



# RBC, INC. & SUBSIDIARY

## CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Member  
**FDIC**





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# PRESIDENT'S LETTER

January 31, 2025

Dear Fellow Shareholders,

I am pleased to share key highlights from 2024, including economic developments, Robertson Banking Company's performance, and our outlook for 2025.

## Economic Developments

In the latter half of 2024, the Federal Reserve gradually eased monetary policy, lowering interest rates to balance moderating inflation and economic growth. While the pace of rate reductions was slower than expected, it helped mitigate margin compression. Loan volumes and rates rose during the first nine months of the year but declined in the fourth quarter. Deposits also decreased, as anticipated, though at a slower pace than projected.

## Financial Performance

Robertson Banking Company had an outstanding year in 2024. Earnings rose to \$7.9 million, up from \$7.1 million in 2023—a 12% increase.

Earnings per share grew from \$13.51 to \$15.14. Book value, a key measure of shareholder value, increased 9.2%, from \$80.47 in 2023 to \$87.83 in 2024. Our Return on Average Assets and Return on Average Equity were excellent, at 1.7% and 17.9%, respectively.

## Balance Sheet Strength

Total assets decreased slightly to \$466 million from \$473 million in 2023, while net loans grew at a slower pace of 4.2% to \$322 million.

Loan quality remains strong, with low charge-offs and a solid allowance for credit losses at 1.56% of total loans at year-end. Through rigorous risk assessment and robust monitoring of asset concentrations, the bank can better serve the needs of our local communities.

Bank capital increased to \$46 million. The bank's capital-to-assets ratio improved to 9.39%, compared to 8.63% in 2023, providing added resilience during uncertain times. Liquidity remains healthy, with \$24 million in cash and cash equivalents at year-end.





## Outlook for 2025

The Federal Reserve has signaled a cautious approach to further rate adjustments, suggesting a slower pace of cuts in 2025. A Wall Street Journal survey of economists indicates that recent policies may lead to higher GDP growth but also increased inflation. Tariffs on China, Canada, and Mexico are expected to contribute to a 0.4% increase in inflation. The 12-month CPI inflation forecast remains at 2.7%, with lower recession risk—just 22% within the next year, the lowest level in three years.

Interest rate cuts may pause for the near term.

## Acknowledgments

Congratulations to Bobby Pritchett and Ann Griffin on their retirements!

Bobby is retiring in March from the Board of Directors after 25 years of service. Formerly President of Planters Bank and Trust, which merged with Robertson in 1999, Bobby has over 50 years of banking experience. We are grateful for his leadership and contributions to the bank.

Ann Griffin retires as Senior Vice President after 47 years of dedicated service. As the backbone of our daily operations for 41 years, her impact has been immeasurable.

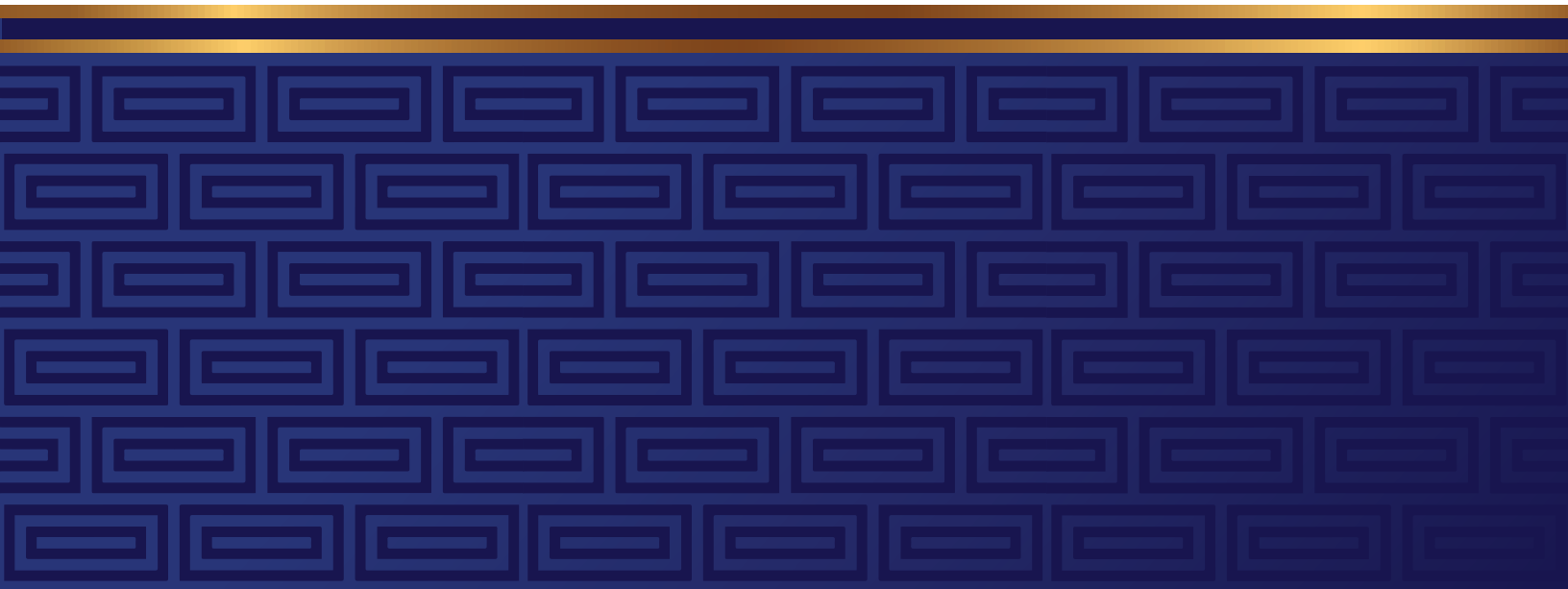
Finally, my sincere thanks to our directors, staff, and loyal customers. Whether you have banked with us for generations or recently joined, we appreciate your trust and remain committed to providing exceptional service.

Sincerely,



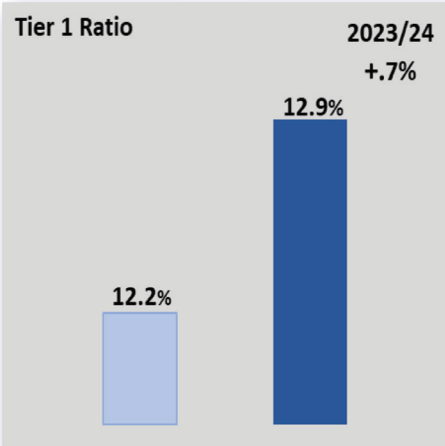
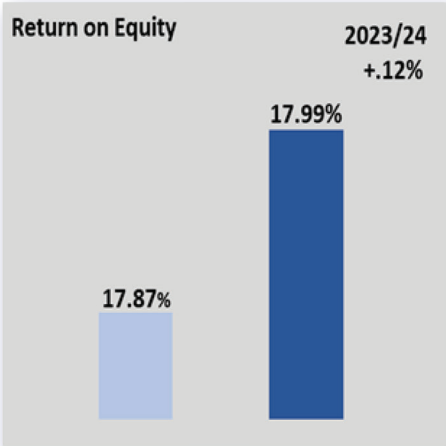
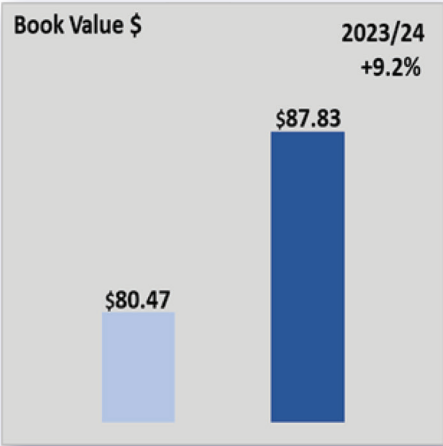
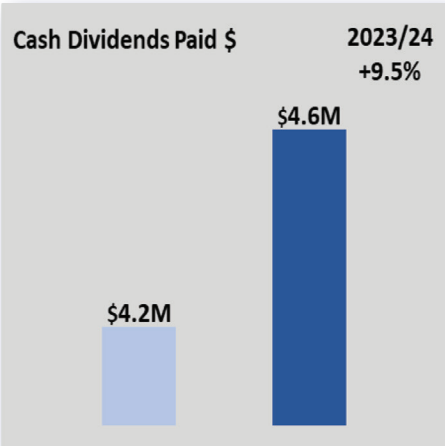
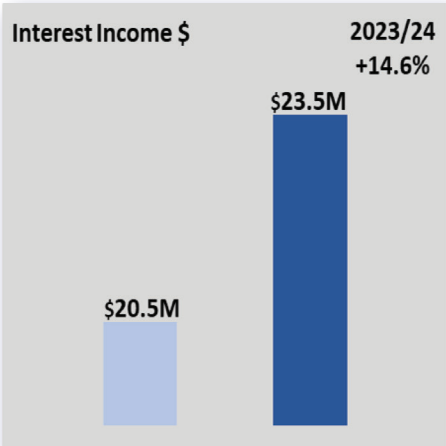
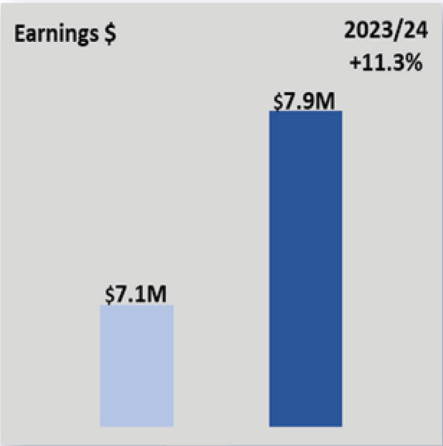
William Gary Holemon

