Parent Company of the First National Bank of Dennison and TuscValley Financial, Inc.

March 25, 2025

Dear Shareholder:

We are excited to present you with the audited financial statements for the years ending December 31, 2024 and December 31, 2023. These consolidated statements include FNB, Inc. and its wholly owned subsidiaries The First National Bank of Dennison and TuscValley Financial, Inc. in New Philadelphia.

For those of you who skip this letter and move quickly to the income statement, you will notice our net income is about one fourth of our all time record income of $2,414,465 that was earned in 2023. We told you in our report last year and reinforced the message throughout 2024 that this would be a good year overall, but not on par with 2023. Increasing wages and deposit costs, coupled with the high costs of training and regulation took a toll on profitability.

However, the main culprit was a one time, pre-tax charge of $1,632,097 ($1,289,357 after-tax) to terminate the defined benefit pension plan. This plan was established in 1964 and served our employees well until 2020 when it was frozen due to uncertainties surrounding the Covid-19 pandemic. The plan remained frozen until this year when it was finally terminated. All participants received their earned benefits and the Company will eliminate this costly expense going forward.

Net income for 2024 was $663,473 and earnings per share came in at $.99. This compares with $2,414,465 and $3.61 in 2023. Your Company is off to a good start in 2025, wih challenges coming from political uncertainty, staffing issues and the continuing costs of technology and regulation.

Speaking of staffing, we want to acknowledge the recent retirements of several people who have worked for the First National Bank of Dennison many years. Laurie Quillen started at the Bank in 1994 and served in various roles, including customer service, deposit administration and audit. Sue Williams started at the Bank in 1998 and also had several different responsibilities, most recently as a Universal Banker. Finally, Bob Wolf retired in January of this year after working for the Bank since 2004. Bob was our Head of Lending and handled many of our commercial customers for many years. We want to thank all of our retirees for their service and dedication and wish them all the best in retirement!

The Annual Meeting of Shareholders will be held on Friday, April 18, 2025 at 8 am at the Gnadenhutten Office of the First National Bank of Dennison, located at 130 N. Walnut Street, Gnadenhutten, Ohio. We encourage you to join us for the meeting. If you are planning on attending in person and have special needs, please contact us. Your signed and completed proxy should be returned to us promptly in the enclosed stamped envelope. Please note that we have recently experienced delays in the delivery of US mail. Therefore you may email your proxy to jbunner@fnbdennison.com or fax your proxy to 740-922-2051, thank you!

Cordially,

Blair A. Hillyer, Chairman, President, & CEO

Nichole L. Zesiger, Executive Vice President

105 Grant Street • P.O. Box 31 • Dennison, Ohio 44621
Phone: (740) 922-2532 • Fax: (740) 922-2051 • Website: www.fnbdennison.com

FNB, INC.
Dennison, Ohio

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

FNB, INC.
Dennison, Ohio

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
FNB, Inc.
Dennison, Ohio

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FNB, Inc. 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 FNB, Inc.'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about FNB, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Other Information Included in the Annual Report

Management is responsible for the other information included in the Annual Report. The other information comprises the President's Letter included in the Annual Report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Crowe LLP

Crowe LLP

Cleveland, Ohio
March 24, 2025

FNB, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2024 and 2023

	2024	2023
ASSETS		
Cash and due from financial institutions	$ 14,168,147	$ 19,286,517
Federal funds sold	9,037,004	10,754,036
Cash and cash equivalents	23,205,151	30,040,553
Debt securities available for sale	76,527,820	74,144,357
Restricted stock, at cost	341,471	341,471
Loans receivable, net	160,026,640	168,774,819
Company owned life insurance	4,323,112	4,238,412
Premises and equipment, net	2,862,017	2,870,767
Accrued interest receivable	1,336,546	1,332,083
Other assets	4,203,226	3,144,218
	$ 272,825,983	$ 284,886,680
LIABILITIES AND SHAREHOLDERS' EQUITY		
Demand deposits	$ 150,787,487	$ 161,590,163
Savings deposits	55,766,982	62,168,655
Certificates of deposit	46,531,876	41,323,268
Total deposits	253,086,345	265,082,086
Short-term borrowing	675,000	600,000
Accrued interest payable and other liabilities	1,074,301	1,362,786
Total liabilities	254,835,646	267,044,872
Shareholders' Equity		
Common stock (no par value; 5,000,000 shares authorized; 796,047 shares issued at December 31, 2024 and 2023)	2,122,418	2,122,418
Additional paid-in capital	879,098	879,098
Retained earnings	30,338,071	30,876,971
Accumulated other comprehensive loss	(11,213,972)	(11,901,401)
Treasury stock, at cost (128,062 shares at December 31, 2024)	(4,135,278)	(4,135,278)
Total shareholders' equity	17,990,337	17,841,808
	$ 272,825,983	$ 284,886,680

See accompanying notes.

FNB, INC.
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2024 and 2023

	2024	2023
Interest income		
Loans, including fees	$ 11,763,690	$ 10,669,900
Taxable securities	1,140,804	1,041,516
Tax exempt securities	1,381,708	1,405,989
Federal funds sold and other	1,065,125	970,480
Total interest income	15,351,327	14,087,885
Interest expense		
Deposits	3,323,400	2,342,159
Borrowings	51,363	50,326
Total interest expense	3,374,763	2,392,485
Net interest income	11,976,564	11,695,400
Provision for loan losses	271,554	239,500
Net interest income after provision for loan losses	11,705,010	11,455,900
Other income		
Service charges on deposit accounts	370,793	373,008
Mortgage banking income	212,810	95,221
Other	695,502	719,976
Total other income	1,279,105	1,188,205
Other expenses		
Compensation and benefits	6,983,390	4,991,516
Occupancy	410,355	469,655
Equipment and processing	1,805,629	1,625,441
State franchise taxes	153,259	182,939
FDIC insurance premiums	131,115	123,000
Advertising	142,390	142,326
Director fees	227,700	211,000
Professional and consulting	973,612	508,711
Other	1,438,542	1,447,218
Total other expense	12,265,992	9,701,806
Income before income taxes	718,123	2,942,299
Provision for income taxes	54,650	527,834
Net income	$ 663,473	$ 2,414,465
Basic earnings per share	$ 0.99	$ 3.61

See accompanying notes.

FNB, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31, 2024 and 2023

	2024	2023
Net income	$ 663,473	$ 2,414,465
Other comprehensive income (loss):		
Unrealized gains/(losses) on securities:		
Unrealized holding gain/(loss) arising during the period	(864,269)	1,987,399
Reclassification adjustment for losses (gains) included in net income	-	-
Unrealized gains (losses)	(864,269)	1,987,399
Tax effect	181,498	(417,354)
Net of tax	(682,771)	1,570,045
Defined benefit pension plans:		
Net (loss) gain arising during the period	-	(32,761)
Reclassification adjustment for amortization of net actuarial loss included in net periodic pension cost	1,734,430	123,956
Net unrealized gain (loss) on pension plan	1,734,430	91,195
Tax effect	(364,230)	(19,151)
Net of tax	1,370,200	72,044
Total other comprehensive income (loss)	687,429	1,642,089
Comprehensive income	$ 1,350,902	$ 4,056,554

See accompanying notes.

