BANKFIRST CAPITAL

ANNUAL REPORT 2024

CONTENTS

BANKFIRST CAPITAL | BFCC TRADED ON OTCQX | BEST 50 OTCQX

BFCC Stock Information

as of 12/31/2024

Stock Price	$40.50
Market Cap	219.9 million
P/E (FY24)	9.66
Price/Tangible Book	1.7×
52 Week Range	$26.60–$42.00
2024 Dividend	$1.00
Dividend Yield	2.47%
Shares Outstanding	5,429,273

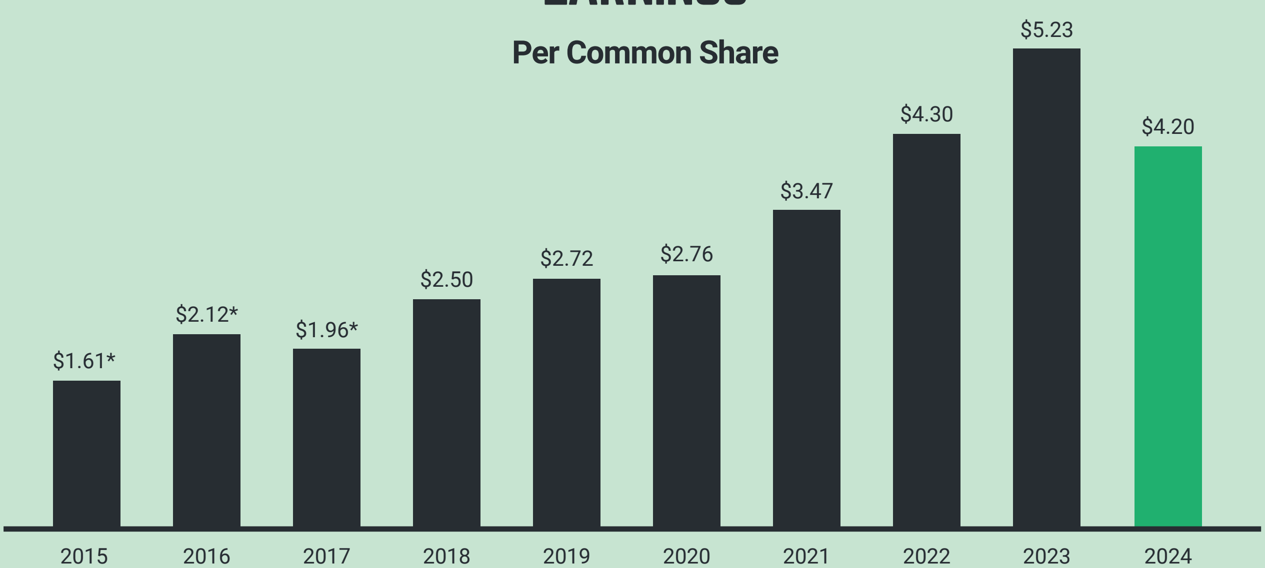
FINANCIAL HIGHLIGHTS

$2.799 BILLION ↑2.60%

in assets

EARNINGS

Per Common Share

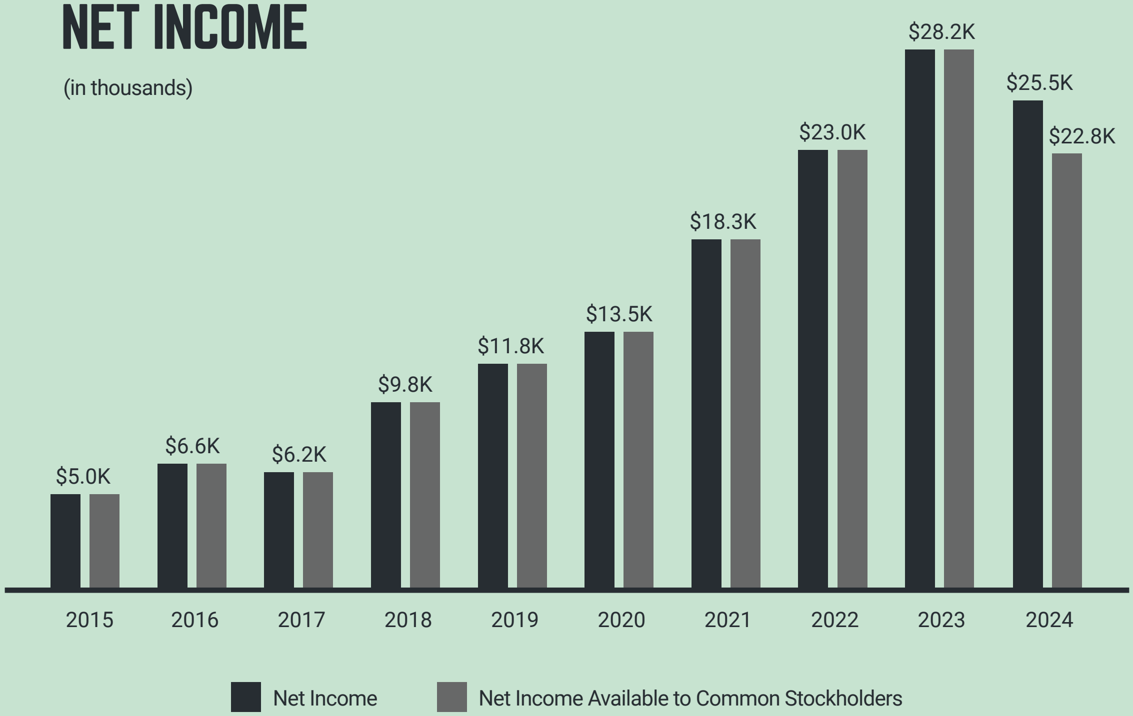


* After adjustment for stock split in 2017

FINANCIAL HIGHLIGHTS

NET INCOME

(in thousands)



Deposits

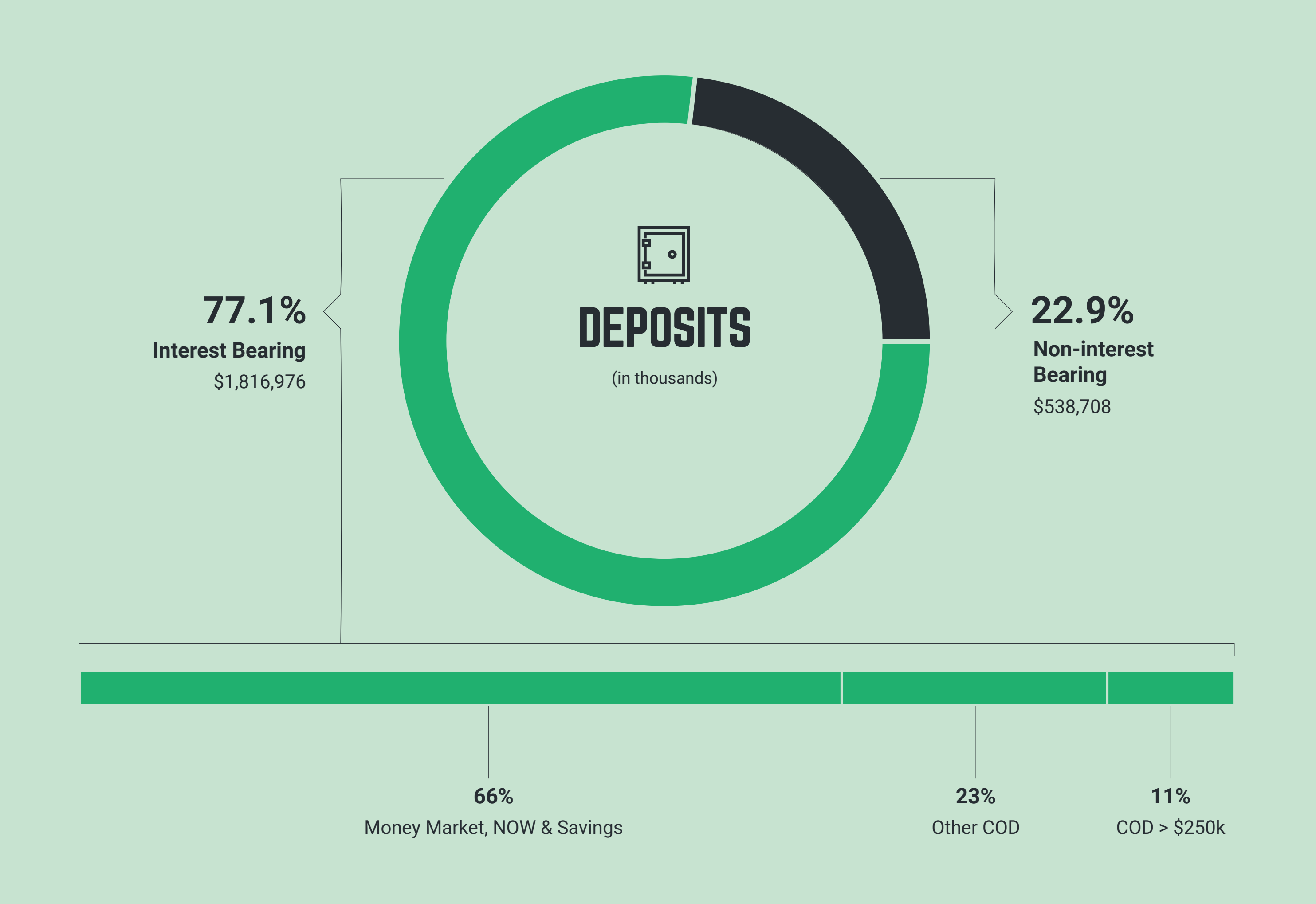
Compared to 2023

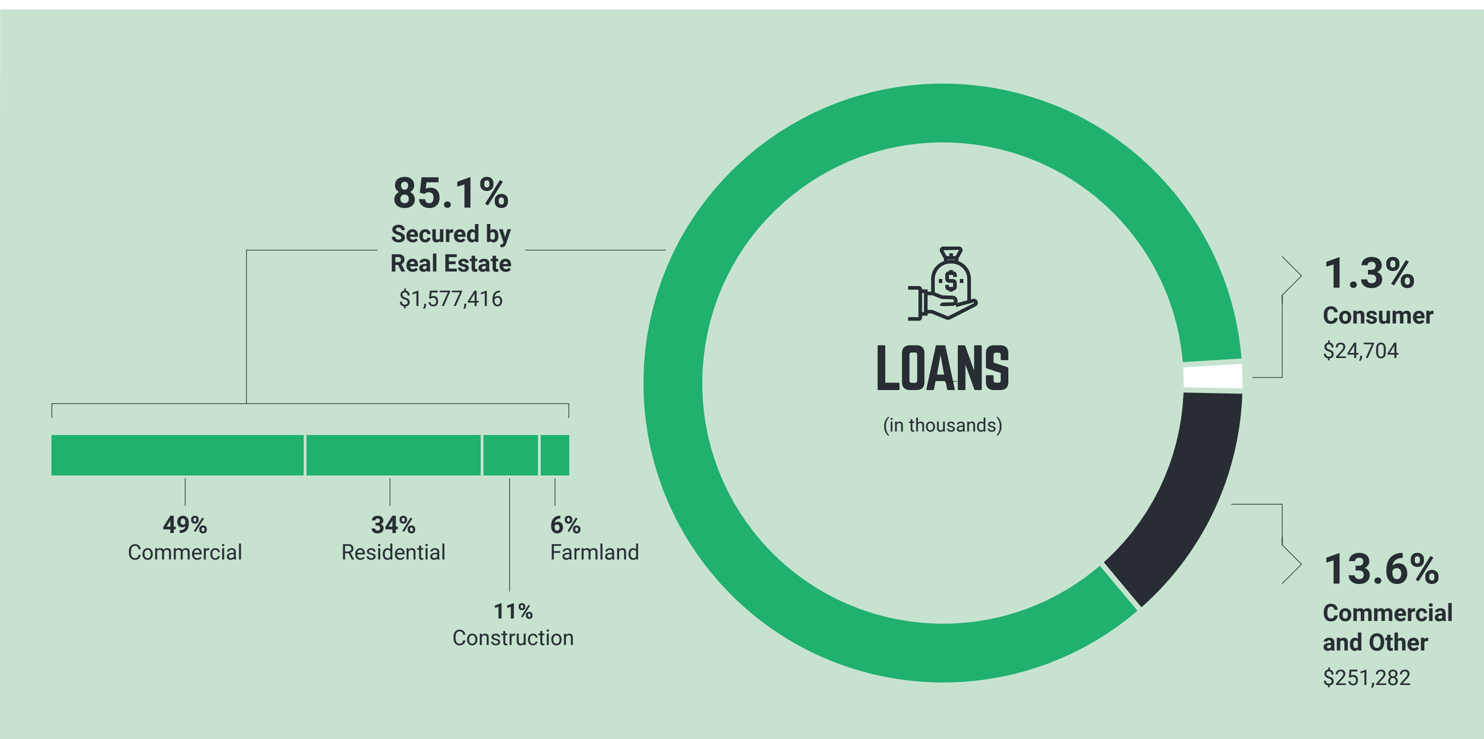
↑ 3%

Loans

Compared to 2023

↑ 2%


DEPOSITS
(in thousands)
77.1%
Interest Bearing
$1,816,976
22.9%
Non-interest Bearing
$538,708
66%
Money Market, NOW & Savings
23%
Other COD
11%
COD > $250k


LOANS
(in thousands)
85.1%
Secured by Real Estate
$1,577,416
49%
Commercial
34%
Residential
6%
Farmland
11%
Construction
1.3%
Consumer
$24,704
13.6%
Commercial and Other
$251,282

LEADERSHIP

The leadership team has significant years of experience in the financial services industry and the Board of Directors and Advisory Boards compliment management through their diverse expertise and extensive knowledge of the communities we serve.