Director, President, and CEO



# FINANCIAL PERFORMANCE REVIEW

## ATTACHMENTS TO THE PRESIDENT'S LETTER



2023      2024





## FINANCIAL HIGHLIGHTS

RBC, INC. & SUBSIDIARY  
FINANCIAL HIGHLIGHTS

<i>December 31,</i>	<b>2024</b>	<b>2023</b>	<b>Percent Increase (Decrease)</b>
<b>Consolidated Balance Sheets</b>			
Total assets	\$ 466,444,406	\$ 472,980,287	-1.38%
Loans, net	321,549,118	308,490,716	4.23%
Total deposits	407,320,852	417,166,087	-2.36%
Shareholders' equity	46,040,635	42,158,142	9.21%
<b>Consolidated Statements of Income</b>			
Net income	\$ 7,933,093	\$ 7,075,741	12.12%
Earnings per share	15.14	13.51	12.06%
<b>Selected Ratios</b>			
Net income to average total assets	1.69%	1.54%	
Net income to average shareholders' equity	17.99%	17.87%	
Allowance for loan losses to loans	1.56%	1.63%	
Average shareholders' equity to average total assets	9.39%	8.63%	
<b>Common Stock</b>			
Book value per share	\$ 87.83	\$ 80.47	
Cash dividend paid per share	8.85	8.00	
Weighted average shares outstanding	523,989	523,670	



ceivable

receivable

W E Miller  
R Miller Agent for M & L  
H A Baidy  
Checassee Lbr Co  
Ernest Cook  
Nathan Cook  
Thumstamm Lbr Co  
John R Hunter  
John Hansen  
J H Harrison Lbr Co  
O H Harwood  
J Davidson  
J S Parsons  
The Seaman Co  
H J Spence  
L J Thayer  
W W Wiley

# INDEPENDENT AUDITOR'S REPORT



**Carr, Riggs & Ingram, L.L.C.**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Audit Committee of the Board of Directors  
of RBC, Inc. and Subsidiary

### **Opinion**

We have audited the accompanying financial statements of RBC, Inc. (a Delaware corporation) and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income (loss), changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RBC, Inc. and Subsidiary 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of RBC, Inc. and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

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



## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RBC, Inc. and Subsidiary'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 RBC, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, L.L.C.  
Enterprise, Alabama  
February 6, 2025



## CONSOLIDATED BALANCE SHEETS



RBC, INC. & SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS

<i>December 31,</i>	<b>2024</b>	<b>2023</b>
<b>Assets</b>		
Cash and due from financial institutions	\$ 19,217,324	\$ 40,042,221
Federal funds sold	5,000,000	5,000,000
Cash and cash equivalents	24,217,324	45,042,221
Interest-bearing deposits in other financial institutions	1,004,044	751,516
Debt securities available for sale, at fair value	100,144,166	99,344,707
Loans, net of allowance for credit losses of \$4,728,176 and \$4,751,463 as of December 31, 2024 and 2023, respectively	321,549,118	308,490,716
Other restricted stock, at cost	1,411,400	1,391,400
Accrued interest receivable	2,016,410	1,703,575
Premises and equipment, net	6,253,377	6,340,469
Operating lease right-of-use assets, net	378,161	479,806
Bank owned life insurance	8,767,915	8,528,866
Other assets	702,491	907,011
<b>Total assets</b>	<b>\$ 466,444,406</b>	<b>\$ 472,980,287</b>
<b>Liabilities and Shareholders' Equity</b>		
Deposits		
Non-interest bearing	\$ 124,228,317	\$ 123,137,161
Interest bearing	283,092,535	294,028,926
<b>Total deposits</b>	<b>407,320,852</b>	<b>417,166,087</b>
Operating lease liabilities	429,047	540,211
Federal Home Loan Bank advances	8,000,000	8,000,000
Accrued interest payable and other liabilities	4,653,872	5,115,847
<b>Total liabilities</b>	<b>420,403,771</b>	<b>430,822,145</b>
Shareholders' equity		
Common stock, \$0.20 par value; 1,000,000 shares authorized; 734,137 shares issued at December 31, 2024 and 2023	146,827	146,827
Additional paid-in capital	3,096,865	3,058,726
Retained earnings	55,742,255	52,448,290
Accumulated other comprehensive income (loss)	(4,016,698)	(4,554,072)
Treasury stock, at cost (2024 - 209,935 shares; 2023 - 210,241 shares)	(8,928,614)	(8,941,629)
<b>Total shareholders' equity</b>	<b>46,040,635</b>	<b>42,158,142</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 466,444,406</b>	<b>\$ 472,980,287</b>

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



# CONSOLIDATED STATEMENTS of INCOME



RBC, INC. & SUBSIDIARY  
CONSOLIDATED STATEMENTS of INCOME

<i>For the years ended December 31,</i>	<b>2024</b>	2023
<b>Interest and Dividend Income</b>		
Loans, including fees	\$ 19,510,750	\$ 17,374,371
Interest and dividend income on securities	2,730,477	2,228,792
Federal funds sold and other	1,280,982	898,853
Total interest and dividend income	23,522,209	20,502,016
<b>Interest Expense</b>		
Deposits	5,634,465	3,798,965
Financing lease	61,064	63,512
Federal Home Loan Bank advances	295,977	148,376
Total interest expense	5,991,506	4,010,853
Net interest income	17,530,703	16,491,163
Credit loss expense - loans	-	785,000
Credit loss expense - off-balance sheet exposures	-	350,000
Total credit loss expense	-	1,135,000
Net interest income after credit loss expense	17,530,703	15,356,163
<b>Non-Interest Income</b>		
Service charges on deposits	835,665	812,276
Other service charges	1,300,293	1,368,057
Trust fees	175,349	162,706
Net gains (losses) on sales of securities	(423,114)	-
Other	522,809	716,463
Total non-interest income	2,411,002	3,059,502
<b>Non-Interest Expense</b>		
Salaries and employee benefits	6,649,055	6,375,684
Occupancy and equipment	1,821,967	1,761,452
Director fees	295,500	300,000
ATM expenses	469,161	430,481
Administrative fees	408,045	222,880
Business Manager	2,290	1,354
Professional fees	238,146	248,474
Postage and shipping	180,426	125,650
Regulatory fees	280,725	264,625
Other	1,155,400	1,129,324
Total non-interest expense	11,500,715	10,859,924
Income before income taxes	8,440,990	7,555,741
Income tax expense	507,897	480,000
Net income	\$ 7,933,093	\$ 7,075,741
<b>Earnings per Share</b>	\$ 15.14	\$ 13.51

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





## CONSOLIDATED STATEMENTS of COMPREHENSIVE INCOME

RBC, INC. & SUBSIDIARY  
**CONSOLIDATED STATEMENTS of COMPREHENSIVE INCOME (LOSS)**

<i>For the years ended December 31,</i>	<b>2024</b>	<b>2023</b>
Net income	\$ <b>7,933,093</b>	\$ 7,075,741
Other comprehensive income (loss):		
Unrealized gain (loss) on securities:		
Unrealized holding gain(loss) arising during the period	<b>151,617</b>	2,320,902
Reclassification adjustment for losses (gains)		
included in net income	<b>423,114</b>	-
Total other	<b>574,731</b>	<b>2,320,902</b>
Tax effect	<b>(37,357)</b>	(150,857)
Net of tax	<b>537,374</b>	2,170,045
Comprehensive income (loss)	\$ <b>8,470,467</b>	\$ 9,245,786

