLB stock is evaluated for impairment on an annual basis.

(i) Loans Held for Sale

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

Mortgage loans held for sale are generally sold with servicing rights retained by the Company. The carrying value of mortgage loans sold is reduced by the cost allocated to the associated mortgage servicing rights. Realized gains or losses on sales of mortgage loans are recognized based on the difference between the selling price and the carrying value of the related mortgage loans sold.

(j) Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff; generally, are reported at their outstanding unpaid principal balances adjusted for purchase premiums or discounts, charge-offs, and an allowance for credit losses. Interest on loans is accrued daily based on the unpaid principal balance.

A loan is considered to be delinquent when payments have not been made according to contractual terms, typically evidenced by nonpayment of a monthly installment by the due date. The accrual of interest on a loan is generally discontinued when the loan becomes 90 days delinquent unless the credit is well-secured and in the process of collection. Credit card loans and other personal loans are typically charged off at an earlier date if collection of principal or interest is considered doubtful. Generally, interest accrued but not collected for loans that are placed on nonaccrual status or charged off is reversed against interest income. The interest on these loans is accounted for on the cash basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loan-origination fees and direct origination costs are generally recognized as income or expense when received or incurred since capitalization of these fees and costs would not have a significant impact on the financial statements.

(1) Summary of Significant Accounting Policies (continued)

(k) Allowance for Credit Losses and Unfunded Commitments

The allowance for credit losses (ACL) 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 ACL 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 ACL on loans, and subsequent recoveries, if any, are credited to the ACL on loans.

Effective January 1, 2023, the Company uses a current expected credit loss ("CECL") model to estimate the ACL 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 ACL 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.

Management considers the following when assessing the risk in the loan portfolio segments:

- Residential real estate loans are affected by the local residential real estate market, the local economy, and, for variable rate mortgages, movement in indices tied to these loans. At the time of origination, the Company evaluates the borrower's repayment ability through a review of debt-to-income and credit scores. Appraisals are generally obtained to support the loan amount. Financial information is obtained from the borrowers and/or the individual project to evaluate sufficiency of cash flows to service debt at the time of origination.

- Agricultural and commercial real estate loans are dependent on the industries tied to these loans. Agricultural real estate loans are primarily for land acquisition. Commercial real estate loans are primarily secured by office and industrial buildings, warehouses, retail shopping facilities and various special purpose properties, including hotels and restaurants. Financial information is obtained from the borrowers and/or the individual project to evaluate sufficiency of cash flows to service debt; and is periodically updated during the life of the loan. Loan performance may be adversely affected by factors impacting the general economy or conditions specific to the real estate market, such as geographic location and/or property type.

- Commercial and agricultural loans are primarily for working capital, physical asset expansion, asset acquisition loans and other. These loans are made based primarily on historical and projected cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not behave as forecasted and collateral securing loans may fluctuate in value due to economic or individual performance factors. Financial information is obtained from the borrowers to evaluate sufficiency of cash flows to service debt and is periodically updated during the life of the loan.

- Consumer and other loans may take the form of installment loans, demand loans, or single payment loans and are extended to individuals for household, family, and other personal expenditures. At the time of origination, the Company evaluates the borrower's repayment ability through a review of debt-to-income and credit score.

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.

(1) Summary of Significant Accounting Policies (continued)

(k) Allowance for Credit Losses and Unfunded Commitments (continued)

Management evaluates all collectively evaluated loan pools using the weighted average remaining life ("remaining life") methodology. The remaining life methodology applies calculated quarterly net loss rates to collectively evaluated loan pools on a periodic basis based on the estimated remaining life of each pool. The estimated losses under the remaining life methodology are then adjusted for qualitative factors deemed appropriate by management.

The estimated remaining life of each pool is determined using quarterly, pool-based attrition measurements using the Company's loan-level historical data. The Company's historical call report data is utilized for historical loss rate calculations, and the lookback period for each collectively evaluated loan pool is determined by management based upon the estimated remaining life of the pool. Forecasted historical loss rates are calculated using the Company's historical data based on the lookback and forecast period inputs by management.

The quantitative analysis described above is supplemented with other qualitative factors based on the risks present for each collectively evaluated loan pool. These qualitative factors include: levels of and trends in delinquencies and nonaccrual loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

In addition to the ACL 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 noncancellable loan commitments. The reserve for unfunded loan commitments, which is included in accrued interest payable and other liabilities on the accompanying Consolidated 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 ACL 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 ACL is adjusted by the same amount.

(l) Loan Commitments

The Company enters into off-balance-sheet financial instruments consisting of commitments to extend credit and letters of credit issued to meet customer-financing needs. Loan commitments are recorded when they are funded. Standby or performance letters of credit are considered financial guarantees in accordance with Generally Accepted Accounting Standards and are recorded at fair value if material.

(1) Summary of Significant Accounting Policies (continued)

(m) Loan Servicing

The Company services mortgage loans it sells to third-party institutions. Servicing loans includes collecting monthly principal and interest payments from borrowers, passing such payments through to the third-party investors, and maintaining escrow accounts for taxes and insurance. When necessary, the Company also performs collection functions for delinquent loan payments, handles loan foreclosure proceedings, and disposes of foreclosed property. The Company generally earns a servicing fee of 25 basis points on the outstanding loan balance for performing these services as well as fees and interest income from ancillary sources, such as late fees and float. The Company measures mortgage servicing rights at fair value at each reporting date and reports changes in fair value of servicing assets in earnings in the period in which changes occur.

(n) *Rate Lock Commitments*

Commitments to fund mortgage loans (interest-rate lock) to be sold into the secondary market and mandatory delivery forward commitments for the future delivery of these mortgage loans are accounted for as derivatives not qualifying for hedge accounting. The fair values of these mortgage derivatives are estimated based on the net future cash flows related to the associated servicing of the loans and on changes in mortgage interest rates from the date of the commitments. Changes in fair values on these derivatives are included in net gains on sales of loans. The Company has deemed the effect of these derivatives to be immaterial to the financial statements, and, accordingly, has elected not to record fair values associated with these derivatives.

(o) *Foreclosed Assets and Other Real Estate Owned*

Assets acquired through or instead of loan foreclosure are initially recorded at fair value less estimated cost of disposal when acquired. Subsequent to foreclosure and transfer to other real estate owned, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenues and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets and other real estate owned.

(p) *Premises and Equipment*

Premises and equipment are carried at cost less accumulated depreciation, based on the estimated useful lives of the assets. Depreciation is generally computed on the straight-line method over estimated useful lives ranging from 3 to 40 years as indicated below:

3 – 5 Years	Technology equipment (computers, copiers, etc.), company vehicles
5 – 10 Years	Furnishings, building infrastructure and major repairs, security technology
10 – 20 Years	Remodeling / updates of existing facilities, parking lots
20 – 40 Years	Major facility renovations, building expansions, new facilities

(q) *Bank-Owned Life Insurance*

The Company has purchased life insurance policies on certain key employees and directors. Bank-owned life insurance is recorded at its cash surrender value, or the amount that could be realized upon immediate liquidation.

(1) Summary of Significant Accounting Policies (continued)

(r) *Significant Group Concentrations of Credit Risk*

Most of the Company's activities are with customers located in the area and communities noted above. Note 3 details the type of securities in which the Company invests. Note 4 details the types of lending in which the Company engages. The Company does not have any significant concentrations with any one industry or customer.

(s) *Revenue from Contracts with Customers*

The core revenue recognition principle requires the Company to recognize revenue to depict the transfer of services or products to customers in an amount that reflects the consideration to which the Company expects to be entitled to receive in exchange for those services or products recognized as performance obligations are satisfied. The guidance includes a five-step model to apply to revenue recognition, consisting of the following: (1) identify the contract with a customer; (2) identify the performance obligations within the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations within the contract; and (5) recognize revenue when the performance obligations are satisfied.

The Company generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Since performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgment involved in applying revenue recognition that significantly affects the determination of the amount and timing of revenue from contracts with customers.

The following significant revenue-generating transactions are within the scope of revenue recognition, which are presented in the statements of income as components of noninterest income:

Customer service fees – The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, such as statement rendering and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly service charges and maintenance fees, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs as this corresponds with the Company's performance obligation.

Interchange fees – Customers use a bank-issued debit card to purchase goods and services, and the Company earns interchange fees on those transactions, typically a percentage of the sale amount of the transaction. The Company is considered an agent with respect to these transactions. Interchange fee payments received included in other noninterest income, net of related expense, are recognized as income daily, concurrently with the transaction processing services provided to the cardholder through the payment networks. There are no contingent debit card interchange fees recorded by the Company that could be subject to a claw-back in future periods.

Trust fees – The Company earns trust fees, included in other noninterest income, from its contracts with trust customers for providing investment management and/or transaction-based services on their accounts. These fees are primarily earned over time as the Company provides the contracted monthly or quarterly services and are assessed based on the total investable assets of the customer's trust account. A signed contract between the Company and the customer is maintained for all customer trust accounts with payment terms identified. There are no contingent incentive fees recorded by the Company that could be subject to a claw-back in future periods.

(1) Summary of Significant Accounting Policies (continued)

(s) *Revenue from Contracts with Customers (continued)*

Insurance commissions – Insurance agency commissions, included in other noninterest income, are received from insurance carriers for the agency's share of commissions from customer premium payments. These commissions are recorded into income when checks are received from the insurance carriers, and there is no contingent portion associated with these commission checks that may be clawed back by the carrier in the future. There may be a short time-lag in recording revenue when cash is received instead of recording the revenue when the policy is signed by the customer, but the time lag is insignificant and does not impact the revenue recognition process. The Company has evaluated the potential amount of premium refunds due to customers when policies are cancelled and has determined such amounts are insignificant.

(t) *Income Taxes*

Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws. The Company files consolidated Federal and State income tax returns.

