Southern Community Bancshares, Inc. and Subsidiary

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024

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REPORT



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Southern Community Bancshares, Inc.
Cullman, Alabama

Opinion

We have audited the accompanying consolidated financial statements of Southern Community Bancshares, Inc. and Subsidiary (the Company), which comprise the consolidated balance sheet as of December 31, 2024, and the related consolidated statement of income, comprehensive income (loss), changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Southern Community Bancshares, Inc. and Subsidiary as of December 31, 2024, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southern Community Bancshares, Inc. and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Correction of a Misstatement

As discussed in Note 2 to the consolidated financial statements, the December 31, 2023 balance of cash and cash equivalents and retained earnings have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit
 procedures that are appropriate in the circumstances, but not for the purpose of expressing
 an opinion on the effectiveness of Southern Community Bancshares, Inc. and Subsidiary's
 internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southern Community Bancshares, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

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

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

Carr, Riggs & Chyran, L.L.C.

Birmingham, Alabama March 14, 2025



FINANCIAL STATEMENTS

Southern Community Bancshares, Inc. and Subsidiary Consolidated Balance Sheet

December 31,		2024
Assets		
Cash and due from financial institutions	\$	575,118
Interest-bearing deposits in other financial institutions	Ÿ	10,820,622
merest bearing deposits in other initiated institutions		10,020,022
Cash and cash equivalents		11,395,740
Debt securities available-for-sale		3,924,728
Loans, net of allowance of \$840,264		80,090,856
Other restricted stock, at cost		456,700
Premises and equipment, net		4,538,986
Bank owned life insurance		2,521,387
Accrued interest receivable and other assets		975,538
Total assets	\$	103,903,935
Liabilities and Stockholders' Equity		
Deposits		46 405 000
Non-interest bearing	\$	16,405,908
Interest bearing		62,795,167
Total deposits		79,201,075
Federal Home Loan Bank advances		11,000,000
Accrued interest payable and other liabilities		328,069
Accided interest payable and other habilities		320,003
Total liabilities		90,529,144
Stockholders' equity		
Common stock - \$0.01 par value; 3,000,000 shares		
authorized; 982,918 shares issued		9,830
Additional paid-in capital		9,273,650
Retained earnings		10,430,853
Accumulated other comprehensive income (loss)		(53,943)
Treasury stock, at cost (499,606 shares)		(6,285,599)
Total stockholders' equity		13,374,791
Total liabilities and stockholders' equity	\$	103,903,935

Southern Community Bancshares, Inc. and Subsidiary Consolidated Statement of Income

For the year ended December 31,		2024
Interest and dividend income		
Loans, including fees	\$	5,147,801
Income on debt securities	,	195,513
Interest bearing deposits and other		351,495
Total interest income		5,694,809
Interest expense		
Deposits		1,835,007
Other borrowings		314,045
Total interest expense		2,149,052
Net interest income		3,545,757
Provision (credit) for credit losses		(514,000)
Net interest income after provision (credit) for credit losses		4,059,757
Non-interest income		
Other		275,955
Total non-interest income		275,955
Non-interest expense		
Salaries and employee benefits		1,734,182
Occupancy and equipment		197,183
Other		1,550,166
Total non-interest expense		3,481,531
Income before income taxes		854,181
Income tax expense		192,708
Net income	\$	661,473

Southern Community Bancshares, Inc. and Subsidiary Consolidated Statement of Comprehensive Income (Loss)

For the year ended December 31,	2024
Net income	\$ 661,473
Other comprehensive income (loss) Unrealized gains/losses on securities	
Unrealized holding gain/(loss) arising during the period	84,740
Tax effect	(17,796)
Net of tax	66,944
Comprehensive income (loss)	\$ 728,417

Southern Community Bancshares, Inc. and Subsidiary Consolidated Statement of Stockholders' Equity

