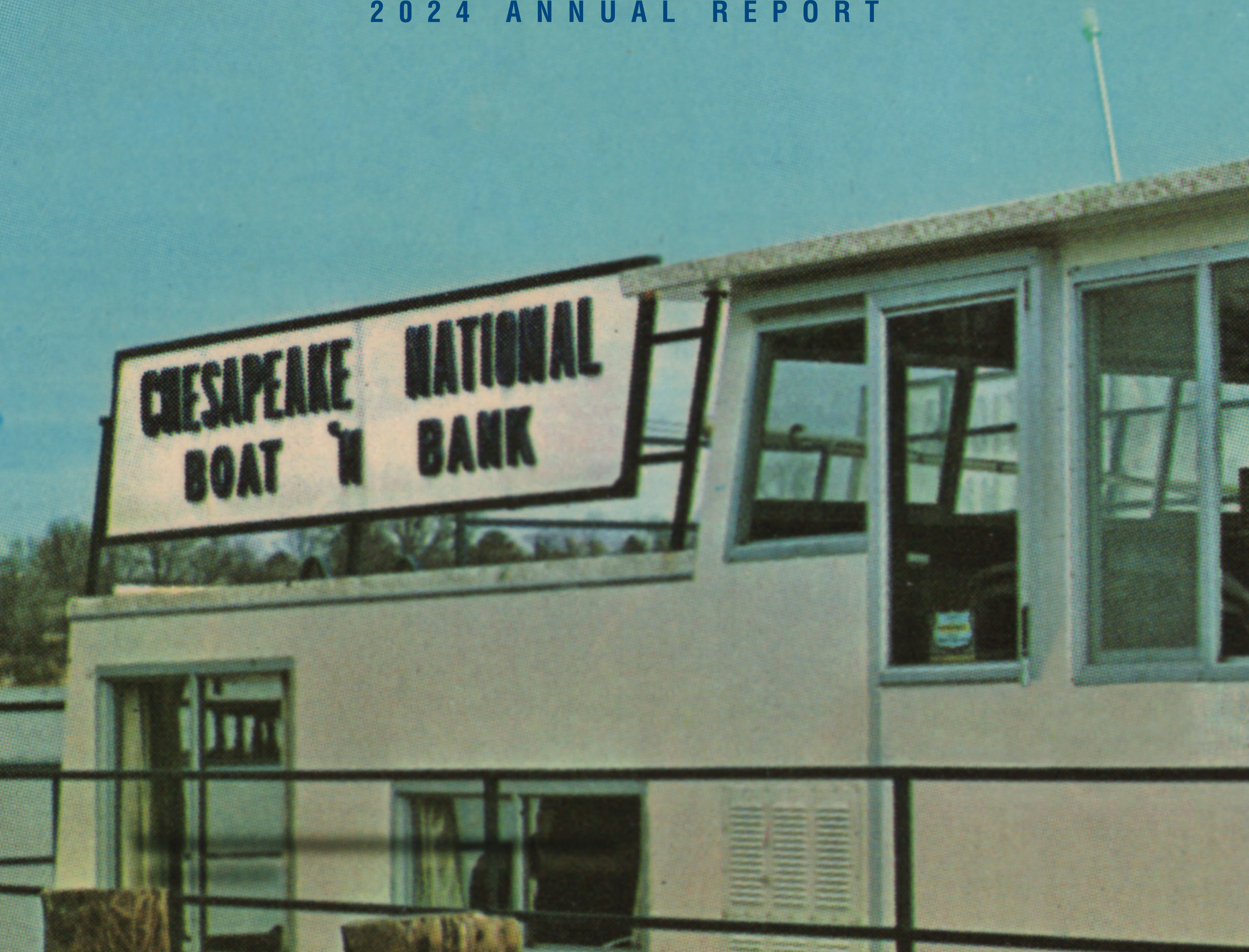
FINANCIAL SHARES INC.

The Chesapeake Way

2024 ANNUAL REPORT



As hoped for, 2024 was a year for interest rates to level off and even come down slightly! Along with this came a gradual rebound of our net interest margin and a less frantic retail deposit market. In short, a more stable banking environment! As always, we continue to focus on our employees who deliver the service levels bolstering our growth.

Our net income was $11,427,860 representing a 12.9% increase over 2023 net income. Total assets grew to $1,524,646,193 representing a 3.96% increase from year-end 2023. Net loans increased 6.4% – a pace well above the national average with non-performing loans being only 0.328% of total loans. Chesapeake Payment Systems, Flexent and Chesapeake Wealth Management all added significantly to our consolidated net earnings.

2024 also marked the passing of individuals who made a difference to our world. Jimmy Carter, Willie Mays, Jerry West, Alexei Navalny, Bob Newhart and Kris Kristofferson all positively contributed to our collective experience.

Our Annual Report cover foreshadows our 125th anniversary in 2025. Please join us Friday, April 4th, for our Annual Shareholders Meeting where we will kick-off our year-long celebration of this important milestone.

Thank you for being a shareholder and being a part of our dual mandate to be a highly profitable company that also supports the communities we serve. It is a commitment we take seriously. **We like to call it, "The Chesapeake Way."**

Sincerely,

Jeffrey M. Szyperski
Chairman, CEO & President
Chesapeake Financial Shares, Inc.

	2024	2023	2022	2021	2020
	(Dollars in thousands except ratios and per share amounts)				
Results of Operations					
Interest income	$ 76,526	$ 59,947	$ 47,276	$ 44,901	$ 38,563
Interest expense	30,475	18,334	3,191	3,346	5,051
Net interest income	46,051	41,613	44,085	41,555	33,512
Provision for (reversal of) credit losses	879	790	700	(400)	1,950
Net interest income after provision for credit losses	45,172	40,823	43,385	41,955	31,562
Noninterest income	22,864	22,773	22,192	19,312	19,624
Noninterest expense	54,659	51,253	45,124	43,954	37,391
Income before income taxes	13,377	12,343	20,453	17,313	13,795
Income tax expense	1,949	2,224	2,824	2,303	2,046
Net income	$ 11,428	$ 10,119	$ 17,629	$ 15,010	$ 11,749
Financial Condition					
Total assets	$ 1,524,646	$ 1,466,510	$ 1,328,997	$ 1,385,816	$ 1,204,733
Total deposits	1,371,424	1,265,977	1,166,240	1,124,972	1,019,501
Net loans	869,361	813,147	733,300	656,786	544,439
Subordinated notes	20,000	20,000	20,000	20,000	–
Short-term debt	6,107	62,429	45,979	99,046	50,000
Trust preferred capital notes	5,155	5,155	5,155	5,155	5,155
Shareholders’ equity	111,744	98,543	79,067	126,137	122,666
Average assets	1,539,740	1,383,722	1,337,782	1,311,403	1,112,051
Average shareholders’ equity	108,132	91,083	84,377	126,454	114,443
Key Financial Ratios					
Return on average assets	0.74%	0.73%	1.32%	1.14%	1.06%
Return on average equity	10.57%	11.11%	20.89%	11.87%	10.27%
Cash dividends paid as a percent of net income	25.80%	28.13%	15.52%	16.99%	20.77%
Per Share Data					
Net income, diluted	$ 2.42	$ 2.15	$ 3.73	$ 3.11	$ 2.40
Cash dividends declared	$ 0.63	$ 0.61	$ 0.58	$ 0.53	$ 0.50
Book value	$ 23.53	$ 20.88	$ 16.78	$ 26.66	$ 25.40

elliott davis

To the Board of Directors and Shareholders
Chesapeake Financial Shares, Inc.

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of 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 (GAAS), the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated February 7, 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 GAAS. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

Other Information Included in the Annual Report

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

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

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.

Elliott Davis, PLLC

Raleigh, North Carolina
February 7, 2025

	December 31, 2024	December 31, 2023
Assets		
Cash and due from banks	$ 29,043,846	$ 34,417,374
Interest-bearing deposits in banks and federal funds sold	2,207,104	1,823,700
Securities available for sale, at fair value	499,648,208	482,917,831
Other investments, at cost	2,421,400	3,788,000
Loans, net of allowance for credit losses of $8,460,625 in 2024 and $7,881,960 in 2023	869,361,331	813,146,533
Cash management accounts, net of allowance of $1,849,736 in 2024 and $1,526,018 in 2023	22,534,575	28,403,397
Commercial mortgage loan repurchasing facilities	5,648,265	8,899,365
Premises and equipment, net	20,785,090	22,009,342
Accrued interest receivable	6,313,637	6,505,311
Bank-owned life insurance	19,146,771	14,772,117
Bank-owned annuity contract	3,485,228	3,545,225
Foreclosed assets	662,000	839,212
Goodwill	5,292,000	5,292,000
Other assets	38,096,738	40,150,677
Total assets	$ 1,524,646,193	$ 1,466,510,084
Liabilities and Shareholders' Equity		
Deposits:		
Demand accounts	$ 315,808,194	$ 275,582,472
Savings and interest-bearing demand deposits	586,987,699	663,803,703
Certificates of deposit		
Denominations less than $250,000	374,840,951	268,495,463
Denominations of $250,000 or more	93,787,150	58,095,588
Total deposits	1,371,423,994	1,265,977,226
Short-term debt	6,107,000	62,429,000
Trust preferred capital notes	5,155,000	5,155,000
Subordinated notes	20,000,000	20,000,000
Accrued interest payable	1,199,210	734,460
Accrued expenses and other liabilities	9,016,826	13,671,396
Total liabilities	$ 1,412,902,030	$ 1,367,967,082
Shareholders' equity:		
Preferred stock, par value $1 per share; authorized 50,000 shares; no shares outstanding	$ –	$ –
Common stock, voting, par value $5 per share; authorized 5,760,000 shares; 4,735,492 and 4,718,467 issued and outstanding at December 31, 2024 and 2023, respectively	23,677,460	23,388,505
Common stock, nonvoting, par value $5 per share; authorized 635,000 shares; no shares outstanding	–	–
Additional paid-in capital	13,892,022	14,068,151
Retained earnings	107,060,014	98,580,674
Accumulated other comprehensive loss	(32,885,333)	(37,494,328)
Total shareholders' equity	111,744,163	98,543,002
Total liabilities and shareholders' equity	$ 1,524,646,193	$ 1,466,510,084

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

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31, 2024	2023
Interest and Dividend Income		
Interest and fees on loans	$ 50,741,441	$ 40,586,088
Interest on interest-bearing deposits and federal funds sold	819,827	228,505
Interest and dividends on securities available for sale:		
Taxable	20,608,723	14,982,449
Nontaxable	1,659,166	2,322,695
Dividends	2,696,907	1,177,750
Total interest and dividend income	76,526,064	59,297,487
Interest Expense		
Savings and interest-bearing demand deposits	8,519,784	7,521,642
Certificates of deposit	19,454,453	7,729,582
Short-term debt	437,783	796,585
Subordinated notes and trust preferred capital notes	2,063,175	1,635,742
Total interest expense	30,475,195	17,683,551
Net interest income	46,050,869	41,613,936
Provision for credit losses	878,497	699,996
Provision for unfunded commitments	–	90,000
Total provision for credit losses	878,497	789,996
Net interest income after provision for credit losses	45,172,372	40,823,940
Noninterest Income		
Trust and wealth management income	4,459,286	3,983,834
Service charges	1,210,169	1,015,834
Net loss on sales of securities available for sale	–	(2,884,184)
Mortgage banking income	1,022,260	874,437
Merchant services income, net	5,357,870	5,190,703
Cash management fee income	5,808,965	5,233,109
Other income	5,005,752	8,876,431
Total noninterest income	22,864,302	22,290,164
Noninterest Expenses		
Salaries and benefits	32,155,868	28,408,159
Occupancy expenses	3,140,041	3,406,420
Net loss on foreclosed assets	177,212	29,066
Provision for cash management account losses	220,000	240,000
Amortization on intangible assets	220,000	146,667
FDIC insurance	759,285	624,719
Technology expense	6,548,607	6,171,384
Professional fees	2,476,750	2,754,900
Other expenses	8,962,081	8,989,122
Total noninterest expenses	54,659,844	50,770,437
Income before income taxes	13,376,830	12,343,667
Income tax expense	1,948,970	2,223,929
Net income	$ 11,427,860	$ 10,119,738
Earnings per common share, basic	$ 2.42	$ 2.15
Earnings per common share, diluted	$ 2.42	$ 2.15

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

	Years Ended December 31, 2024	2023
Net income	$ 11,427,860	$ 10,119,738
Other comprehensive income:		
Gross unrealized gains on securities available for sale	364,256	14,192,272
Deferred tax expense	(76,492)	(2,980,377)
	287,764	11,211,895
Unrealized gains (losses) on cash flow hedge	5,469,917	(1,080,714)
Deferred tax (expense) benefit	(1,148,686)	226,950
	4,321,231	(853,764)
Less:		
Reclassification of losses recognized in net income	–	2,884,184
Deferred tax benefit	–	(605,678)
	–	2,278,506
Total other comprehensive income, net of tax	4,608,995	12,636,637
Comprehensive income	$ 16,036,855	$ 22,756,375

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years Ended December 31, 2024 and 2023