At December 31, 2024 and 2023, the Company evaluated tax positions taken for filing with the Internal Revenue Service and all state jurisdictions in which it operates. The Company believes that income tax filing positions will be sustained under examination and does not anticipate any adjustments that would result in a material adverse effect on the Company's financial condition, results of operations, or cash flows. Accordingly, the Company has not recorded any reserves or related accruals for interest and penalties for uncertain tax positions at December 31, 2024 and 2023.

(u) *Comprehensive Income (Loss)*

Accounting principles generally require the Company to include in net income recognized revenue, expenses, gains and losses. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the consolidated balance sheets, net of taxes. Such items, along with net income, are components of comprehensive income.

(v) *Earnings Per Share*

Basic earnings per share (EPS) represent income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted EPS reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate solely to outstanding stock options and are determined using the treasury stock method.

(w) *Loss Contingencies*

Loss contingencies, including claims and legal actions arising from time to time in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are such matters that could have a material effect on the financial statements.

(1) Summary of Significant Accounting Policies (continued)

(x) *Transfers of Financial Assets*

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

(y) *Trust Assets*

Assets of the trust departments of State Bank and State Bank of Herscher, other than trust cash on deposit at the Banks, are not included in these financial statements because they are not assets of the Company.

(z) *Securities Sold Under Agreements to Repurchase*

Securities sold under agreements to repurchase liabilities represent amounts advanced by various customers. Securities are pledged to cover these liabilities, which are not covered by federal deposit insurance.

(aa) *Stock Compensation Plans*

The Company records the cost of stock-based employee compensation using the fair-value method. Compensation expense for share-based awards is recorded over the vesting period at the fair value of the award at the time of grant. The Company has historically assumed no projected forfeitures on its stock based compensation, since forfeitures have not been significant.

(bb) *Advertising*

Advertising costs are expensed as incurred.

(cc) *Operating Segments*

While the chief decision-makers monitor the revenue streams of the various products and services, operations are managed, and financial performance is evaluated on a Company-wide basis. Discrete financial information is not available other than on a Company-wide basis. Accordingly, all of the financial service operations are considered by management to be aggregated in one reportable operating segment. See Note 23 for new disclosure related to the new accounting standard.

(dd) *Reclassifications*

Certain amounts in the 2022 and 2023 financial statements have been reclassified to conform to the 2024 presentation.

(000s omitted except share data)

(ee) ***New Accounting Pronouncements***

ASU No. 2023-07 *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*- The amendments in this update improve reportable segment disclosure requirements through enhanced disclosures about significant segment expenses. The amendments clarify circumstances in which an entity can disclose multiple measures of profit or loss, provide new segment requirements for entities with a single reportable segment and contain other disclosure requirements. The Company adopted ASU No. 2023-07 on January 1, 2024, on a prospective basis. The adoption of this standard did not have a material impact on the Company's operating results or financial condition.

ASU No. 2023-09, *Income Taxes (Topic 740)*: *Improvements to Income Tax Disclosures*- The amendments in this update enhance the transparency and decision usefulness of income tax disclosures. This update requires the disclosure of specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold including 1) the amount of income taxes paid disaggregated by federal, state, and foreign taxes; 2) the amount of income taxes paid disaggregated by individual jurisdictions in which income taxes paid is equal to or greater than five percent of total income taxes paid. The amendments also require entities to disclose income from continuing operations before income tax expense disaggregated between domestic and foreign and disaggregated by federal, state and foreign. The adoption of this standard is not expected to have a material effect on the Company's operating results or financial condition.

ASU No. 2024-02, *Codification Improvements-Amendments to Remove References to the Concepts Statements*- The amendments to the Codification remove references to various Concepts Statements. The adoption of this standard is not expected to have a material effect on the Company's operating results or financial condition.

(2) Cash Equivalents and Interest-Bearing Deposits

Effective March 12, 2021, the Federal Reserve's board of directors approved the final rule reducing the required reserve requirement ratios to zero percent, effectively eliminating the requirement to maintain reserve balances in cash or on deposit with the Federal Reserve Bank. This reduction in the required reserves does not have a defined timeframe and may be revised by the Federal Reserve's board in the future.

In the normal course of business, the Company maintains cash and due from bank balances in accounts with correspondent banks. Balances in these accounts may exceed the Federal Deposit Insurance Corporation's (FDIC) insured limit of $250. These financial institutions have strong credit ratings and that credit risk related to these deposits is not material.

Interest-bearing deposits consist of certificates of deposit at other financial institutions. Certificates of deposit are in denominations of $250 or less and are fully insured by the FDIC.

Maturities of certificates of deposits at other financial institutions as of December 31, 2024 are as follows:

2025	$3,442
2026	747
2027	245
2028 and thereafter	-
	$4,434

(000s omitted except share data)

(3) Debt Securities

The following tables reflect the amortized costs and approximate fair values of securities at December 31:

Held-to-Maturity 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
State and municipal	$3,263	$ -	$(213)	$3,050

Held-to-Maturity 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
State and municipal	$3,596	$ -	$(231)	$3,365

Available-for-Sale 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government sponsored entities and U.S. agencies	$130,397	$11	$(11,109)	$119,299
State and municipal	102,260	18	(11,006)	91,272
Agency mortgage-backed	182,062	61	(24,310)	157,813
Corporate debt securities	1,519	42	-	1,561
	$416,238	$132	$(46,425)	$369,945

Available-for-Sale 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government sponsored entities and U.S. agencies	$129,106	$8	$(12,685)	$116,429
State and municipal	110,943	130	(9,600)	101,473
Agency mortgage-backed	169,542	9	(23,390)	146,161
Corporate debt securities	1,499	56	-	1,555
	$411,090	$203	$(45,675)	$365,618

(000s omitted except share data)

(3) Debt Securities (continued)

For the years ended December 31, 2024, 2023 and 2022, proceeds from sales of available-for-sale securities amounted to $4,857, $13,501 and $10,348, respectively. Gross realized gains and losses from the sales and calls of available-for-sale securities for the years ended December 31 are as follows:

	2024	2023	2022
Realized gains	**$ -**	$32	$170
Realized losses	**(111)**	(217)	(416)

Securities with carrying amounts of approximately $244,667 and $264,449 at December 31, 2024 and 2023, respectively, were pledged to secure public deposits and for other purposes as required or permitted by law.

The amortized costs and estimated fair values of securities at December 31, 2024 are shown below by contractual maturities, except for U.S. agencies which are shown by contractual maturities or their expected call dates if the call dates are considered likely to occur based on present market conditions. Expected maturities may differ from contractual maturities on mortgage-backed securities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Held-to-Maturity	**Amortized Cost**	**Estimated Fair Value**
Due in one year or less	$885	$873
Due after one year through five years	1,536	1,433
Due after five years through ten years	842	744
Due after ten years	-	-
	$3,263	$3,050

Available-for-Sale	**Amortized Cost**	**Estimated Fair Value**
Due in one year or less	$23,974	$23,798
Due after one year through five years	75,855	70,864
Due after five years through ten years	83,772	74,500
Due after ten years	50,575	42,970
	234,176	212,132
Agency mortgage-backed	182,062	157,813
	$416,238	$369,945

(000s omitted except share data)

(3) Debt Securities (continued)

The following tables show the fair values and unrealized losses aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2024 and 2023:

2024
Held-to-Maturity

	Less Than 12 Months			12 Months or Greater		
	Estimated Fair Value	Gross Unrealized Loss	Number of Securities	Estimated Fair Value	Gross Unrealized Loss	Number of Securities
State and municipal	$ -	$ -	-	$3,050	$213	9

2023
Held-to-Maturity

	Less Than 12 Months			12 Months or Greater		
	Estimated Fair Value	Gross Unrealized Loss	Number of Securities	Estimated Fair Value	Gross Unrealized Loss	Number of Securities
State and municipal	$480	$18	1	$2,885	$213	9

2024
Available-for-Sale

	Less Than 12 Months			12 Months or Greater		
	Estimated Fair Value	Gross Unrealized Loss	Number of Securities	Estimated Fair Value	Gross Unrealized Loss	Number of Securities
U.S. Government sponsored entities and U.S. agencies	$10,112	$72	20	$104,252	$11,037	170
State and municipal	9,966	195	34	73,456	10,811	281
Agency mortgage-backed	12,463	188	15	124,411	24,122	416
Total	$32,541	$455	69	$302,119	$45,970	867

2023
Available-for-Sale

	Less Than 12 Months			12 Months or Greater		
	Estimated Fair Value	Gross Unrealized Loss	Number of Securities	Estimated Fair Value	Gross Unrealized Loss	Number of Securities
U.S. Government sponsored entities and U.S. agencies	$6,893	$32	14	$106,026	$12,653	174
State and municipal	5,750	319	21	78,245	9,281	293
Agency mortgage-backed	-	-	-	144,681	23,390	428
Total	$12,643	$351	35	$328,952	$45,324	895

(000s omitted except share data)

(3) Debt Securities (continued)

Unrealized losses on securities have not been recognized into income because the bonds are of high credit quality, management has the intent and ability to hold for the foreseeable future and the decline in fair value is largely due to market interest rate fluctuations and other market conditions. The issuers continue to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds approach their maturity dates.

Included in mortgage-backed securities are agency issued and government-sponsored enterprise issued mortgage-backed securities. Agency-issued securities are generally guaranteed by a U.S. government agency, such as the Government National Mortgage Association. Government-sponsored enterprises, such as the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association, have an implied guarantee by the U.S. government. The municipal bond portfolio consists of highly rated securities rated A or better, all have made payments as agreed, and there is no other evidence of significant deterioration in the underlying issuers' financial positions. The Company evaluated whether the unrealized losses in the investment portfolio were a result of credit losses or other factors and concluded the unrealized losses were the result of other market conditions, primarily changes in interest rates, and therefore no credit losses identified.