Management Team

Moak Griffin
President & CEO

Luke Yeatman
Chief Financial Officer

Lee Seago
Chief Operating Officer

Jim McAlexander
Chief Experience Officer

Marcus Mallory
Chief Banking Officer

Greg Moore
Chief Lending Officer

Heyward Gould
Community Bank Executive

Board of Directors

David Barge**
Macon, MS

Haley Fisackerly*
Jackson, MS

Bill Freeman
Newton, MS

Moak Griffin*
Columbus, MS

Joe Hollis*
Columbus, MS

Frank Hopper*
West Point, MS

Eddie Mauck*
Columbus, MS

Rickey McCreless
Haleyville, AL

Phillip McGuire*
Macon, MS

Melinda Pilkinton*
Columbus, MS

Gregory Rader*
Columbus, MS

Bob Shearer*
Starkville, MS

George Sherman*
Starkville, MS

William Walker
Haleyville, AL

Brett Whiteside*
Haleyville, AL

Camille Young*
Jackson, MS

* Holding Company Board Member
** Chairman of the Board

To Our Shareholders

We are pleased to present BankFirst Capital's annual report for 2024—another year of growth, innovation, and strategic progress. Our resilience and commitment to excellence continue to drive strong financial performance and meaningful community impact.

BankFirst strengthened its position in 2024, with total assets reaching $2.799 billion. We now rank 9th among 58 Mississippi-based banks, reinforcing our market strength. Revenue for the year totaled $161.2 million, reflecting an 11% increase from the previous year and underscoring our commitment to long-term, sustainable success.

Innovation remained a priority, particularly in technology. We advanced our core system platform to equip our team with better tools, enhancing operational efficiency. Additionally, we completed a major digital banking upgrade in early 2024, modernizing our online and mobile banking platforms. These enhancements have improved accessibility, functionality, and the overall customer experience.

As a community development financial institution, our focus remains on financial literacy, economic development, and community well-being. We are making lasting investments in the communities we serve through the rollout of financial workshops and financial wellness resources for individuals and families seeking financial guidance, debt relief, and long-term financial stability. Because community investment and engagement continues to be at the heart of our mission, we have expanded our BankFirst Yards Sportsplex brand into our Northwest Mississippi market. Providing state-of-the-art sports facilities, this complex serves as a hub for community events, stimulating local economic growth and revenue. Through these efforts, we remain committed to fostering vibrant, thriving communities where individuals and businesses can prosper.

Well into our 137th year, BankFirst remains dedicated to delivering innovative financial solutions, exceptional service, and long-term value for our shareholders. Rooted firmly in a strong foundation and with a clear vision after acquisitions in quick succession throughout 2021, 2022, and 2023, we are presently positioned to pursue future expansion and growth.

We extend our sincere gratitude to our shareholders, customers, and team members for their trust and support. Together, we look forward to another successful year for BankFirst Capital.

Thank you for your continued confidence in us.

Sincerely,

Moak Griffin
President & CEO

David Barge
Board Chairman

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
BankFirst Capital Corporation

Opinion

We have audited the accompanying consolidated financial statements of BankFirst Capital Corporation and its Subsidiary (the Company) (a Mississippi Corporation), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the years then ended, and the related notes to consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BankFirst Capital Corporation and its Subsidiary as of December 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with auditing standards generally accepted in the United States of America, BankFirst Capital Corporation and its Subsidiary's internal control over financial reporting as of December 31, 2024, based on criteria established in the *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 28, 2025, expressed an unmodified opinion on the effectiveness of the Company's internal control over financial reporting.

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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of BankFirst Capital Corporation and its 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.

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Starkville, MS 39759-0282
Tel: 662.323.1234
Fax: 662.323.1284

TUSCALOOSA
6834 Hwy. 69 South
Tuscaloosa, AL 35405
Tel: 205.759.4195
Fax: 205.759.1018

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Responsibilities of Management for the Consolidated 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 BankFirst Capital Corporation and its Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statement

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 auditors' 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgement 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.
- Evaluate the appropriateness of accounting 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about BankFirst Capital Corporation and its Subsidiary's ability to continue as a going concern for a reasonable period of time.

Board of Directors and Stockholders
BankFirst Capital Corporation

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 Company's Annual Report

Management is responsible for the other information included in the Company's annual report. The other information comprises the Corporate Profile, Financial Highlights, Leadership, and Letter to Shareholders, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated 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.

T.E. Lott & Company

Columbus, Mississippi
February 28, 2025

BankFirst Capital Corporation

Consolidated Balance Sheets

December 31, 2024 and 2023

(In Thousands, Except Per Share Data)

	2024	2023
Assets		
Cash and due from banks	$ 120,675	$ 51,829
Interest bearing bank balances	68,530	61,264
Federal funds sold	125	14,500
Securities available for sale, at fair value	227,143	235,473
Securities held to maturity (fair value 2024 - $255,878, 2023 - $279,116)	307,152	328,013
Loans receivable	1,853,402	1,813,168
Allowance for credit losses	(23,527)	(24,084)
Loans receivable, net of allowance for credit losses	1,829,875	1,789,084
Premises and equipment, net	69,423	66,217
Interest receivable	11,938	11,286
Goodwill	66,966	66,966
Other intangible assets, net	9,669	11,290
Other	87,775	89,375
Total assets	$ 2,799,271	$ 2,725,297
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	$ 2,355,684	$ 2,289,135
Notes payable	5,255	7,405
Subordinated debentures	22,137	29,635
Interest payable	7,489	6,086
Other	18,492	20,599
Total liabilities	2,409,057	2,352,860
Stockholders' Equity		
Preferred stock, no par value, 300,000 shares authorized, 218,585 shares issued and outstanding	188,680	188,680
Common stock, $0.30 par value, 15,000,000 shares authorized, 5,429,273 and 5,399,972 shares issued and outstanding	1,629	1,620
Additional paid-in capital - common stock	63,022	62,065
Retained earnings	147,889	130,557
Accumulated other comprehensive income (loss)	(11,006)	(10,485)
Total stockholders' equity	390,214	372,437
Total liabilities and stockholders' equity	$ 2,799,271	$ 2,725,297

BankFirst Capital Corporation

Consolidated Statements of Income

Years Ended December 31, 2024 and 2023

(In Thousands, Except Per Share Data)

	2024	2023
Interest Income		
Interest and fees on loans	$ 112,803	$ 97,754
Taxable securities	13,473	14,525
Tax-exempt securities	2,068	2,187
Federal funds sold	26	921
Interest bearing bank balances	3,120	1,681
Total interest income	131,490	117,068
Interest Expense		
Deposits	45,144	24,840
Short-term borrowings	17	141
Federal Home Loan Bank advances	-	358
Other borrowings	1,982	2,264
Total interest expense	47,143	27,603
Net Interest Income	84,347	89,465
Provision for Credit Losses	2,800	1,985
Net Interest Income After Provision for Credit Losses	81,547	87,480
Noninterest Income		
Service charges on deposit accounts	9,980	9,549
Mortgage income	3,141	2,516
Interchange income	5,857	5,634
Government awards/grants	1,390	6,634
Gain on retirement of subordinated debt	956	-
Net realized gains (losses) on available-for-sale securities	(194)	(1,291)
Other	8,621	4,595
Total noninterest income	29,751	27,637
Noninterest Expense		
Salaries and employee benefits	44,176	41,956
Net occupancy expenses	5,154	5,197
Equipment and data processing expenses	7,229	9,464
Other	22,408	22,441
Total noninterest expense	78,967	79,058
Income Before Income Taxes	32,331	36,059
Provision for Income Taxes	6,788	7,858
Net Income	$ 25,543	$ 28,201
Basic Earnings Per Common Share	$ 4.20	$ 5.23

BankFirst Capital Corporation

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2024 and 2023

(In Thousands, Except Per Share Data)

	2024	2023
Net Income	$ 25,543	$ 28,201
Other Comprehensive Income		
Available-for-sale securities		
Net unrealized (losses) gains, net of taxes of ($181) and $987	(547)	2,734
Less: reclassification adjustment for net realized losses(gains) included in net income, net of taxes of $48 and $326	146	968
Total other comprehensive income (loss) for available-for-sale securities	(401)	3,702
Net (accretion) amortization of unrealized (gains) losses of available-for-sale securities transferred to held to maturity, net of taxes of $40 and $40	(120)	(119)
Total other comprehensive income (loss)	(521)	3,583
Comprehensive Income	$ 25,022	$ 31,784

BankFirst Financial Capital Corporation

Consolidated Statements of Stockholders'
Equity Year Ended December 31, 2023
(In Thousands, Except Per Share Data)

	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2023	$ 175,000	5,353,906	$ 1,606	$ 61,164	$ 113,633	$ (14,068)	$ 337,335
Cummulative effect of change in accounting principle	-	-	-	-	(6,416)	-	(6,416)
Balance at January 1, 2023, as adjusted	175,000	5,353,906	1,606	61,164	107,217	(14,068)	330,919
Net income	-	-	-	-	28,201	-	28,201
Other comprehensive income (loss)	-	-	-	-	-	3,583	3,583
Preferred stock assumed in acquisition	13,680	-	-	-	-	-	13,680
Restricted stock plan	-	53,658	16	(16)	-	-	-
Stock based compensation	-	-	-	1,124	-	-	1,124
Common stock redeemed	-	(7,592)	(2)	(207)	-	-	(209)
Dividends on common stock ($.90 per share)	-	-	-	-	(4,861)	-	(4,861)
Balance, December 31, 2023	$ 188,680	5,399,972	$ 1,620	$ 62,065	$ 130,557	$ (10,485)	$ 372,437

BankFirst Financial Capital Corporation

Consolidated Statements of Stockholders' Equity
Year Ended December 31, 2024
(In Thousands, Except Per Share Data)

	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2024	$ 188,680	5,399,972	$ 1,620	$ 62,065	$ 130,557	$ (10,485)	$ 372,437
Net income	-	-	-	-	25,543	-	25,543
Other comprehensive income (loss)	-	-	-	-	-	(521)	(521)
Restricted stock plan	-	49,066	15	(15)	-	-	-
Stock based compensation	-	-	-	1,616	-	-	1,616
Common stock redeemed	-	(19,765)	(6)	(644)	-	-	(650)
Dividends on preferred stock	-	-	-	-	(2,781)	-	(2,781)
Dividends on common stock ($1.00 per share)	-	-	-	-	(5,430)	-	(5,430)
Balance, December 31, 2024	$ 188,680	5,429,273	$ 1,629	$ 63,022	$ 147,889	$ (11,006)	$ 390,214

BankFirst Capital Corporation

Consolidated Statements of Cash Flows

Years Ended December 31, 2024 and 2023

(In Thousands, Except Per Share Data)