FNB, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years ended December 31, 2024 and 2023

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
Balance, January 1, 2023	$ 2,122,418	$ 879,098	$ 29,631,480	$ (13,543,490)	$ (4,135,278)	$ 14,954,228
Net income	-	-	2,414,465	-	-	2,414,465
Other comprehensive income (loss)	-	-	-	1,642,089	-	1,642,089
Cash dividends paid ($1.75 per share)	-	-	(1,168,974)	-	-	(1,168,974)
Balance, December 31, 2023	2,122,418	879,098	30,876,971	(11,901,401)	(4,135,278)	17,841,808
Net income	-	-	663,473	-	-	663,473
Other comprehensive income (loss)	-	-	-	687,429	-	687,429
Cash dividends paid ($1.80 per share)	-	-	(1,202,373)	-	-	(1,203,373)
Balance, December 31, 2024	$ 2,122,418	$ 879,098	$ 30,338,071	$ (11,213,972)	$ (4,135,278)	$ 17,990,337

See accompanying notes.

FNB, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Net income	$ 663,473	$ 2,414,465
Adjustments to reconcile net income to net cash from operating activities		
Depreciation	420,576	409,615
Loans originated for sale	(3,042,910)	(1,696,950)
Proceeds from sale of loans	3,083,122	1,711,983
Net amortization of securities	140,600	177,962
Net gain on sale of loans	(57,579)	(48,855)
Provision for loan losses	271,554	239,500
Deferred income taxes	(323,786)	87,505
Earnings on company owned life insurance	(84,700)	(71,438)
Changes in:		
Deferred loan costs	128,468	320,767
Interest receivable	(4,463)	(187,504)
Interest payable	58,261	205,338
Other assets and liabilities	464,132	(149,478)
Net cash provided by operating activities	1,716,748	3,412,910
Cash flows from investing activities		
Available for sale securities:		
Proceeds from maturities and calls	5,000	27,000,000
Principal payments on mortgage-backed securities	2,309,155	2,076,942
Securities purchases	(5,702,487)	(8,260,529)
Net change in loans	8,348,157	(11,474,029)
Premises and equipment expenditures, net	(411,826)	(360,672)
Net cash provided by investing activities	4,577,999	8,981,712
Cash flows from financing activities		
Net change in deposits	(11,995,741)	(7,414,905)
Net change in of short-term borrowings	75,000	-
Cash dividends paid	(1,209,408)	(1,168,974)
Net cash used in financing activities	(13,130,149)	(8,583,879)
Net change in cash and cash equivalents	(6,835,402)	3,810,743
Beginning cash and cash equivalents	30,040,553	26,229,810
Ending cash and cash equivalents	$ 23,205,151	$ 30,040,553

See accompanying notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Principles of Consolidation: The consolidated financial statements include the accounts of FNB, Inc. (Company) and its wholly-owned subsidiaries, the First National Bank of Dennison (Bank) and TuscValley Financial, Inc. (Finance Company). All significant intercompany transactions and balances have been eliminated in consolidation.

The Company is a bank holding company engaged in the business of commercial and retail banking, with operations conducted through its main office and branches located throughout Tuscarawas County, Ohio. This market area provides the source for substantially all the Company's loan interest income derived from commercial and retail business lending activities. Substantially all funding is obtained through deposits from customers in the Company's market area.

Subsequent Events: The Company has evaluated subsequent events for recognition and disclosure through March 24, 2025, which is the date the financial statements were available to be issued.

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ.

Cash Flows: Cash and cash equivalents include cash on hand, amounts due from financial institutions with maturities under 90 days, and federal funds sold. Generally, federal funds are sold for one-day periods. In 2024 and 2023, the Company paid approximately $3,353,000 and $2,187,000 in interest expense and $327,000 and $525,000 in income taxes. There were no noncash transfers of loans to other real estate owned during 2024 and 2023. Net cash flows are reported for customer loan and deposit transactions, and short-term borrowings with original maturities of less than 90 days.

Restrictions on Cash: The Federal Reserve Act authorizes the Board of Governors of the Federal Reserve System to establish reserve requirements within specific ranges for purposes of implementing monetary policy on certain types of deposits and other liabilities of depository institutions. The Board reduced the reserve requirement ratios to zero percent effective March 26, 2020. This action eliminated reserve requirements for all depository institutions. There was no reserve requirement for cash on hand or on deposit with the Federal Reserve Bank at December 31, 2024 or 2023.

Debt Securities: Debt securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available for sale when they might be sold before maturity. 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. Securities are written down to fair value when a decline in fair value is not temporary.

Allowance for Credit Losses – Held-to-Maturity Securities: Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security. Accrued interest receivable on held-to-maturity debt securities is excluded from the estimate of credit losses. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. There were no held-to-maturity debt securities at December 31, 2024 and 2023.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 many factors, including: (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, (3) whether the market decline was affected by macroeconomic conditions, and (4) whether the Company has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery. 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 intent or requirement to sell is met.

Accrued interest receivable on available-for-sale debt securities totaled $653,000 and $621,000 at December 31, 2024 and, 2023, respectively and is excluded from the estimate of credit losses.

Loans Held for Sale: Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

Mortgage loans held for sale are generally sold with servicing rights retained. The carrying value of mortgage loans sold is reduced by the amount allocated to the servicing right. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of deferred loan fees and costs, and an allowance for loan 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 residential and commercial loans is usually discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Installment loans are typically charged-off no later than 120 days past due. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Nonaccrual 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 nonaccrual 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 cost-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 in cash. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk: Most of the Company's business activity is with customers located within Tuscarawas County. Therefore, the Company's exposure to credit risk is significantly affected by changes in the economy in the Tuscarawas County area. Automobiles and other consumer assets, business assets and residential and commercial real estate secure most loans.

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

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The following portfolio segments have been identified: commercial real estate, commercial and industrial, other commercial, single-family, equity lines of credit, other, and installment. The weighted average remaining maturity (WARM) model is used to estimate the allowance for credit losses on all segments. The Company considers loan performance and collateral values in assessing risk in the loan portfolio. A description of each class, and the corresponding segments of the loan portfolio, along with the risk characteristics for each is included below:

Commercial Loans – Commercial loans consist of commercial and industrial and other commercial loans. Commercial loans are made to businesses generally located within the primary market area. Those loans are generally secured by business equipment, inventory, accounts receivable and other business assets. In underwriting commercial loans, we consider the net operating income of the company, the debt service ratio and the financial strength, expertise and credit history of the business owners and/or guarantors. Because payments on commercial loans are dependent on successful operation of the business enterprise, repayment of such loans may be subject to a greater extent to adverse conditions in the economy. We seek to mitigate these risks through underwriting policies which require such loans to be qualified at origination on the basis of the enterprise's financial performance and the financial strength of the business owners and/or guarantors.