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





# CONSOLIDATED STATEMENTS of CHANGES in SHAREHOLDERS' EQUITY



RBC, INC. & SUBSIDIARY  
CONSOLIDATED STATEMENTS of CHANGES in SHAREHOLDERS' EQUITY

	Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
<b>Balance at December 31, 2022</b>	734,137	\$ 146,827	\$ 3,014,669	\$ 49,563,717	\$ (6,724,117)	\$ (8,960,855)	\$ 37,040,241
Net income	-	-	-	7,075,741	-	-	7,075,741
Other comprehensive income	-	-	-	-	2,170,045	-	2,170,045
Restricted treasury stock awarded (452 shares)	-	-	44,057	-	-	19,226	63,283
Cash dividends paid (\$8.00 per share)	-	-	-	(4,191,168)	-	-	(4,191,168)
<b>Balance at December 31, 2023</b>	734,137	146,827	3,058,726	52,448,290	(4,554,072)	(8,941,629)	42,158,142
Net income	-	-	-	7,933,093	-	-	7,933,093
Other comprehensive income	-	-	-	-	537,374	-	537,374
Restricted treasury stock awarded (306 shares)	-	-	38,139	-	-	13,015	51,154
Cash dividends paid (\$8.85 per share)	-	-	-	(4,639,128)	-	-	(4,639,128)
<b>Balance at December 31, 2024</b>	734,137	\$ 146,827	\$ 3,096,865	\$ 55,742,255	\$ (4,016,698)	\$ (8,928,614)	\$ 46,040,635

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



# CONSOLIDATED STATEMENTS of CASH FLOWS

RBC, INC. & SUBSIDIARY  
CONSOLIDATED STATEMENTS of CASH FLOWS

<i>For the years ended December 31,</i>	<b>2024</b>	<b>2023</b>
<b>Operating Activities</b>		
Net income	\$ 7,933,093	\$ 7,075,741
Adjustments to reconcile net income to net cash		
from operating activities		
Credit loss expense	-	1,135,000
Net amortization (accretion) of debt securities	(302,460)	(151,982)
Depreciation and amortization of premises and equipment	431,454	405,452
Amortization of right-of-use assets	101,645	96,827
Net (gain) loss on sales of foreclosed real estate	-	(18,613)
(Gain) loss on disposal of fixed assets	-	(35,108)
(Earnings) losses on bank owned life insurance	(239,008)	(196,512)
(Gain) loss on sale of securities	423,114	-
Net change in operating assets and liabilities		
Accrued interest receivable	(312,835)	(261,334)
Other assets	167,163	(97,836)
Accrued interest payable and other liabilities	(385,355)	318,958
Operating lease liabilities	(111,164)	(103,718)
Net cash provided by operating activities	7,705,647	8,166,875
<b>Investing Activities</b>		
Net change in interest-bearing deposits in		
other financial institutions	(252,528)	250,202
Available-for-sale securities:		
Sales	8,362,145	-
Maturities, prepayments and calls	28,475,296	20,081,507
Purchases	(37,182,823)	(10,596,282)
Sales (purchases) of other securities, at cost	(20,000)	(399,400)
Loan originations and payments, net	(13,058,402)	(24,766,289)
Purchase of bank owned life insurance	(1,219,000)	-
Surrender of bank owned life insurance	1,218,959	-
Additions to premises and equipment	(344,362)	(351,275)
Proceeds from the sale of premise and equipment	-	18,250
Proceeds from the sale of foreclosed assets	-	78,613
Net cash used in investing activities	(14,020,715)	(15,684,674)
<b>Financing Activities</b>		
Net change in deposits	(9,845,235)	14,989,556
Proceeds from Federal Home Loan Bank advances	-	8,000,000
Repayment of financing lease liabilities	(76,620)	(76,620)
Proceeds from issuance of treasury stock	51,154	63,283
Cash dividends paid	(4,639,128)	(4,191,168)
Net cash provided by (used in) financing activities	(14,509,829)	18,785,051
Net change in cash and cash equivalents	(20,824,897)	11,267,252
Beginning cash and cash equivalents	45,042,221	33,774,969
Ending cash and cash equivalents	\$ 24,217,324	\$ 45,042,221

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



RBC, INC. & SUBSIDIARY  
**CONSOLIDATED STATEMENTS of CASH FLOWS (continued)**

<i>For the years ended December 31,</i>	<b>2024</b>	<b>2023</b>
<b>Supplemental cash flow information:</b>		
Interest paid	\$ 5,991,139	\$ 3,665,556
Income taxes paid	853,563	413,475
<b>Supplemental non cash disclosures:</b>		
Transfers from loans to real estate owned	\$ -	\$ 60,000

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



# NOTES to CONSOLIDATED FINANCIAL STATEMENTS

**Note 1: DESCRIPTION OF THE BUSINESS**

RBC, Inc. (Holding Company) and its wholly-owned subsidiary, Robertson Banking Company (the “Bank”), provide commercial banking services to customers through its offices in Marengo County, and the cities of Tuscaloosa and Birmingham, Alabama. Its primary deposit products are checking, savings, and term certificate accounts, and its primary lending products are real estate, residential and nonresidential, and commercial loans. Substantially all loans are secured by specific items of collateral including business assets, consumer assets, and commercial and residential real estate.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Principles of Consolidation***

The consolidated financial statements include the accounts of the Holding Company and the Bank (collectively, the “Company”). The Company consolidates an entity if the Company has a controlling financial interest in the entity. All significant intercompany balances and transactions have been eliminated.

***Basis of Accounting***

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

***Use of Estimates***

The preparation of U.S. GAAP consolidated financial statements requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to the allowance for credit losses.

***Cash and Cash Equivalents***

Cash and cash equivalents include cash and deposits with other financial institutions with original maturities fewer than 90 days, and federal funds sold. Net cash flows are reported for customer loan and deposit transactions, interest-bearing deposits in other financial institutions, and federal funds purchased and repurchase agreements.

***Restrictions on Cash***

Cash on hand or on deposit with the Federal Reserve Bank (FRB) was required to meet regulatory reserve and clearing requirements.



**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Interest-Bearing Deposits in Other Financial Institutions***

Interest-bearing deposits in other financial institutions mature within five years and are carried at cost.

***Debt Securities***

Debt securities not classified as held to maturity or trading are classified as available for sale. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method. A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on non-accrual is reversed against interest income.

***Allowance for Credit Losses – Available for Sale Securities***

For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available-for-sale that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding the intent or requirement to sell is met.

Accrued interest receivable on available-for-sale debt securities totaled \$627,665 and \$539,913 at December 31, 2024 and 2023, and is excluded from the estimate of credit losses.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Loans***

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their principal balance outstanding, net of deferred loan fees and costs, selling costs, and an allowance for credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Interest income on mortgage and commercial loans is discontinued and placed on a non-accrual status at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Mortgage loans are charged off at 180 days past due, and commercial loans are charged off to the extent principal or interest is deemed uncollectible. Consumer and credit card loans continue to accrue interest until they are charged off no later than 120 days past due unless the loan is in the process of collection. Past-due status is based on the contractual terms of the loan.

In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Non-accrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

All interest accrued but not received for loans placed on non-accrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Under the cover-recovery method, interest income is not recognized until the loan balance is reduced to zero. Under the cash-basis method, interest income is recorded when the payment is received. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

***Allowance for Credit Losses - Loans***

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

The current expected credit loss approach requires an estimate of the credit losses expected over the life of an exposure (or pool of exposures). It replaces the incurred loss approach's threshold that delayed the recognition of a credit loss until it was probable a loss event was incurred.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)**

***Allowance for Credit Losses - Loans (continued)***

The estimate of expected credit losses is based on relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. Historical loss experience is generally the starting point for estimating expected credit losses. The Company then considers whether the historical loss experience should be adjusted for asset-specific risk characteristics or current conditions at the reporting date that did not exist over the historical period used. The Company also considers future economic conditions and portfolio performance as part of a reasonable and supportable forecast period.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

Modifications to borrowers experiencing financial difficulty may include interest rate reductions, principal or interest forgiveness, forbearances, term extensions, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of collateral. The most common loan modifications for all sectors involves modification of the loan term and the use of balloon payments.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist.



**Note 2: SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)**

***Allowance for Credit Losses - Loans (continued)***

The Company groups its loans into nine portfolio segments (pools): Real estate secured by 1-4 family residential; real estate secured by nonfarm – nonresidential; real estate secured by multi-family residential; real estate – farmland; real estate – construction, land development, and other land; commercial and industrial; consumer; tax free municipal; and other. The loss experience is determined by portfolio segment and is based on the actual losses experienced by the Company over the last twenty years. This actual loss experience is supplemented with other qualitative factors based on the risk present for each portfolio segment. The qualitative factors include consideration of the following:

- Levels of and trends in delinquencies and collateral-dependent loans and loan modifications made to borrowers experiencing financial difficulty
- Levels of and trends in charge-offs and recoveries
- Migration of loans to the classification of special mention, substandard, or doubtful
- 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 concentration.

