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**ANNUAL REPORT**

**BLUEHARBOR BANK**  
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This Annual Report to Shareholders contains forward-looking statements. Such forward-looking statements may be identified by the use of such words as “may”, “will”, “believe”, “expect”, “anticipate”, “should”, “planned”, “estimated”, and “potential”. Such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, changes in the interest rate environment, management’s business strategy, national, regional, and local market conditions, and legislative and regulatory conditions.

Readers should not place undue reliance on forward-looking statements, which reflect management’s view only as of the date hereof. The Bank undertakes no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.



Dear Shareholders:

We are pleased to present blueharbor bank's Annual Report for the year ending December 31, 2024. This year has been marked by significant milestones and resilient performance amidst a dynamic economic landscape.

### **Financial Highlights**

- Total Assets: Surpassed the \$500 million mark, reaching \$506.8 million—an 18% increase compared to 2023.
- Loan Growth: Achieved a robust 21% increase, with loans growing by \$75 million over the year.
- Deposit Growth: Total deposits grew by 18%, amounting to \$440.7 million.
- Net Interest Income: Increased to \$17.34 million, up from \$15.4 million in 2023.
- Net Income: Reported at \$6.79 million, a 5% decrease from the previous year.

### **Asset Quality and Capital Position**

Our asset quality remains exceptional, with zero non-performing assets reported throughout the year. The bank's capital position is robust, maintaining a total risk-based capital ratio of 14.1%.

### **Shareholder Value**

Reflecting our strong capital and earnings performance, the Board declared two special dividends of \$0.20 per share each, paid on July 5 and December 13, 2024.

### **Strategic Initiatives**

In July 2024, we authorized a \$1 million share repurchase program, underscoring our commitment to enhancing shareholder value. Also, in September 2024, we opened our branch in Mount Airy and are off to a nice start there.

### **Looking Ahead**

After the past two years of rapid deposit rate increases our net interest income began to "right size" itself in the last half of the year as loan margins improved significantly. We expect 2025 to be a solid year for us on many fronts. Our focus will remain on maintaining a rock-solid balance sheet, prudent growth, exceptional customer service, and of course delivering value to our shareholders.

I want to close by expressing my sincere gratitude and appreciation to our dedicated employees. And while there is no "secret sauce" our special ingredient has always been our exceptional team of which I am most proud. And to our loyal customers and supportive shareholders for their unwavering trust and commitment, I thank you.

Sincerely,

A handwritten signature in blue ink that reads "Joe I. Marshall, Jr." with a stylized flourish at the end.

Joe I. Marshall, Jr.  
President and Chief Executive Officer  
March 21, 2024

## Report of Independent Auditor

To the Board of Directors and Stockholders  
of blueharbor bank

### **Opinion**

We have audited the accompanying financial statements of blueharbor bank (the “Bank”), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of income, comprehensive income, changes in shareholders’ equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Bank 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 Bank’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor’s Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bank'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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

*Cherry Bekaert LLP*

Louisville, Kentucky  
March 21, 2025

**BLUEHARBOR BANK**  
BALANCE SHEETS

DECEMBER 31, 2024 AND 2023

	<b>2024</b>	<b>2023</b>
<b>ASSETS</b>		
Cash and Cash Equivalents:		
Cash and due from banks	\$ 9,019,421	\$ 5,891,834
Federal funds sold	200,000	200,000
Interest-bearing deposits	19,647,761	9,330,230
Total Cash and Cash Equivalents	28,867,182	15,422,064
Investment securities available-for-sale	27,258,696	36,612,688
Federal Home Loan Bank stock	493,100	286,500
Loans, net of allowance for credit losses of \$4,131,598 and \$3,422,010 at December 31, 2024 and 2023, respectively	428,625,231	353,374,699
Property and equipment, net	10,866,141	11,085,545
Accrued interest receivable	1,523,986	1,297,124
Bank owned life insurance	4,383,798	4,282,522
Other assets	4,738,619	7,767,496
<b>Total Assets</b>	<b>\$ 506,756,753</b>	<b>\$ 430,128,638</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits:		
Noninterest-bearing	\$ 124,830,378	\$ 113,809,224
Interest-bearing	315,902,704	261,020,082
Total Deposits	440,733,082	374,829,306
Other borrowings	4,000,000	-
Accrued interest payable	435,534	329,928
Other liabilities	6,398,400	5,566,682
Total Liabilities	451,567,016	380,725,916
Commitments and contingencies (Notes 3, 6, and 12)	-	-
Stockholders' Equity:		
Preferred stock, 5,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, \$5 par value; 20,000,000 shares authorized; 2,962,744 and 2,929,092 shares issued and outstanding at December 31, 2023 and 2022, respectively	14,813,870	14,645,460
Surplus	8,977,100	8,964,914
Retained earnings	35,178,322	29,572,050
Accumulated other comprehensive loss	(3,779,555)	(3,779,702)
Total Stockholders' Equity	55,189,737	49,402,722
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 506,756,753</b>	<b>\$ 430,128,638</b>

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

**BLUEHARBOR BANK**  
**STATEMENTS OF INCOME**

YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Interest Income:		
Loans and fees on loans	\$ 23,499,551	\$ 18,382,521
Investment securities	987,168	1,081,063
Federal funds sold and interest-bearing deposits	1,083,633	574,132
Total Interest Income	<u>25,570,352</u>	<u>20,037,716</u>
Interest Expense:		
Deposits	8,219,183	4,609,544
Borrowings	12,952	32,333
Total Interest Expense	<u>8,232,135</u>	<u>4,641,877</u>
Net Interest Income	17,338,217	15,395,839
Provisions for credit losses	719,328	300,489
Net Interest Income after Provisions for Credit Losses	<u>16,618,889</u>	<u>15,095,350</u>
Noninterest Income:		
Service charges on deposit accounts	255,573	187,158
Debit card network fees	568,644	514,951
Gain on sale of loans held for sale	168,992	206,815
Gain on sale of property and equipment	-	9,550
Bank owned life insurance income	101,276	95,162
Wealth management income	223,577	239,309
Leasing income	634,720	631,140
Fund income	232,601	842,523
Other income	16,145	18,715
Total Noninterest Income	<u>2,201,528</u>	<u>2,745,323</u>
Noninterest Expenses:		
Salaries and employee benefits	6,049,212	4,470,878
Occupancy expense	701,425	710,770
Equipment expense	218,112	218,432
Data processing expense	1,540,911	1,630,670
Professional services	556,496	502,960
Advertising expense	51,497	39,051
Regulatory expense	240,163	220,964
Other expense	832,934	841,009
Total Noninterest Expense	<u>10,190,750</u>	<u>8,634,734</u>
Net income before income taxes	8,629,667	9,205,939
Income tax expense	1,842,758	2,045,976
Net Income	<u>\$ 6,786,909</u>	<u>\$ 7,159,963</u>