Commercial Real Estate Loans – We originate commercial real estate loans that are secured by properties used for business purposes, where the primary source of repayment is derived from rental income associated with the property. These properties include office buildings and retail facilities generally located within our primary market area. Underwriting policies provide that commercial real estate loans may be in amounts less than the appraised value of the property. In underwriting commercial real estate loans, we consider the appraised value and net operating income of the property, the debt service ratio and the property owner's and/or guarantor's financial strength, expertise and credit history. Because payments on loans secured by commercial real estate properties are dependent on successful operation or management of the properties, repayment of commercial real estate loans may be subject to a greater extent to adverse conditions in the real estate market or the economy.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Residential Loans – Residentials loans consist of single-family, equity line of credit, and other residential loans. Single-family mortgage loans include permanent conventional mortgage loans secured by single-family residences located within our primary market area. Credit approval for residential real estate loans requires demonstration of sufficient income to repay the principal and interest and the real estate taxes and insurance, stability of employment and an established credit record. Repayment of these loans is dependent on general economic conditions and unemployment levels in the Company's market area.

Installment Loans – We originate installment loans, including auto loans to consumers, in our primary market area. Credit approved for other installment loans requires income sufficient to repay principal and interest due, stability of employment, an established credit record and sufficient collateral for secured loans. Installment loans typically will have shorter terms and lower balances with higher yields as compared to residential loans, but generally carry higher risks of default. Installment loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be affected by adverse personal circumstances. Repayment of these loans is dependent on general economic conditions and unemployment levels in the Company's market area.

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, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

<u>Servicing Rights</u>: When mortgage loans are sold with servicing retained, servicing rights are initially recorded at fair value with the income statement effect recorded in mortgage banking. Fair value is based on market prices for comparable mortgage servicing contracts, when available or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. All classes of servicing assets are subsequently measured using the amortization method which requires servicing rights to be amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

Servicing rights are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. Impairment is determined by stratifying rights into groupings based on predominant risk characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual grouping, to the extent that fair value is less than the carrying amount. If the Company later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income. Changes in valuation allowances are reported with mortgage banking income on the income statement. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses. Mortgage servicing right assets totaled approximately $309,000 and $376,000 as of December 31, 2024 and 2023, respectively and were recorded in Other Assets in the Consolidated Balance Sheets. No valuation allowance was applied during 2024 or 2023 as the fair value exceeded the carrying value of the assets for both periods.

Servicing fee income, which is reported on the income statement as a portion of mortgage banking income, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal; or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income. Servicing fees, net of amortization of mortgage service rights totaled approximately $121,000 and $92,000 for the years ended December 31, 2024 and 2023, respectively. Late fees and ancillary fees related to loan servicing are not material.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Company Owned Life Insurance: The Company has purchased life insurance policies on certain key executives. The Company is the sole owner and beneficiary of the policies. Company 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.

Premises and Equipment: Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed primarily on the straight-line basis over the estimated useful lives of the assets.

Foreclosed Assets: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell, establishing a new cost basis. Physical possession of residential real estate property collateralizing a consumer mortgage loan occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. If fair value declines, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed.

Restricted Stock: The Company is a member of its regional Federal Reserve Bank (FRB). In 2022 the Bank became a member of the Federal Home Loan Bank (FHLB) system. FRB stock is included in restricted stock in the consolidated balance sheets and is carried at a cost of $87,900 for 2024 and 2023, and periodically evaluated for impairment based on ultimate recovery of par value. FHLB 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 included in restricted stock in the consolidated balance sheets and is carried at cost of $230,200 for 2024 and 2023 and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income. The remaining restricted stock held by the Company is not material.

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. 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 the estimates.

Retirement Plans: Pension expense is the net of service and interest cost, return on plan assets and amortization of gains and losses not immediately recognized. Supplemental retirement plan expense allocates the benefits over years of service.

401(k) Profit Sharing Plan: The Company maintains a 401(k) profit sharing plan. Employees are eligible to participate in the plan after they have attained age 18. The Company has the discretion to match 100% of the employees' pre-tax contribution up to 3% of base pay, and match 50% up to 5% of base pay on a monthly basis. Employees become vested in all contributions immediately. The Company recognized $103,000 and $105,000 in contribution expense during 2024 and 2023, respectively.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes: 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 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.

A tax position is recognized as a benefit 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 of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

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

Earnings Per Common Share: Earnings per common share are computed based on the weighted average common shares outstanding. The number of outstanding shares used was 667,985 for 2024 and 2023, respectively. The Company’s capital structure contains no dilutive securities.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and standby 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.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures: 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.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale and changes in the funded status of the pension plan which are also recognized as separate components of equity, net of tax.

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 now are such matters that will have a material effect on the financial statements.

Dividend Restriction: 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.

Reclassifications: Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net income or shareholders’ equity.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New 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 cost, including loan receivables and held-to-maturity debt securities. 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. The Company recorded no impact as of January 1, 2023 for the cumulative effect of adopting ASC 326.

As part of adoption of ASC 326, the Company elected to update its allowance segments. Refer to Note 3 for more details. In accordance with the standard, management did not reassess whether modifications to individual acquired financial assets accounted for in pools were troubled debt restructurings as of the date of adoption.

NOTE 2 – DEBT SECURITIES

At December 31, 2024 and 2023, the amortized cost and fair value of available for sale securities and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) consisted of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2024				
U.S. Treasury	$ 1,999,915	$ -	$ (9,895)	$ 1,990,020
State and municipal securities	55,328,476	35,683	(11,858,868)	43,505,291
Asset backed securities:				
Mortgage-backed securities	14,232,649	9,510	(419,434)	13,822,725
Pooled SBA	9,819,848	-	(465,501)	9,354,347
Collateralized mortgage obligations	9,341,833	-	(1,486,396)	7,855,437
	$ 90,722,721	$ 45,193	$ (14,240,094)	$ 76,527,820
December 31, 2023				
U.S. Treasury	$ 1,999,707	$ -	$ (46,267)	$ 1,953,440
State and municipal securities	55,593,906	98,190	(11,066,555)	44,625,540
Asset backed securities:				
Mortgage-backed securities	11,531,000	1,056	(423,050)	11,109,007
Pooled SBA	8,223,696	-	(367,216)	7,856,480
Collateralized mortgage obligations	10,126,680	-	(1,526,790)	8,599,890
	$ 87,474,989	$ 99,246	$ (13,429,878)	$ 74,144,357

(Continued)

NOTE 2 – DEBT SECURITIES (Continued)

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

	Amortized Cost	Fair Value
Due in one year or less	$ 1,999,915	$ 1,990,020
Due after one year through five years	2,287,127	2,082,895
Due after five years through ten years	530,286	472,840
Due after ten years	52,511,063	40,949,556
Asset backed securities	33,394,330	31,032,509
	$ 90,722,721	$ 76,527,820

There were no sales of securities available for sale during the years ending December 31, 2024 and 2023.

Securities with a carrying value of approximately $20,783,000 and $19,731,000 as of December 31, 2024 and 2023, respectively, were pledged to secure public funds or for other purposes as required or permitted by law.

At year-end 2024 and 2023, the Company held securities issued by the U.S. Treasury and U.S. Government Sponsored Enterprises that exceeded 10% of shareholders' equity. At year-end 2024 and 2023, there were also holdings of securities issued by the Ohio Housing Finance Agency (OHFA) in amounts greater than 10% of shareholders' equity. The OHFA securities had a fair value of $2,988,000 and $3,140,000, at year-end 2024 and 2023, respectively. There were no other holdings of securities of any one issuer, in an amount greater than 10% of shareholders' equity.