	2024	2023
Operating Activities		
Net income	$ 25,543	$ 28,201
Items not requiring (providing) cash		
Provision for credit losses	2,800	1,985
Depreciation	2,842	2,908
Net (accretion)/amortization on available for sale securities	(299)	(224)
Net amortization on held to maturity securities	2,183	2,590
Net amortization on intangible assets	1,621	1,621
Net accretion of purchase accounting adjustments	(2,768)	(806)
Net realized (gains) losses on sales of available-for-sale securities	194	1,291
Stock-based compensation expense	1,616	1,124
Deferred income taxes	1,430	2,499
Changes in		
Interest receivable	(652)	25
Interest payable	1,403	5,084
Other	(4,689)	(5,058)
Net cash provided by operating activities	31,224	41,240
Investing Activities		
Purchases of available-for-sale securities	(15,296)	(2,597)
Proceeds from maturities of available-for-sale securities	23,392	22,747
Proceeds from the sales of available-for-sale securities	-	59,585
Proceeds from maturities of securities held to maturity	18,483	17,392
Net changes to premises and equipment	(6,308)	(7,270)
Net (increase) decrease in		
Interest bearing bank balances	(7,266)	(9,179)
Federal funds sold	14,375	673
Loans	(40,353)	(97,286)
Investment in life insurance	-	(10,125)
Proceeds from life insurance	2,083	-
Federal Reserve Bank and Federal Home Loan Bank stock transactions	(46)	1,036
Proceeds from the sale of foreclosed assets held for sale	45	1,682
Payment for acquisition, net of cash acquired	-	(44,747)
Net cash used in investing activities	(10,891)	(68,089)

BankFirst Capital Corporation

Consolidated Statements of Cash Flows - Continued

Years Ended December 31, 2024 and 2023

(In Thousands, Except Per Share Data)

	2024	2023
Financing Activities		
Net increase (decrease) in		
Noninterest bearing deposits	$ (6,316)	$ (36,653)
Money market, NOW and savings accounts	22,218	(98,759)
Certificates of deposit	50,166	117,570
Short-term borrowings	-	(3,475)
Repayment of notes payable	(2,150)	(2,150)
Subordinated debenture redeemed	(6,544)	-
Dividends paid on preferred stock	(2,781)	-
Common stock redeemed	(650)	(209)
Dividends paid on common stock	(5,430)	(4,861)
Net cash provided (used in) by financing activities	48,513	(28,537)
Change in Cash and Due From Banks	68,846	(55,386)
Cash and Due From Banks, Beginning of Year	51,829	107,215
Cash and Due From Banks, End of Year	$ 120,675	$ 51,829
Supplemental Cash Flows Information		
Interest paid	$ 45,740	$ 22,519
Income taxes paid, net of taxes refunded	4,737	4,650
Foreclosed assets acquired in settlement of loans	-	570
Fair value of assets assumed in acquisition	-	322,476
Fair value of liabilities assumed in acquisition	-	253,796

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

BankFirst Capital Corporation (the Company) is a bank holding company whose principal activity is the ownership and management of its wholly-owned subsidiary, BankFirst Financial Services (the Bank). The Bank is primarily engaged in providing a full range of banking and financial services to individual and corporate customers in Mississippi and Alabama. The Bank is subject to competition from other financial institutions. The Bank is subject to the regulation of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and the Bank. All significant intercompany accounts and transactions have been eliminated in consolidation.

Variable Interest Entities

A legal entity is referred to as a variable interest entity (VIE) if any of the following conditions exist: (1) the total equity investment at risk is insufficient to permit the legal entity to finance its activities without additional subordinated financial support from other parties, or (2) the entity has equity investors who cannot make significant decisions about the entity's operations or who do not absorb their proportionate share of the expected losses or receive the expected returns of the entity.

A VIE's primary beneficiary is the entity that has the power to direct the VIE's significant activities and has an obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE. A VIE must be consolidated by the Company if it is deemed to be the primary beneficiary of the VIE. As discussed in Note 9, the Company owns 100% of the common trust securities of various statutory trusts. The trusts are VIEs for which the Company is not the primary beneficiary and, accordingly, the trusts have not been consolidated into the Company's consolidated financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for credit losses, valuation of real estate acquired in connection with foreclosures or in satisfaction of loans, acquisition accounting, intangible assets, deferred tax assets, and fair value of financial instruments.

Cash Equivalents

The Company has defined cash equivalents as those amounts included in the consolidated balance sheets caption "cash and due from banks.”

Interest Bearing Bank Balances

Interest bearing bank balances mature within one year and are carried at cost.

Debt Securities

Debt securities for which the Company has the positive intent and ability to hold to maturity are classified as held to maturity and are carried at amortized cost. Debt securities held primarily for the purpose of selling in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses included in income. Debt securities not classified as held-to-maturity or trading are classified as available-for-sale and are reported at fair value with unrealized gains and losses, net of income taxes, as a separate component of other comprehensive income (loss). The Company does not have any debt securities classified as trading securities.

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.

<u>Allowance for Credit Losses – Held-to-Maturity Debt Securities</u>

Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type. For pools of such with similar risk characteristics, the historical lifetime probability of default and severity of loss in the event of default is derived or obtained from external sources and adjusted for the expected effects of reasonable and supportable forecasts over the expected lives of the securities on those historical credit losses. Expected credit loss on securities in the held-to-maturity portfolio that do not share similar risk characteristics with any of the pools of debt securities are individually measured on a net realizable value, or the difference between the discounted value of the expected future cash flows, based on the original effective interest rate, and the recorded amortized cost basis of the securities. Accrued interest receivable on held-to-maturity debt securities totaled $1,496 and $1,552 at December 31, 2024 and 2023, respectively and is excluded form the estimate of credit losses.

<u>Allowance for Credit Losses – Available-for-Sale Debt Securities</u>

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 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 that 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 $1,238 and $1,310 at December 31, 2024 and 2023, respectively and is excluded from the estimate of credit losses.

Equity securities are carried at fair value, with changes in fair value reported in net income. Equity securities without readily determinable fair values are carried at cost, less any impairment, and are reported in other assets on the consolidated balance sheets.

Loans Held for Sale

The Company originates fixed rate single family, residential first mortgage loans on a presold basis. Rate lock commitments are issued to customers and concurrently "lock in" with a secondary market investor under a best efforts delivery mechanism. 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 sold without the servicing rights retained by the Company. 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. The Company recognizes certain origination fees and service release fees upon the sale.

Loans Receivable

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balances adjusted for unearned income, charge-offs, the allowance for credit losses, any unamortized deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans.

Interest income is accrued based on the unpaid principal balance. The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on 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.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Credit Losses ("ACL")

As described below under Accounting Policies Recently Adopted, the Company adopted Accounting Standards Update ("ASU") 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("CECL")* Accounting Standard Codification ("ASC") 326 effective January 1, 2023.

The allowance for credit losses represents management's estimate of credit losses over the expected contractual life of the loan portfolio. The estimate is determined based on the amortized cost of the loan portfolio including loan balance adjusted for charge-offs, recoveries, deferred fees and costs, and loan discount and premiums. Recoveries are included only to the extent that such amounts were previously charged-off. The Company has elected to exclude accrued interest from the estimate of credit losses for loans. The allowance is increased for estimated credit losses which are recorded as expense. The portion of loans and overdraft balances determined by management to be uncollectible are charged-off as a reduction to the allowance and recoveries of amounts previously charged-off increase the allowance.

The expected credit loss estimate process involves procedures to consider the unique characteristics of each of the Company's loan portfolio segments which consist of loans secured by real estate which includes the following: construction, farmland, residential real estate, commercial real estate, and consumer and other commercial loans. When computing the allowance levels, credit loss assumptions are estimated using a model that categorizes loan pools based on loss history and risk characteristics, including current conditions and reasonable and supportable forecasts about the future. The Company has determined that four consecutive quarters forecasting period is a reasonable and supportable period. 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 unemployment rates, property values, and other relevant factors. Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation.

Credit quality is assessed and monitored by evaluating various attributes and the results of those evaluations are utilized in the underwriting of new loans and the process for estimating the expected credit losses.

The allowance is impacted by loan volumes, delinquency status, credit ratings, historical loss experiences, estimated prepayment speeds, weighted average lives and other conditions influencing loss expectations, such as reasonable and supportable forecasts of economic conditions. The methodology for estimating the amount of expected credit loss reported in the allowance has two basic components: 1) the expected credit losses for pools of loans that share similar risk characteristics and 2) individual loans that do not share similar risk characteristics with other loans and the measurement of expected credit losses for such individual loans.

Loans with similar risk characteristics are evaluated in pools and, depending on the nature of each identified pool, the Company utilizes a weighted average remaining maturity method. The historical loss experience estimate by pool is then adjusted by forecast factors that are quantitatively related to the Company's historical credit loss experience, such as unemployment rates and gross domestic product. Losses are predicted over a period of time determined to be reasonable and supportable, and at the end of the reasonable and supportable period losses revert to long-term historical averages. The reasonable and supportable period and reversion period are re-evaluated each quarter by the Company and are dependent on the current economic environment and other factors.

The estimated credit losses for each loan pool are then adjusted for changes in qualitative factors not inherently considered in the quantitative analysis. The qualitative adjustments either increase or decrease the quantitative model estimation. The Company considers factors that are relevant within the qualitative framework which include the following: lending policy, changes in nature and volume of loans, staff experience, changes in volume and trends of problem loans, concentration risk, trends in underlying collateral values, external factors, quality of loan review system and other economic conditions.

Loans that no longer share similar risk characteristics with the collectively evaluated pools are excluded from the collective evaluation and estimated on an individual basis. Individual evaluations are performed for nonaccrual loans, loans rated substandard, and modified loans classified as troubled debt restructurings. Specific allowances were estimated based on several methods, including the estimated fair value of the underlying collateral, observable market value of similar debt or the present value of the expected cash flows.

Allowance for Credit Losses – Unfunded Loan Commitments

The allowance for credit losses for unfunded commitments is a liability account representing expected credit losses over the contractual period for which the Company is exposed to credit risk resulting from a contractual obligation to extend credit. No allowance is recognized if the Company has the unconditional right to cancel the obligation. The allowance for credit loss is reported as a component of other liabilities within the Consolidated Balance Sheets. Adjustments to the allowance for credit loss for unfunded commitments are reported in the Consolidated Income Statements as a component of other operating expense.

Premises and Equipment

Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets. Estimated useful lives for each major depreciable classification of premises and equipment are as follows:

Buildings and improvements	15 - 50 years
Furniture, fixtures and equipment	3 - 10 years

Long-lived Asset Impairment

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2024 or 2023.

Goodwill

Goodwill arises from business combinations and is generally determined as the excess of fair value of the consideration transferred over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill acquired in a purchase business combination is not amortized but tested for impairment at least annually or more frequently if events and circumstances exist that indicate that a goodwill impairment test should be performed. A qualitative assessment is performed on an annual basis to determine whether it is considered more likely than not the fair value is less than the carrying amount, including goodwill. If it is determined that it is more likely than not that the fair value is less than the carrying value, then goodwill is tested further for impairment.

Intangible Assets

Intangible assets with finite lives are amortized over their estimated useful lives. The Company's core deposit intangibles acquired in business combinations are being amortized on the straight-line basis over a period of 10 years. Such assets are periodically evaluated as to the recoverability of their carrying values.

Federal Reserve Bank and Federal Home Loan Bank Stock

Federal Reserve Bank (FRB) and Federal Home Loan Bank (FHLB) stock are required investments for institutions that are members of the FRB and FHLB systems. The required investment in the common stock is based on a predetermined formula, carried at cost, classified as a restricted security, and periodically evaluated for impairment. Both cash and stock dividends are reported as income.

Foreclosed Assets Held for Sale

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management, and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in income or expense from foreclosed assets.

Revenue from Contracts with Customers

The Company records revenue from contracts with customers in accordance with Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, the Company must identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when, or as, the Company satisfies a performance obligation. Significant revenue has not been recognized in the current reporting period that results from performance obligations satisfied in previous periods.

The Company's primary sources of revenue are derived from interest and dividends earned on loans, investment securities, and other financial instruments that are not within the scope of Topic 606. The Company has evaluated the nature of its contracts with customers and determined that further disaggregation of revenue from contracts with customers into more granular categories beyond what is presented in Non-Interest Income on the Consolidated Statements of Income was not material. The Company generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are fixed. The Company has made no significant judgments in applying the revenue guidance prescribed in Topic 606 that affect the determination of the amount and timing of revenue from contracts with customers.