The following portfolio segments have been identified:

***Real Estate – Residential***

The Company originates residential mortgage real estate loans for the closed-end purchase or refinancing of mortgages for individual homeowners or rental properties. These loans are secured by 1-4 family residential properties primarily located in the Company's market area. The financial strength of the borrowers and collateral values of the properties are assessed as part of the underwriting criteria of these loans. Risks associated with these loans include reductions in cash flow of borrowers due to job loss or sickness and declines in collateral values of properties securing the loans.

***Real Estate – Nonfarm, Nonresidential***

Nonresidential loans are owner occupied loans where the primary sources of repayment are cash flows from the ongoing operations and activities conducted by the owners. Underwriting criteria for these loans require initial and on-going reviews of borrower cash flows. Economic conditions impacting cash flows of the borrowers or declines in collateral values are risks to this loan type.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)**

***Allowance for Credit Losses - Loans (continued)***

*Real Estate – Multi-Family*

The Company originates multi-family mortgage real estate loans for the closed-end purchase or refinancing of mortgages for apartment complexes and condominiums. These loans are secured by multi-family properties primarily located in the Company's market area. The financial strength of the borrowers, income from the properties, and collateral values of the properties are assessed as part of the underwriting criteria of these loans. Risks associated with these loans include reductions in cash flow of the property due to market conditions and vacancy rates and declines in collateral values of properties securing the loans.

*Real Estate – Farmland*

Farmland loans are loans secured by farm and timberland where the primary sources of repayment are cash flows from the farm and timber products originating from the operations and activities conducted by the owners. Underwriting criteria for these loans require initial and on-going reviews of borrower cash flows. Economic conditions impacting cash flows of the borrowers or declines in collateral values are risks to this loan type.

*Real Estate – Construction, Land Development and Other Land*

The Company originates construction loans to builders and commercial borrowers and, to a limited extent, loans to individuals for the construction of primary residences. These loans are secured by real estate. To the extent construction loans are not made to owner occupants of single-family homes, they are more vulnerable to changes in economic conditions.

Further, the nature of these loans is such that they are difficult to evaluate and monitor. The risk of loss on construction loans is dependent on the accuracy of initial estimates of property value upon completion of the projects, and the estimated costs (including interest) of the projects.

*Commercial and Industrial*

Commercial and industrial loans are made to small and medium sized companies in the Company's market area. Commercial loans are generally used for working capital purposes or for acquiring equipment, inventory or furniture. Primarily all of the Company's commercial loans are secured loans, along with a small amount of unsecured loans. The Company's underwriting analysis consists of a review of the financial statements of the borrower, the lending history of the borrower, the debt service capabilities of the borrower, the projected cash flows of the business, the value of the collateral, if any, and whether the loan is guaranteed by the principals of the borrower. These loans are generally secured by accounts receivable, inventory and equipment.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Allowance for Credit Losses - Loans (continued)***

*Commercial and Industrial (continued)*

Commercial loans are typically made on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business, which makes them of higher risk than residential loans and the collateral securing loans may be difficult to appraise and may fluctuate in value based on the success of the business. The Company seeks to minimize these risks through its underwriting standards.

*Consumer*

Consumer and other loans are extended for various purposes, including purchases of automobiles, recreation vehicles, and boats. The Company also offers home improvement loans, lines of credit, personal loans, and deposit account collateralized loans. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas such as unemployment levels. Loans to consumers are extended after a credit evaluation, including the creditworthiness of the borrower(s), the purpose of the credit, and the secondary source of repayment. Consumer loans are made at fixed and variable interest rates and may be made on terms of up to five years. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

*Tax Free Municipal*

These are obligations supported by the full, faith and credit of the obligor which is a type of city, state, or other political subdivision. Collateral for these loans generally consists of a promise to pay from monies allocated to a special fund established to service the debt or an otherwise unconditional promise to cover all required payments on the obligation.

*Other Loans*

Other loans are generally made to farmers for various purposes related to crops, livestock, related equipment/machinery, and other farm operations. Repayment is primarily dependent on the personal income of the borrower(s) and income from farming operations, which can be impacted by economic and other market conditions. As a general practice, the Company takes as collateral a security interest in the underlying crops, livestock, equipment, etc. Such loans are monitored via inspections and/or evaluations, as applicable.



**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Allowance for Credit Losses on Off-Balance Sheet Credit Exposure***

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet credit exposures is adjusted through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The Company considers such factors as current and projected general economic conditions, the interest rate environment, the rate of growth of the economy, and inflation when determining the expected credit losses.

The following categories of off-balance sheet credit exposures have been identified: Unused commitments to fund construction and land development loans, unfunded commitments for commercial and industrial loans, unfunded commitments for 1 – 4 family residential construction loans. The same risks characteristics exist for unfunded and unused commitments as those for loans in the same category.

***Other Restricted Stock, at cost***

***Federal Home Loan Bank (FHLB) Stock***

The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

***First National Bankers Bank (FNBB) Stock***

The Bank is a member of FNBB. FNBB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recover of par value. Both cash and stock dividends are reported as income.

***Premises and Equipment, net***

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Buildings and related components generally are depreciated using the straight-line method with useful lives ranging from 5 to 50 years. Furniture, fixtures and equipment generally depreciate using the straight-line (or accelerated) method with useful lives ranging from 3 to 50 years.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Leases***

Leases are classified as operating or finance leases at the lease commencement date. The Company leases certain locations and equipment. The Company records leases on the balance sheet in the form of a lease liability for the present value of future minimum payments under the lease terms and a right-of-use asset equal to the lease liability adjusted for items such as deferred or prepaid rent, lease incentives, and any impairment of the right-of-use asset. The discount rate used in determining the lease liability is based upon the incremental borrowing rates the Company could obtain for similar loans as of the date of commencement or renewal. The Company does not record leases on the consolidated balance sheets that are classified as short term (less than one year).

At lease inception, the Company determines the lease term by considering the minimum lease term and all optional renewal periods that the Company is reasonably certain to renew. The lease term is also used to calculate straight-line rent expense. The depreciable life of leasehold improvements is limited by the estimated lease term, including renewals if they are reasonably certain to be renewed. The Company's leases do not contain residual value guarantees or material variable lease payments that will impact the Company's ability to pay dividends or cause the Company to incur additional expenses.

Operating lease expense consists of a single lease cost allocated over the remaining lease term on a straight-line basis, variable lease payments not included in the lease liability, and any impairment of the right-of-use asset. Rent expense and variable lease expense are included in occupancy and equipment expense on the Company's consolidated statements of income. The amortization of the right-of-use asset arising from finance leases is expensed through occupancy and equipment expense and the interest on the related lease liability is expensed through other expense on the Company's consolidated statements of income.

The Company has elected to treat property leases that include both lease and non-lease components as a single component and account for it as a lease.

***Bank Owned Life Insurance***

The Bank has purchased life insurance policies on certain key employees. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

***Loan Commitments and Related Financial Instruments***

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded. Instruments, such as standby letters of credit, that are considered financial guarantees are recorded at fair value at inception.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Stock-Based Compensation***

Compensation cost is recognized for restricted stock awards issued to employees, based on the fair value of these awards at the grant date. The market price of the Company's common stock at the date of grant is used for restricted stock awards.

Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. The Company's accounting policy is to recognize forfeitures as they occur.

***Income Taxes***

The Company and its shareholders have elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. The Company's subsidiary corporation is a Qualified Subchapter S subsidiary (QSUB). Accordingly, the consolidated financial statements do not include a provision for federal income taxes because the Company does not incur federal income taxes. Instead, its earnings and losses are included in the shareholders' personal income tax returns and are taxed based on their personal tax strategies. The State of Alabama currently does not recognize S Corporations tax status for banks. The Company will continue to include a provision for the state tax effect of transactions reported in the consolidated financial statements.

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and the tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

Tax positions are recognized only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax position is recorded. The Company is subjected to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

The Company recognizes interest and/or penalties related to income tax matters in income tax expense.

***Earnings Per Share***

Basic earnings per share represent income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. The weighted average number of common shares outstanding used to calculate earnings per share was 523,989 and 523,670 for the years ended December 31, 2024 and 2023, respectively.



**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Comprehensive Income***

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on debt securities available for sale, which are also recognized as separate components of equity.

***Loss Contingencies***

Loss contingencies, including claims and legal actions arising 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 will have a material effect on the consolidated financial statements.

***Treasury Stock***

Treasury stock is carried at cost.