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

**BLUEHARBOR BANK**  
STATEMENTS OF INCOME (CONTINUED)

YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Basic earnings per common share	\$ 2.31	\$ 2.46
Diluted earnings per common share	\$ 2.25	\$ 2.36
Weighted average common shares outstanding	2,942,628	2,913,484
Weighted average dilutive shares outstanding	3,017,928	3,034,434

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

**BLUEHARBOR BANK**  
**STATEMENTS OF COMPREHENSIVE INCOME**

*YEARS ENDED DECEMBER 31, 2024 AND 2023*

	<u>2024</u>	<u>2023</u>
Net income	\$ 6,786,909	\$ 7,159,963
Other comprehensive income (loss):		
Investment securities available-for-sale:		
Unrealized gain(loss) on investment securities available-for-sale arising during the period	190	575,393
Tax effect	<u>(43)</u>	<u>(132,226)</u>
Total other comprehensive income (loss)	<u>147</u>	<u>443,167</u>
Comprehensive income	<u>\$ 6,787,056</u>	<u>\$ 7,603,130</u>

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

**BLUEHARBOR BANK**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

YEARS ENDED DECEMBER 31, 2024 AND 2023

	Common Stock		Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount				
<b>Balance, December 31, 2022</b>	2,935,482	\$ 14,677,410	\$ 9,404,543	\$ 22,631,252	\$ (4,222,869)	\$ 42,490,336
Adoption of new accounting standard	-	-	-	(219,165)	-	(219,165)
Net income	-	-	-	7,159,963	-	7,159,963
Other comprehensive loss	-	-	-	-	443,167	443,167
Stock based compensation	-	-	277,230	-	-	277,230
Stock option exercise	19,800	99,000	45,105	-	-	144,105
Restricted stock grant	19,750	98,750	(98,750)	-	-	-
Stock repurchase	(45,940)	(229,700)	(663,214)	-	-	(892,914)
<b>Balance, December 31, 2023</b>	2,929,092	14,645,460	8,964,914	29,572,050	(3,779,702)	49,402,722
Net income	-	-	-	6,786,909	-	6,786,909
Other comprehensive income	-	-	-	-	147	147
Stock based compensation	-	-	244,027	-	-	244,027
Stock option exercise	49,800	249,000	95,347	-	-	344,347
Restricted stock grant	4,000	20,000	(20,000)	-	-	-
Stock repurchase	(20,118)	(100,590)	(307,188)	-	-	(407,778)
Cash Dividends	-	-	-	(1,180,637)	-	(1,180,637)
<b>Balance, December 31, 2024</b>	<u>2,962,774</u>	<u>\$ 14,813,870</u>	<u>\$ 8,977,100</u>	<u>\$ 35,178,322</u>	<u>\$ (3,779,555)</u>	<u>\$ 55,189,737</u>

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

**BLUEHARBOR BANK**  
**STATEMENTS OF CASH FLOWS**

YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities:</b>		
Net income	\$ 6,786,909	\$ 7,159,963
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation	551,065	508,568
Amortization of operating lease right of use asset	51,804	58,630
Provision for credit losses	711,630	300,489
Amortization of premium on securities, net of accretion	29,803	83,693
Deferred income tax benefit	(242,986)	(21,633)
Bank owned life insurance income	(101,276)	(95,162)
Stock based compensation	244,027	277,230
Originations of loans held for sale	(7,225,093)	(10,857,668)
Proceeds from sales of loans held for sale	7,394,085	11,064,483
Gain on sale of loans held for sale	(168,992)	(206,815)
Gain on sale of property and equipment	-	(9,550)
Change in operating assets and liabilities:		
Increase in accrued interest receivable	(226,862)	(223,469)
Decrease (increase) in other assets	3,352,432	(3,787,342)
Increase in accrued interest payable	105,606	293,596
Increase in other liabilities	699,302	889,923
Net cash flows from operating activities	<u>11,961,454</u>	<u>5,434,936</u>
<b>Cash flows from investing activities:</b>		
Purchases of Federal Home Loan Bank stock	(206,600)	(78,900)
Principal payments on investment securities	9,324,379	5,036,568
Net increase in loans	(75,962,162)	(21,354,262)
Net purchases of property and equipment	(331,661)	(153,516)
Net cash flows from investing activities	<u>(67,176,044)</u>	<u>(16,550,110)</u>
<b>Cash flows from financing activities:</b>		
Net increase in deposits	65,903,776	15,342,958
Increase in Federal Home Loan Bank advances	4,000,000	-
Proceeds from stock option exercise	344,347	144,105
Repurchase of common stock	(407,778)	(892,914)
Dividends paid on common stock	(1,180,637)	-
Net cash flows from financing activities	<u>68,659,708</u>	<u>14,594,149</u>
Net change in cash and cash equivalents	13,445,118	3,478,975
Cash and cash equivalents, beginning of year	15,422,064	11,943,089
Cash and cash equivalents, end of year	<u>\$ 28,867,182</u>	<u>\$ 15,422,064</u>

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

**BLUEHARBOR BANK**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**

*YEARS ENDED DECEMBER 31, 2024 AND 2023*

	<u>2024</u>	<u>2023</u>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	<u>\$ 8,126,529</u>	<u>\$ 4,348,281</u>
Income taxes paid	<u>\$ 2,003,000</u>	<u>\$ 1,974,000</u>
Change in unrealized loss on investment securities	<u>\$ 190</u>	<u>\$ 575,393</u>
Issuance of restricted common stock	<u>\$ 20,000</u>	<u>\$ 98,750</u>
Recognition of operating lease right-of-use assets	<u>\$ (132,416)</u>	<u>\$ (52,680)</u>
Recognition of operating lease liabilities	<u>\$ 132,416</u>	<u>\$ 52,680</u>
Adoption of ASC 2016-13	<u>\$ -</u>	<u>\$ 219,165</u>

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

# BLUEHARBOR BANK

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

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### Note 1—Nature of business and summary of significant accounting policies

*Organization* – blueharbor bank (the “Bank”) was incorporated on January 3, 2008, under the laws of the state of North Carolina (“NC”) and commenced operations on January 8, 2008. The Bank currently serves Iredell and Surry Counties, NC, and surrounding areas through its banking offices in Mooresville, Statesville, and Mount Airy, NC. The Bank opened the Huntersville branch in November 2008, the Statesville branch in April 2015, the Downtown Mooresville branch in October 2017, and the Mount Airy Branch in September 2024. The Bank also opened loan production offices in Belmont, NC in June 2019, Morehead City, NC in December 2019, and Hickory, NC in January 2024. In August 2022, the Bank closed the Downtown Mooresville branch and in September 2022, the Bank relocated its Statesville Branch to the newly constructed branch building. In April 2023, the Bank closed the Huntersville branch and in January 2024, the Bank closed the Morehead City loan production office. As a state-chartered bank, which is not a member of the Federal Reserve, the Bank is subject to regulation by the North Carolina Commissioner of Banks and the Federal Deposit Insurance Corporation (“FDIC”).