The following table summarizes securities with unrealized losses at December 31, 2024 and 2023, aggregated by major security type and length of time in a continuous unrealized loss position:

	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
December 31, 2024						
U.S. Treasury	$ -	$ -	$ 1,990,020	$ (9,895)	$ 1,990,020	$ (9,895)
State and municipal securities	-	-	41,755,525	(11,858,868)	41,755,525	(11,858,868)
Mortgage-backed securities	5,741,149	(65,081)	6,814,536	(354,353)	12,555,685	(419,434)
Pooled SBA	1,903,613	(14,501)	7,450,434	(451,000)	9,354,047	(465,501)
Collateralized mortgage obligations	-	-	7,855,437	(1,486,396)	7,855,437	(1,486,396)
Total temporarily impaired	$ 7,644,762	$ (79,582)	$65,865,952	$(14,160,512)	$74,510,714	$ (14,240,094)

(Continued)

NOTE 2 – DEBT SECURITIES (Continued)

Description of Securities	Less than 12 Months Fair Value	Less than 12 Months Unrealized Loss	12 Months or More Fair Value	12 Months or More Unrealized Loss	Total Fair Value	Total Unrealized Loss
December 31, 2023						
U.S. Treasury	$ -	$ -	$ 1,953,440	$ (46,267)	$ 1,953,440	$ (46,267)
State and municipal securities	-	-	42,808,257	(11,066,555)	42,808,257	(11,066,555)
Mortgage-backed securities (423,050)	2,536,146	2,536,146	(25,506)	8,339,074	(397,544)	10,875,220
Pooled SBA	5,301,319	(67,492)	2,555,161	(299,724)	7,856,480	(367,216)
Collateralized mortgage obligations	-	-	8,599,890	(1,526,790)	8,599,890	(1,526,790)
Total temporarily impaired	$ 7,837,465	$ (92,998)	$ 64,255,822	$(13,336,880)	$ 72,093,287	$ (13,429,878)

Unrealized loss on U.S. Treasury and federal agency, U.S. Government agencies, Mortgage backed, and State and municipal securities have not been recognized into income because the issuers are of high credit quality, 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 fair value is expected to recover as the securities approach maturity.

NOTE 3 – LOANS RECEIVABLE

The Company adopted the CECL methodology for measuring credit losses as of January 1, 2023. All disclosures for the years-ended December 31, 2024 and 2023 are presented in accordance with Topic 326. The detail of the loan portfolio as of December 31, 2024 and 2023 is as follows:

	2024	2023
Commercial loans		
Commercial real estate	$ 23,739,253	$ 25,379,701
Commercial and industrial	9,381,560	10,249,002
Other	2,382,762	3,009,908
Installment loans	69,118,625	72,378,528
Real estate loans		
1-4 family	39,975,771	42,515,423
Equity line of credit	12,575,813	11,790,556
Other	4,888,226	5,541,552
Total	162,062,010	170,864,670
Allowance for credit losses	(2,035,370)	(2,089,851)
Loans, net	$ 160,026,640	$ 168,774,819

Net deferred origination costs included in loans at December 31, 2024 and 2023 were $1,543,000 and $1,671,000, respectively.

NOTE 3 – LOANS RECEIVABLE (Continued)

Prior periods have been restated to align with updated accounting standards. The following table presents the activity in the allowance for credit losses by portfolio segment for the years ending December 31:

December 31, 2024	Commercial Real Estate	Commercial and Industrial	Other Commercial	Installment	1-4 Family	Equity Line of Credit	Other	Unallocated	Total
Allowance for credit losses:									
Beginning balance	$ 219,230	$ 88,673	$ 41,460	$ 1,039,482	$ 483,673	$ 130,014	$ 58,984	$ 28,335	$ 2,089,851
Credit loss expense	73,669	(4,438)	(29,212)	297,062	8,519	(21,756)	(23,955)	(28,335)	271,554
Loans charged-off	-	-	(8,225)	(454,941)	(8,706)	-	-	-	(471,872)
Recoveries collected	-	-	5,690	140,147	-	-	-	-	145,837
Total ending allowance balance	$ 292,899	$ 84,235	$ 9,713	$ 1,021,750	$ 483,486	$ 108,258	$ 35,029	$ -	$ 2,035,370

December 31, 2023	Commercial Real Estate	Commercial and Industrial	Other Commercial	Installment	1-4 Family	Equity Line of Credit	Other	Unallocated	Total
Allowance for credit losses:									
Beginning balance, prior to adoption of ASC 326	$ 236,199	$ 95,383	$ 28,012	$ 717,021	$ 481,891	$ 133,640	$ 62,811	$ 359,378	$ 2,114,335
Impact of adopting ASC 326	-	-	-	-	-	-	-	-	-
Credit loss expense	(16,969)	(6,710)	26,203	571,087	4,385	(3,626)	(3,827)	(331,043)	239,500
Loans charged-off	-	-	(12,755)	(325,024)	(2,603)	-	-	-	(340,382)
Recoveries collected	-	-	-	76,398	-	-	-	-	76,398
Total ending allowance balance	$ 219,230	$ 88,673	$ 41,460	$ 1,039,482	$ 483,673	$ 130,014	$ 58,984	$ 28,335	$ 2,089,851

(Continued)

NOTE 3 – LOANS RECEIVABLE (Continued)

The following tables present the amortized cost basis of loans on nonaccrual status and loans past due over 89 days still accruing as of December 31:

December 31, 2024	Nonaccrual With No Allowance for Credit Loss	Nonaccrual	Loans Past Due Over 89 Days Still Accruing
Commercial:			
Commercial real estate:	$ 238,879	$ 238,879	$ 30,312
Commercial and industrial	-	-	-
Other commercial	-	-	-
Installment:	-	-	81,815
Real estate:			
1-4 family	102,209	102,209	22,892
Equity line of credit	115,263	115,263	-
Other	-	-	-
Total	$ 456,351	$ 456,351	$ 135,019

December 31, 2023	Nonaccrual With No Allowance for Credit Loss	Nonaccrual	Loans Past Due Over 89 Days Still Accruing
Commercial:			
Commercial real estate:	$ -	$ -	$ 37,813
Commercial and industrial	-	-	-
Other commercial	-	-	-
Installment:	13,580	13,580	65,010
Real estate:			
1-4 family	25,375	25,375	117,656
Equity line of credit	-	-	-
Other	-	-	-
Total	$ 38,955	$ 38,955	$ 220,479

The Company recognized $0 of interest income on nonaccrual loans during the years ended December 31, 2024 and 2023.