Stock-based Compensation Plans

The Company has a share-based employee compensation plan which is described more fully in Note 17. Compensation cost is recognized for restricted stock awards to employees based on the fair value of these awards at the grant date and is recognized over the required service period, generally defined as the vesting period.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company—put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) 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 (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Income Taxes

The two components of income tax expense are current and deferred income tax expense. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Tax positions are recognized if it is more-likely-than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more-likely-than not means a likelihood of more than 50%; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment. The Company and the Bank file consolidated U.S. federal and state income tax returns.

Earnings Per Common Share

Earnings per common share is income available to common stockholders divided by the weighted average number of common shares outstanding during the period. All outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends are considered participating securities for this calculation. Earnings and dividends per share are restated for all stock splits through the date of issuance of the financial statements.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (loss), net of applicable income taxes. Other comprehensive income (loss) includes unrealized gains (losses) on available-for-sale debt securities and unrealized (gains) losses of available-for-sale securities transferred to held to maturity.

Accounting Policies Recently Adopted

ASU 2022-03, *Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions.* The FASB issued this update in June 2022. The amendments in this ASU affect all entities that have investments in equity securities measured at fair value that are subject to a contractual sale restriction. These amendments clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments in this ASU are effective for fiscal years, beginning after December 15, 2023. The Company adopted on January 1, 2024. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Pending Accounting Pronouncements

ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The amendments in ASU 2023-09 requires public business entities to disclose in their income tax rate reconciliation table additional categories of information about federal, state and foreign income tax and to provide more details about the reconciling items in some categories if items meet a quantitative threshold. ASU 2023-09 also requires all entities to disclose income taxes paid, net of refunds, disaggregated by federal, state, and foreign taxes for annual periods and to disaggregate the information by jurisdiction based on a quantitative and qualitative threshold, among other things. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The adoption of this standard is not expected to have a material effect on the Company's consolidated operating results or financial condition.

Reclassifications

Certain reclassifications have been made to the 2023 consolidated financial statements to conform to the 2024 consolidated financial statement presentation. These reclassifications had no effect on net income.

Subsequent Events

Subsequent events have been evaluated through February 28, 2025, the date of the Independent Auditors' Report, which is the date the consolidated financial statements were available to be issued.

(In Thousands, Except Per Share Data)

Note 2: Debt Securities

The amortized cost and approximate fair values, together with gross unrealized gains and losses, of available-for-sale securities are as follows. Mortgage-backed securities consist of residential and commercial mortgage-backed securities issued by U.S. government-sponsored enterprises (GSEs).

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2024				
Securities Available For Sale				
U.S. Treasury	$ 18,138	$ -	$ 405	$ 17,733
U.S. GSEs	59,058	113	6,388	52,783
Commercial mortgage-backed securities	25,845	-	2,251	23,594
Residential mortgage-backed securities	68,008	51	2,552	65,507
Tax-exempt state and political subdivisions	23,355	119	870	22,604
Taxable state and political subdivisions	35,405	60	1,429	34,036
Corporate debt securities	8,530	-	487	8,043
Collateralized debt obligations	2,835	11	3	2,843
Total available for sale	$ 241,174	$ 354	$ 14,385	$ 227,143
Securities Held to Maturity				
Residential mortgage-backed securities	$ 165,507	$ -	$ 27,901	$ 137,606
Tax-exempt state and political subdivisions	59,146	-	5,570	53,576
Taxable state and political subdivisions	82,499	-	17,803	64,696
Total held to maturity	$ 307,152	$ -	$ 51,274	$ 255,878
December 31, 2023				
Securities Available For Sale				
U.S. Treasury	$ 18,161	$ -	$ 623	$ 17,538
U.S. GSEs	68,406	238	6,679	61,965
Commercial mortgage-backed securities	23,029	4	2,281	20,752
Residential mortgage-backed securities	66,664	177	2,298	64,543
Tax-exempt state and political subdivisions	26,002	624	292	26,334
Taxable state and political subdivisions	36,340	230	1,716	34,854
Corporate debt securities	7,759	-	880	6,879
Collateralized debt obligations	2,610	11	13	2,608
Total available for sale	$ 248,971	$ 1,284	$ 14,782	$ 235,473
Securities Held to Maturity				
Residential mortgage-backed securities	$ 183,565	$ -	$ 26,736	$ 156,829
Tax-exempt state and political subdivisions	60,750	1	4,907	55,844
Taxable state and political subdivisions	83,698	-	17,255	66,443
Total held to maturity	$ 328,013	$ 1	$ 48,898	$ 279,116

(In Thousands, Except Per Share Data)

The carrying value of securities pledged as collateral to secure public deposits and for other purposes was $352,107 at December 31, 2024, and $294,319 at December 31, 2023.

Gross gains of $1 and $564 and gross losses of $195 and $1,855 resulting from sales of available-for-sale securities were realized for 2024 and 2023, respectively.

The amortized cost and fair value of available-for-sale and held-to-maturity securities at December 31, 2024, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Securities Available For Sale		
Within one year	$ 17,766	$ 17,668
One to five years	54,847	51,846
Five to ten years	52,302	46,668
After ten years	22,406	21,860
	147,321	138,042
Mortgage-backed securities	93,853	89,101
Total available for sale	$ 241,174	$ 227,143
Securities Held to Maturity		
Within one year	$ -	$ -
One to five years	108	107
Five to ten years	60,788	53,527
After ten years	80,749	64,638
	141,645	118,272
Mortgage-backed securities	165,507	137,606
Total held to maturity	$ 307,152	$ 255,878

(In Thousands, Except Per Share Data)

The following table identifies the Company's investment securities that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous loss position for 12 or more months, as of December 31, 2024 and 2023.

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2024						
Securities Available For Sale						
U.S. Treasury	$ -	$ -	$ 17,733	$ 405	$ 17,733	$ 405
U.S. GSEs	4,473	45	38,787	6,343	43,260	6,388
Mortgage-backed securities						
Commercial	6,431	59	17,163	2,192	23,594	2,251
Residential	21,890	573	32,491	1,979	54,381	2,552
State and political						
Tax-exempt	10,261	173	8,218	697	18,479	870
Taxable	4,397	38	19,651	1,391	24,048	1,429
Corporate debt securities	1,271	45	6,772	442	8,043	487
Collateralized debt	941	2	357	1	1,298	3
	$ 49,664	$ 935	$ 141,172	$ 13,450	$ 190,836	$ 14,385

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2024						
Securities Held to Maturity						
Mortgage-backed securities						
Residential	$ -	$ -	$ 137,606	$ 27,901	$ 137,606	$ 27,901
State and political subdivisions						
Tax-exempt	1,162	43	52,414	5,527	53,576	5,570
Taxable	197	25	64,499	17,778	64,696	17,803
	$ 1,359	$ 68	$ 254,519	$ 51,206	$ 255,878	$ 51,274

(In Thousands, Except Per Share Data)

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2023						
Securities Available For Sale						
U.S. Treasury	$ -	$ -	$ 17,538	$ 623	$ 17,538	$ 623
U.S. GSEs	2,579	44	41,581	6,635	44,160	6,679
Mortgage-backed securities						
Commercial	1,678	26	17,798	2,255	19,476	2,281
Residential	6,402	42	42,451	2,256	48,853	2,298
State and political subdivisions						
Tax-exempt	2,852	25	5,691	267	8,543	292
Taxable	1,360	3	20,364	1,713	21,724	1,716
Corporate debt securities			6,879	880	6,879	880
Collateralized debt obligations	499	4	1,637	9	2,136	13
	$ 15,370	$ 144	$ 153,939	$ 14,638	$ 169,309	$ 14,782

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2023						
Securities Held to Maturity						
Mortgage-backed securities						
Residential	$ -	$ -	$ 156,829	$ 26,736	$ 156,829	$ 26,736
State and political subdivisions						
Tax-exempt	755	15	54,089	4,892	54,844	4,907
Taxable	-	-	66,443	17,255	66,443	17,255
	$ 755	$ 15	$ 277,361	$ 48,883	$ 278,116	$ 48,898

At December 31, 2024 and 2023, no allowance for credit losses has been recognized on available for sale debt securities in the unrealized loss position as the Company does not believe any of the debt securities are credit impaired. This is based on the Company's analysis of the risk characteristics, including credit ratings, and other qualitative factors related to available for sale debt securities. The issuers of the debt securities continue to make timely principal and interest payments under the contractual terms of the securities. The Company does not intend to sell these debt securities and it is more likely than not that the Company will not be required to sell the debt securities before recovery of their amortized cost, which may be at maturity. The unrealized losses are due to increases in market interest rates over the yields available at the time the debt securities were purchased.

Management measures expected credit losses on held-to-maturity securities on a collective basis by major security type with each type sharing similar risk characteristics and considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecast. With regards to U.S. Treasury and residential mortgage-backed securities issued by the U.S. government, or agencies thereof, it is expected that the securities will not be settled at prices less than the amortized cost bases of the securities as such securities are backed by the full faith and credit of and /or guaranteed by the U.S. government. Accordingly, no allowance for credit losses has been recorded for these securities. With regard to securities issued by States and political subdivisions and other held-to-maturity securities, management considers (i) issuers bond ratings, (ii) historical loss rates for given bond ratings, (iii) whether issuers continue to make timely principal and interest payments under the contractual terms of the securities, and (iv) internal forecasts. Historical loss rates associated with securities having similar grades as those in our portfolio have generally not been significant. There were no past due principal or interest payments associated with these securities as of December 31, 2024 and 2023. Based upon (i) issuer's strong bond ratings and (ii) a zero historical loss rate, no allowance for credit losses has been recorded for held-to-maturity State and Municipal Securities as such amount is not material at December 31, 2024 and 2023. All debt securities in unrealized positions as of December 31, 2024 continue to perform as scheduled and the Company does not believe there is a possible credit loss or that an allowance for credit loss on these debt securities is necessary.

(In Thousands, Except Per Share Data)

Note 3: Loans and Allowance for Credit Losses

The loan portfolio is classified based on the underlying collateral utilized to secure each loan for financial reporting purposes. This classification is consistent with the Quarterly Report of Condition and Income filed by the bank for regulatory reporting purposes.

At December 31, 2024 and 2023, the composition of the loan portfolio was as follows:

	2024	2023
Secured by real estate		
Construction	$ 167,623	$ 149,090
Farmland	97,191	103,088
Residential real estate	533,625	489,244
Commercial real estate	778,977	782,915
Consumer	24,704	27,896
Commercial and other	251,282	260,935
	1,853,402	1,813,168
Allowance for credit losses	(23,527)	(24,084)
Loans receivable, net	$ 1,829,875	$ 1,789,084

As described in Note 1, "*Summary of Significant Accounting Policies*," the Company adopted ASU 2016-13 on January 1, 2023, which introduced the CECL methodology for estimating all expected losses over the life of a financial asset. Under the CECL methodology, the allowance for credit losses ("ACL") is measured on a collective basis for pools with similar risk characteristics. For loans that do not share similar risk characteristics with the collectively evaluated pools, evaluations are performed on an individual basis. For all loan segments collectively evaluated, losses are predicted over a period of time determined to be reasonable and supportable, and at the end of a reasonable and supportable forecast period losses are reverted to long-term historical averages. The estimated credit losses for all loan segments are adjusted for changes in qualitative factors not inherently considered in the quantitative analysis.

The Company uses a weighted average remaining maturity (WARM) method which will annualize the loss rate by defined segments and converts it to a life of loan CECL application. The remaining contractual life is adjusted by scheduled payments and prepayments. A historical quarterly loss rate is calculated using the Company's historical loss data. The quarterly loss rate is multiplied by the expected outstanding balance for each period. The sum of the estimated loss for all quarters is the total calculated reserve for the pool.

Each loan pool is adjusted for qualitative factors not inherently considered in the quantitative analysis. The qualitative adjustments either increase or decrease the quantitative estimation. The Company considers factors that are relevant within the qualitative framework which include the following: lending policy, changes in nature and volume of loans, staff experience, changes in volume and trends of problem loans, concentration risk, trends in underlying collateral values, external factors, quality of loan review system and other economic conditions.