The accounting and reporting policies of the Bank follow generally accepted accounting principles (“U.S. GAAP”) and general practices within the financial services industry. Following is a summary of the more significant policies:

*Critical Accounting Policies* – Management believes the policies with respect to the methodology for the determination of the allowance for credit losses and asset impairment judgments involve a high degree of complexity. Management must make difficult and subjective judgments which require assumptions or estimates about highly uncertain matters. Changes in these judgments, assumptions, or estimates could cause reported results to differ materially. These critical policies and their application are periodically reviewed with the Audit Committee and the Board of Directors.

*Use of Estimates* – In preparing financial statements in conformity with U.S. GAAP, 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 real estate acquired in connection with or in lieu of foreclosure on loans, the valuation of investment securities available-for-sale, and the valuation of deferred tax assets.

*Cash and Cash Equivalents* – For the purpose of presentation in the statements of cash flows, cash and cash equivalents are defined as those amounts included in the balance sheet caption “cash and due from banks”, “federal funds sold”, and “interest-bearing deposits.”

*Securities* – Certain debt securities that management has the positive intent and ability to hold to maturity are classified as “held-to-maturity” and recorded at amortized costs. Trading securities are recorded at fair value with changes in fair value included in earnings. Securities not classified as held-to-maturity or trading are classified as “available-for-sale” 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 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.

*Allowance for Credit Losses – Available-for-Sale Securities* - For available-for-sale securities, management evaluates all investments in an unrealized loss position on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. If the Bank has the intent to sell the security, or it is more likely than not that the Bank will be required to sell the security, the security is written down to fair value, and the entire loss is recorded in earnings.

**BLUEHARBOR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**

*DECEMBER 31, 2024 AND 2023*

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**Note 1—Nature of business and summary of significant accounting policies (continued)**

If either of the above criteria is not met, the Bank evaluates whether the decline in fair value is the result of credit losses or other factors. In making the assessment, the Bank 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 loss, 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 loss is recognized in other comprehensive income.

Changes in the allowance for credit loss are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance for credit loss 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. At December 31, 2024, there was no allowance for credit loss related to the available-for-sale portfolio.

Accrued interest receivable on available-for-sale debt securities totaled \$147,224 at December 31, 2024 and was excluded from the estimate of credit losses.

*Loans Held for Sale* – Loans held for sale consist of residential mortgage loans secured by one-to-four family residential properties in the markets the Bank serves. Loans originated with the intent to sell in the secondary market are classified as held for sale. Loans held for sale are carried at cost, which is estimated to be fair value given the short period of time a loan is held for sale. The fair value of loans held for sale is impacted by changes in market interest rates; however, given that loans held for sale are generally sold within a week or two of origination, the short time they are held on the balance sheet minimizes the risk of changes in value. Mortgage loans held for sale are underwritten to the standards of the secondary market purchaser to ensure they will be purchased at cost plus the anticipated mortgage fee income consisting of origination fees due to blueharbor bank. The difference between the carried cost and sales price is recognized as a gain on sale of loans held for sale.

*Loans Receivable* - 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 totaled \$1,372,079 at December 31, 2024 and was reported in accrued interest receivable on the consolidated balance sheets. 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 methods that approximate a level yield without anticipating prepayments.

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.

The Bank elected not to measure an allowance for credit losses for accrued interest receivable and instead elected to reverse interest income on loans or securities that are placed on nonaccrual status, which is generally when the instrument is 90 days past due, or earlier if the Bank believes the collection of interest is doubtful. The Bank has concluded that this policy results in the timely reversal of uncollectible interest.

**BLUEHARBOR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2024 AND 2023

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**Note 1—Nature of business and summary of significant accounting policies (continued)**

*Allowance for Credit Losses - Loans*

The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. 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 Bank measures expected credit losses for loans on a pooled basis when similar risk characteristics exist. The Bank has segmented the loan portfolio by federal call report code and calculates the allowance for credit losses for each using a weighted average remaining maturity (WARM) methodology for each of the pools. The Bank's historical charge-off rates (peer rates are used for segments that do not have loss histories) and loan portfolio's remaining life are used. The historical charge-off rates for each segment are calculated using the Bank's historical call report data back to inception (January 2008). If sufficient charge-off data for the Bank is not available, then the peer historical charge-off rate is used.

Historical charge-off rates are forecasted for one quarter into the future as being similar to the most recent eight quarters. Senior Management reviews the forecast period quarterly and adjusts as needed depending upon their analysis. After the forecast period, the charge-off rate reverts to the historical mean over a period not to exceed three years, depending upon management analysis at the reporting date. The reversion occurs on a straight-line basis.

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.

*Property and Equipment* – Bank premises, furniture and equipment, and leasehold improvements are carried at cost, less accumulated depreciation and amortization computed by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Leasehold improvements	1-6
Furniture and equipment	2-7
Building	15-39

*Other Real Estate Owned* – Real estate properties acquired through, or in lieu of, loan foreclosure are to be sold and are initially recorded at fair value less anticipated cost to sell at the date of foreclosure establishing a new cost basis. After foreclosure, valuations are periodically performed by management, and the real estate is carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in other real estate expense in the accompanying income statements.

**BLUEHARBOR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2024 AND 2023

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**Note 1—Nature of business and summary of significant accounting policies (continued)**

*Transfers of Financial Assets* – Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

*Bank Owned Life Insurance* – Bank owned life insurance represents the cash surrender value of policies on a certain officer of the Bank.

*Federal Home Loan Bank Stock* – The Bank is required to maintain an investment in the capital stock of the Federal Home Loan Bank (“FHLB”) of Atlanta. No ready market exists for the stock, it has no quoted market value, and it is carried at cost. The FHLB stock also serves as collateral whenever the Bank borrows from the FHLB.

*Leases* – The Bank has applied Accounting Standards Update (“ASU”) 2016-02, *Leases*, using the modified retrospective method and practical expedients for transition. The Bank has developed a methodology to estimate the right-of use (“ROU”) assets and lease liabilities, which is based on the present value of lease payments. The ROU asset and operating lease liability are recorded in other assets and other liabilities, respectively, in the balance sheet.