	Common Stock, Voting	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2022	$ 23,417,910	$ 14,072,355	$ 91,707,848	$ (50,130,964)	$ 79,067,149
Cumulative effect adjustment due to adoption of accounting standard, net of income taxes	–	–	(400,170)	–	$(400,170)
Net income	–	–	10,119,738	–	10,119,738
Other comprehensive income	–	–	–	12,636,636	12,636,636
Impact of restricted stock, net	71,165	293,641	–	–	364,806
Stock awards surrendered in cashless exercise	(22,820)	(74,850)	–	–	(97,670)
Issuance of common stock for services	55,845	186,076	–	–	241,921
Repurchase of common stock	(133,595)	(409,071)	–	–	(542,666)
Cash dividends ($0.61 per share)	–	–	(2,846,742)	–	(2,846,742)
Balance, December 31, 2023	$ 23,388,505	$ 14,068,151	$ 98,580,674	$ (37,494,328)	$ 98,543,002
Net income	–	–	11,427,860	–	11,427,860
Other comprehensive income	–	–	–	4,608,995	4,608,995
Impact of restricted stock, net	385,780	46,618	–	–	432,398
Stock awards surrendered in cashless exercise	(26,535)	(65,973)	–	–	(92,508)
Issuance of common stock for services	60,960	185,928	–	–	246,888
Repurchase of common stock	(131,250)	(342,702)	–	–	(473,952)
Cash dividends ($0.63 per share)	–	–	(2,948,520)	–	(2,948,520)
Balance, December 31, 2024	$ 23,677,460	$ 13,892,022	$107,060,014	$ (32,885,333)	$111,744,163

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

	Years Ended December 31, 2024	2023
Cash Flows from Operating Activities		
Net income	$ 11,427,860	$ 10,119,738
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,087,832	2,122,528
Amortization of intangible assets	220,000	146,667
Provision for credit losses	878,497	699,996
Provision for unfunded commitments	–	90,000
Provision for cash management account losses	220,000	240,000
Deferred income tax (benefit) expense	(914,644)	139,688
Amortization of investment securities, net	724,369	2,103,378
Net loss on sales of securities available for sale	–	2,884,185
Net loss on foreclosed assets	177,212	29,066
Stock-based compensation	432,398	364,806
Origination of loans held for sale	(24,373,972)	(8,262,032)
Proceeds from sale of loans	24,688,085	8,391,468
Gain on sale of loans	(314,113)	(129,436)
Gain on sale of VISA Class B stock	–	(2,241,178)
(Increase) decrease in bank-owned life insurance	(374,651)	2,979,388
Decrease in bank-owned annuities	59,997	47,446
Changes in other assets and liabilities:		
Decrease (increase) in accrued interest receivable	191,674	(648,980)
Decrease (increase) in other assets	4,086,811	(10,169,360)
Increase in accrued interest payable	464,750	590,457
Increase in accrued expenses and other liabilities	147,125	2,729,011
Net cash provided by operating activities	$ 19,829,230	$ 12,226,836
Cash Flows from Investing Activities		
Purchases of securities available for sale	$ (87,142,080)	$ (127,358,123)
Proceeds from sales and calls of securities available for sale	–	64,287,308
Proceeds from maturities and paydowns of securities available for sale	70,051,590	38,691,158
Proceeds from sale of VISA Class B stock	–	2,241,178
Redemption (purchase) of other investments, net	1,366,600	(565,900)
Proceeds from sale of foreclosed assets	–	102,534
Net increase in loans	(57,093,295)	(80,441,528)
Net decrease in cash management accounts	5,648,822	2,933,414
Acquisition of business, net of cash	–	(12,013,219)
Capital calls of small business investment company funds and other investments	(1,780,496)	(2,047,495)
Net decrease (increase) of commercial mortgage loan repurchase facility	3,251,100	(771,305)
Purchase of bank-owned life insurance	(4,000,003)	–
Purchase of premises and equipment	(731,380)	(139,289)
Net cash used in investing activities	$ (70,429,142)	$ (115,081,267)

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

	Years Ended December 31, 2024	2023
Cash Flows from Financing Activities		
Net decrease in demand accounts, interest-bearing demand accounts and savings accounts	$ (36,590,282)	$ (107,191,845)
Net increase in certificates of deposits	142,037,050	206,929,083
Repurchase/surrender of common stock	(566,460)	(640,336)
Cash dividends	(2,948,520)	(2,846,742)
(Decrease) increase in short-term debt	(56,322,000)	16,450,000
Net cash provided by financing activities	$ 45,609,788	$ 112,700,160
Net (decrease) increase in cash and cash equivalents	$ (4,990,124)	$ 9,845,729
Cash and cash equivalents at beginning of year	36,241,074	26,395,345
Cash and cash equivalents at end of year	$ 31,250,950	$ 36,241,074
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for:		
Interest	$ 30,010,445	$ 17,743,094
Income taxes	$ 2,369,086	$ 1,625,000
Supplemental Schedule of Noncash Investing and Financing Activities		
Unrealized gain on securities available for sale	$ 364,256	$ 17,076,457
Unrealized gain (loss) on cash flow hedge	$ 5,469,917	$ (1,080,714)
Issuance of common stock for services	$ 246,888	$ 241,921
Assets acquired in acquisition	$ –	$ 10,910,000
Liabilities assumed in acquisition	$ –	$ 1,697,000
Change in goodwill	$ –	$ 5,292,000
Cumulative effect adjustment due to adoption of accounting standard, net of income taxes	$ –	$ (400,170)

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

Note 1. Summary of Significant Accounting Policies

General

Chesapeake Financial Shares, Inc. ("CFS" or "Company") is a bank holding company whose principal business activity consists of ownership in Chesapeake Bank (the "Bank") and Chesapeake Wealth Management, Inc. ("CWM"). The consolidated financial statements include the accounts of CFS and its wholly-owned subsidiaries, except for CFS Capital Trust II (the "Trust"), which is not a consolidated subsidiary of the Company. The subordinated debt payable to the Trust by the Company is reported as a liability of the Company. All significant intercompany accounts have been eliminated.

Subsequent Events

Subsequent events have been considered through February 7, 2025, the same date on which these consolidated financial statements were issued.

Significant Accounting Policies

The accounting and reporting policies of CFS are in accordance with accounting principles generally accepted in the United States of America and conform to general practices within the banking industry. The more significant of these policies are summarized below.

Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. The Company currently does not have any securities classified as held to maturity. Debt securities not classified as held to maturity or trading are classified as "available for sale" (AFS) and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Purchase premiums and discounts are recognized in interest income using the effective interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method. CFS classifies all debt securities as available for sale.

Equity securities are reported at cost. These securities do not have a readily determinable fair value and lack a market. Securities in this category consist mainly of Federal Reserve Bank and Federal Home Loan Bank stock.

The Company evaluates the fair value and credit quality of its AFS securities portfolio on a quarterly basis. If the Company has the intent to sell the security, or it is more likely than not that the Company will be required to sell the security, the security is written down to fair value, and the entire loss is recorded in earnings.

If either of the above criteria is not met, the Company evaluates whether the decline in fair value is the result of credit losses or other factors. In making the assessment, the Company may consider various factors including the extent to which fair value is less than amortized cost, performance on any underlying collateral, downgrades in the ratings of the security by a rating agency, the failure of the issuer to make scheduled interest or principal payments and adverse conditions specifically related to the security. If the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected is compared to the amortized cost basis of the security and any excess is recorded as an allowance for credit losses, limited to the amount that the fair value is less than the amortized cost basis. Any amount of unrealized loss 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 provision for (or reversal of) credit loss expense. Losses are charged against the allowance for credit losses when management believes an available for sale security is confirmed to be uncollectible or when either of the criteria regarding intent or requirement to sell is met. There was no allowance for credit losses related to the available for sale portfolio as of December 31, 2024 and December 31, 2023.

Accrued interest receivable on available for sale debt securities totaled $2,774,151 as of December 31, 2024 and $2,840,068 as of December 31, 2023 and was excluded from the estimate of credit losses.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost. Amortized cost is the principal balance outstanding, net of purchase premiums and discounts and deferred fees and costs. Accrued interest receivable related to loans as of December 31, 2024 and December 31, 2023 totaled $3,078,173 and $2,997,150, respectively, and was reported in accrued interest receivable on the consolidated balance sheets. Interest income is accrued on the unpaid principal balance.

The accrual of interest is generally discontinued when a loan becomes 90 days past due and is not well collateralized and in the process of collection, or when management believes, after considering economic and business conditions and collection efforts, that the principal or interest will not be collectible in the normal course of business. Past due status is based on contractual terms of the loan. A loan is considered to be past due when a scheduled payment has not been received 30 days after the contractual due date.

All accrued interest is reversed against interest income when a loan is placed on nonaccrual status. Interest received on such loans is accounted for using the cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, there is a sustained period of repayment performance, and future payments are reasonably assured.

Allowance for Credit Losses

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

The allowance for credit losses represents management's estimate of lifetime credit losses inherent in loans as of the balance sheet date. The allowance for credit losses is estimated by management using relevant available information, from both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts.

The Company measures expected credit losses for loans on a pooled basis when similar risk characteristics exist. The Company has identified the following portfolio segments and calculates the allowance for credit losses for each using a discounted cash flow methodology:

- Commercial and industrial – Include both secured and unsecured loans for working capital, expansion, and other business purposes.
- Commercial real estate – Loans secured by commercial property both owner and non-owner occupied.
- Construction, land development & other land loans – Loans granted for residential and commercial construction along with land.
- Residential (1-4 family) first mortgages – Loans collateralized with 1-4 family single family homes.
- Home equity loans/lines of credit – Equity loans and lines of credit granted based on equity on 1-4 family properties.
- Consumer loans – Loans secured and unsecured to consumer customers.

The Company has elected to use the discounted cash flow methodology which estimates the lifetime credit loss of the portfolio. Discounted cash flow models, being periodic in nature, allow for effective incorporation of a reasonable and supportable forecast in a directionally consistent and objective manner. In an effort to aggregate the portfolio with similar risk characteristics, the Company has elected to use the Federal Call Code for segmentation. The company has also utilized top-down data from prior cycles, both the institution's own data and peer institution data from FFIEC Call Report filings. This data has been used to inform regression analysis designed to quantify the impact of reasonable and supportable forecasts in the model. To obtain a reasonable and supportable forecast, the Company has elected to forecast the first four quarters of the credit loss estimate and revert to a long-run average of each considered economic factor. Based on the final values in the forecast, management has elected to revert over four quarters.

Additionally, the allowance for credit losses calculation includes subjective adjustments for qualitative risk factors that are likely to cause estimated credit losses to differ from historical experience. These qualitative adjustments may increase or reduce reserve levels and include adjustments for lending management experience and risk tolerance, loan review and audit results, asset quality and portfolio trends, loan portfolio growth, industry concentrations, trends in underlying collateral, external factors and economic conditions not already captured.

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

Modified Loans

ASU 2022-02 Financial Instruments – Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures which eliminated the concept of troubled debt restructurings ("TDRs") from the accounting standards for companies that have adopted ASC 326. ASU 2022-02 requires additional disclosures for certain loan modifications and disclosures of gross charge-offs by year of origination. Specifically, loan modification disclosures in periods subsequent to the adoption of ASC 326 must be made for modifications of existing loans to borrowers who were experiencing financial difficulties at the time of the modification. The modification type must include a direct change in the timing or amount of a loan's contractual cash flows. The additional disclosures are applicable to situations where there is: principal forgiveness, an interest rate reduction, an other-than-insignificant payment delay, a term extension, or any combination thereof.

Allowance for Credit Losses – Unfunded Commitments

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit issued to meet customer financing needs. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for off-balance sheet loan commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded.

The Company records an allowance for credit losses on off-balance sheet credit exposures, unless the commitments to extend credit are unconditionally cancelable, through a charge to provision for unfunded commitments in the Company's income statements. The allowance for credit losses on off-balance sheet credit exposures is estimated by loan segment at each balance sheet date under the current expected credit loss model using the same methodologies as portfolio loans, taking into consideration the likelihood that funding will occur as well as any third-party guarantees. The allowance for unfunded commitments is included in other liabilities on the Company's consolidated balance sheets.

Cash Management Accounts

CFS purchases trade accounts receivable from customers. These receivables are stated at face value, net of discounts and an allowance for losses. CFS retains reserves against these customer balances to cover unpaid receivables, returns, allowances and other adjustments.

Commercial Mortgage Loan Repurchase Facilities

Commercial mortgage loan repurchase facilities are accounted for as collateralized financing transactions as the terms of purchase agreements do not qualify for sale accounting and are therefore recorded at the amount of cash advanced. Interest earned is recorded in interest income. Commercial mortgage loan repurchase facilities are collateralized by commercial mortgage loans. The fair value of collateral is monitored daily and additional collateral is obtained or excess collateral is returned for margin maintenance purposes. Collateral accepted under commercial mortgage loan repurchase facilities transactions is not permitted by contract to be sold or repledged.

Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed using both straight-line and accelerated methods over the assets' estimated useful lives. Estimated useful lives range from 10 to 39 years for buildings and leasehold improvements and 3 to 7 years for furniture, fixtures, and equipment.

The Company determines if an arrangement is a lease at inception. Finance leases are included in premises and equipment and other liabilities on our consolidated balance sheets. The amortization of the finance leases are included in occupancy expense on the consolidated income statement. The interest expense on finance leases is included in short-term debt on the consolidated income statement.

Right-of-use (ROU) assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Most of the Company's leases do not provide an implicit rate, as such an incremental borrowing rate is developed based on the information available at commencement date in determining the present value of lease payments has been used. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Company has lease agreements with lease and non-lease components, which are generally accounted for separately. For certain leases, the lease and non-lease components are accounted for as a single lease component. Additionally, for certain equipment leases, a portfolio approach is applied to effectively account for the operating lease ROU assets and liabilities.

Foreclosed Assets

Foreclosed assets are recorded at the time of foreclosure at their fair value, net of estimated costs to sell. At foreclosure, any excess of the loan balance over the fair value of the property, less cost to sell, is charged to the allowance for credit losses. Such carrying value is periodically reevaluated and written down as a direct expense if there is an indicated decline in the net realizable value. Costs to bring a property to salable condition are capitalized up to the fair value of the property, while costs to maintain a property in salable condition are expensed as incurred.