(4) Loans

The following table presents total loans at December 31, 2024 and 2023 by portfolio segment and class of loan:

	2024	2023
Commercial		
Commercial & industrial	**$222,676**	$222,760
Commercial real estate	**323,890**	303,056
Commercial construction	**43,707**	51,612
Total commercial	**590,273**	577,428
Agriculture		
Agriculture real estate	**181,899**	176,878
Agriculture production	**116,142**	112,455
Total agriculture	**298,041**	289,333
Residential Mortgage		
1 - 4 family first lien	**107,102**	91,567
1 - 4 family junior lien	**27,436**	29,379
Residential construction	**4,932**	5,193
Total residential mortgage	**139,470**	126,139
Consumer		
Auto	**58,345**	58,199
Consumer other	**14,942**	17,857
Total consumer	**73,287**	76,056
Other loans and leases	**14,548**	15,170
Gross loans	**1,115,619**	1,084,126
Allowance for credit losses	**14,694**	14,195
Unamortized deferred fees, net	**268**	481
Net loans	**$1,100,657**	$1,069,450

(000s omitted except share data)

(4) Loans (continued)

The Company's activity in the allowance for credit losses for the years ended December 31, 2024 and 2023, by loan segment is summarized below:

2024						
	Commercial	Agriculture	Residential Mortgage	Consumer	Other	Total
Balance, beginning of period	$9,592	$2,887	$807	$668	$241	$14,195
Provision	438	218	331	24	69	1,080
Charge-offs	311	36	91	153	67	658
Recoveries collected	33	2	13	21	8	77
Balance, end of period	$9,752	$3,071	$1,060	$560	$251	$14,694

2023						
	Commercial	Agriculture	Residential Mortgage	Consumer	Other	Total
Balance, beginning of period	$10,425	$2,396	$966	$667	$87	$14,541
Cumulative effect of change in accounting principal	2,105	264	(149)	80	152	2,452
Provision	409	227	32	107	58	833
Charge-offs	4,010	-	63	203	61	4,337
Recoveries collected	663	-	21	17	5	706
Balance, end of period	$9,592	$2,887	$807	$668	$241	$14,195

2022						
	Commercial	Agriculture	Residential Mortgage	Consumer	Other	Total
Balance, beginning of period	$7,618	$4,236	$1,797	$269	$65	$13,985
Provision	2,787	(1,840)	(923)	443	85	552
Charge-offs	175	-	78	131	67	451
Recoveries collected	195	-	170	86	4	455
Balance, end of period	$10,425	$2,396	$966	$667	$87	$14,541

(000s omitted except share data)

(4) Loans (continued)

Collateral dependent loans individually evaluated for purposes of the allowance for credit losses by collateral type were as follows at December 31, 2024 and 2023:

As of December 31, 2024	
Commercial	$15,349
Commercial Real Estate	10,544
Agriculture	647
Agriculture Real Estate	2,417
Residential Mortgage	1,989
Residential Construction	1,454
Consumer	6,348
Total	$38,748

As of December 31, 2023	
Commercial	$10,930
Agriculture	1,176
Residential Mortgage	1,168
Consumer	4,369
Other	47
Total	$17,690

The Company regularly evaluates various attributes of loans to determine the appropriateness of the allowance for credit losses. The Company generally monitors credit quality indicators for all loans using the following:

‘Pass’ ratings are assigned to loans with adequate collateral and debt service ability; such that collectability of the contractual loan payments is highly probable.

‘Special Mention’ ratings are assigned to loans where management has some concern that the collateral or debt service ability may not be adequate, though the collectability of the contractual loan payments is still probable.

‘Substandard’ ratings are assigned to loans that do not have adequate collateral and / or debt service ability; such that collectability of the contractual loan payments is no longer probable.

‘Doubtful’ ratings are assigned to loans that do not have adequate collateral and / or debt service ability, and collectability of the contractual loan payments is unlikely.

Internally prepared ratings for business loans are updated at least annually. Residential real estate and consumer loans are generally evaluated based on whether or not the loan is performing according to the contractual terms of the loan as of the balance sheet date.

Information regarding the loan portfolio by risk classification and origination year for the year ended December 31, 2024 and 2023, follows:

(000s omitted except share data)

(4) Loans (continued)

	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total
Commercial								
Pass	$104,730	$82,800	$132,130	$79,940	$25,896	$73,175	$62,932	$561,603
Special Mention	336	150	1,480	-	1,077	1,317	30	4,390
Substandard	165	1,110	14,285	1,592	4,072	566	2,490	24,280
Total commercial	105,231	84,060	147,895	81,532	31,045	75,058	65,452	590,273
Agriculture								
Pass	32,524	43,002	33,091	29,820	19,834	39,911	94,929	293,111
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	282	248	4,144	36	220	4,930
Total agriculture	32,524	43,002	33,373	30,068	23,978	39,947	95,149	298,041
Residential mortgage								
Pass	31,789	11,787	22,180	19,823	7,714	16,761	25,191	135,245
Special Mention	-	-	126	164	132	309	30	761
Substandard	1,046	90	389	526	-	455	958	3,464
Total residential mortgage	32,835	11,877	22,695	20,513	7,846	17,525	26,179	139,470
Consumer								
Pass	24,306	26,321	14,647	5,730	1,406	550	1	72,961
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	86	106	110	1	23	-	326
Total consumer	24,306	26,407	14,753	5,840	1,407	573	1	73,287
Other loans and leases								
Pass	1,135	1,783	1,057	4,980	671	4,922	-	14,548
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total other loans and leases	1,135	1,783	1,057	4,980	671	4,922	-	14,548
Totals	$196,031	$167,129	$219,773	$142,933	$64,947	$138,025	$186,781	$1,115,619

(000s omitted except share data)

(4) Loans (continued)

	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Commercial								
Pass	$86,334	$172,051	$99,760	$30,821	$20,024	$80,145	$61,303	$550,438
Special Mention	176	10,463	-	1,939	71	2,440	130	15,219
Substandard	1,178	761	1,002	4,397	553	429	3,451	11,771
Total commercial	87,688	183,275	100,762	37,157	20,648	83,014	64,884	577,428
Agriculture								
Pass	49,112	36,952	32,786	21,128	13,546	35,371	92,497	281,392
Special Mention	-	-	-	-	-		-	-
Substandard	258	376	2,179	5,082	-	46	-	7,941
Total agriculture	49,370	37,328	34,965	26,210	13,546	35,417	92,497	289,333
Residential mortgage								
Pass	20,141	26,416	21,755	9,044	6,082	14,924	25,023	123,385
Special Mention	-	139	175	62	-	495	83	954
Substandard	99	179	554	74	79	748	67	1,800
Total residential mortgage	20,240	26,734	22,484	9,180	6,161	16,167	25,173	126,139
Consumer								
Pass	37,801	23,139	9,829	2,959	1,742	307	183	75,960
Special Mention	-	-	-	-	-	-	-	-
Substandard	15	48	9	10	14	-	-	96
Total consumer	37,816	23,187	9,838	2,969	1,756	307	183	76,056
Other loans and leases								
Pass	2,650	1,130	5,230	906	13	5,241	-	15,170
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total other loans and leases	2,650	1,130	5,230	906	13	5,241	-	15,170
Totals	$197,764	$271,654	$173,279	$76,422	$42,124	$140,146	$182,737	$1,084,126

The gross charge-offs by loan type and year of origination for the year ended December 31, 2024 and 2023 were as follows:

			2024				
Current Period Gross Charge-offs	**2024**	**2023**	**2022**	**2021**	**2020**	**Prior**	**Total**
Commercial	$8	$ 4	$ 126	$99	$2	$72	$311
Agriculture	-	-	36	-	-	-	36
Residential mortgage	-	-	-	-	-	91	91
Consumer	-	56	51	36	6	4	153
Other loans and leases	67	-	-	-	-	-	67
Totals	$75	$60	$213	$135	$8	$167	$658

(000s omitted except share data)

(4) Loans (continued)

Current Period Gross Charge-offs	2023	2022	2023 2021	2020	2019	Prior	Total
Commercial	$2	$102	$ -	$965	$1,473	$1,468	$4,010
Residential mortgage	-	-	-	25	-	38	63
Consumer	-	120	17	20	37	9	203
Other loans and leases	61	-	-	-	-	-	61
Totals	$63	$222	$17	$1,010	$1,510	$1,515	$4,337

Loan aging information by class of loans at December 31 follows:

As of December 31, 2024	30-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans	90 or more days past due and accruing
Commercial						
Commercial & industrial	$1,133	$447	$1,580	$221,096	$222,676	$ -
Commercial real estate	-	1,849	1,849	322,041	323,890	-
Commercial construction	-	-	-	43,707	43,707	-
Total commercial	1,133	2,296	3,429	586,844	590,273	-
Agriculture						
Agriculture real estate	54	222	276	181,623	181,899	222
Agriculture production	-	220	220	115,922	116,142	-
Total agriculture	54	442	496	297,545	298,041	-
Residential mortgage						
1 - 4 family first lien	1,381	487	1,868	105,234	107,102	-
1 - 4 family junior lien	453	47	500	26,936	27,436	-
Residential construction	-	-	-	4,932	4,932	-
Total residential mortgage	1,834	534	2,368	137,102	139,470	-
Consumer						
Auto	1,064	235	1,299	57,046	58,345	8
Consumer other	280	23	303	14,639	14,942	-
Total consumer	1,344	258	1,602	71,685	73,287	8
Other Loans and Leases	-	-	-	14,548	14,548	-
Totals	$4,365	$3,530	$7,895	$1,107,724	$1,115,619	$230

(000s omitted except share data)

(4) Loans (continued)

As of December 31, 2023	30-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans	90 or more days past due and accruing
Commercial						
Commercial & industrial	$432	$121	$553	$222,207	$222,760	$82
Commercial real estate	1,563	-	1,563	301,493	303,056	-
Commercial construction	-	-	-	51,612	51,612	-
Total commercial	1,995	121	2,116	575,312	577,428	82
Agriculture						
Agriculture real estate	316	-	316	176,562	176,878	-
Agriculture production	151	84	235	112,220	112,455	-
Total agriculture	467	84	551	288,782	289,333	-
Residential mortgage						
1 - 4 family first lien	859	364	1,223	90,344	91,567	189
1 - 4 family junior lien	230	-	230	29,149	29,379	-
Residential construction	-	-	-	5,193	5,193	-
Total residential mortgage	1,089	364	1,453	124,686	126,139	189
Consumer						
Auto	827	35	862	57,337	58,199	25
Consumer other	196	7	203	17,654	17,857	6
Total consumer	1,023	42	1,065	74,991	76,056	31
Other Loans and Leases	-	-	-	15,170	15,170	-
Totals	$4,574	$611	$5,185	$1,078,941	$1,084,126	$302