NOTE 3 – LOANS RECEIVABLE (Continued)

The following tables present the amortized cost basis of collateral-dependent loans by class of loans as of December 31:

December 31, 2024	Real Estate	Other Business Assets	Total
Commercial:			
Commercial real estate:	$ 238,879	$ -	$ 238,879
Commercial and industrial	-	50,088	50,088
Other commercial	-	-	-
Installment	-	-	-
Real estate loans:			
1-4 family	-	-	-
Equity line of credit	115,263	-	115,263
Other	30,312	-	30,312
Total	$ 384,454	$ 50,088	$ 434,542

December 31, 2023	Real Estate	Total
Commercial:		
Commercial real estate:	$ -	$ -
Commercial and industrial	-	-
Other commercial	-	-
Installment	-	-
Real estate loans:		
1-4 family	77,612	-
Equity line of credit	-	-
Other	-	-
Total	$ 77,612	$ 77,612

(Continued)

NOTE 3 – LOANS RECEIVABLE (Continued)

The following table presents the aging of the recorded investment in past due loans as of December 31, 2024 and 2023 by class of loans:

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total
December 31, 2024						
Commercial:						
Commercial real estate	$ 23,244	$ -	$ 30,312	$ 53,556	$ 23,685,697	$ 23,739,253
Commercial and industrial	50,088	-	-	50,088	9,331,472	9,381,560
Other commercial	-	-	-	-	2,382,762	2,382,762
Installment	1,098,243	456,175	90,069	1,644,487	67,474,138	69,118,625
Residential:						
Equity line of credit	39,467	30,550	115,263	185,280	12,390,533	12,575,813
1-4 Family	969,944	161,172	22,892	1,154,008	38,821,763	39,975,771
Other	-	-	-	-	4,888,226	4,888,226
Total	$ 2,180,986	$ 647,897	$ 258,536	$ 3,087,419	$ 158,974,591	$ 162,062,010
December 31, 2023						
Commercial:						
Commercial real estate	$ -	$ -	$ 37,813	$ 37,813	$ 25,341,888	$ 25,379,701
Commercial and industrial	42,721	9,825	-	52,546	10,196,456	10,249,002
Other commercial	-	-	-	-	3,009,908	3,009,908
Installment	1,300,663	378,052	65,010	1,743,725	70,634,803	72,378,528
Residential:						
Equity line of credit	96,413	317	-	96,730	11,693,826	11,790,556
1-4 Family	374,149	261,731	117,656	753,536	41,761,887	42,515,423
Other	-	-	-	-	5,541,552	5,541,552
Total	$ 1,813,946	$ 649,925	$ 220,479	$ 2,684,350	$ 168,180,320	$ 170,864,670

(Continued)

NOTE 3 – LOANS RECEIVABLE (Continued)

Borrowers in Financial Distress

Occasionally, the Company modifies loans to borrowers in financial distress by providing principal forgiveness, term extension, an other-than-insignificant payment delay or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses. The Company did not modify any loans to borrowers in financial distress in the year ended December 31, 2024 or 2023.

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, historical 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 non-homogeneous loans such as commercial and commercial real estate loans. 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.

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 listed as not rated are included in groups of homogeneous loans.

(Continued)

NOTE 3 – LOANS RECEIVABLE (Continued)

	Term Loans Amortized Cost Basis by Origination Year							
	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
As of December 31, 2024								
Commercial real estate:								
Risk rating								
Pass	$ 1,218,791	$ 3,056,974	$ 4,772,162	$ 4,477,958	$ 6,281,122	$ 397,899	$ -	$ 20,204,906
Special mention	-	48,844	808,002	-	85,852	-	-	942,698
Substandard	835,791	-	640,687	537,308	577,863	-	-	2,591,649
Doubtful	-	-	-	-	-	-	-	-
Total commercial loans	$ 2,054,582	$ 3,105,818	$ 6,220,851	$ 5,015,266	$ 6,944,837	$ 397,899	$ -	$23,739,253
Commercial and industrial:								
Risk rating								
Pass	$ 2,047,383	$ 1,551,504	$ 2,352,334	$ 1,353,923	$ 685,228	$ 1,286,035	$ 128	$ 9,276,535
Special mention	-	-	19,271	85,754	-	-	-	105,025
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total commercial and industrial loans	$ 2,047,383	$ 1,551,504	$ 2,371,605	$ 1,439,677	$ 685,228	$ 1,286,035	$ 128	$9,381,560

(Continued)

NOTE 3 – LOANS RECEIVABLE (Continued)

	Term Loans Amortized Cost Basis by Origination Year							
	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
As of December 31, 2024 (cont.)								
Other commercial:								
Risk rating								
Pass	$ 522,404	$ 228,894	$ 300,542	$ 150,678	$ 1,113,892	$ 58,920	$ -	$ 2,375,330
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	3,431	4,001	-	-	-	-	-	7,432
Total other commercial loans	$ 525,835	$ 232,895	$ 300,542	$ 150,678	$ 1,113,892	$ 58,920	$ -	$ 2,382,762

(Continued)

NOTE 3 – LOANS RECEIVABLE (Continued)

The Company considers the performance of the loan portfolio and its impact on the allowance for credit losses. For residential and consumer loan classes, the Company also evaluates credit quality based on the aging status of the loan, which was previously presented, and by payment activity. The following table presents the amortized cost in residential and consumer loans based on payment activity:

	Term Loans Amortized Cost Basis by Origination Year							
	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
As of December 31, 2024								
Installment:								
Payment performance								
Performing	$23,704,278	$22,614,737	$ 13,525,709	$ 6,243,529	$ 2,253,869	$ 122,270	$ 23,155	$68,487,547
Nonperforming	-	1,492	47,682	29,350	552,554	-	-	631,078
Total installment loans	$23,704,278	$22,616,229	$ 13,573,391	$ 6,272,879	$ 2,806,423	$ 122,270	$ 23,155	$69,118,625
1-4 family:								
Payment performance								
Performing	$ 4,525,591	$ 9,172,162	$ 8,552,239	$ 4,839,963	$11,181,006	$ 1,659,161	$ -	$39,930,122
Nonperforming	-	15,420	-	-	30,229	-	-	45,649
Total 1-4 family loans	$ 4,525,591	$ 9,187,582	$ 8,552,239	$ 4,839,963	$11,211,235	$ 1,659,161	$ -	$39,975,771
Equity line of credit:								
Payment performance								
Performing	$ 2,285,880	$ 1,316,576	$ 1,964,304	$ 1,431,839	$ 3,775,299	$ 1,831,769	$ -	$12,575,813
Nonperforming	-	-	-	-	-	-	-	-
Total equity lines of credit	$ 2,285,880	$ 1,316,576	$ 1,964,304	$ 1,431,839	$ 3,775,299	$ 1,831,769	$ -	$12,575,813

(Continued)

NOTE 3 – LOANS RECEIVABLE (Continued)

	Term Loans Amortized Cost Basis by Origination Year							
	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
As of December 31, 2024 (cont.)								
Other loans:								
Payment performance								
Performing	$ 185,415	$ 184,145	$ 993,512	$ 490,568	$ 1,797,361	$ 1,237,225	$ -	$ 4,888,226
Nonperforming	-	-	-	-	-	-	-	-
Total other loans	$ 185,415	$ 184,145	$ 993,512	$ 490,568	$ 1,797,361	$ 1,237,225	$ -	$ 4,888,226