Goodwill and Other Intangible Assets

Goodwill, which represents the excess of purchase price over fair value of net assets acquired, is not amortized but is evaluated at least annually for impairment by comparing its fair value with its carrying amount. Impairment is indicated when the carrying amount of a reporting unit exceeds its estimated fair value.

Goodwill arises from business combinations and is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interest in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a business combination and determined to have an indefinite useful life are 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. The Company performs the impairment test annually during the fourth quarter. Goodwill is the only intangible asset with an indefinite life on the Company's balance sheet.

Intangible assets with definite useful lives are amortized over their estimated useful lives and tested for impairment if events and circumstances exist that might indicate impairment may have occurred. The Company's intangible assets with definite useful lives is the customer relationships intangible asset acquired as part of the PDM Financial, LLC acquisition.

No impairment was recorded for goodwill and other intangible assets in 2024.

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 (a) the assets have been isolated from CFS – put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (b) 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 (c) CFS 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.

Derivative Instruments and Hedging Activities

The Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income (outside of earnings) and subsequently reclassified to earnings when the hedged transaction affects earnings, and the ineffective portion of the change in the fair value of the derivative is recognized directly in earnings. The Company assesses the effectiveness of the hedging relationship by comparing the changes in cash flows of the derivative hedging instrument with the changes in cash flows of the designated hedged transactions.

The Company's objective in using derivatives is to add stability to net interest income and to manage its exposure to adverse changes in interest rates.

Income Taxes

The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying provisions of the enacted tax law to the taxable income or excess deductions over revenues. CFS 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 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 recognized if it is more-likely-than-not, based on the technical merits, that the tax position will be realized or sustained under examination. The term more-likely-than-not means a likelihood of more than 50 percent; 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 percent 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 threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of the evidence available, it is more-likely-than-not that some portion or all of a deferred tax asset will not be realized.

CFS accounts for income taxes in accordance with the accounting guidance related to uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions.

Consolidated Statements of Cash Flows

For purposes of the consolidated statement of cash flows, CFS considers cash equivalents to include cash on hand, amounts due from banks, interest-bearing deposits, and federal funds sold.

Advertising Costs

CFS follows the policy of charging the production costs of advertising to expense as incurred.

Use of Estimates

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, the valuation of deferred tax assets, unrealized losses on securities, and the valuation of foreclosed assets.

Earnings Per Common Share

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

Stock-Based Compensation

Stock-based compensation accounting requires that the compensation cost relating to stock-based payment transactions be recognized in the financial statements. That cost will be measured based on the grant date fair value of the equity or liability instruments issued. The stock compensation accounting guidance covers a wide range of stock-based compensation arrangements including stock options, restricted share plans, and performance-based awards.

The stock-based compensation accounting guidance requires that compensation cost for all stock awards be calculated and recognized over the employees' service periods, generally defined as the vesting period. Compensation cost is recognized on a straight-line basis over the requisite service period for the award. A Black-Scholes model is used to estimate the fair value of stock options, while the fair value of the Company's common stock at the date of grant is used for restricted awards. See Note 10 for additional details on grants awarded.

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully discussed in Note 20. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions significantly affect the estimates.

Assets Under Management

Securities and other property held by Chesapeake Wealth Management in a fiduciary or agency capacity are not assets of CFS and are not included in the accompanying consolidated financial statements.

Operating Segments

While the CEO and CFO, who are considered the chief decision-makers, monitor the revenue streams of the various products and services, operations are managed, and financial performance is evaluated on a Company-wide basis using consolidated pretax income. Operating segments are aggregated into one segment as operating results for all segments are similar. Accordingly, all of the financial service operations are considered by management to be aggregated in one reportable operating segment.

Reclassifications

With the December 31, 2024 financial statements, the Company reclassified the collateral reserve held for cash management effectively decreasing the cash management outstanding assets. Prior year has been updated to conform with this presentation. This reclassification had no effect on prior year net income or shareholders' equity.

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

Recent Accounting Pronouncements

ASU 2023-07:

In November 2023, the FASB amended the Segment Reporting topic in the Accounting Standards Codification to improve disclosures about a public entity's reportable segments and provide more detailed information about a reportable segment's expenses. The amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. With adoption, the Company applied the amendments retrospectively to all prior periods presented in the financial statements. There was no material effect on the Company's financial statements.

ASU 2023-09:

In December 2023, the FASB amended the Income Taxes topic in the Accounting Standards Codification to improve the transparency of income tax disclosures. The amendments are effective for annual periods 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 Company does not expect these amendments to have a material effect on its financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-sitting bodies are not expected to have a material impact on the Company's final position, results of operations or cash flows.

Note 2. Securities

Amortized cost and fair values of securities available for sale as of December 31, 2024 and 2023, are as follows:

2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
US Treasury	$ 492,335	$ –	$ (46,545)	$ 445,790
Securities of state and political subdivisions	211,218,339	–	(32,846,322)	178,372,017
SBA loan pooled securities	1,919,049	18,777	(15,502)	1,922,324
Mortgage-backed securities				
Agency	52,340,240	56,007	(2,843,816)	49,552,431
Non-agency	226,492,847	592,137	(6,454,932)	220,630,052
Other debt securities	50,284,384	168,390	(1,727,180)	48,725,594
Total	$ 542,747,194	$ 835,311	$ (43,934,297)	$ 499,648,208

2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
US Treasury	$ 490,514	$ –	$ (46,451)	$ 444,063
Securities of state and political subdivisions	212,794,313	–	(31,803,200)	180,991,113
SBA loan pooled securities	2,646,296	22,691	(4,133)	2,664,854
Mortgage-backed securities				
Agency	57,813,638	28,157	(3,415,711)	54,426,084
Non-agency	191,897,344	1,314,366	(6,756,569)	186,455,141
Other debt securities	60,738,968	41,101	(2,843,493)	57,936,576
Total	$ 526,381,073	$ 1,406,315	$ (44,869,557)	$ 482,917,831

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

	Amortized Cost	Fair Value
Due in one year or less	$ 23,246,144	$ 23,165,721
Due after one year through five years	183,017,275	177,982,223
Due after five years through ten years	203,866,348	180,602,520
Due after ten years	132,617,427	117,897,744
Total	$ 542,747,194	$ 499,648,208

Proceeds from sales of securities available for sale during 2024 and 2023 were $0 and $64,287,308, respectively. Gross realized gains amounted to $0 and $162,074 in 2024 and 2023, respectively. Gross realized losses amounted to $0 and $3,046,259 in 2024 and 2023, respectively.

The amortized cost of securities pledged to secure public deposits, borrowings from the Federal Home Loan Bank, fiduciary powers and for other purposes required or permitted by law amounted to $284,683,507 and $293,150,925 at December 31, 2024 and 2023, respectively.

Unrealized Losses

The following tables present fair value and gross unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2024 and 2023:

2024		Less Than 12 Months		12 Months or More		Total	
	Number of Securities	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Gross Unrealized Losses
US Treasury	1	$ –	$ –	$ 445,790	$ 46,545	$ 445,790	$ 46,545
Securities of state and political subdivisions	200	–	–	178,372,017	32,846,322	178,372,017	32,846,322
SBA loan pooled securities	2	–	–	805,713	15,502	805,713	15,502
Mortgage-backed securities							
Agency	84	1,684,843	11,453	35,834,314	2,832,363	37,519,157	2,843,816
Non-agency	147	77,386,123	2,349,242	61,957,167	4,105,690	139,343,290	6,454,932
Other debt securities	53	2,525,070	6,915	25,655,658	1,720,265	28,180,728	1,727,180
	487	$ 81,596,036	$ 2,367,610	$ 303,070,659	$ 41,566,687	$ 384,666,695	$ 43,934,297

2023		Less Than 12 Months		12 Months or More		Total	
	Number of Securities	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Gross Unrealized Losses
US Treasury	1	$ –	$ –	$ 444,063	$ 46,451	$ 444,063	$ 46,451
Securities of state and political subdivisions	200	–	–	180,991,113	31,803,200	180,991,113	31,803,200
SBA loan pooled securities	3	1,683,054	4,133	–	–	1,683,054	4,133
Mortgage-backed securities							
Agency	95	10,199,603	118,061	41,849,849	3,297,650	52,049,452	3,415,711
Non-agency	165	49,375,862	424,134	83,900,857	6,332,435	133,276,719	6,756,569
Other debt securities	73	15,366,921	102,777	33,544,529	2,740,716	48,911,450	2,843,493
	537	$ 76,625,440	$ 649,105	$ 340,730,411	$ 44,220,452	$ 417,355,851	$ 44,869,557

The Company reviews its AFS securities portfolio for potential credit losses no less than quarterly. As of December 31, 2024 and 2023, there was no allowance for credit losses for the Company's AFS securities portfolio.

Note 3. Loans and Allowance for Credit Losses

Loans by Major Category

The following is a summary of the major categories of total loans outstanding:

	December 31, 2024	December 31, 2023
Commercial and industrial	$ 143,011,092	$ 143,076,930
Commercial real estate	398,785,794	369,584,496
Construction, land development & other land loans	82,452,259	76,500,917
Residential (1-4 family) first mortgages	177,118,316	165,377,862
Home equity loans/lines of credit	62,894,798	53,806,198
Consumer loans	13,559,697	12,682,090
Gross loans	$ 877,821,956	$ 821,028,493
Less: Allowance for credit losses	(8,460,625)	(7,881,960)
Loans, net	$ 869,361,331	$ 813,146,533

Overdrafts totaling $152,857 and $89,083 at December 31, 2024 and 2023, respectively, were reclassified from deposits to consumer loans.

Loan Modifications Made to Borrowers Experiencing Financial Difficulty

Occasionally, the Company modifies loans to borrowers in financial distress by providing term extension, an other-than-insignificant payment delay or interest rate reduction. In some cases, the Company may provide multiple types of concessions on one loan.

For the years ended December 31, 2024 and 2023, there were no loan modifications made to borrowers experiencing financial difficulty.

Delinquencies

The following table represents an analysis of past-due loans as of December 31, 2024:

	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 Days or More Past Due & Still Accruing	Nonaccrual Loans	Current Loans	Total Loans
Commercial & industrial	$ –	$ –	$ –	$ –	$ 143,011,092	$ 143,011,092
Commercial real estate	1,018,774	–	–	1,651,660	396,115,360	398,785,794
Construction, land development & other land loans	374,597	–	–	430,757	81,646,905	82,452,259
Residential (1-4 family) first mortgages	794,132	439,025	–	151,619	175,733,540	177,118,316
Home equity loans/lines of credit	41,694	65,654	–	–	62,787,450	62,894,798
Consumer loans	470,847	139	–	–	13,088,711	13,559,697
Total loans	$ 2,700,044	$ 504,818	$ –	$ 2,234,036	$ 872,383,058	$ 877,821,956

The following table represents an analysis of past-due loans as of December 31, 2023:

	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 Days or More Past Due & Still Accruing	Nonaccrual Loans	Current Loans	Total Loans
Commercial & industrial	$ –	$ 10,000	$ –	$ 546,429	$ 142,520,501	$ 143,076,930
Commercial real estate	547,588	142,078	–	432,064	368,462,766	369,584,496
Construction, land development & other land loans	–	–	–	–	76,500,917	76,500,917
Residential (1-4 family) first mortgages	10,705	–	–	273,988	165,093,169	165,377,862
Home equity loans/lines of credit	262,025	–	–	–	53,544,173	53,806,198
Consumer loans	15,830	522	–	22,865	12,642,873	12,682,090
Total loans	$ 836,148	$ 152,600	$ –	$ 1,275,346	$ 818,764,399	$ 821,028,493

Credit Quality

The Company's internal risk rating definitions are:

Pass: These are considered satisfactory loans which do not require additional monitoring and show no heightened risk of weakness.

Watch: These include satisfactory loans which may have elements of risk that the Company has chosen to monitor formally. The objective of monitoring is to assure that no weaknesses develop in these loans.

Special Mention: These loans have a potential weakness that requires management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Company's credit position at some future date. These credits do not expose the Company to sufficient risk to warrant further adverse classification.

Substandard: A substandard asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified as such must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

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

Loss: Loans classified loss are considered uncollectible and of such little value that their continuance as a bankable asset is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be received in the future.