(000s omitted except share data)

(4) Loans (continued)

Information regarding nonaccrual loans during the years ended December 31 follows:

	December 31, 2024			December 31, 2023		
	Nonaccrual loans With No ACL	Total Nonaccrual Loans	Interest Income Recognized During the Period on Nonaccrual Loans	Nonaccrual loans With No ACL	Total Nonaccrual Loans	Interest Income Recognized During the Period on Nonaccrual Loans
Commercial						
Commercial & industrial	$2,088	$9,922	$ -	$44	$5,029	$ -
Commercial real estate	1,479	10,479	-	14	2,156	-
Commercial construction	-	-	-	-	-	-
Total commercial	3,567	20,401	-	58	7,185	-
Agriculture						
Agriculture real estate	1,036	4,144	-	1,175	4,703	-
Agriculture production	-	867	11	-	3,180	60
Total agriculture	1,036	5,011	11	1,175	7,883	60
Residential Mortgage						
1 - 4 family first lien	265	756	2	-	446	-
1 - 4 family junior lien	253	293	-	99	137	-
Residential construction	-	1,455	-	-	-	-
Total residential mortgage	518	2,504	-	99	583	-
Consumer						
Auto	-	297	-	-	66	-
Consumer other	-	29	-	-	26	-
Total consumer	-	326	-	-	92	-
Other loans and leases	-	-	-	-	-	-
Totals	$5,121	$28,242	$13	$1,332	$15,743	$60

Occasionally, the Company modifies loans to borrowers in financial distress by providing principal forgiveness, term extension, an other-than-insignificant payment delay or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

As of January 1, 2023, the Company had $6,479 in nonaccrual loans. As of December 31, 2024 and 2023, the Company had commitments to lend additional funds of $23 and $129, respectively, on loans modified to borrowers experiencing financial difficulty.

(000s omitted except share data)

(4) Loans (continued)

The following presents the amortized cost basis as of December 31, 2024 and 2023 of loans modified to borrowers experiencing financial difficulty during the year disaggregated by loan class and by type of concession granted.

As of December 31, 2024

	Term Extension		Other-than-Insignificant Payment Delay		Combination: Term Extension and Principal Forgiveness	
	Amortized Cost Basis	% of Total Class of Financing Receivable	Amortized Cost Basis	% of Total Class of Financing Receivable	Amortized Cost Basis	% of Total Class of Financing Receivable
Commercial						
Commercial & industrial	$3,633	1.6%	$26	0.0%	$26	0.0%
Commercial real estate	1,538	0.5%	-	-	-	-
Total commercial	5,171	0.9%	26	0.0%	26	0.0%
Agriculture						
Agriculture production	365	0.3%	-	-	282	0.2%
Total agriculture	365	0.1%	-	-	282	0.1%
Residential Mortgage						
1 - 4 family first lien	121	0.1%	-	-	-	-
1 - 4 family junior lien	140	0.5%	-	-	-	-
Total residential mortgage	261	0.2%	-	-	-	-
Totals	$5,797	0.5%	$26	-	$308	0.0%

(000s omitted except share data)

(4) Loans (continued)

As of December 31, 2023

	Term Extension		Other-than-Insignificant Payment Delay		Combination: Term Extension and Principal Forgiveness	
	Amortized Cost Basis	**% of Total Class of Financing Receivable**	**Amortized Cost Basis**	**% of Total Class of Financing Receivable**	**Amortized Cost Basis**	**% of Total Class of Financing Receivable**
Commercial						
Commercial & industrial	$3,403	1.5%	$6	0.0%	$ -	-
Commercial real estate	194	0.1%	114	0.0%	-	-
Total commercial	3,597	0.6%	120	0.0%	-	-
Agriculture						
Agriculture production	2,559	0.1%	-	-	-	-
Total agriculture	2,559	0.1%	-	-	-	-
Residential Mortgage						
1 - 4 family junior lien	17	0.1%	-	-	99	0.3%
Total residential mortgage	17	0.0%	-	-	99	0.1%
Totals	$6,173	0.6%	$120	0.0%	$99	0.0%

The following tables presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty for the year ended December 31, 2024 and 2023.

As of December 31, 2024

	Term Extension	Other-than-Insignificant Payment Delay	Principal Forgiveness
Commercial & industrial	9 loans extended on a short-term basis	Adjusted to interest only followed by a single pay note for borrower to sell assets	
Commercial real estate	Extended one year to encourage capital injection into the project		
Agriculture production	Loans extended on a short-term basis		
1 - 4 family first lien	One loan extended to facilitate sale of collateral		
1 - 4 family junior lien	Two loans extended on a short-term basis		

(000s omitted except share data)

(4) Loans (continued)

As of December 31, 2023	Term Extensions	Other-than-Insignificant Payment Delay	Principal Forgiveness
Commercial & industrial	Extended 5 to 13 months to the maturity dates	Interest Only payments for 7 months	
Commercial real estate	Extended 1-5 years to maturity dates	Interest only payments for 7 months	
Agriculture production	Extended 13 months to maturity dates		
1 - 4 family junior lien	Extended 6 years to maturity date		Reduced amortized cost basis between $412M and $442M dependent on finalization of the sale of collateral.

The following table presents the amortized cost basis of loans that had a payment default during the years ended December 31, 2024 and 2023 and were modified in the twelve months prior to that default to borrowers experiencing financial difficulty:

As of December 31, 2024	Term extension	Combination: Term Extension and Payment Delay
Commercial		
Commercial & industrial	$703	$52
Total commercial	703	52
Residential Mortgage		
1 - 4 junior lien	140	-
Total residential mortgage	140	-
Totals	$843	$52

As of December 31, 2023	Term extension
Commercial	
Commercial & industrial	$29
Commercial real estate	41
Total commercial	70
Agriculture	
Agriculture production	2,179
Total agriculture	2,179
Totals	$2,249

(000s omitted except share data)

(4) Loans (continued)

The following table presents the period-end amortized cost basis of loans that have been modified in the past 12 months to borrowers experiencing financial difficulty by payment status and class of financing receivable:

As of December 31, 2024	Current	30-89 days	Greater than 90 days	Total
Commercial				
Commercial & industrial	$2,982	$703	$ -	$3,685
Commercial real estate	1,538	-	-	1,538
Total commercial	4,520	703	-	5,223
Agriculture				
Agriculture production	647	-	-	647
Total agriculture	647	-	-	647
Residential Mortgage				
1 - 4 family first lien	121	-	-	121
1 - 4 family junior lien	140	-	-	140
Total residential mortgage	261	-	-	261
Totals	$5,428	$703	$ -	$6,131

As of December 31, 2023	Current	30-89 days	Greater than 90 days	Total
Commercial				
Commercial & industrial	$3,380	$ -	$29	$3,409
Commercial real estate	267	41	-	308
Total commercial	3,647	41	29	3,717
Agriculture				
Agriculture production	380	2,179	-	2,559
Total agriculture	380	2,179	-	2,559
Residential Mortgage				
1 - 4 family junior lien	116	-	-	116
Total residential mortgage	116	-	-	116
Totals	$4,143	$2,220	$29	$6,392

(000s omitted except share data)

(5) Loan Servicing

Loans serviced for others are not included in the accompanying consolidated balance sheets. Mortgage loans serviced for others as of December 31, 2024 and 2023, were approximately $270,357 and $275,743, respectively. Custodial escrow balances maintained in conjunction with serviced loans were approximately $3,508 and $3,451 at December 31, 2024 and 2023, respectively.

The balances for mortgage servicing rights, carried at fair value and included in other assets, were $2,866 and $3,303 as of December 31, 2024 and 2023, respectively.

The estimated fair value of mortgage servicing rights is determined using a valuation model that calculates the present value of expected future servicing and ancillary income, net of expected servicing costs. The model incorporates various assumptions, such as discount rates and prepayment speeds based on market data from independent organizations. Information about the estimated fair value of mortgage servicing rights at December 31:

	2024	2023	2022
Range of discount rates	**9.63% - 11.63%**	9.75% - 11.75%	9.00% - 11.00%
Range of prepayment speeds	**6.01% - 15.03%**	5.29% - 26.25%	6.30% - 26.25%

(6) Mortgage Banking Loan Commitments

The Company enters into commitments to fund residential mortgage loans (interest rate locks) at specified times in the future, with the intention that these loans will be subsequently sold to third-party investors. A mortgage loan commitment binds the Company to lend funds to a potential borrower at a specified interest rate and within a specified period of time, generally up to 60 days after inception of the rate lock. It is the Company's practice to enter into best efforts and mandatory delivery forward commitments for the future delivery of residential mortgage loans to third-party investors when an interest rate lock commitment is granted. Best efforts forward commitments bind the Company to deliver a mortgage loan to a third-party investor only if the underlying loan is funded. Mandatory delivery forward commitments bind the Company to deliver a residential mortgage loan to a third-party investor even if the underlying loan never funds. As of December 31, 2024 and 2023, the Company had approximately $650 and $805, respectively, in interest rate lock commitments outstanding. As of December 31, 2024 and 2023, the Company had approximately $1,299 and $1,611, respectively, in mandatory delivery forward commitments outstanding. These outstanding mortgage loan commitments are considered to be derivatives.

(7) Foreclosed Assets and Other Real Estate Owned

There was no other real estate owned at December 31, 2024 and December 31, 2023.

Residential real estate loans that are in process of foreclosure totaled $154 at December 31, 2024 and $79 at December 31, 2023.