		Common Stock	Additional Paid-in Capital	Retained Earnings	Accumi Comprehe Income	Other ensive	Treasury Stock	Total
		Stock	Сарітаі	Larrings	IIICOIIIE	(LU33)	Stock	TOtal
Balance at December 31, 2023 as previously reported	\$	9,830	\$ 9,225,650	\$ 11,096,299	\$ (1	120,887)	\$ (6,285,599) \$	13,925,293
Correction of a misstatement (see Note 2)		-	-	(1,145,307)		-	-	(1,145,307)
Balance at December 31, 2023 restated	\$	9,830	\$ 9,225,650	\$ 9,950,992	\$ (1	120,887)	\$ (6,285,599) \$	12,779,986
Net income		-	-	661,473		-	-	661,473
Other comprehensive income (loss)		-	-	-		66,944	-	66,944
Stock issued to Directors		-	48,000	-		-	-	48,000
Cash dividends declared (\$0.0938 per share)	-	-	(181,612)		-	-	(181,612)
Balance at December 31, 2024	\$	9,830	\$ 9,273,650	\$ 10,430,853	\$	(53,943)	\$ (6,285,599) \$	13,374,791

Southern Community Bancshares, Inc. and Subsidiary Consolidated Statement of Cash Flow

For year ended December 31,		2024
Operating Activities		
Net income	\$	661,473
Adjustments to reconcile net income to net cash		
from operating activities		
Credit loss provision (credit)		(514,000)
Depreciation and amortization of premises and		
equipment and other assets		197,183
Net amortization (accretion) of securities		(71,452)
Deferred income tax expense (benefit)		132,853
Share-based compensation expense		48,000
Earnings on bank owned life insurance		(66,970)
Net change in:		
Accrued interest receivable and other assets		2,139,100
Accrued interest payable and other liabilities		90,405
Net cash provided by (used in) operating activities		2,616,592
Investing Activities		
Available-for-sale securities		
Maturities, prepayments and calls		1,709,001
Net change in other restricted stock		392,600
Loan originations and payments, net		3,805,209
Additions to premises and equipment		(13,364)
Net cash provided by (used in) investing activities		5,893,446
Financing Activities		
Net change in deposits		(2,797,475)
Repayment on Federal Home Loan Bank advances		
and other debt		(3,000,000)
Cash dividends paid		(181,612)
Net cash provided by (used in) financing activities	l	(5,979,087)
Net change in cash and cash equivalents		2,530,951
Cash and cash equivalents at beginning of year (Restated - see Note 2)		8,864,789
Cash and cash equivalents at end of year	<u> </u>	1,395,740
Supplemental Cash Flow Information	<u> </u>	, , ,
Interest paid	\$	2,158,192
Income taxes paid	\$	31,746
medine taxes paid	۲	31,740

Note 1: DESCRIPTION OF THE BUSINESS

Southern Community Bancshares, Inc. (the Holding Company) and its wholly-owned subsidiary, First Community Bank of Cullman (the Bank), provides retail and commercial loans, deposits, and other financial services in its primary market area of Cullman, Alabama and surrounding areas.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Southern Community Bancshares, Inc. and First Community Bank of Cullman, its wholly-owned subsidiary (collectively, the "Company"). The Company consolidates an entity if the Company has a controlling financial interest in the entity. All significant intercompany balances and transactions have been eliminated.

Basis of Accounting

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

Use of Estimates

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

Cash and Cash Equivalents

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

The Company maintains balances with several correspondent banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC). The nature of the Bank's business requires that it maintain amounts due from banks which, at times may exceed federally insured limits. The Bank has not experienced any losses in such accounts.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Securities

Debt securities are classified as available-for-sale when they might be sold before maturity. Securities available-for-sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income (loss), net of tax.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued, but not received for a security placed on non-accrual is reversed against interest income. The Company did not have any accrued interest reversed against interest income for the year ended December 31, 2024.

Allowance for Credit Losses – Available-for-Sale Debt Securities

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

Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding the intent or requirement to sell is met.

Accrued interest receivable on available-for-sale debt securities is not material at December 31, 2024 and is excluded from the estimate of credit losses. As of December 31, 2024, there is no allowance for credit losses recorded on available-for-sale securities.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans

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

Interest income on all loans is discontinued and placed on non-accrual status at the time the loan is 90 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Nonaccrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

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

Allowance for Credit Losses

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses (Continued)

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Company has identified the following portfolio segments and measures the allowance for credit losses using the following methods:

Construction, land development and other land loans — Construction loans include the development of residential housing project loans for the development of commercial and industrial use property, and loans for the purchase and improvement of raw land. These loans are secured in whole or in part by the underlying real estate collateral and are generally guaranteed by the principals of the borrowing entity.