Inherent risk in the loan portfolio will differ based on type of loan. Specific risk characteristics by loan portfolio segments are listed below:

Construction Real Estate: Construction loans are usually based upon estimates of costs and estimated value of the completed project and include independent appraisal reviews and a financial analysis of the developers and property owners. Sources of repayment of these loans may include permanent loans, sales of developed property or an interim loan commitment from the Company until permanent financing is obtained. These loans are considered to be higher risk than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, general economic conditions and the availability of long-term financing. Credit risk in these loans may be impacted by the creditworthiness of a borrower, property values and the local economies in the Company's market areas.

Farmland: Loans secured by farmland are generally made for the purpose of acquiring land devoted to crop production, cattle or poultry, the growth and management of timber or the operation of a similar type of business on the secured property. Sources of repayment for these loans generally include income generated from operations of a business on the property, rental income or sales of the property. Credit risk in these loans may be impacted by crop and commodity prices, the creditworthiness of a borrower, changes in economic conditions which might affect underlying property values and the local economies in the Company's market areas.

Residential Real Estate: The residential real estate loan portfolio consists of residential loans for single and multifamily properties. Residential loans are generally secured by owner occupied 1-4 family residences. Repayment of these loans is primarily dependent on the personal income and credit rating of the borrowers. Credit risk in these loans can be impacted by economic conditions within the Company's market areas that might impact either property values or a borrower's personal income. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

Commercial Real Estate: Commercial real estate loans typically involve larger principal amounts, and repayment of these loans is generally dependent on the successful operations of the property securing the loan or the business conducted on the property securing the loan. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Credit risk in these loans may be impacted by the creditworthiness of a borrower, property values and the local economies in the Company's market areas.

Commercial and other: The commercial portfolio includes loans to commercial customers for use in financing working capital needs, equipment purchases and expansions. The loans in this category are repaid primarily from the cash flow of a borrower's principal business operation. Credit risk in these loans is driven by creditworthiness of a borrower and the economic conditions that impact the cash flow stability from business operations.

Consumer: The consumer loan portfolio consists of various term and line-of-credit loans such as automobile loans and loans for other personal purposes. Repayment for these types of loans will come from a borrower's income sources that are typically independent of the loan purpose. Credit risk is driven by consumer economic factors (such as unemployment and general economic conditions in the Company's market area) and the creditworthiness of a borrower.

(In Thousands, Except Per Share Data)

Changes in the allowance for credit losses, segregated by loan type, during the year ended December 31, 2024 are as follows:

	Beginning Balance	Charge-offs	Recoveries	Provision for Credit Losses	Ending Balance
Year Ended December 31, 2024					
Secured by real estate					
Construction	$ 3,822	$ (103)	$ 8	$ 194	$ 3,921
Farmland	649	-	-	(42)	607
Residential real estate	5,658	(219)	94	240	5,773
Commercial real estate	7,896	(1,157)	7	1,038	7,784
Consumer	1,074	(1,190)	242	1,012	1,138
Commercial and other	4,985	(1,753)	714	358	4,304
	$ 24,084	$ (4,422)	$ 1,065	$ 2,800	$ 23,527

Changes in the allowance for loan losses, segregated by loan type, during the year ended December 31, 2023 are as follows:

	Beginning Balance	Impact of adopting ASC 326	Charge-offs	Recoveries	Provision for Credit Losses	Ending Balance
Year Ended December 31, 2023						
Secured by real estate						
Construction	$ 1,127	$ 2,528	$ -	$ 381	$ (214)	$ 3,822
Farmland	617	6	(12)	12	26	649
Residential real estate	2,839	2,875	(168)	28	84	5,658
Commercial real estate	6,446	1,042	(105)	263	250	7,896
Consumer	838	343	(1,246)	427	712	1,074
Commercial and other	2,265	2,086	(720)	227	1,127	4,985
	$ 14,132	$ 8,880	$ (2,251)	$ 1,338	$ 1,985	$ 24,084

The Company maintains an allowance for credit losses on unfunded commitments and letters of credit to provide for the risk of loss inherent in these arrangements. The allowance is calculated using a methodology similar to that used to determine the ACL for loans, modified to take into account the probability of a drawdown on the commitment. The ACL on unfunded loan commitments is classified as liability account on the Consolidated Balance Sheets within the other liabilities, while the corresponding provision for these credit losses is recorded as a component of other expense for financial reporting purposes.

The allowance for credit losses on unfunded commitments was $1,583 and $1,883 at December 31, 2024 and 2023, respectively. The provision (credit) for unfunded commitments was ($300) and $40 for the years ended December 31, 2024 and 2023, respectively.

The Company utilizes a risk grading system to assign a grade to each of its loans when originated. This grade is updated as factors related to quality of a loan change. A description of the current risk grades follows:

Pass (1-5) These ratings represent loans that are acceptable, good or excellent quality with very limited to no risk. Loans are well protected by the current net worth and paying capacity of the obligor (or obligors, if any) or by the fair value, less cost to acquire and sell, of any underlying collateral.

Special Mention (6): These loans are currently performing satisfactorily but with potential weaknesses that may, if not corrected, weaken the asset or inadequately protect the Company's position at some future date. The weakness or issue could include a policy, credit or collateral exception. These loans may be impacted by economic conditions, that develop subsequent to the loan origination, that don't jeopardize liquidation of the debt but do substantially increase the level of risk.

Substandard (7): These loans are inadequately protected by the current sound net worth or paying capacity of the obligor or pledged collateral. Substandard loans will generally be dependent upon collateral for repayment. These loans have well-defined weaknesses jeopardizing orderly liquidation. Substandard loans may or may not be impaired.

Doubtful (8): These are loans with weaknesses inherent in the substandard classification and where collection in full is highly questionable based on currently existing facts. The ability of the borrower to service the debt is extremely weak, overdue status is constant, the debt has been placed on non-accrual status, and no definite repayment schedule exists. Doubtful loans will have some recognizable impairment.

The Company evaluates the risk grading system and allowance for credit loss methodology on an ongoing basis. No significant changes were made to either in 2024.

(In Thousands, Except Per Share Data)

The table below presents loan balances classified by credit quality indicator, loan type and based on year of origination as of December 31, 2024:

	Term loans amortized cost basis by origination year					Revolving	Total
	2024	2023	2022	2021	Prior	Loans	Loans
As of December 31, 2024							
Secured by real estate							
Construction							
Pass	$ 79,751	$ 37,687	$ 12,079	$ 22,859	$ 10,925	$ 2,192	$ 165,493
Watch	-	86	-	4	8	-	98
Substandard	160	45	1,777	13	37	-	2,032
Total Construction	$ 79,911	$ 37,818	$ 13,856	$ 22,876	$ 10,970	$ 2,192	$ 167,623
Farmland							
Pass	$ 12,330	$ 12,680	$ 16,001	$ 24,829	$ 17,127	$ 12,111	$ 95,078
Watch	346	16	360	183	12	-	917
Substandard	325	-	255	34	582	-	1,196
Total Farmland	$ 13,001	$ 12,696	$ 16,616	$ 25,046	$ 17,721	$ 12,111	$ 97,191
Residential real estate							
Pass	$ 114,244	$ 82,903	$ 94,108	$ 76,948	$ 80,391	$ 69,629	$ 518,223
Watch	149	266	1,437	772	1,225	345	4,194
Substandard	1,798	1,417	3,299	1,849	2,467	378	11,208
Total Residential real estate	$ 116,191	$ 84,586	$ 98,844	$ 79,569	$ 84,083	$ 70,352	$ 533,625
Commercial real estate							
Pass	$ 83,799	$ 90,631	$ 172,785	$ 190,496	$ 210,306	$ 19,299	$ 767,316
Watch	29	11	-	2,385	102	81	$ 2,608
Substandard	1,840	-	-	4,394	2,819	-	9,053
Total Commercial real estate	$ 85,668	$ 90,642	$ 172,785	$ 197,275	$ 213,227	$ 19,380	$ 778,977
Consumer							
Pass	$ 13,258	$ 5,197	$ 3,236	$ 1,361	$ 876	$ 294	$ 24,222
Watch	13	33	13	23	20	-	102
Substandard	108	84	102	50	36	-	380
Total Consumer	$ 13,379	$ 5,314	$ 3,351	$ 1,434	$ 932	$ 294	$ 24,704
Commercial and other							
Pass	$ 55,687	$ 34,322	$ 51,800	$ 18,691	$ 19,833	$ 67,190	$ 247,523
Watch	211	208	189	(51)	253	250	1,060
Substandard	75	456	321	156	1,105	586	2,699
Total Commercial and other	$ 55,973	$ 34,986	$ 52,310	$ 18,796	$ 21,191	$ 68,026	$ 251,282
Total Loans							
Pass	$ 359,069	$ 263,420	$ 350,009	$ 335,184	$ 339,458	$ 170,715	$ 1,817,855
Watch	748	620	1,999	3,316	1,620	676	8,979
Substandard	4,306	2,002	5,754	6,496	7,046	964	26,568
Total Loans	$ 364,123	$ 266,042	$ 357,762	$ 344,996	$ 348,124	$ 172,355	$ 1,853,402

(In Thousands, Except Per Share Data)

The table below presents loan balances classified by credit quality indicator, loan type and based on year of origination as of December 31, 2023:

	Term loans amortized cost basis by origination year 2023	2022	2021	Prior	Revolving Loans	Total Loans
As of December 31, 2023						
Secured by real estate						
Construction						
Pass	$ 66,397	$ 40,067	$ 24,270	$ 9,089	$ 4,499	$ 144,322
Watch	108	-	7	2,452	-	2,567
Substandard	376	1,640	16	169	-	2,201
Total Construction	$ 66,881	$ 41,707	$ 24,293	$ 11,710	$ 4,499	$ 149,090
Farmland						
Pass	$ 18,924	$ 18,920	$ 27,268	$ 25,906	$ 10,254	$ 101,272
Watch	20	115	230	387	-	752
Substandard	-	-	-	1,064	-	1,064
Total Farmland	$ 18,944	$ 19,035	$ 27,498	$ 27,357	$ 10,254	$ 103,088
Residential real estate						
Pass	$ 109,917	$ 108,508	$ 89,999	$ 111,812	$ 54,140	$ 474,376
Watch	312	1,657	858	2,051	340	5,218
Substandard	1,165	2,722	1,766	3,441	556	9,650
Total Residential real estate	$ 111,394	$ 112,887	$ 92,623	$ 117,304	$ 55,036	$ 489,244
Commercial real estate						
Pass	$ 105,467	$ 189,961	$ 219,982	$ 244,798	$ 14,554	$ 774,762
Watch	12	-	606	678	96	1,392
Substandard	-	77	1,210	5,474	-	6,761
Total Commercial real estate	$ 105,479	$ 190,038	$ 221,798	$ 250,950	$ 14,650	$ 782,915
Consumer						
Pass	$ 8,754	$ 7,818	$ 3,468	$ 6,978	$ 286	$ 27,304
Watch	10	58	73	63	-	204
Substandard	73	122	74	119	-	388
Total Consumer	$ 8,837	$ 7,998	$ 3,615	$ 7,160	$ 286	$ 27,896
Commercial and other						
Pass	$ 60,997	$ 56,051	$ 38,597	$ 36,683	$ 64,460	$ 256,788
Watch	40	337	74	354	-	805
Substandard	240	954	405	1,511	232	3,342
Total Commercial and other	$ 61,277	$ 57,342	$ 39,076	$ 38,548	$ 64,692	$ 260,935
Total Loans						
Pass	$ 370,456	$ 421,325	$ 403,584	$ 435,266	$ 148,193	$ 1,778,824
Watch	502	2,167	1,848	5,985	436	10,938
Substandard	1,854	5,515	3,471	11,778	788	23,406
Total Loans	$ 372,812	$ 429,007	$ 408,903	$ 453,029	$ 149,417	$ 1,813,168

(In Thousands, Except Per Share Data)

Loans by past due status as of December 31, 2024 and 2023, are as follows:

	Accruing Loans Past Due			Nonaccrual	Total		
	30 - 89 Days	90 Days or More	Non-accrual	With No ACL	Past Due and Nonaccrual	Current Loans	Total Loans
December 31, 2024							
Secured by real estate							
Construction	$ 275	$ -	$ 437	$ 145	$ 712	$ 166,911	$ 167,623
Farmland	607	-	325	255	932	96,259	97,191
Residential real estate	3,146	136	6,855	1,890	10,137	523,488	533,625
Commercial real estate	378	-	7,745	3,456	8,123	770,854	778,977
Consumer	247	-	235	-	482	24,222	24,704
Commercial and other	1,464	-	1,453	20	2,917	248,365	251,282
	$ 6,117	$ 136	$ 17,050	$ 5,766	$ 23,303	$ 1,830,099	$ 1,853,402

	Accruing Loans Past Due			Nonaccrual	Total		
	30 - 89 Days	90 Days or More	Non-accrual	With No ACL	Past Due and Nonaccrual	Current Loans	Total Loans
December 31, 2023							
Secured by real estate							
Construction	$ 426	$ -	$ 122	$ -	$ 548	$ 148,542	$ 149,090
Farmland	307	-	81	-	388	102,700	103,088
Residential real estate	5,408	326	3,266	212	9,000	480,244	489,244
Commercial real estate	127	194	3,894	3,545	4,215	778,700	782,915
Consumer	341	-	273	-	614	27,282	27,896
Commercial and other	871	-	1,982	1,330	2,853	258,082	260,935
	$ 7,480	$ 520	$ 9,618	$ 5,087	$ 17,618	$ 1,795,550	$ 1,813,168

The Company would have recognized $1,896 and $492 of interest income on nonaccrual loans during the year ended December 31, 2024 and 2023.