***Dividend Restrictions***

Banking regulations require maintaining certain capital levels and may limit the dividends paid by the bank to the holding company or by the holding company to shareholders.

***Concentrations of Credit Risk***

Most of the Company's business activity is with customers located in the Marengo County, Tuscaloosa, and Birmingham, Alabama region. Therefore, the Company's exposure to credit risk is significantly affected by changes in the economy of the area. The Company grants commercial, real estate and installment loans to its customers. Although the Company has a diversified loan portfolio, 89% and 89% of the portfolio is concentrated in loans secured by real estate as of December 31, 2024 and 2023, respectively.

***Fair Value of Financial Instruments***

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 6, 2025, and determined there were no events that occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

***Recent Accounting Standards***

On January 1, 2023, the Company adopted ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized costs, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. In addition, ASC 326 made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities management does not intend to sell or believes that it is more likely than not they will be required to sell.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures. Upon implementing ASC 326, the Company recorded an allowance for credit losses on off-balance-sheet credit exposures in the amount of \$350,000. While there was no impact on the total allowance for credit losses on loans, the amount of reserves required for each of the loan pools evaluated using the ASC 326 methodology shifted as a result of increasing the historical loss factor from five years to twenty years and adjusting that factor for projected future losses based on historical losses for each pool. The Company did not have any changes to the recorded amounts or allowances for credit losses related to securities.

On January 1, 2023, the Company adopted ASU 2022-02, *Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, which eliminated the accounting guidance for troubled debt restructurings (TDRs) by creditors while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. This ASU eliminates TDR recognition and measurement guidance and instead requires that an entity evaluate (consistent with the accounting for other loan modifications) whether the modification represents a new loan or a continuation of an existing loan. Beginning in the year of adoption, this ASU enhances disclosure requirements and introduces new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty.

**Note 3: DEBT SECURITIES**

The following table summarizes the amortized cost and fair value of securities available for sale at December 31, 2024 and 2023 and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>December 31, 2024</b>				
Available-for-sale				
Municipal securities	\$ 40,063,233	\$ 6,321	\$ (2,011,230)	\$ 38,058,324
U.S. Government securities	39,343,181	6,220	(959,501)	38,389,900
Mortgage-backed securities - residential	20,956,902	-	(1,074,142)	19,882,760
Mortgage-backed securities - commercial	1,913,551	-	(245,530)	1,668,021
Corporate securities	2,163,233	-	(18,072)	2,145,161
Total available-for-sale	\$ 104,440,100	\$ 12,541	\$ (4,308,475)	\$ 100,144,166

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>December 31, 2023</b>				
Available-for-sale				
Municipal securities	\$ 41,400,079	\$ 49,306	\$ (2,035,094)	\$ 39,414,291
U.S. Government securities	53,197,286	13,534	(2,115,037)	51,095,783
Mortgage-backed securities - residential	5,014,485	-	(448,608)	4,565,877
Mortgage-backed securities - commercial	1,948,984	-	(249,517)	1,699,467
Corporate securities	2,654,539	2,867	(88,117)	2,569,289
Total available-for-sale	\$ 104,215,373	\$ 65,707	\$ (4,936,373)	\$ 99,344,707

Proceeds from sales and calls of securities and the associated gains and losses are listed below:

<i>For the years ended December 31,</i>	<b>2024</b>	<b>2023</b>
Proceeds	\$ 11,152,145	\$ -
Gross gains	-	-
Gross losses	423,114	-



**Note 3: DEBT SECURITIES (Continued)**

The tax benefit related to these net realized losses was \$27,502 for the year ended December 31, 2024.

There was no allowance for credit losses for securities-available-for-sale at December 31, 2024 or 2023.

The amortized cost and fair values of debt securities are shown by contractual maturity. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

The amortized cost and fair value of debt securities at December 31, 2024 are as follows:

	Amortized Cost	Fair Value
Available-for-sale		
Within one year	\$ 14,583,178	\$ 14,452,138
One to five years	40,915,848	39,224,516
Five to ten years	22,425,071	21,434,096
Beyond ten years	3,645,550	3,482,635
Mortgage-backed securities - residential	20,956,902	19,882,760
Mortgage-backed securities - commercial	1,913,551	1,668,021
<b>Total</b>	<b>\$ 104,440,100</b>	<b>\$ 100,144,166</b>

Securities pledged at year-end 2024 and 2023 had a carrying amount of \$41,997,920 and \$39,261,860 and were pledged to secure public deposits and repurchase agreements.

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

**Note 3: DEBT SECURITIES (Continued)**

The following table summarizes debt securities available for sale in an unrealized loss position for which an allowance for credit losses has not been recorded at December 31, 2024, aggregated by major security type and length of time in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>December 31, 2024</b>						
Available-for-sale						
Municipal securities	\$ 9,544,188	\$ (254,067)	\$ 25,449,391	\$ (1,757,163)	\$ 34,993,579	\$ (2,011,230)
U.S. Government securities	16,966,229	(206,263)	18,935,923	(753,238)	35,902,152	(959,501)
Mortgage backed securities	16,290,490	(719,061)	5,260,291	(600,611)	21,550,781	(1,319,672)
Corporate securities	463,988	(222)	1,681,173	(17,850)	2,145,161	(18,072)
Total available-for-sale	\$ 43,264,895	\$ (1,179,613)	\$ 51,326,778	\$ (3,128,862)	\$ 94,591,673	\$ (4,308,475)

Unrealized losses on securities available-for sale have not been recognized into income because the issuers are of high credit quality (rated AA or higher), management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions.

The following table summarizes securities with unrealized losses at December 31, 2023, aggregated by major security type and length of time in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>December 31, 2023</b>						
Available-for-sale						
Municipal securities	\$ 4,834,695	\$ (49,782)	\$ 29,595,184	\$ (1,985,312)	\$ 34,429,879	\$ (2,035,094)
U.S. Government securities	3,224,411	(9,945)	46,373,242	(2,105,092)	49,597,653	(2,115,037)
Mortgage backed securities	301,282	(2,500)	5,964,062	(695,625)	6,265,344	(698,125)
Corporate securities	-	-	2,106,258	(88,117)	2,106,258	(88,117)
Total available-for-sale	\$ 8,360,388	\$ (62,227)	\$ 84,038,746	\$ (4,874,146)	\$ 92,399,134	\$ (4,936,373)

**Note 3: DEBT SECURITIES (Continued)**

As of December 31, 2024, the Company's security portfolio consisted of 254 securities, 241 of which were in an unrealized loss position. The majority of unrealized losses are related to the Company's Municipal securities, U.S. Government securities, and Mortgage-backed securities, as discussed below:

***Municipal Securities***

The unrealized loss on 118 investments in Municipal securities resulted from interest rate changes and other temporary market influences. The contractual terms of the investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments.

Because the Company does not intend to sell the investments and it likely that the Company will not be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company has not recognized any unrealized losses on these securities for the year ending December 31, 2024.

***U.S. Government Securities***

The unrealized loss on 73 investments in U.S. Government obligations and direct obligations of U.S. Government agencies was caused by market interest rate and repayment speed changes since the time these investments were acquired. The contractual terms of the investment does not permit the issuer to settle the security at a price less than the amortized cost bases of the investment. Because the Company does not intend to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company has not recognized unrealized losses into income as of December 31, 2024.

***Mortgage-Backed Securities***

The decline in fair value of 45 mortgage-backed securities was a result of change in interest rate and illiquidity, not a decline in credit quality. The Company purchased the investment at a discount relative to its face amount, and the contractual cash flows of the investment are guaranteed by an agency of the U.S. government. Accordingly, it is expected that the security would not be settled at a price less than the amortized cost basis of the Company's investment.

Because the decline in market value is attributable to the current interest rate environment and not credit quality, and because the Company does not intend to sell the investments and it is not likely that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company has not recognized unrealized losses at December 31, 2024.



**Note 3: DEBT SECURITIES (Continued)**

***Corporate Securities***

The unrealized loss on 5 investments in corporate securities resulted from interest rate changes and other temporary market influences. The contractual terms of this investment do not permit the issuer to settle the security at a price less than the amortized cost basis of the investment. Because the Company does not intend to sell the investment and it is not likely that the Company will be required to sell the investment before recovery of its amortized cost basis, which may be maturity, the Company has not recognized losses at December 31, 2024.