Secured by 1-4 family residential – These loans include conventional mortgage loans on residential properties. These properties may serve as the borrower's primary residence, vacation home or investment property. These loans are secured in whole or in part by the underlying real estate collateral and may or may not have a personal guaranty from another individual(s).

Secured by nonfarm, nonresidential – This portfolio segment includes real estate loans secured by commercial and industrial properties, office or mixed-use facilities, strip shopping centers, hotels, or other commercial property. These loans are generally guaranteed by the principals of the borrowing entity.

Commercial and industrial loans – This segment includes loans to commercial customers for use in the normal course of business. These credits may be loans and lines of credit to financially strong borrowers, secured by inventories, equipment or receivables. These loans are generally guaranteed by the principals of the borrowing entity.

Consumer and other loans – This portfolio segment includes a variety of secured and unsecured personal loans, including automobile loans, loans for household and personal purposes and all other direct consumer installment loans. This portfolio may also include checking accounts reclassified to loans and overdraft lines of credit.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are excluded from the collective evaluation. Individual evaluations are generally performed for large loans which have experienced significant credit deterioration. Such loans are evaluated for credit losses based on either discounted cash flows or the fair value of collateral. When management determines that foreclosure is probable expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate. For loans for which foreclosure is not probable, but for which repayment is expected to be provided substantially through the operation or sale of the collateral, management has elected the practical expedient under ASC 326 to estimate expected credit losses based on the fair value of collateral, with selling costs considered in the event sale of the collateral is expected. Loans for which terms have been modified are evaluated using these same individual evaluation methods.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses (Continued)

The Company utilizes the Federal Reserve Bank's Scaled CECL Allowance for Losses Estimator (SCALE) for all loan categories. The SCALE tool is a spreadsheet-based method to calculate the ACL. The SCALE method utilizes and leverages industry or peer data from the Call Report as the starting point for estimating an ACL. The tool uses publicly available data from Schedule RI-C of the Call Report to derive the initial proxy for expected lifetime loss rates.

The estimated credit losses for all loan segments are adjusted for changes in qualitative factors not inherently considered in the quantitative analyses. The qualitative categories and the measurements used to quantify the risks within each of these categories are subjectively selected by management but measured by objective measurements period over period. The data for each measurement may be obtained from internal or external sources. The current period measurements are evaluated and assigned a factor commensurate with the current level of risk relative to past measurements over time. The resulting qualitative adjustments are applied to the relevant collectively evaluated loan portfolios. These adjustments are based upon quarterly trend assessments in nature and volume of loans, portfolio concentrations, problem loans including past due, non-accrual status, and adverse risk ratings, collateral considerations, policy exceptions, associate retention, and economic environment. The qualitative allowance allocation, as determined by the processes noted above, is increased or decreased for each loan segment based on the assessment of these various qualitative factors.

Additional qualitative considerations are made for any identified risk which did not exist within the Company's portfolio historically and therefore may not be adequately addressed through evaluation of such risk factor based on historical portfolio trends as previously discussed.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled debt restructuring will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

Accrued interest receivable of \$460,643 for the year ended December 31, 2024 is excluded from the estimate of credit losses. Additional information related to the factors considered in evaluating credit losses on loans is included in Note 4.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

The ACL for off-balance sheet credit exposures is recorded in other liabilities on the Consolidated Balance Sheet. This ACL represents management's estimate of expected losses on its unfunded loan commitments and other off-balance sheet credit exposures. The ACL specific to unfunded commitments is determined by estimating future draws and applying the expected loss rates on those draws. Future draws are based on historical averages of utilization rates (i.e. the likelihood of draws taken). The ACL for off-balance sheet credit exposure is increased or decreased by changes or reductions to expense, through the provision for credit losses. Under ASC 326, a reserve is required as a balance sheet liability for unfunded commitments, which is recognized if both of the following conditions are met: (1) the Company has a present contractual obligation to extend credit; and (2) the obligation is not unconditionally cancellable by the Company. Based on the language within the standard loan documents prepared for each commitment, all unfunded commitments that are considered unconditionally cancellable are not included in the ACL for unfunded commitments.