The following table presents the Company's recorded investment in loans by credit quality indicators by year of origination as of December 31, 2024:

	Term Loans by Year of Origination							
(dollars in thousands)	**2024**	**2023**	**2022**	**2021**	**2020**	**Prior**	**Revolving**	**Total**
Commercial & industrial								
Pass	$ 26,517	$ 21,563	$ 28,316	$ 15,836	$ 11,532	$ 36,202	$ –	$ 139,966
Watch	468	–	–	39	–	778	–	1,285
Special Mention	–	–	–	–	297	71	–	368
Substandard	–	–	476	–	–	916	–	1,392
Total commercial & industrial	$ 26,985	$ 21,563	$ 28,792	$ 15,875	$ 11,829	$ 37,967	$ –	$ 143,011
Current Period Gross Write-offs	–	122	–	–	26	–	–	148
Commercial real estate								
Pass	$ 42,155	$ 42,712	$ 61,787	$ 81,390	$ 25,248	$ 130,377	$ –	$ 383,669
Watch	–	–	2,297	–	–	–	–	2,297
Special Mention	–	4,976	–	–	–	5,424	–	10,400
Substandard	–	1,178	–	–	–	1,242	–	2,420
Total commercial real estate	$ 42,155	$ 48,866	$ 64,084	$ 81,390	$ 25,248	$ 137,043	$ –	$ 398,786
Current Period Gross Write-offs	–	2	–	–	–	19	–	21
Construction, land development & other land loans								
Pass	$ 29,871	$ 17,477	$ 9,945	$ 13,584	$ 2,504	$ 8,555	$ –	$ 81,936
Special Mention	–	–	–	516	–	–	–	516
Total construction, land development & other land loans	$ 29,871	$ 17,477	$ 9,945	$ 14,100	$ 2,504	$ 8,555	$ –	$ 82,452
Current Period Gross Write-offs	–	–	–	–	–	–	–	–
Residential (1-4 family) first mortgages								
Pass	$ 30,695	$ 30,836	$ 40,786	$ 27,401	$ 14,725	$ 28,706	$ –	$ 173,149
Watch	–	–	–	338	–	862	–	1,200
Special Mention	–	–	–	40	29	192	–	261
Substandard	–	1,766	333	350	–	59	–	2,508
Total residential (1-4 family) first mortgages	$ 30,695	$ 32,602	$ 41,119	$ 28,129	$ 14,754	$ 29,819	$ –	$ 177,118
Current Period Gross Write-offs	–	–	–	–	–	–	–	–
Home equity loans/lines of credit								
Pass	$ 12,377	$ 13,912	$ 9,438	$ 6,784	$ 4,916	$ 13,779	$ –	$ 61,206
Watch	65	–	–	66	–	35	–	166
Special Mention	–	–	490	–	59	75	–	624
Substandard	116	69	167	–	–	547	–	899
Total home equity loans/lines of credit	$ 12,558	$ 13,981	$ 10,095	$ 6,850	$ 4,975	$ 14,436	$ –	$ 62,895
Current Period Gross Write-offs	–	–	–	–	–	–	–	–
Consumer loans								
Pass	$ 3,515	$ 4,915	$ 1,318	$ 808	$ 513	$ 2,440	$ –	$ 13,509
Special Mention	–	–	–	49	2	–	–	51
Total consumer loans	$ 3,515	$ 4,915	$ 1,318	$ 857	$ 515	$ 2,440	$ –	$ 13,560
Current Period Gross Write-offs	–	–	1	–	19	–	–	20

Nonaccrual

The following table is a summary of the Company's nonaccrual loans by major categories for the periods indicated.

	CECL December 31, 2024		
	Nonaccrual Loans with No Allowance	Nonaccrual Loans with an Allowance	Total Nonaccrual Loans
Commercial real estate	$ 1,310,579	$ 341,081	$ 1,651,660
Construction, land development & other land loans	430,757	–	430,757
Residential (1-4 family) first mortgages	151,619	–	151,619
Total loans	$ 1,892,955	$ 341,081	$ 2,234,036

	CECL December 31, 2023		
	Nonaccrual Loans with No Allowance	Nonaccrual Loans with an Allowance	Total Nonaccrual Loans
Commercial & industrial	$ 546,429	$ –	$ 546,429
Commercial real estate	432,064	–	432,064
Residential (1-4 family) first mortgages	273,988	–	273,988
Consumer loans	4,220	18,645	22,865
Total loans	$ 1,256,701	$ 18,645	$ 1,275,346

The following table represents the accrued interest receivables written off by reversing interest income during the year ended December 31, 2024:

	For the Year Ended December 31, 2024
Commercial real estate	$ 13,386
Construction, land development & other land loans	286
Total loans	$ 13,672

Collateral Dependent

The Company has certain loans for which repayment is dependent upon the operation or sale of collateral, as the borrower is experiencing financial difficulty. The underlying collateral can vary based upon the type of loan. The following provides more detail about the types of collateral that secure collateral-dependent loans:

- Commercial real estate loans can be secured by either owner-occupied commercial real estate or non-owner-occupied investment commercial real estate. Typically, owner-occupied commercial real estate loans are secured by office buildings, warehouses, manufacturing facilities and other commercial and industrial properties occupied by operating companies. Non-owner-occupied commercial real estate loans are generally secured by office buildings and complexes, retail facilities, multifamily complexes, land under development, industrial properties, as well as other commercial or industrial real estate.
- Residential real estate loans are typically secured by first mortgages, and in some cases could be secured by a second mortgage.
- Home equity lines of credit are generally secured by second mortgages on residential real estate property.
- Consumer loans are generally secured by automobiles, motorcycles, recreational vehicles and other personal property. Some consumer loans are unsecured and have no underlying collateral.

The following table details the amortized cost of collateral dependent loans:

	December 31, 2024	December 31, 2023
Commercial & industrial	$ –	$ 417,102
Commercial real estate	2,304,109	1,839,364
Residential (1-4 family) first mortgages	1,766,316	–
Home equity loans/lines of credit	282,511	166,702
Consumer loans	–	18,645
Total loans	$ 4,352,936	$ 2,441,813

Allowance for Credit Losses

Allowance for credit losses for the years ended December 31, 2024 and 2023, respectively.

	Commercial & Industrial	Commercial Real Estate	Construction, Land Development & Other Land Loans	Residential (1-4 family) First Mortgages	Home Equity Loans/Lines of Credit	Consumer Loans	Unallocated	Total Loans
Balance, December 31, 2023	$2,183,044	$2,624,517	$ 905,839	$1,354,757	$ 460,556	$ 213,998	$ 139,249	$7,881,960
Charge-offs	(148,525)	(21,033)	–	–	–	(212,579)	–	(382,137)
Recoveries	6,000	–	7,000	–	4,200	65,105	–	82,305
Provision for credit losses	(43,896)	504,111	120,079	90,833	63,526	139,679	4,165	878,497
Balance, December 31, 2024	$1,996,623	$3,107,595	$1,032,918	$1,445,590	$ 528,282	$ 206,203	$ 143,414	$8,460,625

	Commercial & Industrial	Commercial Real Estate	Construction, Land Development & Other Land Loans	Residential (1-4 family) First Mortgages	Home Equity Loans/Lines of Credit	Consumer Loans	Unallocated	Total Loans
Balance, December 31, 2022	$1,397,202	$3,421,950	$ 673,109	$1,426,724	$ 391,221	$ 99,927	$ 102,444	$7,512,577
Adjustment to allowance for adoption of ASU 2016-13	796,169	(876,074)	208,847	(239,450)	(26,968)	39,305	–	(98,171)
Charge-offs	–	(85,512)	–	–	–	(199,119)	–	(284,631)
Recoveries	5,100	–	–	–	6,000	41,089	–	52,189
Provision for credit losses	(15,427)	164,153	23,883	167,483	90,303	232,796	36,805	699,996
Balance, December 31, 2023	$2,183,044	$2,624,517	$ 905,839	$1,354,757	$ 460,556	$ 213,998	$ 139,249	$7,881,960

As of December 31, 2024, $191,949 was added to consumer loan charge-offs related to deposit charge-offs and $56,189 was added to consumer loan recoveries related to deposit recoveries. As of December 31, 2023, $165,025 was added to consumer loan charge-offs related to deposit charge-offs and $40,090 was added to consumer loan recoveries related to deposit recoveries.

Unfunded Commitments

The Company maintains an allowance for off-balance sheet credit exposures such as unfunded balances for existing lines of credit, commitments to extend future credit, as well as both standby and commercial letters of credit when there is a contractual obligation to extend credit and when this extension of credit is not unconditionally cancellable (i.e., the commitment cannot be canceled at any time). The allowance for off-balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur, which is based on a historical funding study derived from internal information, and an estimate of expected credit losses on commitments expected to be funded over its estimated life, which are the same loss rates that are used in computing the allowance for credit losses on loans. The allowance for credit losses for unfunded loan commitments of $560 thousand at December 31, 2024 and 2023 is separately classified on the balance sheet within Other Liabilities.

The following table presents the balance and activity in the allowance for credit losses for unfunded loan commitments for the years ended December 31, 2024 and 2023.

	Total Allowance for Credit Losses - Unfunded Commitments
Balance, December 31, 2023	$ 559,789
Provision for unfunded commitments	–
Balance, December 31, 2024	$ 559,789

	Total Allowance for Credit Losses - Unfunded Commitments
Balance, December 31, 2022	$ –
Adjustment to allowance for unfunded commitments for adoption of ASU 2016-13	469,789
Provision for unfunded commitments	90,000
Balance, December 31, 2023	$ 559,789

Note 4. Premises and Equipment

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

	December 31, 2024	December 31, 2023
Land	$ 4,630,245	$ 4,630,245
Buildings	26,777,757	26,777,757
Furniture, fixtures and improvements	3,480,020	3,423,241
Equipment	7,005,227	6,512,416
Leasehold improvements	4,367,130	4,332,466
	$ 46,260,379	$ 45,676,125
Less accumulated depreciation	(25,967,035)	(24,243,897)
Total	$ 20,293,344	$ 21,432,228

For the years ended December 31, 2024 and 2023, depreciation expense was $1,633,732 and $1,603,875, respectively.

Included in the consolidated balance sheet presentation of these financial statements, premises and equipment also includes the right-of-use asset for leases totaling $491,746 and $577,114 as of December 31, 2024 and 2023. Refer to Note 12 for additional disclosure on the right-of-use asset.

Note 5. Time Deposits

Remaining maturities on certificates of deposit are as follows:

2025	$ 332,927,010
2026	15,067,886
2027	17,553,996
2028	40,194,596
2029	62,884,613
Thereafter	–
Total	$ 468,628,101

The Company obtains certain deposits through the efforts of third-party brokers. At December 31, 2024 and 2023, brokered deposits totaled $114,750,000 and $89,800,000, respectively, and were included in certificates of deposit on the consolidated balance sheets.

As of December 31, 2024 and 2023, there were no deposit relationships that exceeded 5% of total deposits.

Note 6. Trust Preferred Capital Notes

On July 2, 2007, CFS Capital Trust II was formed by the Company for the purpose of issuing redeemable capital securities. Trust II is not a consolidated subsidiary of the Company. On July 5, 2007, $15.5 million of trust preferred securities which have a SOFR-indexed floating rate of interest were issued. The weighted-average interest rate for the year ended December 31, 2024 was 6.78%. The interest rate as of December 31, 2024 was 6.23%. The securities have a mandatory redemption date of October 1, 2037, and became subject to varying call provisions beginning on September 6, 2012.

In August 2014, CFS was notified that $5.0 million of the $15.0 million in trust preferred securities of Trust II would be auctioned off as part of a larger pooled collateralized debt obligation liquidation. CFS placed a bid of $3.9 million for the securities which was accepted by the trustee and the transaction closed on September 5, 2014. In January 2015, CFS was notified that $5.0 million of the $10.0 million remaining in trust preferred securities of Trust II would be auctioned off as part of a larger pooled collateralized debt obligation liquidation. CFS placed bids totaling $3.9 million for the securities which were accepted by the trustee and the transactions closed on February 5, 2015 and February 13, 2015.

As of December 31, 2024, $5.0 million in preferred stock and $155,000 in common stock of Trust II were still outstanding.

The trust preferred securities may be included in Tier 1 capital for regulatory capital adequacy determination purposes up to 25% of Tier 1 capital after its inclusion. The portion of the trust preferred not considered as Tier 1 capital may be included in Tier 2 capital.

The obligations of CFS with respect to the issuance of the capital securities constitute a full and unconditional guarantee by CFS of the Trust's obligations with respect to the capital securities.

Subject to certain exceptions and limitations, CFS may elect from time to time to defer interest payments on the junior subordinated debt securities, which would result in a deferral of distribution payments on the related capital securities.

Note 7. Borrowings

FHLB Borrowings

The Bank has lines of credit with the FHLB that can equal up to 25% of total assets of the Bank. As of December 31, 2024, loans with a carrying value of $122,121,746 and securities with an amortized cost of $124,557,651 were pledged to the FHLB as collateral for borrowings. The FHLB line of credit totaled $130.1 million with no outstanding balance as of December 31, 2024. At December 31, 2023, the FHLB line of credit totaled $159.8 million with an outstanding balance of $32 million. Additional loans are available that can be pledged as collateral for future borrowings from the FHLB above the current lendable collateral value.

FRB Borrowings

Advances under the Bank Term Funding Program ("BTFP") with the Federal Reserve expired as of March 11, 2024. These advances had up to a one-year term and were priced at the one-year overnight index swap rate plus 10 basis points, which was fixed for the term on the advance date. Advances were able to be repaid at any time without penalty. As of December 31, 2024, the Company had no outstanding balance under the BTFP program. As of December 31, 2023, the Company had an immediately available line through the BTFP of $37.2 million, of which the Company had an outstanding balance of $30.0 million.

Other Borrowings

The Bank also maintains an additional secured line of credit with another correspondent bank totaling $20 million, which had no outstanding balance as of December 31, 2024 or December 31, 2023. In addition to the available credit from the FHLB, the Bank also has unsecured lines of credit with correspondent banks totaling $98.5 million available for overnight borrowings, which had an outstanding balance of $6.1 million as of December 31, 2024 and $429 thousand as of December 31, 2023. The Company has a line of credit secured by 400,000 shares of Chesapeake Bank common stock with a correspondent bank totaling $10.0 million available for borrowing as of December 31, 2024. There was no outstanding balance as of December 31, 2024 and 2023.