(000s omitted except share data)

(8) Premises and Equipment

The components of premises and equipment at December 31 are as follows:

	2024	2023
Land	**$2,640**	$2,640
Buildings and leasehold improvements	**22,813**	22,700
Furniture, fixtures, and equipment	**14,973**	14,440
	40,426	39,780
Less accumulated depreciation	**23,301**	22,255
	$17,125	$17,525

Depreciation expense for the years ended December 31, 2024, 2023 and 2022 amounted to $1,172, $1,098, and $1,106, respectively.

(9) Other Assets

The components of other assets at December 31 are as follows:

	2024	2023
Accrued interest receivable	**$10,856**	$9,763
Mortgage servicing rights	**2,866**	3,303
Net deferred tax assets	**17,118**	16,960
Qualified affordable housing project investments	**4,354**	4,818
Other	**5,698**	2,114
	$40,892	$36,958

(10) Deposits

Deposits consist of the following at December 31, 2024 and 2023:

	2024	2023
Non-interest-bearing demand	**$249,076**	$256,205
Interest-bearing demand	**223,977**	220,417
Money market and savings	**394,292**	408,278
Time	**533,358**	472,657
	$1,400,703	$1,357,557

The aggregate amount of time deposits with a minimum denomination of $250 was approximately $171,121 and $143,788 at December 31, 2024 and 2023, respectively. Time deposits are included in the interest-bearing deposits on the consolidated balance sheets.

(000s omitted except share data)

(10) Deposits (continued)

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

2025	$447,000
2026	61,727
2027	12,168
2028	8,724
2029 and thereafter	3,739
	$533,358

(11) Income Taxes

The components of income tax expense for the years ended December 31 are as follows:

	2024	2023	2022
Current - federal	**$2,611**	$2,956	$2,700
Current - state	**883**	1,326	1,267
	3,494	4,282	3,967
Deferred - federal	**50**	195	74
Deferred - state	**26**	97	41
	76	292	115
Total income tax expense	**$3,570**	$4,574	$4,082

(000s omitted except share data)

(11) Income Taxes (continued)

A reconciliation of the differences between the statutory federal income tax rate and the effective federal income tax rate with the resulting dollar amounts is shown in the following table:

	2024		2023		2022	
	Amount	**% of Pretax Earnings**	Amount	% of Pretax Earnings	Amount	% of Pretax Earnings
Statutory federal tax	**$3,409**	**21.0%**	$4,015	21.0%	$3,718	21.0%
(Decrease) increase in taxes resulting from:						
Tax-exempt interest	**(281)**	**(1.7%)**	(330)	(1.7%)	(598)	(3.4%)
Bank-owned life insurance	**(315)**	**(1.9%)**	(123)	(0.6%)	(122)	(0.7%)
State taxes, net of federal benefit	**963**	**5.9%**	1,124	5.9%	1,033	5.8%
Low-income housing credits	**(181)**	**(1.2%)**	(62)	(0.3%)	-	-
Other	**(23)**	**(0.1%)**	(50)	(0.3%)	51	0.3%
Effective tax rates	**$3,570**	**22.0%**	$4,574	24.0%	$4,082	23.0%

The tax effects of existing temporary differences that give rise to significant portions of the deferred tax liabilities and deferred tax assets at December 31, 2024 and 2023 are summarized as follows:

	2024	2023
Deferred tax assets:		
Allowance for credit losses	**$4,152**	$4,046
CECL reserve for unfunded loan commitments	**180**	188
Available-for-sale securities	**13,196**	12,962
Deferred compensation and other	**2,450**	2,611
Total deferred tax assets	**$19,978**	$19,807
Deferred tax liabilities:		
FHLB stock dividend	**$55**	$55
Depreciation	**1,381**	1,299
Mortgage servicing rights and other	**1,289**	1,365
Purchase accounting adjustments	**135**	128
Total deferred tax liabilities	**2,860**	2,847
Net deferred tax assets	**$17,118**	$16,960

No valuation allowance has been recorded since deferred tax assets are expected to be realized.

(000s omitted except share data)

(12) Transactions with Related Parties

The Company had, and may be expected to have in the future, loans or other banking transactions in the ordinary course of business with directors, significant stakeholders, principal officers, their immediate families, and affiliated companies in which they are principal stakeholders (commonly referred to as related parties). These loans and transactions were on the same terms as those for comparable loans and transactions with non-related parties.

Activity for related party loans for the years ending December 31, is as follows:

	2024	2023
Balance at beginning of year	**$4,526**	$3,584
Effect of changes to related parties	**2,648**	-
New credits	**3,806**	2,026
Repayments	**(1,986)**	(1,084)
Balance at end of year	**$8,994**	$4,526

Deposit accounts from related parties totaled approximately $25,895 and $21,284 at December 31, 2024 and 2023, respectively.

(13) Financial Instruments with Off-Balance-Sheet Risk and Concentrations

Financial instruments with off-balance-sheet risk:

The Company is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of their customers. These financial instruments include commitments to extend credit, credit lines, letters of credit, and overdraft protection. They involve, to varying degrees, elements of credit risk in excess of amounts recognized on the consolidated balance sheets.

The Company's exposure to credit losses in the event of nonperformance by the other parties to the financial instruments, for commitments to extend credit, and letters of credit are represented by the contractual amounts of those instruments. The Banks use the same credit policies in making commitments and issuing letters of credit as they do for on-balance-sheet instruments.

A summary of the contractual amounts of the Banks' exposures to off-balance-sheet risk as of December 31 is as follows:

	2024	2023
Unused lines of credit and other loan commitments	**$268,566**	$267,108
Commercial letters of credit	**10**	320
Performance and standby letters of credit	**2,031**	3,915

(13) Financial Instruments with Off-Balance-Sheet Risk and Concentrations (continued)

Commitments to extend credit are agreements to lend to customers as long as there are no violations of any conditions established in the contracts. Commitments generally have fixed expiration dates or other termination clauses and may require the 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 credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Banks evaluate each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Banks upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies; but may include accounts receivable, inventory, crops, livestock, property and equipment, residential real estate, and income-producing commercial properties.

Standby, performance and commercial letters of credit are conditional commitments issued by the Banks to guarantee the performance of a customer to a third party. They are considered financial guarantees under FASB guidance. The fair value of these financial guarantees is considered immaterial.

The Company participates in the FHLB Mortgage Partnership Finance Program (the "Program"). In addition to entering into forward commitments to sell mortgage loans to a secondary market agency, the Company enters into firm commitments to deliver loans to the FHLB through the Program. Under the Program, loans are funded by the FHLB, and the Company receives an agency fee reported as a component of gain on sale of loans. The Company had no firm commitments outstanding to deliver loans through the Program at December 31, 2024 and 2023. Once delivered to the Program, the Company provides a contractually agreed- upon credit enhancement and performs servicing of the loans. Under the credit enhancement, the Company is liable for losses on loans delivered to the Program after application of any mortgage insurance and a contractually agreed-upon credit enhancement provided by the Program subject to an agreed-upon maximum. The agreed-upon accumulated credit enhancement provided by the Program totaled $1,471, subject to an agreed- upon maximum. The fee the Company received for this credit enhancement was not material in each of the years ended December 31, 2024, 2023 and 2022.

Concentration of credit risk:

The Company provides several types of loans to customers including real estate, agricultural, commercial, and installment loans. The largest component of loans is secured by residential real estate, commercial real estate, or other interest in real property. Lending activities are conducted with customers in a wide variety of industries as well as with individuals with a wide variety of credit requirements. The Company does not have a concentration of loans in any specific industry. Credit risk, as it relates to the Company's business activities, tends to be geographically concentrated in that the majority of the customer base lies within the surrounding communities served by its subsidiary banks.

(14) Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase amounted to $15,017 and $31,554 at December 31, 2024 and 2023, respectively, and are collateralized by U.S. agencies and mortgage-backed investment securities with fair values of approximately $48,023 and $61,393. The weighted-average interest rates on these agreements were 1.36% and 2.00% at December 31, 2024 and 2023, respectively. Securities sold under agreements to repurchase mature on a daily basis.

(000s omitted except share data)

(15) Employee and Director Benefit Plans

The Company and the Banks maintain a 401(k) plan with profit sharing features covering substantially all employees under which the Company has historically provided a discretionary match of eligible employee contributions. Total 401(k) expense was approximately $666, $593, and $574, for 2024, 2023, and 2022, respectively. Each plan participant elects how the employer contributions are invested; whereby the participants choose between purchasing the Company's common stock or investing in the plan's investment funds.

In addition, the Company and the Banks maintain non-qualified deferred compensation plans whereby certain directors and officers are provided with guaranteed annual payments for periods ranging from 10 to 15 years after reaching a variation of retirement ages pending participant plan. The compensation plans are funded by bank-owned life insurance policies which had an aggregate death benefit of approximately $52,224 and $53,902 as of December 31, 2024 and 2023, respectively. The Banks accrue amounts to be paid over the participant's active service life. The accrued benefits were $3,338, $3,421, and $3,329 at December 31, 2024, 2023 and 2022, respectively. Non-qualified deferred compensation expenses were $298, $339, and $539 in 2024, 2023 and 2022, respectively.

(16) Federal Home Loan Bank (FHLB) and Other Borrowings

At December 31, FHLB advances and other borrowings are as follows:

FHLB Advances at December 31:	**2024**	2023
Fixed rate advances with rates ranging from 0.00% to 4.49% and weighted average rates of 3.44% and 3.96% as of December 31, 2024 and 2023, respectively. Interest is payable monthly with principal due at maturity.	**$33,667**	$20,738

Advances are collateralized by 1-4 family mortgage loans, other qualifying loans and securities. The total amounts of collateral securing FHLB advances were approximately $292,055 and $133,256 as of December 31, 2024 and 2023, respectively. FHLB advances are subject to a prepayment penalty if they are repaid prior to maturity. FHLB advances are also secured by $3,542 and $1,727 of FHLB stock owned by the Company at December 31, 2024 and 2023, respectively.