Transfers of Financial Assets

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

Other Restricted Stock, at Cost

Federal Home Loan Bank (FHLB) Stock

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

Real Estate Owned, net

Foreclosed assets are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. Physical possession of residential real estate property collateralizing a consumer mortgage loan occurs when: 1) legal title is obtained upon completion of foreclosure or 2) when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or a similar legal agreement. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. If fair value declines subsequent to foreclosure, a write-down is recorded through expense. Operating costs after acquisition are expensed.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Premises and Equipment, net

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Buildings and related components generally are depreciated using the straight-line method with useful lives ranging from 15 to 39 years. Furniture, fixtures and equipment generally depreciate using the straight-line method with useful lives ranging from 3 to 15 years.

Bank Owned Life Insurance

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

Loan Commitments and Related Financial Instruments

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Income Taxes

The Company files a consolidated federal income tax return and a State of Alabama excise tax return. These returns are filed using the accrual basis of accounting. Provisions for income taxes are calculated and allocated to each entity based on consolidated pre-tax income (after exclusion of nontaxable income, such as the change in the cash surrender value of bank owned life insurance) and deferred taxes on the temporary differences in the recognition of income and expense for tax and financial statement purposes.

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

Tax positions are recognized only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax position is recorded.

The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

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

Revenue Recognition

Revenue from contracts with customers is recognized in accordance with ASC 606, Revenue from Contracts with Customers (collectively, "ASC 606"). The majority of the Company's revenues come from interest income and other sources, including loans, leases, securities and derivatives that are outside the scope of ASC 606. The Company's services that fall within the scope of ASC 606 are presented within Non-Interest Income and are recognized as revenue as the Company satisfies its obligation to the customer. Services within the scope of ASC 606 include service charges on deposits, interchange income, and the sale of OREO.

Retirement Plans

Employee 401(k) expense is the amount of matching contributions. Deferred compensation and supplemental retirement plan expense allocates the benefits over years of service.

Employee Stock Ownership Plan (ESOP)

ESOP expense is the amount of contributions.

Comprehensive Income

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

Loss Contingencies

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

Equity

Treasury stock is carried at cost.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividend Restriction

Banking regulations require maintaining certain capital levels and may limit the dividends paid by the Bank to the Holding Company or by the Holding Company to shareholders.

Concentration of Credit Risk

Most of the Company's business activity is with customers located within north Alabama, primarily, Cullman County, Alabama. Therefore, the Company's exposure to credit risk is significantly affected by changes in the economy in those areas. Although the Company has a diversified loan portfolio, the loan portfolio has a large concentration of loans secured by real estate.

Fair Value of Financial Instruments

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

Correction of a Misstatement

Management recorded an adjustment to cash and cash equivalents and retained earnings as of December 31, 2023. The entry was to correct a difference identified from a previously unreconciled Federal Reserve Bank account. During reconciliation of the account, the Bank determined that the errors related to the prior period. This adjustment decreased the beginning balance of cash and cash equivalents and retained earnings by \$1,145,307, as follows:

	As	s Previously		
		Reported	As Restated	Restatement
Statement of Changes in Stockholders' Equity Retained earnings at December 31, 2023	\$	11,096,299	\$ 9,950,992	\$ (1,145,307)
Statement of Cash Flows Cash and Cash equivalents at beginning of year	\$	10,010,096	\$ 8,864,789	\$ (1,145,307)

Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, March 14, 2025. See Note 14 for relevant disclosures.

Note 3: DEBT SECURITIES

The following table summarizes the amortized cost and fair value of debt securities available-forsale at December 31, 2024 and the corresponding amounts of gross unrealized holding gains and losses recognized in accumulated other comprehensive income (loss):

	,	Amortized	ı	Gross Unrealized	ι	Gross Jnrealized	
December 31, 2024		Cost		Gains		Losses	Fair Value
Available-for-sale							
U.S. Treasury	\$	2,972,885	\$	-	\$	22,415	\$ 2,950,470
SBA Loan Pools		96,334		-		13,082	83,252
Mortgage-backed securities: residential		923,791		511		33,296	891,006
Total available-for-sale	\$	3,993,010	\$	511	\$	68,793	\$ 3,924,728

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

There were no sales of securities during the year ended December 31, 2024.

Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately. The amortized cost and fair value of debt securities are shown by contractual maturity as of December 31, 2024.