On June 15, 2021, the Company entered into a Subordinated Note Purchase Agreement with 32 institutional accredited investors under which the Company issued an aggregate of $20 million of subordinated notes (the "2021 Notes") to institutional accredited investors. The 2021 Notes have a maturity date of June 15, 2031. The 2021 Notes bear interest, payable on the 15th of June and December of each year, commencing December 15, 2021, at a fixed rate of 3.25% per year for the first 5 years, and thereafter will bear a floating interest rate of 3-Month Term SOFR plus 260 basis points. The 2021 Notes are not convertible into common stock or preferred stock and are not callable by the holders. The Company has the right to redeem the 2021 Notes, in whole or in part, without premium or penalty, at any interest payment date on or after December 15, 2026 and prior to the maturity date, but in all cases in a principal amount with integral multiples of $1,000, plus interest accrued and unpaid through the date of redemption. If an event of default occurs, such as the bankruptcy of the Company, the holder of a 2021 Note may declare the principal amount of the note to be due and immediately payable. The 2021 Notes are unsecured, subordinated obligations of the Company, and rank junior in right of payment to the Company's existing and future senior indebtedness. The 2021 Notes qualify as Tier 2 capital for regulatory reporting; though, Tier 2 capital treatment is reduced by 20% in each year subsequent to the first date of the redemption right.

Note 8. Income Taxes

The income tax provision differs from the amount of income tax determined by applying the U.S. federal income tax rate to pretax income for the years ended December 31, 2024 and 2023, due to the following:

	2024	2023
Income tax at federal statutory rate	$ 2,809,134	$ 2,592,170
Increase in income taxes resulting from:		
State and local taxes	36,482	2,374
Tax exempt income	(674,019)	(575,092)
Other	(222,627)	204,477
Total	$ 1,948,970	$ 2,223,929

The provision for income taxes charged to operations for the years ended December 31, 2024 and 2023, consists of the following:

	2024	2023
Current tax expense		
Federal	$ 2,817,435	$ 2,081,236
State	46,179	3,005
Deferred tax (benefit) expense	(914,644)	139,688
Total	$ 1,948,970	$ 2,223,929

The components of the net deferred tax asset, included in other assets, are as follows:

	December 31, 2024	December 31, 2023
Deferred tax assets:		
Allowance for credit and cash management account losses	$ 2,282,732	$ 2,015,192
Foreclosed assets	92,600	55,385
Deferred compensation	620,812	398,338
Unrealized loss on cash flow hedge	–	839,567
Restricted stock	50,423	(99,523)
Unrealized loss on securities	9,050,789	9,127,281
Other	398,994	387,352
Total deferred tax assets	$ 12,496,350	$ 12,723,592
Deferred tax liabilities:		
Premises and equipment	173,173	399,000
Unrealized gain on cash flow hedge	309,119	–
Net deferred tax assets	$ 12,014,058	$ 12,324,592

CFS, on a consolidated basis, files income tax returns in the U.S. federal jurisdiction, the Commonwealth of Virginia and other states where income is generated. With few exceptions, CFS is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2021.

The Company has analyzed the tax positions taken or expected to be taken in its tax returns and concluded it has no liability related to uncertain tax positions.

Note 9. Employee Benefit Plans

Employee Stock Ownership Plan

CFS sponsors an employee stock ownership plan (ESOP) that generally covers full-time employees who have completed one calendar year of service. CFS makes annual contributions to the ESOP at the discretion of the Board of Directors. ESOP compensation expense was $600,000 and $550,000 for the years ended December 31, 2024 and 2023, respectively.

401(k) Plan

CFS has adopted a contributory 401(k) plan that covers substantially all employees. Under the plan, employees may elect to defer up to 100% of their salary, subject to Internal Revenue Service limits. CFS will make a matching contribution of 100% of the first 3% and 50% of the second 3% of the employee's salary deferred. CFS may also make a discretionary contribution to the plan. Total expense related to the plan was $949,851 and $863,043 for 2024 and 2023, respectively.

Post-retirement benefits

The Company has entered into deferred compensation arrangements with certain key personnel, which call for the payment of benefits upon the retirement or death of the individuals. The agreements provide that a retirement benefit is payable upon a defined normal retirement age while in service to the Company and a lesser benefit is payable upon early retirement. Other benefits are payable upon disability, death or change in control.

These agreements are unfunded arrangements maintained primarily to provide supplemental retirement benefits and comply with Section 409A of the Internal Revenue Code.

The Company has elected to finance the retirement benefits by purchasing annuities that have been designed to provide a future source of funds for the lifetime retirement benefits of the agreements. The liabilities associated with these deferred compensation arrangements were $2,281,149 and $1,912,431 for the years ended December 31, 2024 and 2023, respectively. The annuity had a balance of $3,485,228 and $3,545,225 as of December 31, 2024 and 2023, respectively, and is recorded at amortized cost. Salaries and employee benefits expense included $368,718 and $284,502 of expense related to these arrangements for 2024 and 2023, respectively.

Note 10. Stock Option Plans

On April 4, 2014, CFS's shareholders approved a stock incentive plan under which options or restricted stock may be granted to certain key employees. The plan reserved 504,000 shares of voting common stock for issuance and expired on January 16, 2024. There was no compensation cost charged to income for those plans related to stock options for 2024.

On April 5, 2024, CFS's shareholders approved a stock incentive plan under which options or restricted stock may be granted to certain key employees. The plan reserved 110,000 shares of voting common stock for issuance and expires on January 18, 2034. There was no compensation cost charged to income for those plans related to stock options for 2024.

Incentive Stock

The incentive stock option plans require that options be granted at an exercise price equal to at least 100% of the fair market value of the common stock on the date of the grant; however, for those individuals who own more than 10% of the stock of CFS, the option price must be at least 110% of the fair market value on the date of grant. Such options are generally not exercisable until 3 years from the date of issuance and require continuous employment during the period prior to exercise. The options will expire in no more than 10 years after the date of grant. The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option-pricing model. Expected volatility is based on the historic volatility of CFS's stock price over the expected life of the options. The expected term is estimated as the average of the contractual life and vesting schedule for the respective options. The risk-free interest rate is the U.S. Treasury zero-coupon issue with a remaining term equal to the expected term of the options granted. The dividend yield is estimated as the ratio of CFS's historical dividends paid per share of common stock to the stock price on the date of grant. There were no options granted or outstanding during the years ended December 31, 2024 and 2023.

Aggregate intrinsic value of stock options represents the total pre-tax intrinsic value (the amount by which the current market value of the underlying stock exceeds the exercise price of the option) that would have been received by the option holders had all the option holders exercised their options on December 31, 2024. This amount changes based on changes in the market value of CFS's stock.

The total intrinsic value of options exercised during the years ended December 31, 2024 and 2023 was $0. As of December 31, 2024 and December 31, 2023 there are no unrecognized compensation costs related to nonvested stock options granted under the plans.

Restricted Stock

The Company grants shares of restricted stock to key employees. These awards help align the interests of these employees with the interests of the shareholders of the Company by providing economic value directly related to increases in the value of the Company's common stock. The value of the stock awarded is established as the fair market value of the stock at the time of grant. The Company recognizes expense, equal to the total value of such awards, ratably over the vesting period of the stock grants. Restricted stock vests over 36 months based on the term of the award.

Nonvested restricted stock activity for the year ended December 31, 2024 is summarized in the following table:

	Shares	Average Grant Date Value
Nonvested at December 31, 2023	40,116	$ 22.43
Granted	38,250	17.49
Vested	(18,196)	23.62
Forfeited	(1,117)	21.29
Nonvested at December 31, 2024	59,053	$ 18.89

	Shares	Average Grant Date Value
Nonvested at December 31, 2022	29,683	$ 26.19
Granted	25,900	19.50
Vested	(14,233)	24.54
Forfeited	(1,234)	26.99
Nonvested at December 31, 2023	40,116	$ 22.43

At December 31, 2024, there was $249,139 in unrecognized compensation cost related to nonvested restricted stock granted under the 2014 Plan. At December 31, 2024, there was $563,216 in unrecognized compensation cost related to nonvested restricted stock granted under the 2024 plan. This cost is expected to be recognized over the next 31 months. Stock based compensation expense for nonvested restricted stock totaled $432,865 and $364,806 during 2024 and 2023, respectively.

Note 11. Shareholders' Equity

During 2024 and 2023, CFS issued 12,192 and 11,169 shares, respectively, of common stock to its directors for partial compensation. Also, during 2024 and 2023, the Company purchased and retired 26,250 and 26,719 shares, respectively of common stock.

Note 12. Leases

The Company's long-term lease agreements are classified as finance leases. These leases offer the option to extend the lease term and the Company has included such extensions in its calculation of the lease liabilities to the extent the options are reasonably assured of being exercised.

The components of lease expense are as follows:

	2024	2023
Finance lease expense		
Amortization of right-of-use asset	$ 85,368	$ 85,368
Interest on lease liabilities	25,887	31,304
Total finance lease expense	$ 111,255	$ 116,672

Cash paid for amounts included in the measurement of lease liabilities are as follows:

	2024	2023
Operating cash flows from finance leases	$ 119,195	$ 115,489

Supplemental balance sheet information related to leases are as follows:

	2024	2023
Finance Leases:		
Premises and equipment	$ 577,114	$ 662,482
Accumulated depreciation	85,368	85,368
Premises and equipment, net	$ 491,746	$ 577,114
Other long-term liabilities	673,883	766,904
Total finance lease liabilities	$ 673,883	$ 766,904
Weighted Average Remaining Lease Term:	6 Years	8 Years
Weighted Average Discount Rate:	3.6%	3.6%

Maturities of lease liabilities are as follows:

For the year ending December 31,	2024
2025	$ 122,452
2026	126,090
2027	129,835
2028	133,691
2029	114,302
Thereafter	122,771
Lease payments	$ 749,141
Amounts representing interest	(75,267)
Present value of net future minimum lease payments	$ 673,874

Rent expense under operating leases totaled $93,308 and $86,374 for the years ended December 31, 2024 and 2023, respectively.

Note 13. Related Party Transactions

Officers, directors and their affiliates had loans of $18,402,368 and $19,016,544 at December 31, 2024 and 2023, respectively, with the Bank.

Changes in related party loans during 2024 were as follows:

Balance, December 31, 2023	$ 19,016,544
Additions	50,304
Payments	(664,480)
Balance, December 31, 2024	$ 18,402,368

These transactions occurred in the ordinary course of business on substantially the same terms as those prevailing at the time for comparable transactions with unrelated persons.

Related parties had deposits of $11,937,051 and $10,965,157 as of December 31, 2024 and 2023, respectively.

Note 14. Other Income and Expenses

The principal components of "Other income" in the consolidated statements of income are:

	2024	2023
ATM fee income	$ 2,603,884	$ 2,511,453
Gain on sale of VISA B stock	–	2,241,178
Gain on life insurance	–	482,899
K-1 adjustments in SBIC funds	857,531	873,004
Gain on sale of properties	–	574,518
Increase in cash value of BOLI	374,651	409,023
Other	1,169,686	1,784,358
Total	$ 5,005,752	$ 8,876,433

The principal components of "Other expenses" in the consolidated statements of income are:

	2024	2023
Advertising	$ 1,859,945	$ 1,738,506
Debit card expense	1,207,395	1,061,530
Franchise tax	846,442	907,112
Charitable contributions	555,839	500,036
Exam and audit	414,361	348,900
Delivery and transportation	389,030	358,592
Stationery and supplies	318,120	314,967
Other	3,370,949	3,759,479
Total	$ 8,962,081	$ 8,989,122

Note 15. Revenue from Contracts with Customers

During the years ended December 31, 2024 and 2023, the Company recognized revenues from contracts with customers totaling $20,837,255 and $19,442,910, respectively. There were no impairment losses recognized on any receivables or contract assets arising from the Company's contracts with customers during the years ended December 31, 2024 and 2023. While the Company does have noninterest income related to changes in cash surrender value of life insurance, sales of investments, and income from government sponsored entities, these are not within the scope of ASC 606.

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

	2024	2023
Noninterest income		
Service charges	$ 1,210,169	$ 1,015,833
ATM fee income	2,603,884	2,511,453
Trust and wealth management income	4,459,286	3,983,834
Merchant services income, net	5,357,870	5,190,703
Cash management fee income	5,808,965	5,233,108
Mortgage banking income	1,022,260	874,437
Other[(a)]	2,401,868	3,480,796
Total	$ 22,864,302	$ 22,290,164

(a) The Other category includes $374,821 and $628,524 of income sources that are within the scope of ASC 606 but determined immaterial as of December 31, 2024 and 2023, respectively; the remaining balance of $3,049,308 and $3,335,175 is outside of the scope of ASC 606 as of December 31, 2024 and 2023, respectively.

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

Service Charges on Deposit Accounts: The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

ATM Fee Income: The Company earns interchange fees from debit cardholder transactions conducted through the VISA payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.

Merchant Services: The Company earns interchange fees from customer debit and credit card transactions that are earned at the time a cardholder engages in a transaction with a merchant as well as fees charged to merchants for providing them the ability to accept and process the debit and credit card transactions. Revenue is recognized when the performance obligation has been met as it is satisfied upon the completion of the card transaction. Additionally, revenue recognition guidance requires costs associated with cardholder and merchant services transactions to be netted against the fee income from such transactions when an entity is acting as an agent in providing services to customer.

Wealth Management Services: The Company earns wealth management fees from its contracts with trust and brokerage customers to manage assets for investment, and/or to transact on their accounts. These fees are earned as the Company provides the contracted monthly or quarterly services and are generally assessed based on a tiered scale of the market value of assets under management at month-end. Fees that are transaction based, including trade execution services, are recognized at the point in time that the transaction is executed, i.e. the "trade date". Other related services provided include financial planning services, which are based on a fixed fee schedule, and are recognized when the services are rendered.

Cash Management: The Company earns fee income on accounts receivable financing relationships. The Company recognizes the fee income when the invoices are funded or upon payment.

Mortgage Banking Income: The Company earns revenues from both selling and servicing of consumer 1-4 family mortgages sold to Freddie Mac. The origination revenues are recognized when the loan is sold and funded by Freddie Mac. Servicing revenues are earned for maintaining the payment processing of the loan and are recognized each month when the loan payment is processed.