*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 Bank’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 Bank 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 Bank’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 Bank’s consolidated balance sheets.

*Income Taxes* – Provision for income taxes is based on amounts reported in the income statement (after exclusion of non-taxable income such as interest on state and municipal securities) and consists of taxes currently due plus deferred taxes on temporary differences in the recognition of income and expense for tax and financial statement purposes. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

A deferred income tax liability relating to unrealized appreciation (or the deferred tax asset in the case of unrealized depreciation) on investment securities available-for-sale is recorded in other liabilities (assets) when applicable. Such unrealized appreciation or depreciation is recorded as an adjustment to equity in the financial statements and not included in income until realized. Accordingly, the resulting deferred income tax liability or asset is also recorded as an adjustment to equity.

*Stock-Based Compensation* – The Bank accounts for all stock-based compensation under the fair value recognition provisions of Financial Accounting Standards Board (“FASB”) ASC 718, *Compensation – Stock Compensation*. Compensation expense is recognized as salaries and employee benefits on the statements of income.

**BLUEHARBOR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2024 AND 2023

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**Note 1—Nature of business and summary of significant accounting policies (continued)**

*Basic Earnings Per Share* – Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of shares outstanding during the period, after giving retroactive effect to stock splits and dividends.

*Diluted Earnings Per Share* – The computation of diluted earnings per share is similar to the computation of basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if dilutive potential common shares had been issued. The numerator is adjusted for any changes in income or loss that would result from the assumed conversion of those potential common shares using the treasury stock method.

*Comprehensive Income* – Annual comprehensive income reflects the change in the Bank's equity during the year arising from transactions and events other than investment by and distributions to shareholders. It consists of net income plus certain other changes in assets and liabilities that are reported as separate components of shareholders' equity rather than as income or expense. The components of comprehensive income are also presented in a separate Statement of Comprehensive Income.

*Reclassifications* – Some items in the prior year financial statements were reclassified to conform to the current presentation. Such reclassifications had no effect on previously reported net income or shareholders' equity.

*Fair Value of Financial Instruments* – Fair value information about financial instruments is required to be disclosed, whether or not recognized in the balance sheet. 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. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Bank.

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

*Securities* – Fair values for securities, excluding restricted equity securities, are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. The carrying values of restricted equity securities approximate fair values.

*Loans Held for Sale* – Loans held for sale are carried at cost, which is estimated to be fair value given the short period of time a loan is held for sale.

*Individually Evaluated Loans* – Fair values for individually evaluated loans are estimated using discounted cash flow analysis or underlying collateral values, where applicable.

*Other Real Estate Owned* – Fair values for other real estate owned are primarily based upon independent observable market prices or appraised values of the collateral. Fair values may also be based upon the currently listed sales price for the foreclosed asset.

*Revenue Recognition* – The Bank has applied ASU 2014-09, *Revenue from Contracts with Customers*, using a modified retrospective approach. The Bank's revenue is comprised of net interest income and noninterest income. The scope of ASU Topic 606 explicitly excludes net interest income as well as many other revenues for financial assets and liabilities including loans, leases, and securities. Accordingly, the majority of the Bank's revenues are not affected.

**BLUEHARBOR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2024 AND 2023

**Note 1—Nature of business and summary of significant accounting policies (continued)**

The following table presents the Bank’s noninterest income by revenue stream for the years ended December 31, 2024 and 2023. Items outside the scope of ASU Topic 606 are noted as such.

	<u>2024</u>	<u>2023</u>
Service charges on deposit accounts	\$ 255,573	\$ 187,158
Debit card network fees	568,644	514,951
Gain on sale of loans held for sale *	168,992	206,815
Bank owned life insurance income *	101,276	95,162
Gain on sale of property and equipment	-	9,550
Wealth management income	223,577	239,309
Leasing income *	634,720	631,140
Fund income *	232,601	842,523
Other income *	16,145	18,715
Total noninterest income	<u>\$ 2,201,528</u>	<u>\$ 2,745,323</u>

\* Not within the scope of ASU Topic 606.

A description of the Bank’s revenue streams accounted for under ASU Topic 606 follows:

*Service Charges on Deposit Accounts* – The Bank 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 Bank fulfills the customer’s request. Account maintenance fees are earned over the course of a month, representing the period over which the Bank 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.

*Debit Card Network Fees* – The Bank 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.

*Wealth Management Income* – The Bank 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 Bank 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, which include financial planning services that are based on a fixed fee schedule, are recognized when the services are rendered.

*Recent Accounting Pronouncements* – The following is a summary of recent authoritative pronouncements that may affect accounting, reporting, and disclosure of financial information by the Bank:

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

**BLUEHARBOR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2024 AND 2023

**Note 1—Nature of business and summary of significant accounting policies (continued)**

*Accounting Standards Adopted in 2024*

On January 1, 2023, the Bank adopted ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses.

In addition, CECL made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities if management does not intend to sell and does not believe that it is more likely than not they will be required to sell.

The Bank adopted ASC 326 and all related subsequent amendments thereto effective January 1, 2023, using the modified retrospective approach for all financial assets measured at amortized cost and off-balance sheet credit exposures. The transition adjustment of the adoption of CECL included an increase in the allowance for credit losses on loans of \$4,119, which is presented as a reduction to net loans outstanding, and an increase in the allowance for credit losses on unfunded loan commitments of \$280,436, which is recorded within Other Liabilities. The Bank recorded a net decrease to retained earnings of \$219,165 as of January 1, 2023, for the cumulative effect of adopting CECL, which reflects the transition adjustments noted above, net of the applicable deferred tax assets recorded. Results for reporting periods beginning after January 1, 2023, are presented under CECL while prior period amounts continue to be reported in accordance with previously applicable accounting standards (“Incurred Loss”).

The Bank adopted ASC 326 using the prospective transition approach for debt securities for which other-than-temporary impairment had been recognized prior to January 1, 2023. As of December 31, 2022, the Bank did not have any other-than-temporarily impaired investment securities. Therefore, upon adoption of ASC 326, the Bank determined that an allowance for credit losses on available-for-sale securities was not deemed material.