	Amo	Amortized Cost						
Available-for-sale								
Within one year	\$	2,972,885	\$	2,950,470				
SBA Loan Pools		96,334		83,252				
Mortgage-backed securities: residential		923,791		891,006				
Total	\$	3,993,010	\$	3,924,728				

Securities pledged at year-end 2024 had a carrying amount of \$3,924,311 and were pledged to secure public funds.

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

Note 3: SECURITIES (Continued)

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

	Less than 12 Months				12 Months or Longer				To	otal	al		
				Gross			Gross				Gross		
			Un	realized			Unrealized				Unrealized		
December 31, 2024	Fair Value			Losses	Fair Value		Losses		Fair Value		Losses		
Available-for-sale													
U.S. Treasury	\$ -		\$	-	\$ 2,950,470	\$	22,415	\$	2,950,470	\$	22,415		
SBA Loan Pools	-			-	83,252		13,082		83,252		13,082		
Mortgage-backed securities: residential	-			-	858,917		33,296		858,917		33,296		
Total	\$ -		\$	-	\$ 3,892,639	\$	68,793	\$	3,892,639	\$	68,793		

As of December 31, 2024, the Company's security portfolio consisted of 23 securities, 20 of which were in an unrealized loss position. Unrealized losses on securities have not been recognized into income because the issuers are of high credit quality, management does not intend to sell and it is more likely than not that management would not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in market interest rates and illiquidity instead of credit quality. The issuers continue to make timely principal and interest payments. The fair value is expected to recover as the securities approach their maturity dates. As a result, the Company has determined that an allowance for credit losses for debt securities is not necessary as of December 31, 2024. The unrealized losses are related to the Company's U.S. Treasuries, mortgage-backed securities, and an SBA Loan pool as discussed below:

U.S. Treasury Securities

At December 31, 2024, all U.S. Treasury securities relates primarily to interest rate increases and market devaluations. The contractual cash flow of these investments is guaranteed by the full faith and credit of the United States Treasury Department. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost bases of the investment. Because the decline in the market value is attributed to changes in interest rates and because the Company does not intend to sell the investment and it is not more-likely-than-not that the Company will be required to sell the investments before recovery of their amortized cost base, which may be maturity, the Company does not consider it necessary to adjust the securities' amortized cost basis by writing down to fair value through income at December 31, 2024.

Note 3: SECURITIES (Continued)

SBA Loan Pools

At December 31, 2024, the Small Business Administration (SBA) loan pool held by the Company was not past due and the underlying loans are partially guaranteed by the SBA. The decline in fair value relates primarily to interest rate increases and market devaluations. Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not have the intent to sell this security and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider it necessary to adjust the securities' amortized cost basis by writing down to fair value through income at December 31, 2024.

Residential Mortgage-backed Securities

At December 31, 2024, all mortgage-backed securities held by the Company were issued by U.S. government-sponsored entities and agencies. Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not have the intent to sell these mortgage-backed securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at December 31, 2024.

Note 4: LOANS

Loans at year-end were as follows:

	2024
Real estate loans	
Construction, land development and	
other land loans	\$ 6,722,884
1-4 family residential	38,749,586
Nonfarm, nonresidential	30,975,328
Commercial and industrial loans	2,551,826
Consumer and other loans	1,669,315
	80,668,939
Net deferred loan fees and costs	262,181
Allowance for credit losses	(840,264)
Loans, net	\$ 80,090,856

Note 4: LOANS (Continued)

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

	Cons	truction,					C	ommercial		
	Land Deve	lopment	1	L-4 Family		Nonfarm,		and	Consumer	
December 31, 2024	Ot	her Land	R	esidential	No	nresidential		Industrial	and Other	Total
Allowance for loan losses										
Beginning balance	\$	163,628	\$	478,262	\$	621,523	\$	95,375	\$ 43,101	\$ 1,401,889
Credit loss expense		(69,634)		(147,673)		(285,863)		(61,920)	51,090	(514,000)
Loans charged-off		-		(320,258)		-		-	(83,042)	(403,300)
Recoveries		-		318,379		-		-	37,296	355,675
Total ending allowance balance	e \$	93,994	\$	328,710	\$	335,660	\$	33,455	\$ 48,445	\$ 840,264

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

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

	Nonaccrual with no allowance for credit loss			Total Nonaccrual	Loans past due over 89 days still accruing
Real estate loans 1-4 family residential	\$	212,809	\$	212,809	\$ -
Total	\$	212,809	\$	212,809	\$ -

The Company recognized an immaterial amount of interest income on non-accrual loans during the year ended December 31, 2024.