**Note 4: LOANS AND ALLOWANCE FOR CREDIT LOSSES**

Loans at year-end were as follows:

	2024	2023
Real estate:		
Secured by 1-4 family residential properties	\$ 76,595,620	\$ 74,195,359
Secured by nonfarm, nonresidential properties	143,371,037	136,306,494
Secured by multi-family residential properties	31,859,285	16,249,335
Farmland	14,505,812	14,688,038
Construction, land development and other land	24,655,098	36,871,007
Commercial and industrial	18,757,151	18,609,491
Consumer	3,724,164	4,278,747
Tax free municipal	12,249,030	11,614,048
Other	1,058,767	1,035,997
Subtotal	326,775,964	313,848,516
Less: Net deferred loan fees and costs	(498,670)	(606,337)
Allowance for credit losses	(4,728,176)	(4,751,463)
Loans, net	\$ 321,549,118	\$ 308,490,716

**Note 4: LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)**

The following table presents the activity in the allowance for credit losses by portfolio segment for the year ended December 31, 2024 and 2023:

	Real Estate	Commercial and Industrial	Consumer	Tax Free Municipal	Other	Total
<b>December 31, 2024</b>						
Allowance for credit losses:						
Beginning balance	\$ 4,032,412	\$ 239,803	\$ 220,822	\$ 227,639	\$ 30,787	\$ 4,751,463
Credit loss expense	168,824	57,885	(15,345)	(200,285)	(11,079)	-
Loans charged-off	-	(139,843)	(21,796)	-	-	(161,639)
Recoveries	10,300	122,029	6,023	-	-	138,352
Total ending allowance balance	\$ 4,211,536	\$ 279,874	\$ 189,704	\$ 27,354	\$ 19,708	\$ 4,728,176
<b>December 31, 2023</b>						
Allowance for loan losses:						
Beginning balance, prior to adoption of ASC 326	\$ 3,525,069	\$ 378,878	\$ 82,052	\$ 116,624	\$ 33,424	\$ 4,136,047
Credit loss expense	554,848	(53,102)	174,876	111,015	(2,637)	785,000
Loans charged-off	(56,751)	(102,467)	(48,885)	-	-	(208,103)
Recoveries	9,246	16,494	12,779	-	-	38,519
Total ending allowance balance	\$ 4,032,412	\$ 239,803	\$ 220,822	\$ 227,639	\$ 30,787	\$ 4,751,463

Non-accrual loans and loans past due over 89 days still on accrual include both smaller balance homogenous loans that are collectively evaluated for impairment and individually classified impaired loans. Impaired loans include commercial loans that are individually evaluated for impairment and deemed impaired (i.e., individually classified impaired loans) as well as loans with modifications due to borrowers experiencing financial difficulties for all loan portfolio segments. The sum of non-accrual loans and loans past due over 89 days still on accrual will differ from the total impaired loan amount.

**Note 4: LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)**

The following table presents the amortized cost basis of loans on nonaccrual status and loans past due over 89 days still accruing as of December 31, 2024 and 2023:

	Non-accrual With No Allowance For Credit Loss	Non-accrual	Loans Past Due Over 89 Days Still Accruing
<b>December 31, 2024</b>			
Real estate:			
Secured by 1-4 family residential	\$ 215,965	\$ 435,180	\$ -
Commercial and industrial	66,430	66,430	-
Consumer	39,184	39,184	-
Other	-	33,546	-
Total	\$ 321,579	\$ 574,340	\$ -
<b>December 31, 2023</b>			
Real estate:			
Secured by 1-4 family residential	\$ 399,181	\$ 399,181	\$ 121,479
Secured by nonfarm, nonresidential	1,067,880	1,067,880	67,031
Commercial and industrial	-	-	11,033
Consumer	83,084	83,084	-
Other	-	42,435	-
Total	\$ 1,550,145	\$ 1,592,580	\$ 199,543



**Note 4: LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)**

The following table presents the amortized cost basis of collateral-dependent loans by class of loans as of December 31, 2024 and 2023:

	Secured by Real Estate	Other
<b>December 31, 2024</b>		
Real estate:		
Secured by 1-4 family residential	\$ 919,936	\$ -
Farmland	429,086	-
Other	-	33,546
Total	\$ 1,349,022	\$ 33,546
<b>December 31, 2023</b>		
Real estate:		
Secured by 1-4 family residential	\$ 1,228,929	\$ -
Secured by nonfarm, nonresidential	1,067,880	-
Farmland	529,948	-
Other	-	42,435
Total	\$ 2,826,757	\$ 42,435

The following table presents the aging of the amortized cost basis in past-due loans as of December 31, 2024 and 2023 by class of loans:

	30-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Loans Not Past Due	Total
<b>December 31, 2024</b>					
Real estate					
Secured by 1-4 family residential	\$ 862,658	\$ 81,844	\$ 944,502	\$ 75,651,118	\$ 76,595,620
Secured by nonfarm, nonresidential	26,085	-	26,085	143,344,952	143,371,037
Secured by multi-family residential	-	-	-	31,859,285	31,859,285
Farmland	-	-	-	14,505,812	14,505,812
Construction, land development and other land	-	-	-	24,655,098	24,655,098
Commercial and industrial	-	-	-	18,757,151	18,757,151
Consumer	13,600	39,184	52,784	3,671,380	3,724,164
Tax free municipal	904,816	-	904,816	11,344,214	12,249,030
Other	-	-	-	1,058,767	1,058,767
Total	\$ 1,807,159	\$ 121,028	\$ 1,928,187	\$ 324,847,777	\$ 326,775,964

**Note 4: LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)**

	30-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Loans Not Past Due	Total
<i>December 31, 2023</i>					
Real estate					
Secured by 1-4 family residential	\$ 1,455,716	\$ 121,479	\$ 1,577,195	\$ 72,618,164	\$ 74,195,359
Secured by nonfarm, nonresidential	26,906	67,031	93,937	136,212,557	136,306,494
Secured by multi-family residential	-	-	-	16,249,335	16,249,335
Farmland	-	-	-	14,688,038	14,688,038
Construction, land development and other land	-	-	-	36,871,007	36,871,007
Commercial and industrial	102,523	11,033	113,556	18,495,935	18,609,491
Consumer	2,528	-	2,528	4,276,219	4,278,747
Tax free municipal	-	-	-	11,614,048	11,614,048
Other	-	-	-	1,035,997	1,035,997
Total	\$ 1,587,673	\$ 199,543	\$ 1,787,216	\$ 312,061,300	\$ 313,848,516

***Loan Modifications Made to Borrowers Experiencing Financial Difficulty***

Modifications to borrowers experiencing financial difficulty may include interest rate reductions, principal or interest forgiveness, forbearances, term extensions, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of collateral. In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the Company's internal underwriting policy.

As of December 31, 2024 and 2023, the Company has no significant modifications in place with borrowers experiencing financial difficulty.

***Credit Quality Indicators***

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis includes loans with an outstanding balance greater than \$50,000 and non-homogeneous loans, such as commercial and commercial real estate loans. This analysis is performed on at least an annual basis. The Company uses the following definitions for risk ratings:

**Special Mention.** Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

**Note 4: LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)**

**Substandard.** Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

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

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass-rated loans. Loans excluded from the review process above are generally classified as pass credits until: (a) they become past due; (b) management becomes aware of deterioration in the credit worthiness of the borrower; or (c) the customer contacts the Company for a modification. In these circumstances, the loan is specifically evaluated for potential classification as to special mention, substandard, doubtful or even charge off.

Based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

	Pass	Special Mention	Substandard	Doubtful	Total
<b>December 31, 2024</b>					
Real estate:					
Secured by 1-4 family residential properties	\$ 74,997,076	\$ 470,348	\$ 1,046,352	\$ 81,844	\$ 76,595,620
Secured by nonfarm, nonresidential properties	141,184,597	2,160,355	26,085	-	143,371,037
Secured by multi-family residential properties	31,859,285	-	-	-	31,859,285
Farmland	13,666,241	321,851	517,720	-	14,505,812
Construction, land development and other land	19,470,551	5,184,547	-	-	24,655,098
Commercial and industrial	18,731,976	-	25,175	-	18,757,151
Consumer	3,527,396	117,167	77,425	2,176	3,724,164
Tax free municipal	12,249,030	-	-	-	12,249,030
Other	821,873	203,348	33,546	-	1,058,767
Total	\$ 316,508,025	\$ 8,457,616	\$ 1,726,303	\$ 84,020	\$ 326,775,964



**Note 4: LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)**

***Credit Quality Indicators (continued)***

	Pass	Special Mention	Substandard	Doubtful	Total
<i>December 31, 2023</i>					
Real estate:					
Secured by 1-4 family residential properties	\$ 72,394,653	\$ 889,101	\$ 911,605	\$ -	\$ 74,195,359
Secured by nonfarm, nonresidential properties	132,923,307	2,355,432	1,027,755	-	136,306,494
Secured by multi-family residential properties	16,249,335	-	-	-	16,249,335
Farmland	13,817,962	870,076	-	-	14,688,038
Construction, land development and other land	36,871,007	-	-	-	36,871,007
Commercial and industrial	18,411,859	84,993	112,639	-	18,609,491
Consumer	4,038,700	123,642	116,405	-	4,278,747
Tax free municipal	11,614,048	-	-	-	11,614,048
Other	993,562	-	42,435	-	1,035,997
Total	\$ 307,314,433	\$ 4,323,244	\$ 2,210,839	\$ -	\$ 313,848,516

**Note 5: FAIR VALUE**

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (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. There are three levels of input that may be used to measure fair values:

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

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

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

**Note 5: FAIR VALUE (Continued)**

The Company used the following methods and significant assumptions to estimate fair value:

***Investment Securities***

The fair value for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2), using matrix pricing. Matrix pricing is a mathematical technique commonly used to price debt securities that are not actively traded, values debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

***Collateral Dependent Loans***

The fair value of collateral dependent loans with specific allocations of the allowance for credit losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available for similar loans and collateral underlying such loans. Such adjustments were a 20% distressed sale discount, a discount for cost of liquidation (including commissions, property taxes, and insurance premium), and legal fees and resulted in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Collateral dependent loans are evaluated on at least an annual basis and adjusted in accordance with the allowance policy.