Term Loans Amortized Cost Basis by Origination Year							
	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
As of December 31, 2023							
Commercial real estate:							
Risk rating							
Pass	$3,749,683	$5,069,248	$5,778,830	$8,178,496	$ 241,583	$1,022,686	$ 24,040,526
Special mention	-	-	-	180,413	-	559,899	740,312
Substandard	250,979	-	-	347,884	-	-	598,863
Doubtful	-	-	-	-	-	-	-
Total commercial loans	$4,000,662	$5,069,248	$5,778,830	$8,706,793	$ 241,583	$1,582,585	$ 25,379,701

NOTE 3 – LOANS RECEIVABLE (Continued)

	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
As of December 31, 2023 (cont.)							
Commercial and industrial:							
Risk rating							
Pass	$2,409,905	$3,488,985	$1,976,850	$1,127,156	$1,048,141	$ -	$10,051,037
Special mention	-	27,896	107,330	-	-	-	135,226
Substandard	52,914	-	-	9,825	-	-	62,739
Doubtful	-	-	-	-	-	-	-
Total commercial and Industrial loans	$2,462,819	$3,516,881	$2,084,180	$1,136,981	$1,048,141	$ -	$10,249,002
Other commercial:							
Risk rating							
Pass	$ 875,408	$ 413,157	$ 200,394	$1,339,692	$ 181,257	$ -	$3,009,908
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total other commercial loans	$ 875,408	$ 413,157	$ 200,394	$1,339,692	$ 181,257	$ -	$3,009,908

(Continued)

NOTE 3 – LOANS RECEIVABLE (Continued)

The Company considers the performance of the loan portfolio and its impact on the allowance for credit losses. For residential and consumer loan classes, the Company also evaluates credit quality based on the aging status of the loan, which was previously presented, and by payment activity. The following table presents the amortized cost in residential and consumer loans based on payment activity:

	Term Loans Amortized Cost Basis by Origination Year						
	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
As of December 31, 2023							
Installment:							
Payment performance							
Performing	$ 33,634,888	$21,416,611	$10,905,992	$ 5,794,170	$ 324,931	$ -	$ 72,076,592
Nonperforming	2,184	115,646	109,958	74,148	-	-	301,936
Total installment loans	$ 33,637,072	$21,532,257	$11,015,950	$ 5,868,318	$ 324,931	$ -	$ 72,378,528
1-4 family:							
Payment performance							
Performing	$ 10,293,061	$ 8,947,835	$5,601,369	$14,647,055	$ 1,520,848	$ -	$ 41,010,168
Nonperforming	525,878	938,745	-	40,632	-	-	1,505,255
Total 1-4 family loans	$ 10,818,939	$ 9,886,580	$5,601,369	$14,687,687	$ 1,520,848	$ -	$ 42,515,423
Equity line of credit:							
Payment performance							
Performing	$ 1,406,792	$ 2,479,807	$1,168,378	$ 5,155,972	$ 1,424,503	$ -	$ 11,635,452
Nonperforming	-	136,753	-	18,351	-	-	155,104
Total equity lines of credit	$ 1,406,792	$ 2,616,560	$1,168,378	$ 5,174,323	$ 1,424,503	$ -	$ 11,790,556

(Continued)

NOTE 3 – LOANS RECEIVABLE (Continued)

	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
As of December 31, 2023 (cont.)							
Other loans:							
Payment performance							
Performing	$1,298,471	$ 678,747	$ 545,880	$2,120,500	$ 417,708	$ 480,246	$5,541,552
Nonperforming	-	-	-	-	-	-	-
Total other loans	$1,298,471	$ 678,747	$ 545,880	$2,120,500	$ 417,708	$ 480,246	$5,541,552

Certain 1-4 family loans are to borrowers who lease one or more 1-4 family residences to tenants. Management may apply the risk categorization used for commercial and commercial real estate loans to this class of loans. At December 31, 2024, $340,000 of these loans were designated as Special Mention and $5,426,000 were classified as Substandard.

(Continued)

NOTE 4 - 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 inputs that may be used to measure fair values:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity can 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.

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). There are no investments held at Level 3 as of December 31, 2024 and 2023.

Individually Evaluated Collateral Dependent Loans: The fair value of individually evaluated 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 the comparable properties. Such adjustments are usually significant and typically result 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 classifications. Individually evaluated collateral dependent are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Appraisals for individually evaluated collateral-dependent loans are performed by a member of senior management or performed by an independent appraiser. Once completed, an independent member of senior management reviews the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison with independent data sources such as recent market data or industry-wide statistics. On an annual basis, the Company compares the actual selling price of collateral that has been sold to the most recent appraised value to determine what additional adjustment should be made to the appraisal value to arrive at fair value.

(Continued)

NOTE 4 - FAIR VALUE (Continued)

Assets measured at fair value on a recurring basis, including financial assets for which the Company has elected the fair value option, are summarized below:

	Fair Value Measurements at December 31, 2024 Using	
	Quoted Price (Level 1)	Significant Other Observable Inputs (Level 2)
Assets:		
U.S. Treasury	$ 1,990,020	$ -
State and municipal securities	-	43,505,291
Asset backed securities:		
Mortgage-backed securities – residential	-	13,822,725
Pooled SBA	-	9,354,347
Collateralized mortgage obligations	-	7,855,437
	$ 1,990,020	$ 74,537,800

	Fair Value Measurements at December 31, 2023 Using	
	Quoted Price (Level 1)	Significant Other Observable Inputs (Level 2)
Assets:		
U.S. Treasury	$ 1,953,440	$ -
State and municipal securities	-	44,625,540
Asset backed securities:		
Mortgage-backed securities – residential	-	11,109,007
Pooled SBA	-	7,856,480
Collateralized mortgage obligations	-	8,599,890
	$ 1,953,440	$ 72,190,917

There were no transfers between levels during 2024 or 2023.

At December 31, 2024 and 2023, individually evaluated collateral dependent loans carried at fair value were immaterial.

(Continued)

NOTE 4 - FAIR VALUE (Continued)

The carrying amounts and estimated fair values of financial instruments not previously disclosed at December 31, 2024 and 2023 are as follows:

	Carrying Value	Fair Value Measurements at December 31, 2024 Using: Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$ 23,205,000	$ 23,205,000	$ -	$ -	$ 23,205,000
Loans, net of allowance	160,027,000		-	159,197,000	159,197,000
Accrued interest receivable	1,337,000	-	654,000	683,000	1,337,000
Financial liabilities					
Certificates of Deposit	(46,532,000)	-	(46,239,000)	-	(46,239,000)
Short-term borrowings	(675,000)	-	(675,000)	-	(675,000)
Accrued interest payable	(172,000)	-	(132,000)	(40,000)	(172,000)

	Carrying Value	Fair Value Measurements at December 31, 2023 Using: Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$ 30,041,000	$ 30,041,000	$ -	$ -	$ 30,041,000
Loans, net of allowance	168,775,000	-	-	164,927,000	164,927,000
Accrued interest receivable	1,332,000	-	621,000	711,000	1,332,000
Financial liabilities					
Certificates of Deposit	(41,323,000)	-	(40,802,000)	-	(40,802,000)
Short-term borrowings	(600,000)	-	(600,000)	-	(600,000)
Accrued interest payable	(149,000)	-	(107,000)	(42,000)	(149,000)

While these estimates are based on management's judgment of the appropriate valuation factors, no assurance exists that, were the Company to have liquidated such items, the estimated fair values would necessarily have been realized. The estimated fair values should not be considered to apply to subsequent dates.