The following table illustrates the impact of on the allowance for credit losses from the adoption of ASC 326:

	January 1, 2023 As Reported Under ASC 326	December 31, 2022 Pre-ASC 326 Adoption December	Impact of ASC 326 Adoption
<b>Assets:</b>			
Loans, at amortized cost			
Allowance for credit losses on loans:			
Commercial Real Estate	\$ 1,843,725	\$ 1,453,036	\$ 390,689
Consumer Real Estate	1,094,854	925,435	169,419
Commercial and Industrial	207,845	218,020	(10,175)
Consumer	29,144	33,346	(4,202)
Other (Unallocated)	-	541,612	(541,612)
Allowance for credit losses on loans	<u>\$ 3,175,568</u>	<u>\$ 3,171,449</u>	<u>4,119</u>
<b>Liabilities:</b>			
Allowance for credit losses for unfunded commitments	\$ 280,436	\$ -	\$ 280,436.00

**BLUEHARBOR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2024 AND 2023

**Note 2—Restrictions on cash**

To comply with banking regulations, the Bank is required to maintain certain cash reserve balances. On March 26, 2020, the Federal Reserve reduced the reserve requirement to zero percent and has kept it at zero percent since that time.

**Note 3—Securities**

The amortized cost and estimated fair value of securities available for sale along with gross unrealized gains and losses and allowance for credit losses are summarized as follows:

	<u>Amortized Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Allowance for Credit Losses</u>	<u>Fair Value</u>
<b><u>December 31, 2024</u></b>					
U.S. Government and federal agencies	\$ 1,242,164	\$ -	\$ (139,692)	\$ -	\$ 1,102,472
Mortgage-backed securities	12,199,801	-	(1,977,819)	-	10,221,982
Municipal securities	15,223,969	714	(2,453,461)	-	12,771,222
Corporate debt securities	3,500,000	-	(336,980)	-	3,163,020
	<u>\$ 32,165,934</u>	<u>\$ 714</u>	<u>\$ (4,907,952)</u>	<u>\$ -</u>	<u>\$ 27,258,696</u>

	<u>Amortized Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Allowance for Credit Losses</u>	<u>Fair Value</u>
<b><u>December 31, 2023</u></b>					
U.S. Treasuries	\$ 7,477,728	\$ -	\$ (117,415)	\$ -	\$ 7,360,313
U.S. Government and federal agencies	1,327,475	-	(148,382)	-	1,179,093
Mortgage-backed securities	13,496,245	-	(2,003,595)	-	11,492,650
Municipal securities	15,718,668	58,171	(2,179,042)	-	13,597,797
Corporate debt securities	3,500,000	-	(517,165)	-	2,982,835
	<u>\$ 41,520,116</u>	<u>\$ 58,171</u>	<u>\$ (4,965,599)</u>	<u>\$ -</u>	<u>\$ 36,612,688</u>

The fair value of securities pledged public deposits combined were \$206,766 and \$217,163 at December 31, 2024 and 2023, respectively.

There were no sales of investment securities for the years ended December 31, 2024 and 2023.

**BLUEHARBOR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2024 AND 2023

**Note 3—Securities (continued)**

As of December 31, 2024, one mortgage-backed security and four municipal securities with a combined fair value of \$2,857,834 and unrealized losses of \$45,059 had been in a continuous loss position for less than 12 months. Four government agency securities, 24 mortgage-backed securities, 20 municipal securities, and five corporate debt securities with a combined fair value of \$27,388,259 and unrealized losses of \$4,777,675 had been in a continuous unrealized loss position for more than 12 months. As of December 31, 2023, one mortgage-backed security and three municipal securities with a combined fair value of \$2,250,505 and unrealized losses of \$18,026 had been in a continuous loss position for less than 12 months. Four U.S. treasuries, four government agency securities, 24 mortgage-backed securities, 18 municipal securities, and five corporate debt securities with a combined fair value of \$30,821,689 and unrealized losses of \$4,947,574 had been in a continuous unrealized loss position for more than 12 months.

The scheduled maturities of available-for-sale debt securities were as follows:

	<b>December 31, 2024</b>	
	<b>Amortized Cost</b>	<b>Fair Value</b>
Due in less than one year	\$ -	\$ 19,542
Due in one to three years	780,048	753,483
Due in three to five years	-	-
Due in five to ten years	7,199,159	6,660,974
Due after ten years	24,186,727	19,824,697
	<u>\$ 32,165,934</u>	<u>\$ 27,258,696</u>

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. The unrealized losses in the Bank's investment portfolio relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold debt securities for the foreseeable future, no declines are deemed to be other-than-temporary.

At December 31, 2024, the Bank had \$60,648 and \$804,634 invested in Plexus Fund III and IV, respectively. The purpose of the funds is to invest in small businesses to promote growth, expansion, and modernization of the sector, by working in partnership with the Small Business Administration as a source of additional funding. These investments are carried at par in other assets and are tested annually for impairment. The Bank has committed to invest a total of \$1,000,000 and \$1,500,000 in Plexus Fund III and IV, respectively.

The Bank had \$493,100 and \$286,500 of investments in FHLB stock as of December 31, 2024 and 2023, respectively. The FHLB stock is carried at cost and does not have a readily determinable market value.

**BLUEHARBOR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2024 AND 2023

**Note 4—Loans receivable**

The major components of loans, excluding loans held for sale, on the balance sheet at December 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Commercial Real Estate	\$ 214,370,403	\$ 191,483,724
Consumer Real Estate	171,451,075	127,406,010
Commercial and Industrial	44,394,841	35,480,769
Consumer	<u>2,026,279</u>	<u>1,767,730</u>
Total	432,242,598	356,138,233
Deferred loan fees and origination costs, net	514,231	658,476
Allowance for credit losses	<u>(4,131,598)</u>	<u>(3,422,010)</u>
Loans, net of allowance	<u>\$ 428,625,231</u>	<u>\$ 353,374,699</u>

As of December 31, 2024, there were \$145,484,450 of loans pledged to the FHLB of Atlanta to secure a \$84,967,723 line of credit with \$4,000,000 outstanding balance. As of December 31, 2023, there were \$95,072,694 of loans pledged to the FHLB of Atlanta to secure a \$54,766,272 line of credit with no outstanding balance. At December 31, 2024, there were \$15,952,964 of loans pledged to the Federal Reserve Bank to secure a \$14,186,438 line of credit with no outstanding balance. At December 31, 2023, there were \$17,878,814 of loans pledged to the Federal Reserve Bank to secure a \$15,511,606 line of credit with no outstanding balance.

**Note 5—Allowance for credit losses and credit quality**

The following tables summarizes the activity related to the allowance for credit losses for the years ended December 31, 2024 and December, 31, 2023 under the CECL methodology.