Loans that no longer share similar risk characteristics with the collectively evaluated pools are estimated on an individual basis. A loan is considered collateral-dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The following table summarizes collateral-dependent gross loans held for investment by collateral type as of December 31, 2024 and 2023.

(In Thousands, Except Per Share Data)

	Real Estate	Accounts Receivable	Equipment	Other	Total	ACL Allocation
December 31, 2024						
Secured by real estate						
Construction	$ 1,644	$ -	$ -	$ -	$ 1,644	$ 1,300
Farmland	818	-	-	-	818	9
Residential real estate	4,797	-	-	-	4,797	360
Commercial real estate	10,635	-	-	-	10,635	1,171
Consumer	-	-	-	-	-	-
Commercial and other	-	628	281	1,357	2,266	1,013
	$ 17,894	$ 628	$ 281	$ 1,357	$ 20,160	$ 3,853

	Real Estate	Accounts Receivable	Equipment	Other	Total	ACL Allocation
December 31, 2023						
Secured by real estate						
Construction	$ 1,915	$ -	$ -	$ -	$ 1,915	$ 1,300
Farmland	629	-	-	-	629	9
Residential real estate	4,503	-	-	-	4,503	451
Commercial real estate	7,972	-	-	-	7,972	853
Consumer	-	-	-	-	-	-
Commercial and other	-	232	202	1,533	1,967	775
	$ 15,019	$ 232	$ 202	$ 1,533	$ 16,986	$ 3,388

For borrowers that are in financial distress the Company may occasionally provide modifications which may include principal forgiveness, term extension, and other-than-significant payment delay, or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

In some cases, the Company provides multiple types of concession on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted.

As of December 31, 2024 the Company modified the payment terms of interest only commercial real estate loans with an outstanding balance of 3,017. The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. There were no loans modified during the year ended December 31, 2024 and 2023 that were past due greater than 30 days as of December 31, 2024 and 2023.

(In Thousands, Except Per Share Data)

The Company has purchased loans, for which there was at acquisition, evidence of deterioration of credit quality since origination and it was probable, at acquisition, that all contractually required payments would not be collected. The carrying amount of those loans is as follows:

	2024	2023
Commercial	$ 775	$ 837
Consumer	250	578
Carrying amount, net of allowance $1,393 and $1,912	$ 1,025	$ 1,415

For those purchased credit impaired loans disclosed above, the Company did not increase the allowance for credit losses in 2024 and increased the allowance for credit losses by $2,169 in 2023. No allowances for loan losses were reversed during 2024 and 2023.

Note 4: Premises and Equipment

Major classifications of premises and equipment, stated at cost, follow:

	2024	2023
Land	$ 14,318	$ 14,678
Buildings and improvements	63,928	58,832
Furniture, fixtures and equipment	12,394	13,904
	90,640	87,414
Less accumulated depreciation	(21,217)	(21,197)
Net premises and equipment	$ 69,423	$ 66,217

Note 5: Other Intangible Assets

The carrying basis and accumulated amortization of recognized core deposit intangible assets follow:

	2024			2023		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Beginning balance	$ 16,213	$ (4,923)	$ 11,290	$ 11,695	$ (3,302)	$ 8,393
Additions	-	-	-	4,518	-	4,518
Amortization expense	-	(1,621)	(1,621)	-	(1,621)	(1,621)
Ending balance	$ 16,213	$ (6,544)	$ 9,669	$ 16,213	$ (4,923)	$ 11,290

(In Thousands, Except Per Share Data)

Estimated amortization expense for each of the following five years, based on current intangible assets, is as follows:

2025	$ 1,544
2026	1,389
2027	1,389
2028	1,389
2029	1,133
	$ 6,844

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Note 6: Other Assets

A summary of other assets at December 31 follows:

	2024	2023
Cash surrender value of life insurance	$ 65,204	$ 65,639
Foreclosed assets held for sale, net	-	7
Federal Reserve Bank stock	1,987	1,941
Federal Home Loan Bank stock	3,361	3,187
Deferred income taxes	7,868	9,125
Other	9,355	9,476
	$ 87,775	$ 89,375

Note 7: Deposits

At December 31, 2024 and 2023, deposits were as follows:

	2024	2023
Noninterest bearing deposits	$ 538,708	$ 545,024
Interest bearing deposits		
Money market, NOW and savings accounts	1,214,171	1,191,953
Certificates of deposit of $250 thousand or more	192,800	149,611
Other certificates of deposit	410,005	402,547
Total interest bearing deposits	1,816,976	1,744,111
Total deposits	$ 2,355,684	$ 2,289,135

(In Thousands, Except Per Share Data)

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

2025	$ 530,196
2026	33,078
2027	17,185
2028	10,194
2029	12,152
	$ 602,805

Note 8: Notes Payable

Categories of notes payable at December 31 follow:

	2024	2023
Note payable to a bank, bearing interest at a fixed rate of 3.02%, until maturity at September 4, 2025. This note requires monthly principal payments of $117 plus accrued interest.	$ 1,068	$ 2,468
Note payable to a bank, bearing interest at a fixed rate of 3.02%, until maturity at June 29, 2027. This note requires monthly principal payments of $63 plus accrued interest.	4,187	4,937
	$ 5,255	$ 7,405

The Company entered into a credit agreement (the Agreement) with a commercial bank consisting of a $10,000 revolving line of credit. This line of credit and term loans are secured by 53,264 shares of the Bank's common stock. The Company's line of credit requires monthly interest payments and bears interest at SOFR rate plus 2.50%, which was 7.88% at December 31, 2024. As of December 31, 2024 there were no amounts borrowed under the line of credit.

As of December 31, 2024, the scheduled maturities of notes payable are as follows:

	Company's Term Loans
2025	$ 1,818
2026	750
2027	2,687
	$ 5,255

(In Thousands, Except Per Share Data)

Note 9: Subordinated Debentures

The following is a summary of subordinated debentures at December 31:

	2024	2023
Subordinated debentures	$ 7,500	$ 14,979
Subordinated debentures payable to statutory trusts	14,637	14,656
	$ 22,137	$ 29,635

Subordinated Debentures

The Company issued $15,000 subordinated debentures bearing interest, payable semi-annually at a rate of 6.375%, to institutional lenders on April 1, 2019. Net proceeds received by the Company from these debentures amounted to $14,700. These debentures were to mature on April 1, 2029; however, the principal could be repaid by the Company in whole or in part, beginning on April 1, 2024.

The Company repurchased and subsequently retired $7,500 of the outstanding Subordinated Notes in 2024. The note was purchased in the open market for $6,600 and resulted in a pre-tax gain of approximately $956.

The following is a summary of subordinated debentures payable to institutional lenders at December 31:

	2024	2023
Principal balance	$ 7,500	$ 15,000
Unamortized debt issuance costs	-	(21)
	$ 7,500	$ 14,979

Subordinated Debentures Payable to Statutory Trusts

The Company owns the outstanding common stock of business trusts that have issued preferred capital securities to third parties. These preferred capital securities qualify as Tier I capital for the Company, subject to regulatory rules and limits. These trusts used the proceeds from the issuance of the common stock and the preferred capital securities to purchase debentures issued by the Company. These debentures are these trusts' only assets, and quarterly interest payments on these debentures are the sole source of cash for these trusts to pay quarterly distributions on the common stock and preferred capital securities. The Company has fully and unconditionally guaranteed the trusts' obligation with respect to the preferred capital securities.

(In Thousands, Except Per Share Data)

Although the Company has not elected to do so, the Company has the right to defer the payment of interest on the subordinated debentures at any time, or from time to time, for periods not exceeding five years. If interest payments on the subordinated debentures are deferred, the distributions on the preferred capital securities are also deferred. Interest on the subordinated debentures and distributions on the preferred capital securities are cumulative.

The Company has the right to redeem the debentures prior to maturity. Upon redemption of the subordinated debentures payable to a statutory trust, the trust will also liquidate its common stock and preferred capital securities. The subordinated debentures payable to Trust II have been eligible for redemption by the Company since September 15, 2008. The subordinated debentures payable to Trust III have been eligible for redemption by the Company since December 15, 2010. The subordinated debentures payable to First National Bancshares of Central Alabama Statutory Trust I have been eligible for redemption since March 15, 2010. The subordinated debentures payable to Mechanics Capital Trust I have been eligible for redemption since April 23, 2009.

The following is a summary of debentures payable to statutory trusts as of December 31, 2024 and 2023. Interest rates adjust quarterly for the debentures whose rates are indexed with SOFR.

	Year of Maturity	Interest Rate	2024	2023
BankFirst Capital Statutory Trust II	2033	3-month SOFR, plus 2.95% 7.56% (2024) and 8.59% (2023)	$ 3,093	$ 3,093
Mechanics Capital Trust I	2034	3-month SOFR plus 2.8% 7.69% (2024) and 8.47% (2023)	3,296	3,315
BankFirst Capital Statutory Trust III	2035	3-month SOFR, plus 1.45% 6.07% (2024) and 7.10% (2023)	3,093	3,093
First National Bancshares of Central Alabama Statutory Trust I	2036	3-month SOFR, plus 1.60% 6.22% (2024) and 7.25% (2023)	5,155	5,155
			$ 14,637	$ 14,656

(In Thousands, Except Per Share Data)

Note 10: Other Expenses

A summary of other expenses at December 31 follows:

	2024	2023
Legal and professional expenses	$ 2,774	$ 4,025
Interchange expense	2,521	2,401
Advertising and promotions	2,116	2,102
Software	2,341	1,963
Amortization of intangible assets	1,621	1,621
Other	11,035	10,329
	$ 22,408	$ 22,441

Note 11: Income Taxes

The provision for income taxes includes these components:

	2024	2023
Taxes currently payable	$ 5,358	$ 5,359
Deferred income taxes	1,430	2,499
	$ 6,788	$ 7,858

A reconciliation of income tax expense at the statutory rate of 21% to the Company's actual income tax expense is shown below:

	2024	2023
Computed at the statutory rate	$ 6,790	$ 7,572
Increase (decrease) resulting from		
Tax-exempt interest	(526)	(572)
Life insurance income	(373)	(250)
State income taxes	855	1,190
Other	42	(82)
	$ 6,788	$ 7,858

(In Thousands, Except Per Share Data)

The tax effects of temporary differences related to deferred taxes shown at December 31 follow:

	2024	2023
Deferred tax assets		
Allowance for credit losses	$ 6,254	$ 6,455
Foreclosed assets held for sale	1	5
Stock based compensation	761	518
Deferred compensation	2,596	2,427
Accrued expenses	151	168
Purchase accounting adjustments	3,210	4,600
Income tax credits	883	217
Accumulated other comprehensive loss	3,659	3,487
Other	336	390
	17,851	18,267
Deferred tax liabilities		
Depreciation and amortization	(5,409)	(4,830)
Prepaid expenses	(491)	(441)
Goodwill and other intangible assets	(2,981)	(3,148)
Other	(1,102)	(723)
	(9,983)	(9,142)
Net deferred tax asset	$ 7,868	$ 9,125

Management believes it is more likely than not that all the deferred tax assets will be realized. The Company's net deferred tax assets are included in other assets in the consolidated balance sheets.