The Company participates in the Federal Reserve Bank of Chicago's Discount Window Lending Program. Primary advances generally mature daily and bear interest at a generally approved rate in relation to the federal funds rate. The primary advance interest rate at December 31, 2024 was 4.5%. There were no outstanding advances at December 31, 2024 and 2023. Advances are collateralized by investment securities pledged totaling approximately $13,870 and $14,200 at December 31, 2024 and 2023, respectively, to the Federal Reserve Bank.

Additional other borrowings totaled $7,244 and $5,216 at December 31, 2024 and 2023, respectively, and mature from 2027 to 2033, at interest rates ranging from 2.00% to 5.00%.

(000s omitted except share data)

(16) Federal Home Loan Bank (FHLB) and Other Borrowings (continued)

At December 31, the scheduled maturities of FHLB advances and other borrowings are as follows:

	2024	2023
2024		$2,526
2025	**$6,000**	6,000
2026	**6,000**	5,000
2027	**7,513**	1,541
2028	**2,971**	6,488
2029	**11,992**	
2030 and thereafter	**6,435**	4,399
	$40,911	$25,594

The Company had federal funds purchased with its main correspondent institutions totaling $5,804 and $1,153 at December 31, 2024 and 2023, respectively. Federal funds purchased generally mature within one day from transaction date. The weighted average interest rate was 4.75% as of December 31, 2024.

The Company has a $15,000 line of credit with Bankers' Bank secured by the stock of the Banks. The line has a variable interest rate of Wall Street Journal Prime less 0.50 percentage points. As of December 31, 2024, the balance of the line was $0.

(17) Fair Value Measurements

Fair value is 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. The standard describes three levels of inputs that may be used to measure fair value:

> Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Company has the ability to access as of the measurement date.
>
> Level 2: Significant other observable inputs other than Level 1 prices; such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.
>
> Level 3: Significant unobservable inputs that reflect the Company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The following is a description of valuation methodologies used for assets recorded at fair value:

Securities available-for-sale: The fair values of the Company's securities available-for-sale are primarily determined by matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities. The values determined by matrix pricing are considered Level 2 fair value measurements.

(17) Fair Value Measurements (continued)

Marketable equity securities: Marketable equity securities with a readily determinable fair value are measured at fair value on a recurring basis. The fair value measurement of equity securities with a readily determinable fair value are based on the quoted price of the security and is considered a Level 1 fair value measurement. Equity securities without a readily determinable fair value are measured at fair value on a nonrecurring basis when transaction prices for identical or similar securities are identified. Fair value measurements on equity securities without a readily determinable fair value are generally considered a Level 2 fair value measurement.

Collateral-dependent individually evaluated loans: The Company does not record loans at fair value on a recurring basis. However, from time to time, fair value adjustments are recorded on these loans to reflect (1) partial write-downs, through charge-offs or specific reserve allowances, that are based on the current appraised or market-quoted value of the underlying collateral or (2) the full charge-off of the loan carrying value. The fair value of collateral dependent individually evaluated loans is generally based on recent real estate appraisals. Adjustments are routinely made in the appraisal process by independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification. Non-real estate collateral may be valued using an appraisal, net book value of the borrower’s financial statements or aging reports, adjusted or discounted based on management’s expertise and knowledge of the borrower and borrower’s business. Fair value measurements prepared internally are based on management's comparisons to sales of comparable assets, but include significant unobservable data and are therefore considered Level 3 measurements.

Foreclosed assets and other real estate owned: Real estate acquired through or in lieu of loan foreclosure is not measured at fair value on a recurring basis. However, other real estate is initially measured at fair value (less estimated costs to sell) when it is acquired and may also be measured at fair value (less estimated costs to sell) if it becomes subsequently impaired. The fair value measurement for each property may be obtained from an independent appraiser or prepared internally. Fair value measurements obtained from independent appraisers generally utilize a market approach based on sales of comparable assets and/or an income approach. Such measurements are usually considered Level 2 measurements. However, management routinely evaluates fair value measurements of independent appraisers by comparing actual selling prices to the most recent appraisals. If management determines significant adjustments should be made to the independent appraisals based on these evaluations, these measurements are considered Level 3 measurements. Fair value measurements prepared internally are based on management's comparisons to sales of comparable assets but include significant unobservable data and are therefore considered Level 3 measurements.

Mortgage servicing rights: Mortgage servicing rights are measured at fair value on a recurring basis. Serviced loan pools are stratified by year of origination, and a fair value measurement is obtained for each stratum from an independent firm. The measurement is based on recent sales of mortgage servicing rights with similar characteristics. Since the fair value measurement is based on observable market data, it is considered a Level 2 measurement.

(000s omitted except share data)

(17) Fair Value Measurements (continued)

The following table presents the Company's approximate fair-value hierarchy for the assets measured at fair value as of December 31:

As of December 31, 2024		**Fair Value Measurements at Reporting Date Using**		
	Total	**(Level 1)**	**(Level 2)**	**(Level 3)**
Assets measured at fair value on a recurring basis:				
Assets:				
Securities available-for-sale				
U.S. Government sponsored entities				
and U.S. agencies	$119,299	$6,079	$113,220	
State and municipal	91,272		88,927	$2,345
Agency mortgage-backed	157,813		157,813	
Corporate debt securities	1,561		1,561	
Marketable equity securities	1,066		1,066	
Mortgage servicing rights	2,866		2,866	
Assets measured at fair value on a non-recurring basis:				
Assets:				
Collateral-dependent individually evaluated loans	$35,716			$35,716

Collateral-dependent individually evaluated loans, which are measured for impairment using the fair value of collateral, had a carrying value of $38,748 with specific reserves of $3,032 as of December 31, 2024.

The changes in level 3 items occurring between December 31, 2023 and December 31, 2024 were increases in collateral-dependent individually evaluated loans.

(000s omitted except share data)

(17) Fair Value Measurements (continued)

As of December 31, 2023		Fair Value Measurements at Reporting Date Using		
	Total	(Level 1)	(Level 2)	(Level 3)
Assets measured at fair value on a recurring basis:				
Assets:				
Securities available-for-sale				
U.S. Government sponsored entities and U.S. agencies	$116,429	$8,068	$108,361	
State and municipal	101,473		99,128	$2,345
Agency mortgage-backed	146,161		146,161	
Corporate debt securities	1,555		1,555	
Marketable equity securities	1,066		1,066	
Mortgage Servicing Rights	3,303		3,303	
Assets measured at fair value on a non-recurring basis:				
Assets:				
Collateral-dependent individually evaluated loans	$16,361			$16,361

Collateral-dependent individually evaluated loans, which are measured for impairment using the fair value of collateral, had a carrying value of $17,690 with specific reserves of $1,329 as of December 31, 2023.

The following table presents quantitative information about level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at December 31, 2024 and 2023:

	Valuation Technique	Unobservable Input	Range
Collateral-dependent individually evaluated loans, net of specific reserves	Sales comparison approach	Appraised values	10% - 20%

FASB guidance requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. 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. In that regard, the derived fair value estimates may not be realized in immediate settlement of the instrument. Accounting guidance excludes certain financial instruments and certain nonfinancial instruments from its disclosure requirements. These fair value disclosures may not represent the fair value of the Company.

(000s omitted except share data)

(17) Fair Value Measurements (continued)

The estimated fair values of the Company's financial instruments as of December 31, 2024 are as follows:

	Carrying Amount	Fair Value	Fair Value Measurements at Reporting Date Using (Level 1)	(Level 2)	(Level 3)
Financial Assets:					
Cash and cash equivalents	$64,000	$64,000	$64,000		
Interest-bearing deposits in other banks- term deposits	4,434	4,386	4,386		
Securities	373,208	372,995	6,079	$364,571	$2,345
Marketable equity securities and other	7,592	7,592	3,542	1,131	2,919
Loans held for sale	852	852		852	
Loans, net of allowance	1,100,657	1,092,095			1,092,095
Accrued interest receivable	10,856	10,856	10,856		
Financial liabilities:					
Demand and saving deposits	$867,345	$867,345	$867,345		
Time deposits	533,358	527,249		$527,249	
Federal Funds Purchased	5,804	5,804	5,804		
Securities sold under agreements to repurchase	15,017	14,913		14,913	
FHLB advances and other borrowings	40,911	39,849		39,849	
Accrued interest payable	3,169	3,169	3,169		

(000s omitted except share data)

(17) Fair Value Measurements (continued)

The estimated fair values of the Company's financial instruments as of December 31, 2023 are as follows:

	Carrying Amount	Fair Value	Fair Value Measurements at Reporting Date Using (Level 1)	(Level 2)	(Level 3)
Financial Assets:					
Cash and cash equivalents	$45,718	$45,718	$45,718		
Interest-bearing deposits in other banks- term deposits	4,511	4,399	4,399		
Securities	369,214	368,983	8,068	$358,570	$2,345
Marketable equity securities and other	5,718	5,718	4,639	1,079	
Loans held for sale	990	1,012		1,012	
Loans, net of allowance	1,069,450	1,043,192			1,043,192
Accrued interest receivable	9,763	9,763	9,763		
Financial liabilities:					
Demand and saving deposits	$884,900	$884,900	$884,900		
Time deposits	472,657	468,839		$468,839	
Federal Funds Purchased	1,153	1,153	1,153		
Securities sold under agreements to repurchase	31,554	31,234		$31,234	
FHLB advances and other borrowings	25,954	25,571		25,571	
Accrued interest payable	2,082	2,082	2,082		

(000s omitted except share data)

(18) Stock Compensation Plans

During 2012, the Company approved an equity incentive plan to promote the long-term financial success of the Company through stock-based awards to employees, directors or service providers who contribute to that success. This equity incentive plan permits Company management to approve and grant a maximum of 150,000 shares of common stock-based awards in the form of any combination of stock options, stock appreciation rights, stock awards or cash incentive awards. The 2012 equity incentive plan expired in September 2022 and a new plan was implemented in October 2022. The 2022 plan mirrors the expired 2012 plan with the exception of the cash incentive awards which were excluded from the 2022 plan.