Gains/Losses on Sales of OREO: The Company records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Company finances the sale of OREO to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the OREO asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Company adjusts the transaction price and related gain (loss) on sale if a significant financing component is present.

Based on the Company's analysis, none of the contracts discussed above required a material cost to obtain or fulfill the contract, which resulted in no capitalized assets associated with these contracts as of December 31, 2024 and 2023.

Note 16. Earnings Per Common Share

Shares related to unvested restricted stock grants are included in the weighted average number of common shares outstanding because the holders participate in non-refundable dividends and have voting rights during the vesting period.

There were no antidilutive options for the years ended December 31, 2024 and 2023.

Note 17. Financial Instruments with Off-Balance Sheet Risk

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

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

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

	Contract Amount	
(dollars in thousands)	2024	2023
Commitments to grant loans	$ 44,830	$ 10,998
Unfunded commitments under lines of credit	207,861	188,125
Commercial and standby letters of credit	5,095	3,860
Cash management unfunded commitments	62,339	68,017

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management's credit evaluation of the customer.

Unfunded commitments under commercial lines of credit, revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Company is committed. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management's credit evaluation of the customer.

Commercial and standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company generally holds collateral supporting those commitments, if deemed necessary.

The Company's reserve for unfunded commitments totaled $559,789 at December 31, 2024 and 2023, respectively. (See Note 3 for additional information.)

The Company has invested in several funds primarily consisting of Small Business Investment Companies (SBIC) and housing equity funds. The unfunded commitment remaining on these funds totaled $5,626,336 and $6,074,813 as of December 31, 2024 and 2023, respectively. In 2022, the Company invested in two Fintech investments which are included in other assets at cost on the consolidated balance sheet. The balance of these investments total $1,612,894 and $1,148,326 as of December 31, 2024 and 2023, respectively. The unfunded commitment remaining on these funds totaled $2,282,701 and $2,614,745 as of December 31, 2024 and 2023, respectively.

CFS maintains its cash accounts in several correspondent banks. The total amount by which cash on deposit in those banks exceeded the federally insured limits was $3,275,331 at December 31, 2024.

Note 18. Derivatives

In March 2022, the Company entered into a receive fixed/pay variable interest rate swap agreement. In June 2023 and November 2023, the Company entered into two receive variable/pay fixed interest rate swap agreements. Also, in March 2024 and August 2024, the Company entered into two receive variable/pay fixed interest rate swap agreements. The Company mitigates the interest rate risk entering into these swap agreements by entering into equal and offsetting swap agreements with a highly rated third-party financial institution. These back-to-back swap agreements are freestanding derivatives and are recorded at fair value in the Company's consolidated balance sheets (asset positions are included in other assets and liability positions are included in other liabilities).

The following table presents the notional and fair values of the derivative agreements for December 31, 2024 and 2023, respectively.

	December 31, 2024	
(dollars in thousands)	**Notional amount**	**Fair Value**
Interest rate swap agreement		
Receive fixed/pay variable swap	$ 50,000	$ (266)
Receive variable/pay fixed swap	221,702	1,842

	December 31, 2023	
(dollars in thousands)	**Notional amount**	**Fair Value**
Interest rate swap agreement		
Receive fixed/pay variable swap	$ 50,000	$ (1,751)
Receive variable/pay fixed swap	177,065	(2,194)

The Company does not use derivatives for trading or speculative purposes.

Note 19. Business Acquisition

On May 1, 2023, the Company acquired 100% of the assets of PDM Financial, LLC. Under the terms of the acquisition, the Company received $8,870,207 in outstanding receivables which is included in the total assets acquired amount in the table below. With the acquisition, the Company is expanding its cash management division while also diversifying the overall concentration by industry. Acquisition-related costs of $58,535 are included in professional fees on the Company's income statement for the year ended December 31, 2023.

Included in the consideration paid amount below is a contingent liability of $2,492,000, in which payments will be made based on growth of the portfolio. This amount is recorded in other liabilities.

The Company recorded $5,292,000 in goodwill as part of the transaction, which represents the excess of purchase price over the fair value of net assets acquired. The amount of goodwill that is expected to be deductible for income tax purposes is $4.8 million.

(dollars in thousands)	
Consideration paid	$ 14,505
Factoring portfolio acquired	8,870
Other assets	2,040
Portfolio reserves assumed	1,697
Total identifiable net assets	$ 9,213
Goodwill	$ 5,292

Assets acquired and liabilities assumed were recorded at their respective fair values as of the acquisition date, the fair value adjustments in relation to carrying value were not significant.

The following table presents information on amortizable intangible assets included on the consolidated balance sheet as of December 31, 2024 and 2023, respectively.

	December 31, 2024		
(dollars in thousands)	**Gross Carrying**	**Accumulated**	**Net Carrying**
Customer relationships intangible	$ 2,053	$ 220	$ 1,833

	December 31, 2023		
(dollars in thousands)	**Gross Carrying**	**Accumulated**	**Net Carrying**
Customer relationships intangible	$ 2,200	$ 147	$ 2,053

Intangible amortization expense is included in noninterest expense in the consolidated statements of income.

The following table represents estimated intangible asset amortization expense of the customer relationships intangibles for the next five years and thereafter from the date stated.

(dollars in thousands)	**December 31,**
2025	$ 220
2026	220
2027	220
2028	220
2029	220
Thereafter	733
Total	$ 1,833

Note 20. Fair Value of Assets and Liabilities

Determination of Fair Value

CFS uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The fair value of a financial instrument 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 is best determined based upon quoted market prices. However, in many instances, there are not quoted market prices for CFS's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

Fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

Fair Value Hierarchy

In accordance with this guidance, CFS groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 - Valuation is based on quoted prices in active markets for identical assets and liabilities and generally includes debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on 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 asset or liability.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

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

Cash and Cash Equivalents and Interest-Bearing Deposits in Banks

The carrying amounts of cash and short-term instruments approximate fair values based on the short-term nature of the assets.

Securities

Securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data (Level 2). If the inputs used to provide the evaluation for certain securities are unobservable and/or there is little, if any, market activity then the security would fall to the lowest level of the hierarchy (Level 3).

The Company's investment portfolio is primarily valued using fair value measurements that are considered to be Level 2. The Company has contracted with a third-party portfolio accounting service vendor for valuation of its securities portfolio. The vendor's primary source for security valuation is Interactive Data Corporation ("IDC"), which evaluates securities based on market data. IDC utilizes evaluated pricing models that vary by asset class and include available trade, bid, and other market information. Generally, the methodology includes broker quotes, proprietary modes, vast descriptive terms and conditions databases, as well as extensive quality control programs.

The vendor utilizes proprietary valuation matrices for valuing all municipal securities. The initial curves for determining the price, movement, and yield relationships within the municipal matrices are derived from industry benchmark curves or sourced from a municipal trading desk. The securities are further broken down according to issuer, credit support, state of issuance and rating to incorporate additional spreads to the industry benchmark curves.

The Company uses an independent valuation information source that draws on quantitative models and market data contributed from over 4,000 market participants, to validate third party valuations. Any material differences between valuation sources are researched by further analyzing the various inputs that are utilized by each pricing source.

Other investments, which include FRB and FHLB stock, are carried at cost.

Loans Held for Sale

Loans held for sale include mortgage loans and are carried at the lower of cost or market value. The fair values of mortgage loans held for sale are based on current market rates from investors within the secondary market for loans with similar characteristics. Carrying value approximates fair value.

Loans Receivable

Fair values for loans are estimated using discounted cash flow analyses, using market interest rates for comparable loans. Also included in the fair values for loans is a credit component adjustment. Fair values for nonperforming loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.

Cash Management Accounts

The carrying value of cash management accounts approximates their fair value. The future cash flows from these accounts are short-term in nature (less than 90 days) and the rate of return approximates current market rates.

Commercial Mortgage Loan Repurchase Facilities

The fair value of commercial mortgage loan repurchase facilities was determined using a discounted cash flow technique. Interest rates appropriate to the maturity and underlying collateral are used for discounting the estimated cash flows. As observable market interest rates are used, the fair value of commercial mortgage loan repurchase facilities was classified as Level 2.

Deposits

The fair values disclosed for demand deposits (for example, interest and noninterest checking, savings, and certain types of money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The carrying amounts of variable-rate, fixed-term money market accounts and certificates of deposit, if any, approximate their fair values at the reporting date. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies market interest rates on comparable instruments to a schedule of aggregated expected monthly maturities on time deposits.

Short-Term Debt

The carrying amounts of short-term debt maturing within 90 days approximate their fair values. Fair values of short-term debt are estimated using discounted cash flow analyses based on current market rates and similar types of borrowing arrangements.

Subordinated Notes and Trust Preferred Capital Notes

Current market rates for debt with similar terms and remaining maturities are used to estimate fair value of existing debt. Fair value of long-term debt is based on quoted market prices or dealer quotes for the identical liability when traded as an asset in an active market. If a quoted market price is not available, an expected present value technique is used to estimate fair value.

The fair value of the Company's subordinated notes is estimated by utilizing recent issuance rates for subordinated debt offerings of similar issuer size.

Accrued Interest

The carrying amounts of accrued interest approximate fair value.

Off-Balance Sheet Credit-Related Instruments

Fair values for off-balance sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standings.

Derivative Asset

Derivative instruments held or issued by the Company for risk management purposes are traded in over-the-counter markets. For those derivatives, the Company measures fair value using models that use primarily market observable inputs, such as yield curves and option volatilities, and include the value associated with counterparty credit risk. The Company classifies derivative instruments held or issued for risk management purposes as Level 2. As of December 31, 2024, the Company's derivative instrument consisted solely of an interest rate swap.

Assets Measured at Fair Value on a Recurring Basis

The following table presents the balances of financial assets measured at fair value on a recurring basis as of December 31, 2024 and 2023:

(dollars in thousands)	Carrying Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2024				
Securitites available for sale:				
US Treasury	$ 446	$ –	$ 446	$ –
Securities of state and political subdivisions	178,372	–	178,372	–
SBA loan pooled securities	1,922	–	1,922	–
Mortgage-backed securities				
Agency	49,552	–	49,552	–
Non-agency	220,630	–	220,630	–
Other debt securities	48,726	–	48,726	–
Total assets at fair value	$ 499,648	$ –	$ 499,648	$ –
December 31, 2023				
Securitites available for sale:				
US Treasury	$ 444	$ –	$ 444	$ –
Securities of state and political subdivisions	180,991	–	180,991	–
SBA loan pooled securities	2,665	–	2,665	–
Mortgage-backed securities				
Agency	54,426	–	54,426	–
Non-agency	186,455	–	186,455	–
Other debt securities	57,937	–	57,937	–
Total assets at fair value	$ 482,918	$ –	$ 482,918	$ –

As of December 31, 2024, there were no assets classified as Level 3 to be measured at fair value on a recurring basis.

Assets Measured at Fair Value on a Nonrecurring Basis

Under certain circumstances, CFS makes adjustments to the fair value of certain assets and liabilities although they are not measured at fair value on a recurring basis. The following table presents assets carried on the consolidated balance sheet by caption and by level in the fair value hierarchy at December 31, 2024 and 2023, for which a nonrecurring change in fair value has been recorded:

(dollars in thousands)	Fair Value Measurements at December 31, 2024 Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Collateral-dependent loans	$ –	$ –	$ 116
Foreclosed assets	–	–	662

(dollars in thousands)	Fair Value Measurements at December 31, 2023 Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans	$ –	$ –	$ 242
Foreclosed assets	–	–	839

	Fair Value Measurements at December 31, 2024			
(dollars in thousands)	Fair Value	Valuation Techniques	Unobservable Inputs	Weighted Average
Assets:				
Collateral-dependent loans	$ 116	Market comparables	Discount applied to market comparables (1)	34.1%
Foreclosed assets	662	Market comparables	Discount applied to market comparables (1)	43.9%
Total	$ 778			

(1) A discount percentage is applied based on age of independent appraisals, selling costs, current market conditions, and experience within the local market.

	Fair Value Measurements at December 31, 2023			
(dollars in thousands)	Fair Value	Valuation Techniques	Unobservable Inputs	Weighted Average
Assets:				
Collateral-dependent loans	$ 242	Market comparables	Discount applied to market comparables (1)	35.6%
Foreclosed assets	839	Market comparables	Discount applied to market comparables (1)	55.7%
Total	$ 1,081			

(1) A discount percentage is applied based on age of independent appraisals, selling costs, current market conditions, and experience within the local market.

Collateral-dependent Loans

Collateral-dependent loans with specific reserves are carried at fair value, which equals the estimated market value of the collateral less estimated costs to sell. Collateral may be in the form of real estate, securities, or business assets, including equipment, inventory, and accounts receivable. A loan may have multiple types of collateral; however, the majority of the Company's loan collateral is real estate. The value of real estate collateral is generally determined utilizing a market valuation approach based on an appraisal conducted by an independent, licensed appraiser outside of the Company using observable market data (Level 2). However, if the collateral value is significantly adjusted due to differences in the comparable properties or is discounted by the Company because of lack of marketability, then the fair value is considered Level 3. The value of business equipment is based upon an outside appraisal if deemed significant or the net book value on the applicable borrower's financial statements if not considered significant. Likewise, values for inventory and accounts receivables collateral are based on financial statement balances or aging reports (Level 3). Fair value adjustments are recorded in the period incurred as provision for credit losses on the consolidated statements of income.