Note 4: LOANS (Continued)

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

	Real Estate			Other
Real Estate 1-4 family residential	\$	834,346	\$	-
Consumer and other loans		-		1,832
Total	\$	834,346	\$	1,832

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

			Gre	ater Than				
	30-59 Days	60-89 Days		89 Days	Total	Loans Not		
	Past Due	Past Due		Past Due	Past Due	Past Due		Total
Real estate loans								
Construction, land development								
and other land loans	\$ 264,620	\$ -	\$	-	\$ 264,620	\$ 6,458,264	\$	6,722,884
1-4 family residential	2,127,125	85,998		212,809	2,425,932	36,323,654		38,749,586
Nonfarm, nonresidential	2,101,059	-		-	2,101,059	28,874,269		30,975,328
Commercial and industrial loans	36,176	-		-	36,176	2,515,650		2,551,826
Consumer and other loans	39,964	-		-	39,964	1,629,351		1,669,315
Tatal	Ć4 FC0 044	ć 0F.000	۲.	212 000	¢4.007.754	ć 7F 004 400	,	00 000 000
Total	\$4,568,944	\$ 85,998	\$	212,809	\$4,867,751	\$ 75,801,188	Ş	80,668,939

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

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

There were no loan modifications during the year ended December 31, 2024.

Note 4: LOANS (Continued)

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on a quarterly basis.

The Company uses the following definitions for risk ratings:

Other Loans Especially Mentioned (OLEM)/Marginal

Loans possess weaknesses or some credit deficiency which warrants management's close attention. If left uncorrected, these potential weaknesses could result in deterioration of the credit, reduced repayment ability, and increased risk of default or loss. Other Loans Especially Mentioned (OLEM) are not yet adversely classified and do not expose the Company to sufficient risk to warrant an adverse classification at the present time.

Typical conditions include companies with recurring losses, financial information that is outdated and of poor quality, and serious internal or external threats to the business. Cash flow is inconsistent or weak and generally falls below a 1.0 times debt service coverage ratio. Debt service requires guarantor support or other sources of liquidity. Collateral value as determined through an independent appraisal or Bank valuation is considered marginal and/or exceeds 80% LTV.

Payment delinquency may be increasing in frequency. Loan history shows rewrites and changes in terms to facilitate payment.

Substandard

Substandard loans are inadequately protected by the paying capacity of the obligor or secondary sources of security and repayment. Loans classified as Substandard must have well-defined weaknesses that jeopardize the repayment or liquidation of the debt. They are characterized by the distinct possibility that the bank will sustain some loss if the deficiencies are not corrected.

Most Substandard loans are expected to be placed on non-accrual.

Typical conditions include Borrowers with modest liquidity, higher leverage, or other defined weaknesses that jeopardize the orderly liquidation of debt. Losses have occurred and future profitability is questionable. Cash flow has been insufficient, less than 1.0X debt service coverage, and is expected to remain that way in the near term. Management is inadequate and industry or competitive conditions present significant risks. Repayment has been unsatisfactory, late payments are frequent, and continued payment may be in jeopardy. There is a distinct possibility that a partial loss of interest and/or principal will occur if the deficiencies are not corrected. The loan requires continuous attention.

Note 4: LOANS (Continued)

Credit Quality Indicators (Continued)

Doubtful

Loans classified Doubtful have all the weaknesses as those classified Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable. The primary source of repayment is no longer viable, and there is considerable doubt as to the quality of the secondary and tertiary sources of repayment.

While the possibility of loss is high, certain important factors are pending that may strengthen the loan. Therefore, the loss classification is deferred until its exact status is known. A Doubtful classification is established until the realization of the loss can be confirmed.

Loss

Loans are considered uncollectible and of such little value that continuing to carry them as assets on the institution's financial statements is not feasible. Loans will be classified loss when it is not practical, nor desirable to defer writing off or reserving all or a portion of a basically worthless asset, even though partial recovery may be possible at some time in the future.