Stock Options

The fair value of each option award is estimated on the date of grant using a closed form option valuation model (Black-Scholes). Expected volatilities are based on historical volatilities of the Company's common stock. The Company uses historical data to estimate option exercise and post-vesting termination behavior. The expected term of options granted is based on historical data and represents the period of time that options granted are expected to be outstanding, which takes into account that the options are not transferable. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield in effect at the time of the grant. The Company's accounting policy is to recognize forfeitures as they occur.

No options were granted for the year ended December 31, 2024 and 2023. For the year ended December 31, 2022, 5,000 shares of non-qualified stock options were granted under the 2012 equity incentive plan.

For the years ended December 31, 2024, 2023 and 2022, the Company recognized $16, $16, and $25 in compensation expense for stock options, respectively. No tax benefits were recognized for the three-year period ended December 31, 2024. No options were exercised during the years ended December 31, 2024, 2023 and 2022.

The following table summarizes the activity of options for the year ended:

	December 31, 2024		December 31, 2023	
	Options	**Weighted Average Exercise Price**	Options	Weighted Average Exercise Price
Shares under option, beginning of year	**5,000**	**$31.40**	21,666	$34.60
Granted during the year	-	**-**	-	-
Forfeited and expired during the year	**-**	**-**	(16,666)	35.55
Exercised during the year	**-**	**-**	-	-
Shares under option, end of year	**5,000**	**31.40**	5,000	31.40
Options exercisable, end of year	**2,000**	**31.40**	1,000	31.40

(000s omitted except share data)

(18) Stock Compensation Plans (continued)

The following table summarizes information about stock options outstanding at December 31, 2024:

Exercise Price	Number Outstanding	Remaining Contractual Life (Years)	Number Exercisable
$31.40	5,000	7.50	2,000

Total shares available for grant under the 2022 equity incentive plan was 121,233 and 139,071 as of December 31, 2024 and 2023, respectively.

Stock Awards

Stock awards are granted in the form of restricted stock awards (RSA's) and restricted stock units (RSU's) which typically vest equally over a two-year period; however, there were RSAs and RSUs issued in 2021 that vest over a five-year period. RSA's share in dividends and have voting rights throughout the vesting period. RSU's are paid a dividend equivalent during the vesting period but have no voting rights.

The following table summarizes information regarding unvested restricted stock and shares outstanding during the year ended:

	December 31, 2024		December 31, 2023	
	Unvested Shares	**Weighted Average Grant Value**	Unvested Shares	Weighted Average Grant Value
Restricted stock, beginning of year	**14,267**	**$28.88**	14,190	$33.01
Granted during the year	**20,374**	**28.40**	11,426	26.93
Forfeited during the year	**(1,657)**	**27.92**	(812)	29.77
Vested during the year	**(10,600)**	**29.45**	(10,537)	32.25
Restricted stock, end of year	**22,384**	**28.20**	14,267	28.88

During 2024, 2023 and 2022, total accrued compensation expense of $355, $294 and $390 (before tax benefits of $101, $84 and $111) was recorded from amortization of restricted shares expected to vest, respectively. Future projected compensation expense (before tax benefits), assuming all restricted shares eventually vest to employees, would be $419.

(000s omitted except share data)

(19) Stock Repurchase Program

In November 2020, the Company's Board of Directors adopted a stock repurchase plan. The plan provided a maximum dollar threshold of aggregate cost of repurchases under the plan, set a limit on the daily number of shares that could be repurchased and provided a maximum per share price. This plan, scheduled to expire on November 30, 2021, was subsequently extended to November 30, 2022 with modification of maximum per share price and daily purchase limits. A revised repurchase plan was approved by the Board of Directors as of December 30, 2021 and effective January 1, 2022, replacing the prior active plan. The revised stock repurchase plan provided additional funding, updated maximum per share price and adjusted daily limits and expired June 1, 2022 with no further extensions approved in 2022. A new stock repurchase plan was approved by the Board of Directors as of October 25, 2023 and effective November 1, 2023. The approved plan sets a maximum repurchase dollar limit, maximum per share price and daily limits. The plan has an expiration date of June 1, 2024. For the years ended December 31, 2024, 2023 and 2022, the Company repurchased 75,000, 60,000 and 44,760 shares under the repurchase program, respectively.

The purchase price for the shares of the Company's stock repurchased is reflected as a reduction to shareholders' equity as treasury stock.

(20) Earnings Per Common Share

For the years ended December 31, earnings per common share have been computed based on the following:

	2024	2023	2022
Net income	**$12,664**	$14,546	$13,626
Net income available to common stockholders	**12,664**	14,546	13,626
Average number of common shares outstanding	**3,509,509**	3,562,885	3,565,548
Effect of dilutive options	**19,270**	4,723	12,280
Average number of common shares outstanding used to calculate diluted earnings per common share	**3,528,779**	**3,567,608**	**3,577,828**

(21) Equity and Regulatory Matters

The Company and Banks are subject to various regulatory capital requirements administered by the federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements.

In September 2019, the FDIC finalized a rule that introduced an optional simplified measure of capital adequacy known as the community bank leverage ratio (CBLR) framework. In order to qualify for the CBLR framework, the Company and Banks must have a Tier 1 leverage ratio of greater than 9%, less than $10 billion in total consolidated assets, and limited amounts of off-balance-sheet exposures and trading assets and liabilities. As of December 31, 2024 and 2023, the Company and Banks qualified for and elected to use the CBLR framework. An institution opting into the CBLR framework and meeting all requirements under the framework will be considered to have met the well-capitalized ratio requirements under the Prompt Corrective Action regulations and will not be required to report or calculate risk-based capital.

(21) Equity and Regulatory Matters (continued)

As of December 31, 2024, the most recent notification from the regulatory agencies categorized all six Banks as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Banks must maintain minimum regulatory capital ratios as set forth in the table. There are no conditions or events since December 31, 2024, which management believes have changed the capital categories of the Banks.

The Company and the Banks actual capital amounts and ratios as of December 31 are presented in the following tables:

	Actual		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount In $000s	Ratio	Amount In $000s	Ratio
As of December 31, 2024				
Community Bank Leverage Ratio				
Company	186,354	11.19%	149,864	9.00%
Northwest	43,820	9.44%	41,765	9.00%
German	33,194	9.65%	30,967	9.00%
Davis	20,832	11.23%	16,695	9.00%
Freeport	40,402	9.91%	35,179	9.00%
Lena	12,016	11.49%	9,250	9.00%
Herscher	21,715	11.94%	15,103	9.00%

	Actual		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount In $000s	Ratio	Amount In $000s	Ratio
As of December 31, 2023				
Community Bank Leverage Ratio				
Company	173,232	10.76%	144,899	9.00%
Northwest	39,422	9.22%	38,480	9.00%
German	31,592	9.37%	30,337	9.00%
Davis	19,755	10.94%	16,247	9.00%
Freeport	38,269	9.91%	34,764	9.00%
Lena	11,469	11.49%	8,986	9.00%
Herscher	21,149	11.94%	15,937	9.00%

(22) Dividends

State banking regulations restrict the amount of dividends that a bank may pay to its stockholders. The regulations provide that dividends are limited to the balance of undivided profits, subject to capital-adequacy requirements, plus an additional amount equal to the Bank’s current-year earnings through the date of any declaration of dividends. The payment of dividends would also be restricted if a Bank does not meet the minimum capital conservation buffer as defined by Basel III regulatory capital guidelines.

(23) Segment Information

The Company's reportable segment is determined by the chief operating decision maker ("CODM") in assessing performance and in deciding how to allocate resources. The CODM is the CEO of the company. The Company provides a variety of banking services to individuals and businesses through its facilities that are similar in their nature, operations, and economic characteristics. The accounting policies for the services are described in Note 1 Basis of Presentation and Significant Accounting Policies. Loans, investments, and deposits provide the revenues in the banking operation. Interest expense, provisions for credit losses, and payroll provide the significant expenses in the banking operation. The CODM uses consolidated net income to monitor results, evaluate budget-to-actual variances, perform competitive analyses that benchmark the Company to competitors, and determine whether to reinvest earnings in the Company or to deploy capital in other ways to maximize shareholder value. The CODM is regularly provided with the consolidated income and expenses, as well as assets, as presented on the Consolidated Statements of Income and Consolidated Balance Sheets, respectively, to assess performance and decide how to allocate resources on a Company-wide basis. The CODM also uses such information to monitor the level of expense associated with the various aspects of the Company's business that supports its clients, generate revenue, and are associated with the overall administration of the Company's operations. In addition, internal financial information is used by the CODM to monitor credit quality and credit loss expense. As a result, the Company has determined it has only one reportable segment.

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Independent Auditor's Report on Supplemental Information

To the Audit Committee and the Board of Directors
Foresight Financial Group, Inc.