NOTE 5 - OFFICE PREMISES AND EQUIPMENT

Office properties and equipment at December 31, 2024 and 2023 consisted of the following:

	2024	2023
Land and buildings	$ 6,219,876	$ 5,983,516
Furniture and equipment	7,170,434	7,003,557
Total cost	13,390,310	12,987,073
Less: Accumulated depreciation	(10,528,293)	(10,116,306)
	$ 2,862,017	$ 2,870,767

(Continued)

NOTE 6 - DEPOSITS

Time deposits that meet or exceed the FDIC Insurance limit of $250,000 at year-end 2024 and 2023 were $13,292,000 and $10,663,000.

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

Year-Ending December 31,	
2025	$ 42,290,029
2026	2,230,624
2027	893,980
2028	596,918
2029	520,325
	$ 46,531,876

NOTE 7 –SHORT-TERM BORROWING

The Finance Company has a revolving line of credit agreement with an unrelated commercial bank. The maximum borrowing under the line is $1,100,000 and the agreement matures August 1, 2026. The balance outstanding at December 31, 2024 and 2023 was $675,000 and $600,000, respectively. The variable interest rate on the line was 7.8% and 8.5% at December 31, 2024 and 2023, respectively. The rate is priced at prime. The Company is the guarantor of the debt which is fully collateralized by the assets of the Finance Company.

NOTE 8 - FEDERAL INCOME TAXES

The provision for income taxes consisted of the following:

	2024	2023
Current tax expense	$ 378,436	$ 440,329
Deferred tax benefit	(323,786)	87,505
	$ 54,650	$ 527,834

Effective tax rates differ from federal statutory rates applied to pre-tax income due to the following:

	2024	2023
Income tax computed at the statutory tax rate of 21% on pre-tax income	$ 150,806	$ 617,883
Effect of:		
Tax exempt interest, net	(79,627)	(97,213)
Company owned life insurance earnings, net	(17,787)	(15,002)
Other, net	1,258	22,166
	$ 54,650	$ 527,834

(Continued)

NOTE 8 - FEDERAL INCOME TAXES (Continued)

The tax effects of principal temporary differences and the resulting deferred tax assets and liabilities that comprise the net deferred tax balance recorded in Other Assets in the Consolidated Balance Sheets are as follows at December 31:

	2024	2023
Items giving rise to deferred tax assets:		
Allowance for Credit losses	$ 388,909	$ 394,811
Deferred compensation	114,783	128,040
Pension benefit- OCI	-	364,229
Accrued vacation	565	565
Unrealized loss on securities available for sale	2,980,929	2,799,433
Other	4,346	3,842
	3,489,532	3,690,920

	2024	2023
Items giving rise to deferred tax liabilities:		
Accumulated depreciation	$ (32,454)	$ (62,835)
Prepaid expenses	(123,345)	(76,573)
Accretion	(113)	(70)
Pension expense	-	(316,336)
Accrual to cash	(161,586)	(189,955)
Mortgage servicing rights	(64,858)	(79,028)
	(382,356)	(724,797)
Net deferred tax asset	$ 3,107,176	$ 2,966,123

Based on its evaluation, the Company concluded it is more likely than not that the entire net deferred tax asset would be realized and as a result, no valuation allowance was established. At December 31, 2024 and 2023, the Company had no unrecognized income tax benefits recorded. The Company does not expect the amount of unrecognized income tax benefits to significantly change within the next twelve months.

The Company is subject to U.S. federal income tax. The Company is no longer subject to examination by federal taxing authority for years prior to 2020. The tax years 2020-2023 remain open to examination by U.S. taxing authority.

NOTE 9 – REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	2024	2023
Other Income:		
Service charges on deposits	$ 370,793	$ 373,008
Mortgage banking income [(a)]	212,810	95,221
Other:		
Interchange income	441,705	442,922
Earnings on Cash Surrender Value [(a)]	132,071	116,104
Other fees	121,726	160,950
Total Other Income	$ 1,279,105	$ 1,188,205

[(a)]Not within the scope of ASC 606

Service Charges on Deposits: The Company earns fees from its deposit customers for transaction based, account maintenance and overdraft services. Transaction-based fees, which include services such as ATM fees, stop payment fees, returned check fees and wire transfer 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.

Interchange Income: The Company earns interchange fees from check card and credit card transactions conducted through the Mastercard and Visa payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing service provided to the cardholder.

Other Fees: The Company earns fees from its customers for money orders, safe deposit box, check cashing fees and commission fees. The service fees are recognized in the same manner as the service charges mentioned above.

NOTE 10 – RELATED PARTY TRANSACTIONS

Loans to principal officers, directors and their affiliates at year-end 2024 and 2023 were $2,576,000 and $2,633,000, respectively.

Deposits from officers, directors, and their affiliates at year-end 2024 and 2023 were approximately $7,242,000 and $10,984,000. During the ordinary course of business, the Bank paid approximately $33,000 and $12,000 for legal services provided by companies affiliated with certain members of the Board of Directors during the year ended December 31, 2024 and 2023, respectively.

(Continued)

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Company may be a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to make loans. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to make loans is represented by the contractual amount of those instruments. The Company follows the same credit policy to make such commitments as is followed for those loans recorded in the financial statements.

	2024	2023
Revolving and open-end lines secured by 1-4 family residential real estate	$ 15,774,000	$ 15,677,000
Unused credit card balances	2,092,000	2,140,000
Commitments to fund commercial real estate and construction	857,000	2,238,000
Other unused commitments including commercial and industrial loans	7,313,392	7,342,000
Standby letters of credit	273,000	273,000

At December 31, 2024, total fixed rate commitments totaled $707,000 with interest rates that ranged from 3.95% to 7.75%. At December 31, 2023, total fixed rate commitments totaled $1,597,000 with interest rates that ranged from 3.95% to 8.50%.

NOTE 12 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following are changes in accumulated other comprehensive income (loss) by component, net of tax, for the year ending December 31, 2024 and 2023:

	Unrealized Gains and Losses on Available-for Sale Securities	Defined Benefit Pension Items	Total
December 31, 2024			
Beginning balance	$ (10,531,201)	$ (1,370,200)	$ (11,901,401)
Other comprehensive income (loss) before reclassification	(682,771)	(38,895)	(721,666)
Amounts reclassified from accumulated other comprehensive income	-	1,409,095	1,409,095
Net current period other comprehensive income	(682,771)	1,370,200	687,429
Ending balance	$ (11,213,972)	$ -	$ (11,213,972)
December 31, 2023			
Beginning balance	$ (12,101,246)	$ (1,442,244)	$ (13,543,490)
Other comprehensive income (loss) before reclassification	1,570,045	(25,881)	1,544,164
Amounts reclassified from accumulated other comprehensive income	-	97,925	97,925
Net current period other comprehensive income	1,570,045	72,044	1,642,089
Ending balance	$ (10,531,201)	$ (1,370,200)	$ (11,901,401)

(Continued)

NOTE 12 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (Continued)

The following are significant amounts reclassified out of each component of accumulated other comprehensive income (loss) for the year ending December 31, 2024:

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified From Accumulated Other Comprehensive Income	Affected Line Item in the Statement Where Net Income is Presented
Amortization of actuarial gains (losses)	$ (151,567)	Compensation and benefits
Impact of termination of pension plan	1,632,097	Compensation and benefits
	(1,783,664)	Income before income taxes
	374,569	Provision for income taxes
Total reclassification for the period	$ (1,409,095)	Net income

There were no reclassifications from unrealized gains and losses on available-for-sale securities during 2024.