**Note 5: FAIR VALUE (Continued)**

Assets measured at fair value on a recurring basis are summarized as follows:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets For Identical Asset (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Observable Inputs (Level 3)
	Fair Value			
<b>December 31, 2024</b>				
Municipal securities	\$ 38,058,324	\$ -	\$ 38,058,324	\$ -
U.S. Government securities	38,389,900	-	38,389,900	-
Mortgage-backed securities - residential	19,882,760	-	19,882,760	-
Mortgage-backed securities - commercial	1,668,021	-	1,668,021	-
Corporate securities	2,145,161	-	2,145,161	-
Total	\$100,144,166	\$ -	\$100,144,166	\$ -
<b>December 31, 2023</b>				
Municipal securities	\$ 39,414,291	\$ -	\$ 39,414,291	\$ -
U.S. Government securities	51,095,783	-	51,095,783	-
Mortgage-backed securities - residential	4,565,877	-	4,565,877	-
Mortgage-backed securities - commercial	1,699,467	-	1,699,467	-
Corporate securities	2,569,289	-	2,569,289	-
Total	\$ 99,344,707	\$ -	\$ 99,344,707	\$ -

**Note 5: FAIR VALUE (Continued)**

Assets measured at fair value on a nonrecurring basis are summarized below:

		Fair Value Measurements Using				
		Quoted Prices in Active Markets For Identical Asset Fair Value	Significant Other Observable Inputs (Level 2)	Significant Observable Inputs (Level 3)		
<b>December 31, 2024</b>						
Collateral dependent loans:						
Other	\$	485,272	\$	-	\$	485,272
<b>December 31, 2023</b>						
Collateral dependent loans:						
Other	\$	232,654	\$	-	\$	232,654

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

	Fair Value	Valuation Technique(s)	Unobservable Input(s)	Quantitative Unobservable Inputs
<b>December 31, 2024</b>				
Collateral dependent loans - Other	\$ 485,272	Discount to appraised value of collateral	Appraisal comparability adjustments	20%
<b>December 31, 2023</b>				
Collateral dependent loans - Other	\$ 232,654	Discount to appraised value of collateral	Appraisal comparability adjustments	20%



**Note 6: PREMISES AND EQUIPMENT**

Year-end premises and equipment were as follows:

<i>December 31,</i>		<b>2024</b>		<b>2023</b>
Bank premises	\$	<b>6,099,959</b>	\$	5,938,068
Furniture, fixtures, and equipment		<b>4,087,037</b>		3,974,041
Finance lease right-of-use assets		<b>2,065,385</b>		2,065,385
		<b>12,252,381</b>		11,977,494
Less: accumulated depreciation and amortization		<b>(5,999,004)</b>		(5,637,025)
Total	\$	<b>6,253,377</b>	\$	6,340,469

Depreciation and amortization expense was \$431,454 and \$405,452 for 2024 and 2023, respectively.

**Note 7: LEASES**

The Company entered into leases in the normal course of business primarily for branch locations and back-office operations locations. The Company's leases have remaining terms ranging from 5 to 18 years, some of which include renewal or termination options to extend the lease for up to 10 years.

Right-of-use assets and lease liabilities by lease type, and the associated balance sheet classifications, are as follows:

<i>December 31,</i>		<b>2024</b>		<b>2023</b>
Right-of-use assets:				
Operating leases	Right-of-use operating lease assets	\$ <b>378,161</b>	\$	479,806
Finance leases	Premises and equipment, net	<b>1,755,577</b>		1,858,847
Total right-of-use assets		\$ <b>2,133,738</b>	\$	2,338,653
Lease liabilities:				
Operating leases	Operating lease liabilities	\$ <b>429,047</b>	\$	540,211
Finance leases	Accrued interest payable and other liabilities	<b>1,837,209</b>		1,913,829
Total lease liabilities		\$ <b>2,266,256</b>	\$	2,454,040

**Note 7: LEASES (Continued)**

***Lease Expense***

The components of total lease cost were as follows for the period ending:

<i>December 31,</i>	<b>2024</b>	<b>2023</b>
Finance lease cost		
Right-of-use asset amortization	\$ 103,269	\$ 103,269
Interest expense	61,064	63,512
Operating lease cost	123,695	123,695
 Total lease cost, net	 \$ 288,028	 \$ 290,476

***Lease Obligation***

Future undiscounted lease payments for operating and finance leases with initial terms of one year or more as of December 31, 2024 are as follows:

<i>For the years ending December 31,</i>	Operating Leases	Finance Leases
2025	\$ 135,866	137,685
2026	138,568	137,685
2027	141,343	138,639
2028	47,425	139,594
2029	-	139,594
Thereafter	-	1,706,223
 Total future minimum lease payments	 463,202	 2,399,420
Less: imputed interest	34,155	562,211
 Present value of lease liabilities	 \$ 429,047	 \$ 1,837,209

<i>December 31,</i>	<b>2024</b>	<b>2023</b>
Weighted-average remaining lease term:		
Operating leases	3.33 years	4.34 years
Finance Leases	17.01 years	18.01 years
 Weighted-average discount rate:		
Operating leases	4.50 %	4.50 %
Finance leases	3.25 %	3.25 %

## Note 8: DEPOSITS

Time deposits that meet or exceed the FDIC Insurance limit of \$250,000 at year-end 2024 and 2023 were \$31,626,463 and \$38,356,629, respectively.

Scheduled maturities of time deposits for the next five years were as follows:

<i>For the years ending December 31,</i>		
2025	\$	84,138,138
2026		5,041,987
2027		1,981,731
2028		824,732
2029		814,715
Total	\$	92,801,303

## Note 9: FEDERAL HOME LOAN BANK ADVANCES

At year-end, advances from the Federal Home Loan Bank were \$8,000,000 for the years ending December 31, 2024 and 2023. The outstanding balance as of December 31, 2024, is comprised of a fixed rate hybrid advance of \$3,000,000, bearing interest at 3.551%, due in 2027 and a convertible advance of \$5,000,000, bearing interest at 3.692%, due in 2028.

Each advance is payable at its maturity date, with a prepayment penalty for fixed rate advances. The convertible advance is callable at the Federal Home Loan Bank's option every ninety days. As of the date of the report, the advance had not been called. The advances were collateralized by \$57,513,589 and \$55,522,054 of 1-4 family residential mortgage loans under a blanket lien arrangement at year end 2024 and 2023. The Company is eligible to borrow up to a total of \$110,253,750 at year-end 2024.

At December 31, 2024, the Company also had two unsecured federal funds lines of credit with other financial institutions enabling the Company to borrow up to \$17,000,000, with interest determined at the time of the draw. The arrangements are reviewed annually for renewal of each credit line.

## Note 10: PROFIT SHARING PLAN

The Company offers the benefit of participating in a 401(k) profit sharing plan to eligible employees. A safe harbor non-elective contribution is made to the account of each eligible employee in an amount equal to 3% of the employee's compensation for the plan year. Profit sharing contributions may also be made at the Company's discretion, which will be allocated among all eligible employees. All Company contributions are subject to certain limitations set by law. Expense for 2024 and 2023 was \$447,450 and \$404,700 respectively.

## RBC, Inc. & Subsidiary Notes to the Consolidated Financial Statements

### Note 11: INCOME TAXES

Income tax expense (benefit) was as follows:

<i>For the years ended December 31,</i>	<b>2024</b>	<b>2023</b>
Current expense (benefit)		
State	\$ 507,897	\$ 480,000
Deferred expense (benefit)	-	-
Total	\$ 507,897	\$ 480,000

The provision for state income taxes differs from that computed by applying statutory rates to income before income tax expense primarily due to tax exempt interest income and other non-deductible expenses.