Foreclosed Assets

Fair values of foreclosed assets are carried at the lower of carrying value or fair value less selling costs. Fair value is based upon independent market prices, appraised values of the collateral, or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company records the foreclosed asset as Level 2 valuation. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the foreclosed asset as Level 3 valuation. Any fair value adjustments are recorded in the period incurred as a foreclosed asset expense on the Consolidated Statements of Income.

The estimated fair values, and related carrying or notional amounts, of CFS's financial instruments are as follows:

(dollars in thousands)	Carrying Value	Fair Value Measurements at December 31, 2024 Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total Fair Value
Financial assets:					
Cash and cash equivalents	$ 31,251	$ 31,251	$ –	$ –	$ 31,251
Securities available for sale	499,648	–	499,648	–	499,648
Other investments	2,421	–	–	2,421	2,421
Loans	877,822	–	834,545	116	834,661
Cash management accounts	24,384	–	25,175	–	25,175
Commercial mortgage loan repurchasing facilities	5,648	–	5,518	–	5,518
Accrued interest receivable	6,314	–	6,314	–	6,314
Interest rate swap	1,577	–	1,577	–	1,577
Financial liabilities:					
Deposits	$ 1,371,424	$ –	$ 1,261,137	$ –	$ 1,261,137
Trust preferred capital notes	5,155	–	2,651	–	2,651
Short-term debt	6,107	–	6,107	–	6,107
Subordinated notes	20,000	–	–	18,937	18,937
Accrued interest payable	1,199	–	1,199	–	1,199

(dollars in thousands)	Carrying Value	Fair Value Measurements at December 31, 2023 Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total Fair Value
Financial assets:					
Cash and cash equivalents	$ 36,241	$ 36,241	$ –	$ –	$ 36,241
Securities available for sale	482,918	–	482,918	–	482,918
Other investments	3,788	–	–	3,788	3,788
Loans	821,028	–	795,987	242	796,229
Cash management accounts	34,466	–	35,759	–	35,759
Commercial mortgage loan repurchase facilities	8,899	–	8,671	–	8,671
Accrued interest receivable	6,505	–	6,505	–	6,505
Financial liabilities:					
Deposits	$ 1,265,977	$ –	$ 1,163,419	$ –	$ 1,163,419
Trust preferred capital notes	5,155	–	3,448	–	3,448
Short-term debt	62,429	–	62,391	–	62,391
Subordinated notes	20,000	–	–	19,487	19,487
Accrued interest payable	734	–	734	–	734
Interest rate swap	3,945	–	3,945	–	3,945

CFS assumes interest rate risk (the risk that general interest rate levels will change) as a result of its normal operations. As a result, the fair values of CFS's financial instruments will change when interest rate levels change and that change may be either favorable or unfavorable to CFS. Management attempts to match maturities of assets and liabilities to the extent believed necessary to minimize interest rate risk. However, borrowers with fixed rate obligations are less likely to prepay in a rising rate environment and more likely to prepay in a falling rate environment. Conversely, depositors who are receiving fixed rates are more likely to withdraw funds before maturity in a rising rate environment and less likely to do so in a falling rate environment. Management monitors rates and maturities of assets and liabilities and attempts to minimize interest rate risk by adjusting terms of new loans and deposits and by investing in securities with terms that mitigate CFS's overall interest rate risk.

Note 21. Minimum Regulatory Capital Requirements

CFS and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on CFS's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, financial institutions must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. A financial institution's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Company on January 1, 2015 with full compliance of all 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. Management believes, as of December 31, 2024, the Company and Bank meet all capital adequacy requirements to which they are subject.

Now fully phased in on January 1, 2019, the Basel III Capital Rules require the Company and the Bank to maintain (i) a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of at least 4.5%, plus a 2.5% "capital conservation buffer" (which is added to the 4.5% Common Equity Tier 1 capital ratio as that buffer is phased in, effectively resulting in a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of at least 7.0% upon full implementation), (ii) a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the capital conservation buffer (which is added to the 6.0% Tier 1 capital ratio as that buffer is phased in, effectively resulting in a minimum Tier 1 capital ratio of 8.5% upon full implementation), (iii) a minimum ratio of total capital (that is, Tier 1 plus Tier 2) to risk-weighted assets of at least 8.0%, plus the capital conservation buffer (which is added to the 8.0% total capital ratio as that buffer is phased in, effectively resulting in a minimum total capital ratio of 10.5% upon full implementation) and (iv) a minimum leverage ratio of 4.0%, calculated as the ratio of Tier 1 capital to average quarterly assets.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2024:						
Total Capital (to Risk-Weighted Assets):						
Company	$ 173,375	14.2%	$ 97,922	8.0%	N/A	
Bank	$ 166,321	13.7%	$ 97,314	8.0%	$121,643	10.0%
Tier 1 Capital (to Risk-Weighted Assets):						
Company	$ 142,505	11.6%	$ 73,442	6.0%	N/A	
Bank	$ 155,451	12.8%	$ 72,986	6.0%	$ 97,314	8.0%
Tier 1 Capital (to Average Assets):						
Company	$ 142,505	8.9%	$ 63,711	4.0%	N/A	
Bank	$ 155,451	9.8%	$ 63,418	4.0%	$ 79,272	5.0%
Common Equity Tier 1 Capital (to Risk-Weighted Assets)						
Company	$ 137,505	11.2%	$ 55,081	4.5%	N/A	
Bank	$ 155,451	12.8%	$ 54,739	4.5%	$ 79,017	6.5%
As of December 31, 2023:						
Total Capital (to Risk-Weighted Assets):						
Company	$ 163,661	13.8%	$ 95,066	8.0%	N/A	
Bank	$ 156,947	13.2%	$ 94,801	8.0%	$118,502	10.0%
Tier 1 Capital (to Risk-Weighted Assets):						
Company	$ 133,693	11.3%	$ 71,300	6.0%	N/A	
Bank	$ 146,979	12.4%	$ 71,101	6.0%	$ 94,791	8.0%
Tier 1 Capital (to Average Assets):						
Company	$ 133,693	9.1%	$ 58,921	4.0%	N/A	
Bank	$ 146,979	10.0%	$ 58,612	4.0%	$ 73,265	5.0%
Common Equity Tier 1 Capital (to Risk-Weighted Assets)						
Company	$ 128,693	10.8%	$ 53,475	4.5%	N/A	
Bank	$ 146,979	12.4%	$ 53,326	4.5%	$ 77,017	6.5%

Note 22. Accumulated Other Comprehensive Income

Changes in each component of accumulated other comprehensive income for the years ended December 31, 2024 and 2023 were as follows:

	Unrealized Gains on Available for Sale Securities	Unpaid Unrealized Gains on Cash Flow Hedges	Total
Balance at December 31, 2023	$ (34,335,961)	$ (3,158,367)	$ (37,494,328)
Other comprehensive income before reclassification	287,764	4,321,231	4,608,995
Balance at December 31, 2024	$ (34,048,197)	$ 1,162,864	$ (32,885,333)
Balance at December 31, 2022	$ (47,826,362)	$ (2,304,603)	$ (50,130,965)
Other comprehensive income before reclassification	10,606,217	(853,764)	9,752,453
Amounts reclassified from accumulated other comprehensive income	2,884,184	–	2,884,184
Net current-period other comprehensive income	13,490,401	(853,764)	12,636,637
Balance at December 31, 2023	$ (34,335,961)	$ (3,158,367)	$ (37,494,328)

For the year ended December 31, 2024, there were no reclassifications out of cumulated other comprehensive income.

Details regarding reclassifications out of accumulated other comprehensive income for the year ended December 31, 2023 are as follows

Year Ended December 31, 2023	Amount Reclassified from AOCI	Affected Line Item in the Consolidated Income Statement
Realized loss on sale of securities	$ (2,884,185)	Net loss on sales of securities available for sale
Income tax benefit	605,679	Income tax benefit
Total reclassifications	$ (2,278,506)	Net of tax

Note 23. Condensed Parent Company Financial Statements

The following parent company accounting policies should be read in conjunction with the related condensed balance sheets, statements of income, and statements of cash flows.

Investments in subsidiaries are accounted for using the equity method of accounting. The parent company and its subsidiaries file a consolidated federal income tax return. The subsidiaries' individual tax provisions and liabilities are stated as if they filed separate returns and any benefits or detriments of filing the consolidated tax return are absorbed by the parent company.

The parent company's principal assets are its investments in its wholly-owned subsidiaries. Dividends from the Bank are the primary source of funds for the parent company. The payment of dividends by the Bank is restricted by various statutory limitations. Banking regulations also prohibit extensions of credit by the Bank to the parent company unless appropriately secured by assets. As of December 31, 2024, the amount available for payment of additional dividends without prior regulatory approval from the Bank to the parent company is $30,921,680 or 27.67% of consolidated net assets.

Balance Sheets (Condensed)

	December 31, 2024	December 31, 2023
Assets		
Cash	$ 418,237	$ 589,072
Investment in subsidiaries	133,155,691	120,146,529
Premises and equipment, net	1,179,629	1,239,294
Other assets	2,364,448	1,904,675
Total assets	$ 137,118,005	$ 123,879,570
Liabilities and Shareholders' Equity		
Trust preferred capital notes	$ 5,155,000	$ 5,155,000
Subordinated notes	20,000,000	20,000,000
Other liabilities	218,842	181,568
Shareholders' equity	111,744,163	98,543,002
Total liabilities and shareholders' equity	$ 137,118,005	$ 123,879,570

Statements of Income (Condensed)

	2024	2023
Income: Dividends from subsidiaries	$ 4,510,970	$ 5,309,684
Gain from sale of VISA Class B stock	–	2,241,178
Other	527,936	333,815
Total income	5,038,906	7,884,677
Expenses: Interest expense	1,005,175	997,271
Other expenses	1,365,638	1,663,393
Total expenses	2,370,813	2,660,664
Income before income taxes and equity in undistributed earnings of subsidiaries	2,668,093	5,224,013
Allocated income tax benefit	359,889	3,388
Income before equity in undistributed earnings of subsidiaries	3,027,982	5,227,401
Equity in undistributed earnings of subsidiaries	8,399,878	4,892,337
Net income	$ 11,427,860	$ 10,119,738

Statements of Cash Flows (Condensed)

	2024	2023
Cash Flows from Operating Activities		
Net income	$ 11,427,860	$ 10,119,738
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	59,665	30,192
Equity in distributed earnings of subsidiaries	(8,399,878)	(4,892,337)
Gain on sale of VISA Class B stock	–	(2,241,178)
Stock-based compensation	432,398	364,806
Issuance of common stock for services	246,888	241,921
Changes in other assets and liabilities:		
Increase in other assets	(460,064)	(173,447)
Increase (decrease) in other liabilities	37,276	(330,844)
Net cash provided by operating activities	$ 3,344,145	$ 3,118,851
Cash Flows from Investing Activities		
Proceeds on sale of VISA Class B stock	$ –	$ 2,241,178
Capital contribution to the Bank	–	(1,800,000)
Net cash used in investing activities	$ –	$ 441,178
Cash Flows from Financing Activities		
Dividends paid	$ (2,948,520)	$ (2,846,742)
Repurchase of common stock	(566,460)	(640,336)
Net cash provided by (used in) financing activities	$ (3,514,980)	$ (3,487,078)
Net (decrease) increase in cash	$ (170,835)	$ 72,951
Cash at beginning of year	589,072	516,121
Cash at end of year	$ 418,237	$ 589,072

Financial Overview: Chesapeake Financial Shares, Inc. (CFS or the "Company") recorded net income of $11.4 million for 2024. The return on average equity in 2024 was 10.57% and return on average assets was 0.74% compared to 11.11% and 0.73%, respectively, in 2023. At December 31, 2024, CFS had total assets of $1.525 billion, which was an increase of 3.9% when compared to December 31, 2023. The Company ended 2024 with total gross loans of $877.8 million, and total deposits of $1.371 billion, an increase of 6.9% and 8.3%, respectively.

The current economic environment continued to cause competitive pricing pressures on loans and deposits. Despite the pressures mentioned, loan volume was up $57 million for 2024, which brought the average annual loan growth rate for the last five years to 10.5%. Total past due and nonaccrual loans increased by $3.2 million from December 31, 2023 to December 31, 2024. The allowance for credit loss to gross loans less unearned discounts remained at 1.0% as of December 31, 2024 and December 31, 2023. The deposit increase of 8.3% for 2024 brought the average annual deposit growth rate for the last five years to 10.5%. While the Federal Reserve decreased the overnight borrowing rates late in the year from 5.5% to 4.5%, continued competitive pressures resulted in increasing cost of funds throughout 2024 from 1.99% at December 31, 2023 to 2.05% at December 31, 2024.

Summary of Results of Operations: Net income for 2024 was $11.4 million, or $2.42 per share (fully diluted) compared to $10.1 million or $2.15 per share (fully diluted) in 2023, an increase of $1.3 million. Net interest income before the provision for loan losses was up 10.7% from 2023, or $4.4 million. There was a 2.6% or $574 thousand increase in noninterest income, primarily due to trust and wealth management increasing $475 thousand from 2023 or 11.9%, along with cash management income increasing $576 thousand from 2023, or 11.0%. Noninterest expense increased by 7.7% or $3.9 million in 2024 over 2023.

Assets

Loan Portfolio: The loan portfolio is the largest component of earning assets for the Company and accounts for the greatest portion of total interest income. The gross loan portfolio totaled $877.8 million and $821.0 million as of December 31, 2024 and 2023, respectively, representing an increase of 6.9% year over year. Commercial loans (including real estate and non-real estate combined) were up 5.7% or $29.1 million while residential and consumer loan balances were up 9.1% or $26.8 million and 1.5% or $877.6 thousand, respectively, at December 31, 2024 compared to December 31, 2023.