The following are significant amounts reclassified out of each component of accumulated other comprehensive income (loss) for the year ending December 31, 2023:

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified From Accumulated Other Comprehensive Income	Affected Line Item in the Statement Where Net Income is Presented
Amortization of actuarial gains (losses)	$ (123,956)	Compensation and benefits
	(123,956)	Income before income taxes
	26,031	Provision for income taxes
Total reclassification for the period	$ (97,925)	Net income

There were no reclassifications from unrealized gains and losses on available-for-sale securities during 2023.

NOTE 13 - REGULATORY MATTERS

Banks are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, 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 and net actuarial loss related to the defined pension plan are not included in computing regulatory capital. Management believes as of December 31, 2024, the Bank meets all capital adequacy requirements to which it is subject.

(Continued)

NOTE 13 - REGULATORY 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 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.

The community bank leverage ratio removes the requirement for qualifying bank organizations to calculate and report risk-based capital but rather only requires a Tier 1 to average assets (leverage) ratio. Qualifying banking organizations that elect to use the community bank leverage ratio framework and that maintain a leverage ratio of greater than required minimums will be considered to have satisfied the generally applicable risk based and leverage capital requirements in the agencies’ capital rules (generally applicable rule) and, if applicable, will be considered to have met the well capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act. The community bank leverage ratio minimum requirement is 9%. An eligible banking organization is provided a two-quarter grace period to correct a ratio that falls below this required amount, provided that the bank maintains a leverage ratio greater than 8%.

Under the final rule, an eligible banking organization can opt out of the CBLR framework and revert back to the risk-weighting framework without restriction. As of December 31, 2024, the Bank was a qualifying community banking organization as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

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

	Actual		To Be Well Capitalized Under Prompt Corrective Regulations (CBLR Framework)	
	Amount	Ratio	Amount	Ratio
December 31, 2024				
Tier 1 capital to average assets	$ 27,564	9.80%	$ 25,311	9.00%
December 31, 2023				
Tier 1 capital to average assets	$ 28,495	9.76%	$ 26,267	9.00%

Dividend Restrictions: The Company’s principal source of funds for dividend payments is dividends received from the Bank. Banking regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. Under these regulations, the amount of dividends that may be paid in any calendar year is limited to the current year’s net profits combined with the retained net profits of the preceding two years, subject to the capital requirements described above. During 2025, the Bank could, without prior approval, declare dividends to the Company of approximately $536,000 plus amounts earned in 2025.

(Continued)

NOTE 14 – PENSION PLAN

The Company has a noncontributory defined benefit pension plan that covers qualified employees. The Company uses a December 31 measurement date for its pension plan. The Company terminated the pension plan on October 31, 2024. All benefits of the plan were distributed to participants during fiscal year 2024.

Information about changes in obligations and plan assets of the defined benefit pension plan follows:

	2024	2023
Change in benefit obligation:		
Beginning benefit obligation	$ 2,786,230	$ 2,857,366
Service cost	-	-
Interest cost	127,885	135,155
Actuarial (gain)/loss	88,859	104,055
Benefits paid	(3,002,974)	(310,346)
Ending benefit obligation	-	2,786,230
Change in plan assets, at fair value:		
Beginning plan assets	2,434,915	2,404,685
Actual return	210,196	240,576
Employer contribution	357,863	100,000
Benefits paid	(3,002,974)	(310,346)
Ending plan assets	-	2,434,915
Funded status at end of year (plan assets less benefit obligations)	$ -	$ (351,315)

Amounts recognized in accumulated other comprehensive income (loss) at December 31 consist of:

	2024	2023
Net actuarial loss	$ -	$ (1,734,430)
	$ -	$ (1,734,430)

(Continued)

NOTE 14 – PENSION PLAN (Continued)

Components of Net Periodic Benefit Cost and Other Amounts Recognized in Other Comprehensive Income:

	2024	2023
Service cost	$ -	$ -
Interest cost	127,885	135,155
Expected return on plan assets	(170,570)	(169,282)
Amortization of net (gain) loss	151,567	123,956
Net periodic benefit cost	108,882	89,829
Impact of termination (recognized in expense)	1,632,097	-
Current year (gain) loss	49,234	32,761
Amortization	(151,567)	(123,956)
Impact of termination	(1,632,097)	-
Total recognized in other comprehensive (income) loss	(1,734,430)	(91,195)
Total recognized in expense and other comprehensive (income) loss	$ 6,549	$ (1,366)

All actuarial losses related to the pension plan within accumulated other comprehensive loss were recognized at termination of the plan.

As of April 30, 2020, the Board of Directors approved a resolution to freeze the Pension plan as to additional future benefit obligations and new participants. This resolution was in response to uncertain market conditions brought on by the COVID-19 pandemic and in effort to reduce future expenses associated with the plan. The plan was terminated on October 31, 2024. All benefits of the plan were distributed to participants during fiscal year 2024.

Assumptions

Weighted-average assumptions used to determine pension benefit obligations at year-end:

	2024	2023
Discount rate	4.75%	4.75%
Rate of compensation increase	- %	- %

Weighted-average assumptions used to determine net periodic pension cost:

	2024	2023
Discount rate	4.75%	4.75%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	- %	- %

(Continued)

NOTE 14 – PENSION PLAN (Continued)

Fair Value of Plan Assets

The Company used the following methods and significant assumptions to estimate the fair value of each type of plan asset:

Equity Securities, Fixed Income Securities and Alternatives and Other Funds: The fair values 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). For securities where market prices of similar securities are not available, fair values are calculated using the plans own inputs (Level 3).

There were no plan assets remaining at December 31, 2024. The fair value of the plan assets at December 31, 2023, by asset category, was as follows:

		Fair Value Measurements at December 31, 2023 Using:		
	Carrying Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan Assets:				
Cash and equivalents	$ 176,768	$ 176,768	$ -	$ -
Equities	1,577,016	1,577,016	-	-
Fixed income	613,135	-	613,135	-
Alternatives and other	67,996	-	-	67,996
Total Plan Assets	$ 2,434,915	$ 1,753,784	$ 613,135	$ 67,996

NOTE 15 – SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

The Company has a Supplemental Executive Retirement Plan (SERP) for certain executive officers. Under the terms of the agreement, each officer, or their beneficiary, will be paid a fixed annual benefit for a period of fifteen years following his or her retirement or termination other than for cause. A liability is accrued for this obligation. The Company incurred $27,000 and $28,000 in expenses during 2024 and 2023 associated with these agreements resulting in a SERP liability accrual of $547,000 and $596,000 at December 31, 2024 and 2023, respectively. Benefit payments from the plan were $91,000 in both 2024 and 2023.