Loans not meeting the criteria above that are analyzed individually as part of the above-described process are considered to be pass-rated loans.

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

		OLEM/			D	oubtful/
	Pass	Marginal	Su	ostandard		Loss
December 31, 2024						
Real estate loans						
Construction, land development and other land loans	\$ 6,722,884	\$ -	\$	-	\$	-
1-4 family residential	37,915,240	-		834,346		-
Nonfarm, nonresidential	30,975,328	-		-		-
Commercial and industrial loans	2,551,826	-		-		-
Consumer and other loans	1,667,483	-		1,832		-
Total	\$ 79,832,761	\$ -	\$	836,178	\$	

Note 5: FAIR VALUE

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

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

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

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

Investment Securities

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

Impaired Loans

The fair value of impaired loans with specific allocations of the allowance for credit losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available for similar loans and collateral underlying such loans. Such adjustments resulted in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted in accordance with the allowance policy.

Note 5: FAIR VALUE (Continued)

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

	Fair Value Measurements Using			
	Quoted			
	Prices in	Significant		
	Active	Other	Significant	
	Markets for	Observable	Unobservable	
	Identical	Inputs	Inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
Fair Value Measurements at December 31, 2024 Available-for-sale	1			
U.S. Treasury	\$ 2,950,470	\$ -	- \$ -	\$ 2,950,470
SBA Loan Pools	-	83,252	-	83,252
Mortgage-backed securities: residential	-	891,006	;	891,006
Total investment securities available for sale	\$ 2,950,470	\$ 974,258	\$ \$ -	\$ 3,924,728

Assets measured at fair value on a non-recurring basis are summarized below:

	Fair Value Measurement Using				
	Quoted				
	Prices in				
	Active	Significant			
	Markets for	Other	Significant		
	Identical	Observable	Unobservable		
	Assets	Inputs	Inputs		
	(Level 1)	(Level 2)	(Level 3)	Total	
Fair Value Measurements at December 31, 2024 Impaired loans					
Real estate loans 1-4 family residential	\$.	- \$ -	\$ 37,512 \$	37,512	

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

		Level 3 Significan	t Unobservable Input Assumptions	
		Valuation	Unobservable	Quantitative Range of Unobservable
	Fair Value	Technique(s)	Input(s)	Inputs
December 31, 2024 Impaired loans Real estate loans 1-4 family residential	\$ 37.512	Sales comparison	Adjustment for differences	6% - 10%

Note 6: PREMISES AND EQUIPMENT

Year-end premises and equipment were as follows:

	2024
Land	\$ 1,166,051
Building and improvements	5,261,774
Furniture, fixtures and equipment	932,281
Automobiles	33,830
	7,393,936
Less accumulated depreciation	(2,854,950)
Total	\$ 4,538,986

Depreciation expense was \$197,183 for 2024.

Note 7: DEPOSITS

Time deposits that meet or exceed the FDIC Insurance limit of \$250,000 at December 31, 2024 were \$11,056,595.

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

For the years ending December 31,	
2025	\$ 24,226,080
2026	974,928
2027	61,296
2028	1,714,568
2029	15,290
Total	\$ 26,992,162

Note 8: OTHER BORROWINGS

At year-end, advances from the Federal Home Loan Bank of Atlanta (FHLB) and the Federal Reserve Bank of Atlanta (FRB) were as follows:

	2024
FHLB Atlanta, Maturities 2027 through 2029, fixed rate	
current rates from 3.52% to 4.0%, averaging 3.74%	\$ 6,000,000
FHLB Atlanta, Maturing 2025, floating rate, current rates at 4.57%	2,000,000
Federal Reserve Bank of Atlanta, Maturing 2025, fixed rate at rate of 4.5%	3,000,000
	_
Total	\$ 11,000,000

Each advance is payable at its maturity date, with a prepayment penalty for fixed rate advances. The advances with the FHLB are collateralized by qualifying loans totaling \$26,810,185. The advances to the FRB are collateralized by \$3,372,113 in qualifying loans.

The Bank has a blanket pledge and security agreement with the FHLB which encompasses certain types of loans as collateral for these borrowings. Based on this collateral and the Company's holdings of FHLB stock, the Company is eligible to borrow up to a total of \$18,810,185 at year-end December 31, 2024.