(In Thousands, Except Per Share Data)

Note 12: Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss), included in stockholders' equity follow:

	Unrealized Gains (Losses) on		
	AFS Securities	AFS Securities Transferred To HTM	Total
Balance, January 1, 2023			
Amount	$ (18,431)	$ (315)	$ (18,746)
Tax effect	4,599	79	4,678
Net of Tax	(13,832)	(236)	(14,068)
Other comprehensive income for 2023			
Amount	4,933	(159)	4,774
Tax effect	(1,231)	40	(1,191)
Net of Tax	3,702	(119)	3,583
Balance, December 31, 2023			
Amount	(13,498)	(474)	(13,972)
Tax effect	3,368	119	3,487
Net of Tax	(10,130)	(355)	(10,485)
Other comprehensive income for 2024			
Amount	(533)	(160)	(693)
Tax effect	132	40	172
Net of Tax	(401)	(120)	(521)
Balance, December 31, 2024			
Amount	(14,031)	(634)	(14,665)
Tax effect	3,500	159	3,659
Net of Tax	$ (10,531)	$ (475)	$ (11,006)

Note 13: Stockholders' Equity

Preferred Stock

The Company is authorized to issue 300,000 shares of preferred stock at no par value per share. The Board of Directors is authorized to set dividend rates, redemption terms and conversion terms.

Stock Repurchase Program

The Board of Directors of the Company authorized a stock repurchase program for the outstanding shares of the Company's common stock. Under the terms of the Stock Repurchase Program, the Company may repurchase up to $10.0 million of the outstanding shares of the Company's common stock from time to time in open market purchases or privately negotiated transactions. The Stock Repurchase Program will expire on Wednesday, May 21, 2025, subject to the earlier termination or extension by the Board, in its sole discretion and without prior notice, or until such time that the funds designated for the Stock Repurchase Program are depleted. As of December 31, 2024, the Company repurchased 13,909 shares under the Stock Repurchase Program for an aggregate purchase price of approximately $465 thousand.

Emergency Capital Investment Program

Established by the Consolidated Appropriations Act, 2021, the Emergency Capital Investment Program (ECIP) was created to encourage Community Development Financial Institutions, such as the Bank, and minority depository institutions to augment their efforts to support small and minority-owned businesses and consumers in low-income and underserved communities. The Company issued $175 million (175,000 shares) of Senior Preferred Stock to the U.S Department of the Treasury (Treasury) pursuant to ECIP on April 26, 2022. As a result of the acquisition of Mechanics Bancorp, the Company assumed 43,585 shares of Senior Preferred Stock having a redemption value of $43.585 million. As discussed in Note 21, the Senior Preferred Stock assumed in this acquisition was recorded at $13.68 million. The ECIP investment from the Treasury is intended to qualify as Tier 1 capital of the Company for regulatory capital purposes.

The Senior Preferred issued to the Treasury will pay non-cumulative dividends, payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year beginning on the first dividend payment date after the two- year anniversary of the date of issuance. The dividend rate to be paid on the Senior Preferred is 2% but may adjust annually based on certain measurements of the Company's extensions of credit to minority, rural, and urban low-income and underserved communities and low- and moderate-income borrowers. During 2024 the Company paid an aggregate dividend of $2.8 million to the Treasury.

On January 16, 2025, the Company entered into an ECIP Securities Purchase Option Agreement (the "Option Agreement") with Treasury, pursuant to which Treasury granted the Company an option to purchase all of the Senior Preferred during the "Option Period," which is the first fifteen years following the original closing date of the issuance of the Senior Preferred to Treasury. The purchase option may not be exercised during the first ten years following the original closing date (the "ECIP Period"), unless and until at least one of the "Threshold Conditions" defined under the Option Agreement has been met. The earliest possible date by which a Threshold Condition may be met is June 30, 2026. However, there can be no assurance if and when any of the Threshold Conditions will be met in order for the Company to exercise the purchase option, and the Company does not presently anticipate meeting a Threshold

Condition by June 30, 2026. If the Company is unable to meet the requirements for early disposition in the future, the Company may be able to repurchase the shares at the "Present Value Purchase Price," as defined under the Option Agreement, after the end of the ECIP Period on April 26, 2032.

Note 14: Regulatory Matters

The Bank may be required to maintain reserve funds in cash and/or on deposit with the Federal Reserve Bank. At December 31, 2024, no such reserve was required.

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Furthermore, the Bank's regulators could require adjustments to regulatory capital not reflected in these consolidated financial statements. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. Banks (Basel III rules) became effective for the Bank on January 1, 2015 with full compliance with all the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), common equity Tier I capital (as defined) to total risk-weighted assets (as defined) and of Tier I capital (as defined) to average assets (as defined).

In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework (CBLR framework), for qualifying community banking organizations, consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act. The final rule became effective on January 1, 2020. The Bank elected the CBLR framework as of June 30, 2022. In April 2020, the federal banking agencies issued an interim final rule that makes temporary changes to the CBLR framework, pursuant to 4012 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and a second interim final rule that provides a graduated increase in the community bank leverage ratio requirement after the expiration of the temporary changes implemented pursuant to section 4012 of the CARES Act.

The CBLR framework removes the requirement for qualifying banking 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 CBLR framework and that maintain a leverage ratio 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. Under the interim final rules the CBLR framework minimum requirement is 8.5% as of December 31, 2021 and 9% for calendar year 2022 and beyond. The interim rule allows for a two-quarter grace period to correct a ratio that falls below the requirement amount, provided the bank maintains a leverage ratio greater than 8% thereafter.

(In Thousands, Except Per Share Data)

Under the final rule, an eligible banking organization can opt out of the CBLR framework and revert to the risk-weighting without restriction. As of December 31, 2024, the Bank is a qualifying community banking organization as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework on June 30, 2022.The following table presents actual and required capital ratios as of December 31, 2024 and 2023, for the Bank under the capital regulatory rules then in effect:

	Actual		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions (CBLR Framework)	
	Amount	**Ratio**	**Amount**	**Ratio**
December 31, 2024				
Tier 1 (Core) Capital to average total assets	281,789	10.6%	239,742	9.0%
December 31, 2023				
Tier 1 (Core) Capital to average total assets	277,004	10.5%	238,561	9.0%

Dividends paid by the Bank are the primary source of funds available to the Company for payment of dividends to its stockholders and for other cash needs. Applicable federal and state statutes and regulations impose restrictions on the amounts of dividends that may be declared by the Bank. In addition to the formal statutes and regulations, regulatory authorities also consider the adequacy of the Bank's total capital in relation to its assets, deposits and other such items, and, as a result, capital adequacy considerations could further limit the availability of dividends from the Bank. These restrictions are not anticipated to have a material effect on the ability of the Bank to pay dividends to the Company.

Note 15: Related Party Transactions

The Company had loans outstanding to executive officers, directors, significant stockholders and their affiliates (related parties) at December 31, 2024 and 2023. In addition to these loans, the Company has commitments to extend credit to these related parties which amounted to $3,019 and $3,232 at 2024 and 2023. The following is a summary of activity in related party loans:

	2024	2023
Balance, beginning of year	$ 3,156	$ 2,231
Advances	3,700	1,264
Repayments	(914)	(339)
Balance, end of year	$ 5,942	$ 3,156

Deposits from related parties held by the Company totaled $30,107 and $33,745 at December 31, 2024 and 2023.

(In Thousands, Except Per Share Data)

In management's opinion, such loans and other extensions of credit and deposits were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve more than normal risk of collectability or present other unfavorable features.

Note 16: Employee Benefits

401(k) Plan

The Company has a 401(k) plan covering substantially all full time employees of the Company and the Bank. Participants may make contributions to the plan in accordance with applicable regulations and the plan's provisions. The Company makes discretionary matching contributions and additional employer contributions at the discretion of the Board of Directors. The Company contributed $1,202 and $1,189 to the plan in 2024 and 2023.

Split-dollar Life Insurance Arrangements

For endorsement split-dollar life insurance arrangements, an employer must recognize the liability for future benefits based on the substantive agreement with the employee. The total accrued liability amounted to $1,037 and $817 at December 31, 2024 and 2023, and is included in other liabilities in the consolidated balance sheets.

Deferred Compensation Plan

The Company has deferred retirement arrangements for the benefit of certain directors and employees, which generally provide for the payment of monthly benefits to participants at age 70 for a specified period of years. The Company is accruing the present value of the projected benefits to the date of retirement of the respective participants using a discount rate range of 3.75% - 5.65%. The deferred compensation liability is included in other liabilities in the consolidated balance sheets.

The following is a summary of the deferred compensation liability:

	2024	2023
Beginning balance	$ 9,608	$ 8,265
Acquisition	-	1,401
Expense accrued	957	438
Payments	(547)	(496)
Ending balance	$ 10,018	$ 9,608

(In Thousands, Except Per Share Data)

Note 17: Stock-based Compensation

The Company has a restricted stock plan providing for the issuance of common shares to certain officers. Restricted shares that have not vested are included in the Company's outstanding shares. Compensation expense is recognized over the respective vesting periods of the stock grants based on the fair value of the stock at the grant date. In addition, restricted shares become fully vested in the event of death of a participant or upon a change in control. Participants are entitled to receive dividends as compensation and to vote the restricted shares that have not vested. Restricted shares that have not vested may not be transferred by the participants.

Of the outstanding non-vested shares at December 31, 2024, approximately 36,200 shares vest at 10% per year from their respective grant dates, approximately 93,900 shares vest at the end of 5 years from their respective grant dates, and approximately 82,900 shares vest at the end of a three years from their respective grant dates. The following is a summary of changes in the Company's non-vested shares for 2024:

	Shares	Weighted Average Grant Date Fair Value
Nonvested, beginning of year	189,331	$ 30.15
Granted	49,066	31.50
Vested	(25,338)	25.43
Nonvested, end of year	213,059	$ 31.02

The Company recognized compensation expense of $1,616 and $1,124 related to these restricted shares during 2024 and 2023. The total fair value of shares vested in 2024 and 2023 was $803 and $762. At December 31, 2024, there was $3,639 of total unrecognized compensation cost related to non-vested shares.

(In Thousands, Except Per Share Data)

Note 18: Earnings Per Common Share

Earnings per common share represent income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. All outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends are considered participating securities for this calculation.

Earnings per common share were computed as follows:

	2024	2023
Net Income	$ 25,543	$ 28,201
Preferred stock dividends	(2,781)	$ -
Net income available to common stockholders	$ 22,762	$ 28,201
Weighted-average common shares outstanding	5,429,683	5,388,998
Earnings per common share	$ 4.20	$ 5.23

Note 19: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 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 for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

(In Thousands, Except Per Share Data)

Recurring Measurements

The following table presents the fair value measurement of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2024 and 2023:

		Fair Value Measurements Using		
	Fair Value	Level 1	Level 2	Level 3
December 31, 2024				
Available-for-sale debt securities				
U.S. Treasury	$ 17,733	$ 17,733	$ -	$ -
U.S. GSEs	52,783	-	52,783	-
Mortgage-backed securities	89,101	-	89,101	-
State and political subdivisions	56,640	-	56,640	-
Corporate debt securities	8,043	-	8,043	-
Collateralized debt obligations	2,843	-	2,843	-
	$ 227,143	$ 17,733	$ 209,410	$ -
December 31, 2023				
Available-for-sale debt securities				
U.S. Treasury	$ 17,538	$ 17,538	$ -	$ -
U.S. GSEs	61,965	-	61,965	-
Mortgage-backed securities	85,295	-	85,295	-
State and political subdivisions	61,188	-	61,188	-
Corporate debt securities	6,879	-	6,879	-
Collateralized debt obligations	2,608	-	2,608	-
	$ 235,473	$ 17,538	$ 217,935	$ -

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during 2024 or 2023.

Available for Sale Debt Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include U.S. Treasury securities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include the remainder of the Company's available-for-sale securities. For these securities the Company obtains fair value measurements from an independent pricing service that considers observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, valuation matrices, credit information and the bond's terms and conditions. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. There were no Level 3 securities.