<u>December 31, 2024</u>	<u>Commercial Real Estate</u>	<u>Consumer Real Estate</u>	<u>Commercial and Industrial</u>	<u>Consumer</u>	<u>Other</u>	<u>Total</u>
Allowance for credit losses:						
Beginning balance	\$ 1,925,822	\$ 1,198,282	\$ 279,956	\$ 17,950	\$ -	\$ 3,422,010
Charge-offs	-	(16,842)	-	-	-	(16,842)
Recoveries	12,500	2,301	-	-	-	14,801
Provision	421,115	220,821	68,098	1,595	-	711,629
Ending balance - total	<u>\$ 2,359,437</u>	<u>\$ 1,404,562</u>	<u>\$ 348,054</u>	<u>\$ 19,545</u>	<u>\$ -</u>	<u>\$ 4,131,598</u>

<u>December 31, 2023</u>	<u>Commercial Real Estate</u>	<u>Consumer Real Estate</u>	<u>Commercial and Industrial</u>	<u>Consumer</u>	<u>Other</u>	<u>Total</u>
Allowance for credit losses:						
Beginning balance	\$ 1,453,036	\$ 925,435	\$ 218,020	\$ 33,346	\$ 541,612	\$ 3,171,449
Adjustment to allowance for	390,689	169,419	(10,175)	(4,202)	(541,612)	4,119
Charge-offs	-	-	-	-	-	-
Recoveries	12,500	-	-	-	-	12,500
Provision	69,597	103,428	72,111	(11,194)	-	233,942
Ending balance - total	<u>\$ 1,925,822</u>	<u>\$ 1,198,282</u>	<u>\$ 279,956</u>	<u>\$ 17,950</u>	<u>\$ -</u>	<u>\$ 3,422,010</u>

**BLUEHARBOR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**

*DECEMBER 31, 2024 AND 2023*

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**Note 5—Allowance for credit losses and credit quality (continued)**

Internally assigned risk ratings assist the Bank in determining the risk profile of each loan in the loan portfolio and changes in the internally assigned risk ratings are useful in monitoring trends in the loan portfolio quality. The four categories used by the Bank are Pass, Special mention, Substandard and Doubtful and can be generally described as follows:

*Pass* – These loans have a risk profile which range from superior quality with minimal credit risk to loans requiring management attention but still have an acceptable risk profile and continue to perform primarily as contracted.

*Special Mention* – These loans generally have underwriting guideline tolerances and/or exceptions with no identifiable mitigating factors. These loans may also be currently performing satisfactorily but with potential weaknesses that may, if not corrected, weaken the asset or inadequately protect the Bank's position at some future date. Potential weaknesses are the result of deviations from prudent lending practices. The loans may also have adverse economic conditions that developed subsequent to the loan origination that do not jeopardize liquidation of the debt but do substantially increase the level of risk.

*Substandard* – These loans are inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified as substandard must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt; they are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. These loans are no longer considered to be adequately protected due to the borrower's declining net worth, lack of earnings capacity, declining collateral margins and/or unperfected collateral positions. A possibility of loss of a portion of the loan balance cannot be ruled out. The repayment ability of the borrower is marginal or weak and the loan may have exhibited excessive overdue status or extensions and/or renewals.

*Doubtful* – The loans have all the weaknesses inherent in loans classified Substandard, plus 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. The ability of the borrower to service the debt is extremely weak, overdue status is constant, the debt has been placed on nonaccrual status, and no definite repayment schedule exists. Certain events may occur which would salvage the debt including an injection of capital into the borrower, alternative financing obtained by the borrower or liquidation of assets or the pledging of additional collateral by the borrower.

**BLUEHARBOR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2024 AND 2023

**Note 5—Allowance for credit losses and credit quality (continued)**

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

	Term Loans by Year of Origination					Prior	Revolving	Total
	2024	2023	2022	2021	2020			
Commercial real estate								
Pass	\$ 39,360,293	\$ 21,932,429	\$ 47,495,865	\$ 46,518,829	\$ 27,618,738	\$ 28,319,620	\$ 2,845,406	\$ 214,091,180
Special Mention	-	-	-	-	-	123,786	-	123,786
Substandard	-	-	-	-	-	155,437	-	155,437
Doubtful	-	-	-	-	-	-	-	-
Total commercial real estate	<u>\$ 39,360,293</u>	<u>\$ 21,932,429</u>	<u>\$ 47,495,865</u>	<u>\$ 46,518,829</u>	<u>\$ 27,618,738</u>	<u>\$ 28,598,843</u>	<u>\$ 2,845,406</u>	<u>\$ 214,370,403</u>
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consumer real estate								
Pass	\$ 37,502,734	\$ 24,400,556	\$ 13,772,980	\$ 18,362,585	\$ 4,912,846	\$ 7,371,975	\$ 64,683,732	\$ 171,007,408
Special Mention	70,000	-	-	-	-	-	317,314	387,314
Substandard	-	-	-	-	-	-	56,353	56,353
Doubtful	-	-	-	-	-	-	-	-
Total consumer real estate	<u>\$ 37,572,734</u>	<u>\$ 24,400,556</u>	<u>\$ 13,772,980</u>	<u>\$ 18,362,585</u>	<u>\$ 4,912,846</u>	<u>\$ 7,371,975</u>	<u>\$ 65,057,399</u>	<u>\$ 171,451,075</u>
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial and Industrial								
Pass	\$ 17,648,472	\$ 6,272,616	\$ 7,393,258	\$ 3,241,717	\$ 95,107	\$ 2,518,532	\$ 7,225,139	\$ 44,394,841
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total commercial and industrial	<u>\$ 17,648,472</u>	<u>\$ 6,272,616</u>	<u>\$ 7,393,258</u>	<u>\$ 3,241,717</u>	<u>\$ 95,107</u>	<u>\$ 2,518,532</u>	<u>\$ 7,225,139</u>	<u>\$ 44,394,841</u>
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consumer								
Pass	\$ 736,647	\$ 220,582	\$ 503,982	\$ 80,752	\$ 281	\$ -	\$ 483,323	\$ 2,025,567
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	712	712
Doubtful	-	-	-	-	-	-	-	-
Total consumer	<u>\$ 736,647</u>	<u>\$ 220,582</u>	<u>\$ 503,982</u>	<u>\$ 80,752</u>	<u>\$ 281</u>	<u>\$ -</u>	<u>\$ 484,035</u>	<u>\$ 2,026,279</u>
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,842	\$ -	\$ 16,842

**BLUEHARBOR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2024 AND 2023

**Note 5—Allowance for credit losses and credit quality (continued)**

The following is a past due aging analysis of the Bank's loan portfolio, excluding loans held for sale, by loan class as of December 31, 2024 and 2023:

	30-59 Days Past Due and Still Accruing	60-89 Days Past Due and Still Accruing	Greater than 90 Days and Still Accruing	Total Past Due and Still Accruing	Nonaccrual Loans	Current Loans	Total Loans
<b>December 31, 2024</b>							
Commercial real estate	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 214,370,403	\$ 214,370,403
Consumer real estate	-	-	-	-	-	171,451,075	171,451,075
Commercial and industrial	-	-	-	-	-	44,394,841	44,394,841
Consumer	-	-	-	-	-	2,026,279	2,026,279
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 432,242,598</u>	<u>\$ 432,242,598</u>
<b>December 31, 2023</b>							
Commercial real estate	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 191,483,724	\$ 191,483,724
Consumer real estate	-	-	-	-	43,877	127,362,133	127,406,010
Commercial and industrial	-	-	-	-	-	35,480,769	35,480,769
Consumer	-	-	-	-	-	1,767,730	1,767,730
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,877</u>	<u>\$ 356,094,356</u>	<u>\$ 356,138,233</u>

At December 31, 2024, the Bank did not have any loans that were on nonaccrual. At December 31, 2023, the Bank had one consumer real estate loan totaling \$43,877 that was on nonaccrual.