The Company has revolving lines of credit payable to various correspondent banks with a total credit limit of \$2,050,000. There was no outstanding balance as of December 31, 2024.

Payments over the next five years are as follows:

For the years ending December 31,

2025	\$ 5,000,000
2026	-
2027	2,000,000
2028	2,000,000
2029	2,000,000
Total	\$ 11,000,000

Note 9: EMPLOYEE BENEFIT PLANS

401(k) Plan

The Company sponsors a 401(k) profit sharing plan which allows employees to defer a portion of their compensation into the plan. The plan allows the Company to make a matching contribution of up to the first 5% of each eligible employee's deferral. Expense for 2024 was \$82,483.

Employee Stock Ownership Plan (ESOP)

The Company established an employee stock ownership plan for eligible employees. As of December 31, 2024, the ESOP owned 126,541 shares of the Company's common stock. No compensation expense was recorded for the year ended December 31, 2024.

Note 10: INCOME TAXES

Income tax expense (benefit) was as follows:

For the year ended December 31,	2024
Current expense	
Federal	\$ 51,331
State	8,524
Deferred expense (benefit)	
Federal	106,579
State	26,274
Total	\$ 192,708

Note 10: INCOME TAXES (Continued)

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

December 31,	2024
Deferred tax assets	
Allowance for loan losses	\$ 205,795
Reserve for unfunded commitments	11,108
Net unrealized losses on securities available for sale	14,339
Other	1,046
Total deferred tax assets	232,288
Deferred tax liabilities	
Premises and equipment	277,440
Other	91,177
Total deferred tax liabilities	368,617
Net deferred tax asset (liability)	\$ (136,329)

Note 11: RELATED-PARTY TRANSACTIONS

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

December 31,	2024
Beginning balance New loans	\$ 501,871
Repayments	(34,088)
Ending balance	\$ 467,783

Deposits from principal officers, directors, and their affiliates at year-end 2024 were \$1,003,731.

Note 12: REGULATORY CAPITAL MATTERS

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

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

In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio (CBLR) framework, for qualifying community banking organizations, consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act.

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

An eligible banking organization can opt out of the CBLR framework and revert back to the risk-weighted framework without restriction. As of December 31, 2024, both the Company and Bank were qualifying community banking organizations as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

Note 12: REGULATORY CAPITAL MATTERS (Continued)

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

To be Well Capitalized Under Prompt Corrective Action

	Actual		Regu	Regulations (CBLR Framework)		
		Amount	Ratio		Amount	Ratio
	(Dollars in thousands)					
2024						
Tier 1 (core) capital to average total assets	\$	12,915	13.1%	\$	8,901	9.0%

Dividend Restrictions

The Company and the Bank are subject to dividend restrictions set forth by the State Banking Department and federal banking agencies. Additional restrictions may be imposed by the State Banking Department and federal banking agencies under the powers granted to them by law.

Note 13: LOAN COMMITMENTS AND OTHER RELATED ACTIVITIES

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

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

		2024
	4	4 005 535
Commitments to make loans	S	4.885.525

Note 14: SUBSEQUENT EVENTS

On March 7, 2025, Legacy Community Federal Credit Union (Legacy), the Company, and First Community Bank of Cullman executed a Purchase and Assumption Agreement (Agreement) whereby Legacy would acquire substantially all of the assets and assume substantially all of the liabilities of First Community Bank of Cullman, and would pay the Company cash purchase consideration equal to 1.40x the Bank's closing book value estimated five business days prior to the closing date.

Note 14: SUBSEQUENT EVENTS (Continued)

Further, Legacy will reimburse the Company in an amount not to exceed \$1,000,000 for the double taxation caused by the form of the transaction. Subsequent to the sale, the Company and First Community Bank of Cullman will be dissolved, and distributions will be made to the Company's shareholders. The transaction is expected to close during the third quarter of 2025. As of the date the financial statements were issued, March 14, 2025, neither the Company nor Legacy had received regulatory approval related to the Purchase and Assumption Agreement described above. The stockholders of the Company had not approved the transaction as of the issue date. The transaction can close after the 5th business day or the first Friday, whichever is later, of the calendar month immediately following the fulfillment or waiver of all the terms and conditions contained in the Agreement.