(In Thousands, Except Per Share Data)

Nonrecurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2024 and 2023:

		Fair Value Measurements Using		
	Fair Value	Level 1	Level 2	Level 3
December 31, 2024				
Loans individually evaluated	$ 16,307	$ -	$ -	$ 16,307
Foreclosed assets held for sale	-	-	-	-
December 31, 2023				
Loans individually evaluated	$ 13,598	$ -	$ -	$ 13,598
Foreclosed assets held for sale	7	-	-	7

Following is a description of valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during 2024 and 2023.

Loans Individually Evaluated

Loans individually evaluated are measured and reported at fair value using the exit price approach as described in ASC 820-10. The estimated fair value of collateral less cost to sell is generally determined based on certified appraisals adjusted for estimated costs to sell. Management modifies the appraised values, if needed, to take into account recent economic developments in the market or other factors. Estimated costs to sell are based on current amounts of disposal costs for similar assets. These measurements are classified as Level 3 within the valuation hierarchy. Loans individually evaluated are subject to nonrecurring fair value adjustment upon initial recognition or subsequent individual evaluation.

Foreclosed Assets Held for Sale

Foreclosed assets held for sale are carried at the lower of fair value at acquisition date or current estimated fair value, less estimated cost to sell when the real estate is acquired. Estimated fair value is determined on the basis of appraisals and evaluations. The Company’s foreclosed assets held for sale are classified within Level 3 of the fair value hierarchy.

The Company considers the appraisal or evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals are obtained when the real estate is acquired and subsequently as deemed necessary by management. Appraisers are selected from the list of approved appraisers maintained by management.

(In Thousands, Except Per Share Data)

Estimated costs to sell are an unobservable input used in the fair value measurement of collateral for collateral dependent individually evaluated loans and foreclosed assets held for sale relates to the discounting criteria used to consider lack of marketability and estimated costs to sell. These discounts and estimates are developed by management by comparison to historical results. During 2024 and 2023, collateral discounts ranged from 0% to 100%, with an average discount of approximately 20% per property.

Fair Value of Financial Instruments

The following table presents carrying amounts and estimated fair values of financial instruments not carried at fair value at December 31, 2024 and 2023.

	December 31, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Level 2 Inputs:				
Cash and due from banks	$ 120,675	$ 120,675	$ 51,829	$ 51,829
Interest bearing bank balances	68,530	68,530	61,264	61,264
Federal funds sold	125	125	14,500	14,500
Securities held to maturity	307,152	255,878	328,013	279,116
Interest receivable	11,938	11,938	11,286	11,286
FRB stock	1,987	1,987	1,941	1,941
FHLB stock	3,361	3,361	3,187	3,187
Level 3 Inputs:				
Loans, net	1,829,875	1,848,498	1,789,084	1,695,873
Financial liabilities				
Level 2 Inputs:				
Deposits	2,355,684	2,356,747	2,289,135	2,280,466
Notes payable	5,255	4,738	7,405	7,301
Subordinated debentures	22,137	22,480	29,635	29,978
Interest payable	7,489	7,489	6,086	6,086

FASB ASC Topic 825 requires disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on either a recurring basis or non-recurring basis. In cases where quoted market prices are not available, fair values are generally based on estimates using present value techniques. The Company's premise in present value techniques is to represent the fair values on a basis of replacement value of the existing instrument given observed market rates on the measurement date. These techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates for those assets or liabilities cannot be necessarily substantiated by comparison to independent markets and, in many cases, may not be realizable in immediate settlement of the instruments. The estimated fair value of financial instruments with immediate and shorter-term maturities (generally 90 days or less) is assumed to be the same as the recorded book value. All nonfinancial instruments, by definition, have been excluded from these disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company. The methodology and significant assumptions used in estimating the fair values presented above are as follows:

Cash and Due from Banks, Interest Bearing Bank Balances, Federal Funds Sold, FRB Stock, FHLB Stock, Interest Receivable and Interest Payable

The carrying amount approximates fair value.

Held to Maturity Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include U.S. Treasury securities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include the remainder of the Company's held to maturity securities. For these securities the Company obtains fair value measurements from an independent pricing service that considers observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, valuation matrices, credit information and the bond's terms and conditions. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. There were no Level 3 securities.

Loans

The fair value of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. The market rates used are based on current rates the Company would impose for similar loans and reflect a market participant assumption about risks associated with nonperformance, illiquidity and the structure and term of the loans along with local economic and market conditions. Loans with similar characteristics were aggregated for purposes of the calculations. This process for estimating the fair value of net loans does not represent an exit price under FASB ASC Topic 820 and such an exit price could potentially produce a different fair value estimate at December 31, 2024 and 2023.

Deposits

Deposits include demand deposits, money market, NOW and savings accounts. The carrying amount of these deposits approximates fair value. The fair value of fixed-maturity certificates of deposit is estimated using a discounted cash flow calculation that applies the rates currently offered for deposits of similar remaining maturities.

Notes Payable and Subordinated Debentures

The fair values of the Company's FHLB advances and subordinated debentures are based on the discounted value of contractual cash flows using current rates for debt with similar terms and remaining maturities for discounting purposes. The carrying amount of subordinated debentures approximates fair value, since the majority of these instruments have variable interest rates.

Note 20: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Estimates related to the allowance for credit losses and loan concentrations are reflected in the note regarding loans. Current vulnerabilities due to certain concentrations of credit risk are discussed in the note on commitments and credit risk.

Investments

The Company invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such change could materially affect the amounts reported in the accompanying consolidated balance sheets.

General Litigation

The Company is subject to claims and lawsuits that arise primarily in the ordinary course of business. In management's opinion, the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position, results of operations and cash flows of the Company.

Commitments and Credit Risk

The Company's loan portfolio includes commercial, agricultural and real estate loans to borrowers primarily in its market areas in Mississippi and Alabama. Although the Company has a diversified loan portfolio, the Company has concentrations of credit risks related to the real estate market, the agricultural economy and general economic conditions in the Company's market area. Categories of loans are disclosed in Note 3.

As disclosed in Note 3, at December 31, 2024, the Company held $778,977 in loans collateralized by commercial real estate and $167,623 in loans collateralized by construction real estate primarily in the Company's geographic area.

Commitments to Originate Loans

Commitments to originate loans are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate.

Standby Letters of Credit

Standby letters of credit are irrevocable conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Financial standby letters of credit are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. Performance standby letters of credit are issued to guarantee performance of certain customers under nonfinancial contractual obligations. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers.

Lines of Credit

Lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Lines of credit generally have fixed expiration dates. Since a portion of the line may expire without being drawn upon, the total unused lines do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate. Management uses the same credit policies in granting lines of credit as it does for on-balance-sheet instruments.

The Company had total outstanding standby letters of credit of approximately $2,661 and $3,599, unused lines of credit to residential borrowers of approximately $63,628 and $58,702, and other unused lines of credit and commitments to originate loans of approximately $171,867 and $201,694, at December 31, 2024 and 2023, respectively.

Note 21: Business Combination

On January 1, 2023, the Company completed its acquisition of Mechanics Banc Holding Company ("Mechanics"), the parent company of Mechanics Bank, Water Valley, Mississippi ("Mechanics Bank") for all cash consideration. The primary reasons for the acquisition were to realize cost synergies and to expand the Company's footprint by acquiring a financial institution with operations in North Mississippi. Mechanics Bank's operations were included in the Company's results beginning January 1, 2023. Acquisition related costs of $194 are included in other noninterest expense in the Company's Consolidated Statement of Income.

In connection with this acquisition the value of the identifiable net assets acquired is greater than the consideration transferred which results in a potential bargain purchase gain on this transaction. This resulted in a bargain purchase gain which is primarily the result of Mechanics $43.585 million ECIP preferred stock having an estimated fair value of $9.23 million. The Company recorded this bargain purchase gain by increasing the amount of the ECIP preferred stock recorded in this transaction to $13.68 million. The Company also recorded $4,518 of core deposit intangibles which will be amortized over 10 years for financial statement purposes but is not deductible for income tax purposes.

(In Thousands, Except Per Share Data)

The following table summarizes the amounts of assets acquired and liabilities assumed at the acquisition date.

Fair Value of Consideration Transferred:	
Cash	$ 55,000
Identifiable assets:	
Cash and due from banks	56,991
Federal funds sold	2,548
Available-for-sale securities	32,430
Loans	203,814
Premises and equipment	9,744
Core deposit intangible	4,518
Other assets	12,431
Total assets	322,476
Identifiable liabilities:	
Deposits	246,460
Subordinated debentures	3,334
Other liabilities	4,002
Total liabilities	253,796
ECIP preferred stock assumed	9,230
Identifiable net assets acquired	59,450
Identifiable nets assets acquired in excess of consideration transferred	$ (4,450)

The Company acquired a loan portfolio with gross amounts receivable of $211,401 and an estimated fair value of $203,814. This fair value discount of $5,494 represents adjustments to market interest rates and liquidity adjustments net of the expected credit losses which includes a credit mark discount of $2,093.

(In Thousands, Except Per Share Data)

Note 22: Condensed Financial Information (Parent Company Only)

Presented below is condensed financial information as to financial position, results of operations and cash flows of the Company.

Condensed Balance Sheets

	December 31, 2024	December 31, 2023
Assets		
Cash	$ 72,685	$ 66,596
Investment in subsidiary	343,896	341,181
Investment in statutory trusts	503	503
Other assets	732	1,595
Total assets	$ 417,816	$ 409,875
Liabilities		
Notes payable	$ 5,255	$ 7,405
Subordinated debentures	22,137	29,635
Other liabilities	210	398
Total liabilities	27,602	37,438
Stockholders' Equity	390,214	372,437
Total liabilities and stockholders' equity	$ 417,816	$ 409,875

(In Thousands, Except Per Share Data)

Condensed Statements of Income and Comprehensive Income

	Years Ended December 31, 2024	Years Ended December 31, 2023
Income		
Dividend from subsidiary	$ 25,000	$ -
Other income	997	45
Total income	25,997	45
Expenses		
Interest expense	1,982	2,264
Other	699	1,492
Total expenses	2,681	3,756
Undistributed Income (Loss) Before Income Tax and Equity in Undistributed Net Income of Subsidiary	23,316	(3,711)
Income Tax Benefit	608	1,111
Income (Loss) Before Equity in Undistributed Net Income of Subsidiary	23,924	(2,600)
Equity in Undistributed Net Income of Subsidiary	1,619	30,801
Net Income	25,543	28,201
Other Comprehensive Income (Loss)	(521)	3,583
Comprehensive Income	$ 25,022	$ 31,784

(In Thousands, Except Per Share Data)

Condensed Statements of Cash Flows

	Years Ended December 31, 2024	2023
Operating Activities		
Net income	$ 25,543	$ 28,201
Items not requiring (providing) cash		
Equity in undistributed net income of subsidiary	(1,619)	(30,801)
Other, net	(280)	(1,432)
Net cash provided by (used in) operating activities	23,644	(4,032)
Investing Activities		
Cash used in acquisition, net of cash acquired	-	(11,415)
Net cash provided by used in investing activities	-	(11,415)
Financing Activities		
Subordinated debentures redeemed	(6,544)	-
Repayment of notes payable	(2,150)	(2,150)
Dividends paid on preferred stock	(2,781)	-
Common stock redeemed	(650)	(209)
Dividends paid on common stock	(5,430)	(4,861)
Net cash provided by (used in) financing activities	(17,555)	(7,220)
Change in Cash	6,089	(22,667)
Cash, Beginning of Year	66,596	89,263
Cash, End of Year	$ 72,685	$ 66,596

Corporate Offices

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Columbus, MS 39701
(662) 328-2345
bankfirstfs.com

Stock Listing

BankFirst Capital Corporation is listed on the OTCQX® Best Market under the symbol "BFCC."

Transfer Agent & Registrar

Shareholders who wish to change the name, address, or ownership of stock, report lost stock certificates, inquire about the Dividend Reinvestment Plan or consolidate stock accounts should contact:

Issuer Direct
One Glenwood Ave, Suite 101
Raleigh, NC 27603
transfer@issuerdirect.com

2025 Annual Meeting of Shareholders

Thursday, April 24, 2025, 10:00 a.m.
Lion Hills Golf Club, Columbus, MS

BANKFIRST CAPITAL

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