The Bank did not recognize any interest income on nonaccrual loans during the year ended December 31, 2024.

The Bank did not write off any accrued interest receivables by reversing interest income during the year ended December 31, 2024.

The Bank designates individually evaluated loans on nonaccrual status as collateral-dependent loans, as well as other loans that management of the Bank designates as having higher risk. Collateral-dependent loans are loans for which the repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty. These loans do not share common risk characteristics and are not included within the collectively evaluated loans for determining the allowance for credit losses. Under CECL, for collateral-dependent loans, the Bank has adopted the practical expedient to measure the allowance for credit losses based on the fair value of collateral. The allowance for credit losses is calculated on an individual loan basis based on the shortfall between the fair value of the loan's collateral, which is adjusted for liquidation costs/discounts, and amortized cost. If the fair value of the collateral exceeds the amortized cost, no allowance is required.

As of December 31, 2024, the bank did not have any individually evaluated loans. The bank had one collateral-dependent consumer real estate loan in the amount of \$43,877 that was secured by residential real estate at December 31, 2023. No allowance was required for this loan as the value of the collateral exceeded the amortized cost.

*Modifications made to borrowers experiencing financial difficulty*

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination or acquisition. The starting point for the estimate of the allowance for credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. The Bank uses a probability of default/loss given default model to determine the allowance for credit losses. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification.

**BLUEHARBOR BANK**  
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**Note 5—Allowance for credit losses and credit quality (continued)**

Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance, a change to the allowance for credit losses is generally not recorded upon modification. Occasionally, the Bank modifies loans by providing principal forgiveness on certain of its real estate loans. When principal forgiveness is provided, the amortized cost basis of the asset is written off against the allowance for credit losses. The amount of the principal forgiveness is deemed to be uncollectible; therefore, that portion of the loan is written off, resulting in a reduction of the amortized cost basis and a corresponding adjustment to the allowance for credit losses.

In some cases, the Bank will modify a certain loan by providing multiple types of concessions. 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.

At December 31, 2024, and December 31, 2023, the Bank did not have any loans modified to borrowers experiencing financial difficulty.

Upon the Bank's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

*Unfunded commitments*

The Bank 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, and are discussed in Note 1.

On January 1, 2023, the Bank recorded an adjustment for unfunded commitments of \$280,436 for the adoption of ASC Topic 326. For the year ended December 31, 2024, the Bank recorded a provision for credit losses for unfunded commitments of \$7,699. At December 31, 2024, the liability for credit losses on off-balance sheet credit exposures included in other liabilities was \$416,006.

**BLUEHARBOR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 6—Property and equipment**

*Components of Property and Equipment* – Components of property and equipment and total accumulated depreciation at December 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Land	\$ 2,788,916	\$ 2,788,916
Buildings and improvements	9,148,723	9,064,668
Furniture and equipment	1,134,439	916,264
Construction in process	-	2,154
Property and equipment, net	13,072,078	12,772,002
Less accumulated depreciation	<u>(2,205,937)</u>	<u>(1,686,457)</u>
Property and equipment, net of depreciation	<u>\$ 10,866,141</u>	<u>\$ 11,085,545</u>

Depreciation expense was \$551,065 and \$508,568 for the years ended December 31, 2024 and 2023, respectively.

*Lessee Leases* – The Bank leases various office spaces for banking facilities under operating lease arrangements with remaining lease terms of 5 months to 42 months. Future minimum lease payments required for all operating leases at December 31, 2024 are as follows:

**Years Ending December 31,**

2025	\$ 74,060
2026	36,360
2027	36,360
2028	<u>36,360</u>
	<u>\$ 183,140</u>

Total rent expense was \$67,222 and \$91,568 for the years ended December 31, 2023 and 1899, respectively.

The Bank maintains operating leases on buildings for the Mount Airy branch and the two loan production offices. As of December 31, 2024, the Bank had operating ROU assets of \$123,093 and operating lease liabilities of \$124,883, which are classified in other assets and other liabilities, respectively, in the balance sheet. As of December 31, 2023, the Bank had operating ROU assets of \$42,480 and operating lease liabilities of \$43,070, which are classified in other assets and other liabilities, respectively, in the balance sheet. The calculated amount of the ROU assets and lease liabilities are impacted by the length of the lease term and the discount rate used to determine the present value of the minimum lease payments. Certain lease arrangements contain extension options which typically range from one to five years. These extension options are not included in the lease term as they are not generally considered reasonably certain of exercise. Regarding the discount rate, the Bank utilizes its incremental borrowing rate at lease inception, on a collateralized basis, over a similar term of the lease.

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**Note 6—Property and equipment (continued)**

The table below summarizes the annual activity of the Bank’s operating ROU assets:

	<u>2024</u>	<u>2023</u>
Beginning balance, January 1	\$ 42,480	\$ 48,430
Operating ROU assets recognized during the year	132,416	52,680
Amortization of operating ROU assets	<u>(51,804)</u>	<u>(58,630)</u>
Ending balance	<u>\$ 123,092</u>	<u>\$ 42,480</u>

The table below summarizes other information related to the Bank’s operating leases:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts related to operating leases	\$ 69,569	\$ 91,568
Total operating lease costs	67,222	73,864
Weighted-average remaining lease term – operating leases, in years	3.31	1.54
Weighted-average discount rate – operating leases	4.67%	4.70%

The table below summarizes the maturity of remaining operating lease liabilities as of December 31, 2023:

**Years Ending December 31,**

2025	\$ 44,160
2026	36,360
2027	36,360
2028	<u>18,180</u>
Total lease payments	135,060
Less interest	<u>(10,177)</u>
Operating lease liability	<u>\$ 124,883</u>

*Lessor Leases* – The Bank’s only lessor lease is for the occupied office space at its operations facility. The lease is not a sales-type or direct financing lease and is considered an operating lease. The lease has a defined term of 15 years and has two renewal options for five years each. Income from operating leases is reported within leasing income in the Bank’s income statement. The leasing income was \$634,720 and \$631,140 for the years ended December 31, 2024 and 2023, respectively.