On December 31, 2024, the loan portfolio consisted of 61.7% commercial and commercial real estate loans, 36.7% single-family residential and construction/land loans, and 1.5% consumer loans. Commercial loans consisted primarily of business loans such as owner-occupied commercial development, retail, builders/contractors, medical, service and professional, hospitality, nonprofits, marine industry, and a small portion of agricultural and seafood loans.

Total nonperforming assets consisted of nonaccrual loans, repossessed and foreclosed properties, and other real estate owned. Nonperforming assets were $2.9 million at December 31, 2024, which represented a 37.0% increase from $2.1 million at December 31, 2023. Past due loans over 30 days, excluding nonaccrual, totaled $3.2 million and $989 thousand as of December 31, 2024 and 2023, respectively. Nonaccrual loans were $2.2 million or 0.3% of total loans at December 31, 2024. On December 31, 2023, nonaccrual loans totaled $1.3 million or 0.2% of total loans.

Investment Securities: All of CFS's debt securities are classified as securities available for sale and are carried at fair market value. Debt securities may be classified as investment securities (held to maturity) when management has the intent and CFS has the ability at the time of purchase to hold the securities to maturity. Securities available for sale include securities that may be sold in response to changes in market interest rates, changes in the securities option or credit risk, increases in loan demand, general liquidity needs and other similar factors.

The fair market value of the portfolio was $43.1 million pre-tax less than amortized cost at December 31, 2024, and was $43.5 million less than amortized cost at December 31, 2023. Investments are reviewed quarterly for potential credit losses and subsequent write-down. As of December 31, 2024, there were no allowance for credit losses recorded for the Company's available for sale securities portfolio. All decreases in fair market value were as a result of the current rate and economic environment.

At December 31, 2024, total securities at fair market value were $499.6 million, up $16.7 million from $482.9 million on December 31, 2023. The below table represents the investment mix for the years ended December 31, 2024 and 2023.

	2024	2023	Change	Percent Change
US Treasury	$ 445,790	$ 444,063	$ 1,727	0.4%
Securities of state and political subdivisions	178,372,017	180,991,113	(2,619,096)	(1.4%)
SBA loan pooled securities	1,922,325	2,664,854	(742,529)	(27.9%)
Mortgage-backed securities	270,182,483	240,881,225	29,301,258	12.2%
Other debt securities	48,725,593	57,936,576	(9,210,983)	(15.9%)
	$ 499,648,208	$ 482,917,831	$ 16,730,377	3.5%

Asset Quality-Provision/Allowance for Credit Losses: The provision for credit losses is a charge against earnings necessary to maintain the allowance for credit losses at a level consistent with management's evaluation of the credit quality and risk adverseness of the loan portfolio. The allowance for credit losses represents management's estimate of the amount adequate to provide for potential losses inherent in the loan portfolio. To achieve this goal, the credit loss provision must be sufficient to cover loans charged off plus any growth in the loan portfolio and recognition of specific loan impairments. In determining the adequacy of the allowance for credit losses, management uses a methodology which specifically identifies and reserves for higher risk loans. Loans in a nonaccrual status and over 90 days past due are considered in this evaluation as well as other loans, which may be a potential loss. The status of nonaccrual and past due loans varies from quarter to quarter based on seasonality, local economic conditions, and the cash flow of customers. A general reserve is established for nonspecifically reserved loans.

The allowance for credit losses was $8.5 million, or 1.0% of gross loans at December 31, 2024. As of December 31, 2023, the allowance for credit losses was $7.9 million, or 1.0% of gross loans. The table below represents the provision for credit losses taken in years 2024 and 2023 as well as loans charged off and subsequent recoveries.

	2024	2023
Provision for credit losses	$ 878,497	$ 699,996
Loans charged off	382,137	284,631
Recoveries	82,305	52,189

Management and the Board of Directors believe that the total allowance at December 31, 2024 was adequate relative to current levels of risk in the portfolio. However, continued loan growth or increases in specific problem loans may warrant additional provisions in the future.

Foreclosed Assets: As of December 31, 2024, the Bank held $662 thousand in foreclosed assets. These assets are being actively marketed through real estate channels and represent near term secondary sources of liquidity. There were no properties disposed during 2024.

Liabilities

Deposits: CFS depends on deposits to fund most of its lending activities, generate fee income opportunities, and create a market for other financial service products. Deposits are also the largest component of CFS's liabilities and account for the greatest portion of interest expense.

Deposits totaled $1.4 billion and $1.3 billion, as of December 31, 2024 and 2023, respectively, and represented an increase of 8.3% for December 31, 2024 over December 31, 2023. The below table represents a breakdown of total deposits.

	2024	2023	Change	Percent Change
Demand accounts	$ 315,808,194	$ 275,582,472	$ 40,225,722	14.6%
Savings and interest bearing deposits	586,987,699	663,803,703	(76,816,004)	(11.6%)
Certificates of deposit	353,878,101	236,791,051	117,087,050	49.4%
Brokered certificates of deposit	114,750,000	89,800,000	24,950,000	27.8%
Total deposits	$ 1,371,423,994	$ 1,265,977,226	$ 105,446,768	8.3%

Net Interest Income: The principal source of earnings for CFS is net interest income. Net interest income is the difference between interest plus fees generated by earning assets and interest expense paid to fund those assets. As such, net interest income represents the gross profit from the Bank's lending, investment, and funding activities.

A large number of variables interact to affect net interest income. Included are variables such as changes in the mix and volume of earning assets and interest-bearing liabilities, market interest rates, and the statutory federal tax rate. During 2024, CFS continued to see a shift in deposit mix, moving from non-maturing deposits to certificates of deposits, in an effort to remain competitive with competition. It is management's ongoing policy to maximize net interest income through the development of balance sheet and pricing strategies while maintaining appropriate risk levels as set by the Board of Directors.

Net interest income totaled $46.1 million and $41.6 million, for 2024 and 2023, respectively, representing an increase of 4.7% for 2024 over 2023. Total interest income was $76.5 million and $59.3 million for 2024 and 2023, respectively. Total interest expense was $30.5 million and $17.7 million for 2024 and 2023, respectively. On a consolidated tax equivalent annualized basis, the 2024 net interest margin was 3.5%.

Noninterest Income: Noninterest income represented 23.0% of the total gross revenue for the Company. Sources of noninterest income include the Company's merchant processing services (Chesapeake Payment Systems), accounts receivable financing (Flexent), wealth management and trust services (Chesapeake Wealth Management) and mortgage banking income.

For the year ended December 31, 2024, noninterest income was $22.9 million. This represents an increase in noninterest income of $574 thousand for the year. Contributors to the increase in noninterest income included an increase in cash management of $576 thousand and trust income and wealth management of $475 thousand for 2024.

Changes in noninterest income categories are highlighted below.

	2024	2023	Change	Percent Change
Trust and wealth management income	$ 4,459,286	$ 3,983,834	$ 475,452	11.9%
Service charge income	1,210,169	1,015,833	194,336	19.1%
Net loss on sales of securities available for sale	–	(2,884,185)	2,884,185	(100.0%)
Mortgage banking income	1,022,260	874,437	147,823	16.9%
Merchant services income, net	5,357,870	5,190,703	167,167	3.2%
Cash management fee income	5,808,965	5,233,109	575,856	11.0%
Interchange income	2,603,884	2,511,453	92,431	3.7%
Gain on sale of investment held at cost	–	2,241,178	(2,241,178)	(100.0%)
Gain on life insurance	–	482,899	(482,899)	(100.0%)
K-1 adjustments on SBIC funds	857,531	873,004	(15,473)	(1.8%)
Gain on sale of real estate	–	574,518	(574,518)	(100.0%)
Change in cash value of BOLI	374,651	409,023	(34,372)	(8.4%)
Other income	1,169,686	1,784,358	(614,672)	(34.4%)
Total noninterest income	$ 22,864,302	$ 22,290,164	$ 574,138	2.6%

Noninterest Expenses: Total noninterest expenses increased 7.7%, or $3.9 million in 2024 over 2023. Comparing 2024 to 2023, technology expenses increased $377 thousand due to implementing a multi-year human + digital strategy, FDIC assessments increased $135 thousand and debit card expense increased $146 thousand. Below is a breakdown of other expenses for 2024 over 2023.

	2024	2023	Change	Percent Change
Provision for cash management account losses	$ 220,000	$ 240,000	$ (20,000)	(8.3%)
Advertising	1,859,945	1,738,506	121,439	7.0%
Technology expense	6,548,607	6,171,384	377,223	6.1%
Professional fees	2,476,750	2,754,900	(278,150)	(10.1%)
Debit card expense	1,207,395	1,061,530	145,865	13.7%
Franchise tax	846,442	907,112	(60,670)	(6.7%)
Charitable contributions	555,839	500,036	55,803	11.2%
Exam and audit	414,361	348,900	65,461	18.8%
Amortization on intangible assets	220,000	146,667	73,333	50.0%
FDIC assessments	759,285	624,719	134,566	21.5%
Delivery and transportation	389,030	358,592	30,438	8.5%
Stationery and supplies	318,120	314,967	3,153	1.0%
Other	3,370,949	3,759,479	(388,530)	(10.3%)
Total noninterest expenses	$ 19,186,723	$ 18,926,792	$ 259,931	1.4%

Liquidity, Interest Rate Sensitivity, and Inflation: The objectives of CFS's liquidity management policy include providing adequate funds to meet the needs of depositors and borrowers at all times, as well as providing funds to meet the basic needs for ongoing operations of CFS, and to allow funding of longer-term investment opportunities and regulatory requirements. The objective of providing adequate funding should be accomplished at reasonable costs and on a timely basis. At December 31, 2024, management considers CFS's liquidity to be more than adequate.

The Company obtains funding from a variety of sources, including customer deposits and certificates of deposit, and payments on our loans and investments. In addition, the Company maintains lines of credit with the FHLB of Atlanta and various other correspondent banks as well as the discount window. Bank management maintains overnight borrowing relationships with correspondent banks for up to $325.9 million, secured and unsecured. CFS has access to an additional secured borrowing relationship of $10.0 million. During 2024, CFS utilized the brokered CD market to aid in liquidity management and to enter into asset liability management strategies to foster net interest margin.

Since the assets and liabilities of a bank are primarily monetary in nature (payable in fixed, determinable amounts), the performance of a bank is affected more by changes in interest rates than by inflation. Interest rate sensitivity refers to the difference between assets and liabilities subject to repricing, maturity, or volatility during a specified period. Management's objective in controlling interest rate sensitivity is to reprice loans and deposits and make investments that will maintain a profitable net interest margin (see "Net Interest Income"). The Company's Asset-Liability Committee ("ALCO") meets regularly and is responsible for reviewing the interest rate sensitivity position and establishing policies and strategies to monitor and limit exposure. From time-to-time CFS will enter into derivative contracts to aid in the asset liability management of its balance sheet. During 2024 the Company entered into two receive-variable, pay-fixed interest rate swaps with a combined notional amount of $50.6 million.

While the effect of inflation is normally not as significant as its influence on those businesses that have large investments in plants and inventories, it does have an effect. There are normally corresponding increases in the money supply, and banks will normally experience above average growth in assets, loans and deposits. Also, general increases in the prices of goods and services will result in increased operating expenses.

Shareholders' Equity: Capital represents funds, earned or obtained, over which management can exercise greater control in comparison with deposits and borrowed funds. Future growth and expansion of CFS is dictated by the ability to produce capital. The adequacy of CFS's capital is reviewed by management and the Board of Directors on an ongoing basis with reference to the size, composition and quality of CFS's asset and liability levels and consistent with regulatory requirements and industry standards. Management seeks to maintain a capital structure that assures an adequate level to support anticipated asset growth and absorb potential losses.

The Company's capital position as of December 31, 2024 is consistent with being well-capitalized under the regulatory framework for prompt corrective action. The table below represents CFS's capital ratios as of December 31, 2024 and December 31, 2023.

	2024	2023
Total capital to risk-weighted assets	14.2%	13.8%
Tier 1 capital to risk-weighted assets	11.6%	11.3%
Tier 1 capital to average assets	8.9%	9.1%
Common equity tier 1 capital to risk-weighted assets	11.2%	10.8%

Dividend and Market Information: The Company's stock trades on the "OTC" (Over the Counter) market under the symbol "CPKF". The Company has increased its dividend payment annually for more than 31 years. The Company raised its dividend to $0.625 per share in 2024, an increase of $0.02 over 2023. Trades in the Company's common stock occurred infrequently and generally involved a relatively small number of shares. Based on information available, the selling price for the Company's common stock during 2024 ranged from $16.50 to $20.25, and during 2023, from $16.51 to $23.95. Such transactions may not be representative of all transactions during the indicated periods of the fair value of the stock at the time of such transactions due to the infrequency of trades and the limited market for the stock. At December 31, 2024, there were 4,735,492 shares of the Company's common stock outstanding held by approximately 247 holders of record. During 2024 CFS purchased and retired 26,250 shares of CPKF.

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worQ Coach

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CHESAPEAKE
FINANCIAL SHARES INC.

2024 by the Numbers

174
Organizations Served by Our Volunteers

128
Employees Volunteered

39 held officer positions

$2.42
Earnings Per Share

10.57%
Return on Equity

Our customers rated our services 4.72 out of 5 based on 2024 surveys

AWARDS

Top 100 Community Banks
since 2007

Top 50 Best Banks to Work For
since 2013

(based on three-year average ROE)

Designation by AMERICAN BANKER®

4,602
Volunteer Hours in 2024

Over
4,600
Small Businesses Served

Over
33,000
Customers Served

CHESAPEAKE
FINANCIAL SHARES INC.

LEARN ABOUT CFS

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Ticker Symbol CPKF