We have audited the consolidated financial statements (the "financial statements") of Foresight Financial Group, Inc. and its subsidiaries as of and for the years ended December 31, 2024 and 2023 and have issued our report thereon dated March 10, 2025, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The consolidating schedule 1 - December 31, 2024 balance sheet and consolidating schedule 2 - December 31, 2024 statement of income are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

March 10, 2025

Consolidating Schedule – Statement of Income

(000s omitted except share data)

December 31, 2024	German American State Bank	State Bank of Davis	Northwest Bank
Interest and dividend income:			
Loans, including fees	$15,117	$6,109	$21,823
Debt securities:			
Taxable	1,194	1,268	1,559
Tax-exempt	466	289	158
Interest-bearing deposits in banks and other	943	112	757
Federal funds sold	52	5	26
Total interest and dividend income	17,772	7,783	24,323
Interest expense:			
Deposits	7,100	2,917	8,503
Federal funds purchased	1	7	18
Securities sold under agreements to repurchase	-	32	228
FHLB and other borrowings	186	100	529
Total interest expense	7,287	3,056	9,278
Net interest and dividend income	10,485	4,727	15,045
Provision for credit losses	-	-	812
Net interest and dividend income, after provision for credit losses	10,485	4,727	14,233
Noninterest income:			
Customer service fees	277	87	760
Equity in earnings of subsidiaries	-	-	-
Loss on sales and calls of AFS securities, net	-	(35)	-
Gain on sale of loans, net	-	-	772
Loan servicing fees, net	-	-	241
Bank owned life insurance	112	54	641
ATM / interchange fees	717	223	722
Other	276	208	286
Total noninterest income	1,382	537	3,422
Noninterest expense:			
Salaries and employee benefits	4,112	1,283	5,220
Occupancy expense of premises, net	546	147	817
Outside services	925	491	1,559
Data processing	1,144	617	1,467
Foreclosed assets and other real estate owned, net	-	-	10
Other	1,624	538	2,197
Total noninterest expenses	8,351	3,076	11,270
Income before income taxes	3,516	2,188	6,385
Income tax expense	750	491	1,525
Net income	$2,766	$1,697	$4,860

Consolidating Schedule – Statement of Income
(000s omitted except share data)

State Bank	Lena State Bank	State Bank of Herscher	Foresight Financial Group, Inc.	Eliminations	Consolidated Total
$17,780	$4,192	$4,263	$ -	$ -	$69,284
1,431	464	1,298	-	-	7,214
377	78	279	-	-	1,647
361	75	441	32	(270)	2,451
18	5	9	-	(7)	108
19,967	4,814	6,290	32	(277)	80,704
8,208	1,817	1,580	-	(270)	29,855
29	12	4	-	(7)	64
224	-	-	-	-	484
324	157	18	-	-	1,314
8,785	1,986	1,602	-	(277)	31,717
11,182	2,828	4,688	32	-	48,987
80	10	150	-	-	1,052
11,102	2,818	4,538	32	-	47,935
115	80	101	-	-	1,421
-	-	-	15,870	(15,870)	-
-	(76)	-	-	-	(111)
-	-	-	-	-	772
-	-	9	-	-	249
46	27	119	111	-	1,110
217	79	185	-	-	2,143
1,026	36	98	5,839	(6,160)	1,609
1,404	146	512	21,820	(22,030)	7,193
3,320	579	1,627	8,529	-	24,670
271	87	269	333	(66)	2,404
877	322	511	457	(3,531)	1,611
1,038	405	679	401	(2,563)	3,188
1	-	-	1	-	12
1,105	294	422	829	-	7,009
6,612	1,687	3,508	10,550	(6,160)	38,894
5,894	1,277	1,542	11,302	(15,870)	16,234
1,550	301	315	(1,362)	-	3,570
$4,344	$976	$1,227	$12,664	$(15,870)	$12,664

Consolidating Schedule – Statement of Income

(000s omitted except share data)

December 31, 2023

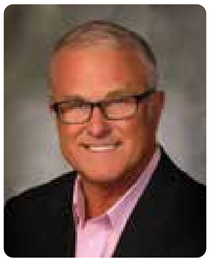
	German American State Bank	State Bank of Davis	Northwest Bank
Interest and dividend income:			
Loans, including fees	$13,734	$5,070	$18,009
Debt securities:			
Taxable	865	1,169	1,257
Tax-exempt	515	369	175
Interest-bearing deposits in banks and other	432	173	734
Federal funds sold	44	20	58
Total interest and dividend income	15,590	6,801	20,233
Interest expense:			
Deposits	5,118	1,983	5,220
Federal funds purchased	7	3	16
Securities sold under agreements to repurchase	-	28	160
FHLB and other borrowings	146	68	335
Total interest expense	5,271	2,082	5,731
Net interest and dividend income	10,319	4,719	14,502
Provision for credit losses	410	165	472
Net interest and dividend income, after provision for credit losses	9,909	4,554	14,030
Noninterest income:			
Customer service fees	224	59	613
Equity in earnings of subsidiaries	-	-	-
(Loss) gain on sales and calls of AFS securities, net	(3)	(52)	(32)
Gain on sale of loans, net	-	-	611
Loan servicing fees, nett	-	-	804
Bank owned life insurance	97	48	162
ATM / interchange fees	732	226	710
Other	697	220	660
Total noninterest income	1,747	501	3,528
Noninterest expense:			
Salaries and employee benefits	4,087	1,270	5,221
Occupancy expense of premises, net	490	132	846
Outside services	930	480	1,472
Data processing	1,164	580	1,236
Foreclosed assets and other real estate owned, net	(37)	-	-
Other	1,907	584	1,752
Total noninterest expenses	8,541	3,046	10,527
Income before income taxes	3,115	2,009	7,031
Income tax expense	690	437	1,828
Net income	$2,425	$1,572	$5,203

Consolidating Schedule – Statement of Income

(000s omitted except share data)

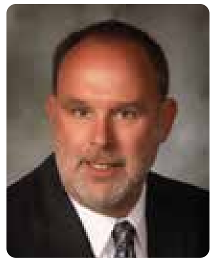
State Bank	Lena State Bank	State Bank of Herscher	Foresight Financial Group, Inc.	Eliminations	Consolidated Total
$16,179	$3,356	$3,571	$ -	$ -	$59,919
1,375	478	1,143	-	-	6,287
416	166	294	-	-	1,935
168	109	904	19	(341)	2,198
26	17	23	-	-	188
18,164	4,126	5,935	19	(341)	70,527
5,635	1,184	1,003	-	(341)	19,802
43	6	3	-	-	78
480	-	-	-	-	668
120	39	-	-	-	708
6,278	1,229	1,006	-	(341)	21,256
11,886	2,897	4,929	19	-	49,271
(42)	100	-	-	-	1,105
11,928	2,797	4,929	19	-	48,166
92	75	92	-	-	1,155
0	0	0	16,777	(16,777)	-
(40)	(58)	-	-	-	(185)
-	-	-	-	-	611
-	-	10	-	-	814
41	26	112	99	-	585
232	80	175	-	-	2,155
915	58	146	5,477	(5,752)	2,421
1,240	181	535	22,353	(22,529)	7,556
3,287	625	1,699	6,438	-	22,627
273	83	264	273	(63)	2,298
764	336	400	238	(3,309)	1,311
965	399	611	451	(2,381)	3,025
-	(1)	-	(5)	-	(43)
996	300	487	1,358	-	7,384
6,285	1,742	3,461	8,753	(5,753)	36,602
6,883	1,236	2,003	13,619	(16,776)	19,120
1,794	297	455	(927)	-	4,574
$5,089	$939	$1,548	$14,546	$(16,776)	$14,546

Board of Directors

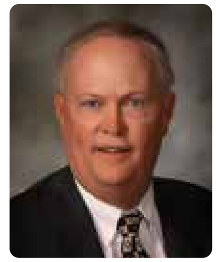


Robert W. Stenstrom
Chairman, Board of Directors
Chairman & CEO,
Stenstrom Companies

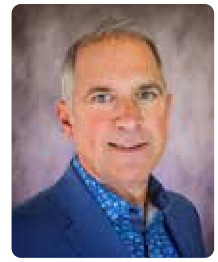
Peter Q. Morrison
Chief Executive Officer



John W. Collman
Ag Production



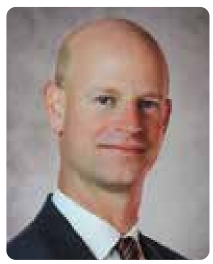
Frederick J. Kundert
Retired, Harder Corporation



William D. LaFever
CEO Bill Coran Company,
Owner of Chicago Foliage,
Skyview of Rockford, Mulli-
gans, Mabel's and Dandy's

John J. Morrissey
President, Staff Management
& Market Dimensions
Principal, Morrissey
Family Business

Carolyn S. Sluiter, D.V.M.
Retired Veterinarian



Daniel P. Stein
Owner, President of Young
Bros. Stamp Works, Term-
Lok Inc. and Chairman of
Central Bancshares Inc.

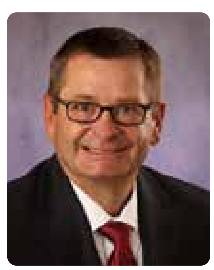
Jeffrey M. Sterling
Retired President/CEO
of German American
State Bank

Judd D. Thruman
Partner, Fishburn,
Whiton, Thruman, LTD.

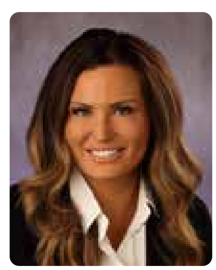
Executive Officers

Peter Q. Morrison
Chief Executive Officer

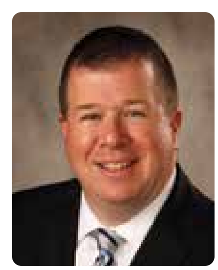
Jeffery S. Hultman
President,
Chief Banking Officer



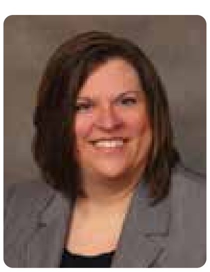
Todd James
Chief Financial Officer



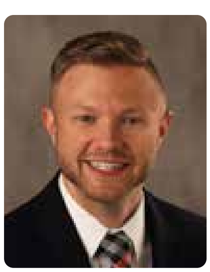
Brooke Crull
Chief Risk Officer



Rusti Swanson
Chief Credit Officer



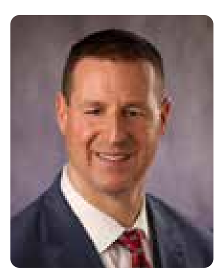
Nora Koehler
Director of
Human Resources



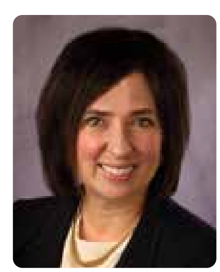
Andrew LaPour
Director of
Information Technology

Lori Morgan
Director of
Corporate Operations

Curtis Derrer
Head of Ag Banking



Kyle Logan
Head of
Commercial Banking



Gina Caruama
Head of
Consumer Banking

General Information

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Trading symbol: **FGFH**

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Andrew Garnhart
Linda Heckert
Jed Kempel
Thomas Olsen
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Lena State Bank
Lena, IL

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Curtis Derrer
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