Year-end deferred tax assets and liabilities were due to the following:

<i>December 31,</i>	<b>2024</b>	<b>2023</b>
Deferred tax assets:		
Provision for loan losses	\$ 259,693	\$ 259,693
Net unrealized losses on securities available for sale	279,236	316,593
Total deferred tax assets	538,929	576,286
Deferred tax liabilities:		
Depreciation	(43,341)	(43,341)
Net deferred tax assets	\$ 495,588	\$ 532,945

### Note 12: RELATED-PARTY TRANSACTIONS

Loans to principal officers, directors, and their affiliates during 2024 were as follows:

Beginning balance	\$ 1,377,415
New loans	5,035,692
Repayments	(948,135)
Ending balance	\$ 5,464,972

Standby letters of credit granted to principal officers, directors, and their affiliates consisted of \$15,000 and \$5,019,450 at December 31, 2024 and 2023, respectively.



**Note 12: RELATED-PARTY TRANSACTIONS (Continued)**

Deposits from principal officers, directors, and their affiliates at year-end 2024 and 2023 were \$3,956,519 and \$3,729,234.

**Note 13: STOCK INCENTIVE PLANS**

The Company has a stock incentive plan for certain key employees that provides for the granting of restricted stock, incentive and performance shares. The total number of shares of stock subject to issuance under the plan may not exceed 10,000 shares. The Board of Directors determines the terms of the restricted stock granted.

Performance shares awarded annually are subject to a calculation based on amounts and ratios reflected in the call report of the Company at calendar year end and are subject to any adjustments determined by the Board of Directors. As of the year ended December 31, 2024 and 2023, performance shares of 2,419 and 2,206, respectively, have been awarded to employees since the inception of the stock incentive plan. These shares have vesting periods of 4 years held as treasury stock to satisfy share option exercises. Currently, the Company has a sufficient number of treasury shares to satisfy expected share option exercises.

A summary of the activity in the stock incentive plan for 2024 follows:

	Number of Shares	Weighted - Average Exercise Price	
Outstanding at beginning of year	2,113	\$	81.02
Granted	213		167.17
Outstanding at end of year	2,326	\$	88.91
Fully vested and exercisable at end of year	1,596		

There was \$393,785 and \$292,887 of total unrecognized compensation expense related to the unvested shares as of December 31, 2024 and 2023, respectively.

**Note 14: REGULATORY CAPITAL MATTERS**

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2024, the Company and Bank meet all capital adequacy requirements to which they are subject.

**Note 14: REGULATORY CAPITAL MATTERS (Continued)**

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are distributions required. At year-end 2024 and 2023, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

Actual and required capital amounts (in thousands) and ratios are presented below at year-end.

	Actual		Required for Capital Adequacy Purposes		To Be Well Capitalized Under Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>December 31, 2024</b>						
Total Capital to risk weighted assets						
Bank	\$ 50,143	14.21%	\$ 28,220	8.00%	\$ 35,275	10.00%
Tier 1 (Core) Capital to risk weighted assets						
Bank	\$ 45,726	12.96%	\$ 21,165	6.00%	\$ 28,220	8.00%
Common Tier 1 (CET1) to risk weighted assets						
Bank	\$ 45,726	12.96%	\$ 15,874	4.50%	\$ 22,929	6.50%
Tier 1 (Core) Capital to average assets						
Bank	\$ 45,726	9.67%	\$ 18,914	4.00%	\$ 23,642	5.00%

**Note 14: REGULATORY CAPITAL MATTERS (Continued)**

	Actual		Required for Capital Adequacy Purposes		To Be Well Capitalized Under Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<i>December 31, 2023</i>						
Total Capital to risk weighted assets						
Bank	\$ 47,394	13.51%	\$ 28,055	8.00%	\$ 35,068	10.00%
Tier 1 (Core) Capital to risk weighted assets						
Bank	\$ 43,002	12.26%	\$ 21,041	6.00%	\$ 28,055	8.00%
Common Tier 1 (CET1) to risk weighted assets						
Bank	\$ 43,002	12.26%	\$ 15,781	4.50%	\$ 22,794	6.50%
Tier 1 (Core) Capital to average assets						
Bank	\$ 43,002	9.40%	\$ 18,306	4.00%	\$ 22,882	5.00%

***Dividend Restrictions***

The Company and the Bank are subject to dividend restrictions set forth by the State Banking Department and federal banking agencies. Additional restrictions may be imposed by the State Banking Department and federal banking agencies under the powers granted to them by law. The Bank can pay in the form of dividends the current year earning plus the retained earnings of the two preceding years, less any required transfers to surplus. Amounts in excess of this must be approved by regulatory agencies.

**Note 15: LOAN COMMITMENTS AND OTHER RELATED ACTIVITIES**

The Company is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the accompanying consolidated balance sheets.

The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company uses the same credit policies in making commitments as it does for on-balance-sheet instruments.

**Note 15: LOAN COMMITMENTS AND OTHER RELATED ACTIVITIES (Continued)**

Some financial instruments, such as loan commitments, credit lines, letters of credit, and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance-sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

The contractual amounts of financial instruments with off-balance-sheet risk at year-end were as follows:

<i>December 31,</i>	<b>2024</b>	<b>2023</b>
Unfunded home equity lines	\$ 11,104,283	\$ 8,524,204
Commitments secured by real estate:		
1 - 4 family residential construction loans	594,322	1,763,676
Construction, land development, and other land	3,173,419	15,666,835
Commitments to fund commercial and industrial loans	6,655,064	6,903,764
All other unfunded commitments	29,623,859	32,147,853
Standby letters of credit	18,250	5,019,450

Commitments to grant loans and unadvanced construction funds are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for lines of credit may expire without being drawn upon; therefore, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's credit worthiness on a case-by-case basis. Mortgage loans, construction loans, and home equity lines of credit are collateralized by real estate. Commercial lines of credit are generally secured by real estate or business assets or may be unsecured, and cash reserve lines of credit are unsecured.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance by a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to its customers. The Company's outstanding letters of credit generally have a term of less than one year. If a letter of credit is drawn upon, the Company may seek recourse through the customer's underlying line of credit. If the customer's line of credit is also in default, the Company may take possession of the collateral, if any, securing the line of credit. Contract amounts and fair value for standby letters of credit are materially the same.



**Note 15: LOAN COMMITMENTS AND OTHER RELATED ACTIVITIES (Continued)**

The Company accrues credit losses related to off-balance sheet loan commitments. Potential losses are estimated using similar risk factors used to determine the allowance for credit losses. The Company has recorded a liability of \$350,000 and \$350,000 at December 31, 2024 and 2023, respectively, related to these loan commitments. The Company recorded a provision for credit losses for off-balance sheet loan commitments in the amount of \$0 and \$350,000 for the years ended December 31, 2024 and 2023, respectively. This is recorded in the other liabilities line on the consolidated balance sheet.

**Note 16: REVENUE FROM CONTRACTS WITH CUSTOMERS**

All of the Company's revenue from contracts with customers in the scope of ASC 606 is recognized within Non-Interest Income. The following table presents the Company's sources of Non-Interest Income for the twelve months ended December 31, 2024 and 2023. Items outside the scope of ASC 606 are noted as such.

<i>For the years ended December 31,</i>	<b>2024</b>	<b>2023</b>
Non-interest income		
Service charges on deposits	\$ 835,665	\$ 812,276
Other service charges	1,300,293	1,368,057
Trust fees	175,349	162,706
Net gain (loss) on sales of securities <sup>(a)</sup>	(423,114)	-
Other <sup>(a)</sup>	522,809	716,463
Total non-interest income	\$ 2,411,002	\$ 3,059,502

(a) Not within the scope of ASC 606

A description of the Company's revenue streams accounted for under ASC 606 follows:

***Service Charges on Deposit Accounts and Other Service Charges***

The Company earns fees from its deposit customers for transaction-based, account maintenance and overdraft services. Transaction-based fees, which include services such as automated teller machine (ATM) use fees, stop payment charges, statement rendering, and automated clearing house (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 maintenance 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. Service charges on deposits are withdrawn from the customer's account balance.

**Note 16: REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)**

***Trust Fees***

The Company earns trust fees from its contracts with trust customers to manage assets for investment, and/or to transact on their accounts. These fees are primarily earned over time as the Company provides the contracted monthly or quarterly services.



Joe Bradley  
Chairman of the Board



William Gary Holemon  
President and CEO

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Assistant Cashier

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LYNETTE McCLURE  
Assistant Cashier


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