The table below summarizes the maturity of operating lease receivables as of December 31, 2024:

**Years Ending December 31,**

2025	\$ 516,519
2026	526,850
2027	537,387
2028	548,134
2029	559,097
Over 5 years	<u>2,811,129</u>
Total lease receivables	<u>\$ 5,499,116</u>

**BLUEHARBOR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2024 AND 2023

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**Note 7—Deposits**

The aggregate amount of time deposits in denominations that met or exceeded the FDIC insurance limit of \$250,000 or more at December 31, 2024 and 2023 was \$42,985,617 and \$26,284,820, respectively. At December 31, 2024, the scheduled maturities of time deposits are as follows:

**Years Ending December 31,**

2025	\$ 83,886,466
2026	161,280
2027	111,971
2028	57,188
2029	286,222
	<u>\$ 84,503,127</u>

Brokered deposits totaled \$18,256,834 and \$7,031,450 as of December 31, 2024 and 2023, respectively.

At December 31, 2024, the Bank had one deposit relationship which comprised approximately 7% of total deposits.

**Note 8—Borrowings**

*Lines of Credit* – The Bank has established credit facilities to provide additional liquidity if and as needed. These credit facilities consist of unsecured lines of credit with correspondent banks for federal funds purchased totaling \$48,500,000, a secured line of credit with FHLB of Atlanta of \$90,967,723, and a secured line of credit with the Federal Reserve Bank of \$14,186,438 for a total of \$153,654,161 available. At December 31, 2024, the Bank had a letter of credit in the amount of \$2,000,000 with the FHLB. The letter of credit was established in 2020 to pledge as collateral for public deposits that exceed the limits insured by the Federal Deposit Insurance Corporation. The Bank also had \$4,000,000 in advances outstanding with the FHLB.

**Note 9—Fair value of financial instruments**

The Bank utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Securities available-for-sale, trading securities and derivatives, if present, are recorded at fair value on a recurring basis. Additionally, from time to time, the Bank may be required to record at fair value other assets on a nonrecurring basis, such as loans held for sale, loans held for investment and certain other assets. Their nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or write-downs of individual assets.

**BLUEHARBOR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2024 AND 2023

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**Note 9—Fair value of financial instruments (continued)**

*Fair Value Hierarchy* – Under FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, the Bank groups assets and liabilities at fair values 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. These levels are:

*Level 1* – Valuation is based upon quoted prices for identical instruments traded in active markets.

*Level 2* – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

*Level 3* – Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value.

*Investment Securities Available-for-Sale* – Investment securities available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U. S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets, and money market funds. Level 2 securities include mortgage-backed securities issued by government sponsored entities, municipal bonds, and corporate debt securities. Securities classified as Level 3 include corporate debt securities in less liquid markets.

*Loans Held for Sale* – Loans held for sale are carried at cost, which is estimated to be fair value given the short period of time a loan is held for sale. Loans held for sale are reported in the Level 2 fair value category.

*Individually Evaluated Loans* – The Bank does not record loans at fair value on a recurring basis. The fair value of individually evaluated loans is estimated using one of several methods, including collateral value, liquidation value, and discounted cash flows. When the fair value of collateral is based on an observable market price or a current appraised value, the Bank records the individually evaluated loan as Level 2. If the fair value of the loan is based on criteria other than observable market prices or current appraised value, the loan is recorded as Level 3.

*Other Real Estate Owned* – Other real estate owned is adjusted to fair value upon transfer of the loans to foreclosed assets. Other real estate owned is carried at the lower of the carrying value or fair value. Fair value is primarily based upon independent observable market prices or appraised values of the collateral, which the Bank considers to be Level 2 inputs. In addition, fair value may be based upon the currently listed sales price for the foreclosed asset, which the Bank considers to be Level 3 inputs. Level 3 inputs are only used in the event that the currently listed sales price of the collateral falls below the independent observable market prices or appraised values of the collateral.

**BLUEHARBOR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 9—Fair value of financial instruments (continued)**

*General* – The Bank has no liabilities carried at fair value or measured at fair value on a recurring or nonrecurring basis. Below is a summary of assets carried at fair value or measured at fair value on a recurring or nonrecurring basis as of December 31, 2024 and 2023:

<b>December 31, 2024</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Recurring Basis:</b>				
Investment in securities				
available-for-sale:				
US Government and federal agencies	\$ 1,102,472	\$ -	\$ 1,102,472	\$ -
Mortgage-backed securities	10,221,982		10,221,982	-
Municipal securities	12,771,222		12,771,222	-
Corporate debt securities	3,163,020		2,311,351	851,669
Total assets at fair value	<u>\$ 27,258,696</u>	<u>\$ -</u>	<u>\$ 26,407,027</u>	<u>\$ 851,669</u>
<b>Nonrecurring Basis:</b>				
Individually evaluated loans, net of related allowance for credit losses:				
Consumer real estate	\$ -	\$ -	\$ -	\$ -
Total individually evaluated loans, net of allowance for credit losses	-	-	-	-
Loans held for sale	-	-	-	-
Total assets at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>December 31, 2023</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Recurring Basis:</b>				
Investment in securities				
available-for-sale:				
US Treasuries	\$ 7,360,313	\$ 7,360,313	\$ -	\$ -
US Government and federal agencies	1,179,093	-	1,179,093	-
Mortgage-backed securities	11,492,650		11,492,650	-
Municipal securities	13,597,797		13,597,797	-
Corporate debt securities	2,982,835		1,689,799	1,293,036
Total assets at fair value	<u>\$ 36,612,688</u>	<u>\$ 7,360,313</u>	<u>\$ 27,959,339</u>	<u>\$ 1,293,036</u>
<b>Nonrecurring Basis:</b>				
Individually evaluated loans, net of related allowance for credit losses:				
Consumer real estate	\$ 43,877	\$ -	\$ -	\$ 43,877
Total individually evaluated loans, net of allowance for credit losses	43,877	-	-	43,877
Loans held for sale	-	-	-	-
Total assets at fair value	<u>\$ 43,877</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,877</u>

**BLUEHARBOR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2024 AND 2023

**Note 9—Fair value of financial instruments (continued)**

For Level 3 assets measured at fair value on a recurring or non-recurring basis as of December 31, 2024 and 2023, the significant unobservable inputs used in the fair value measurements were as follows:

	Fair Value at December 31, 2024	Fair Value at December 31, 2023	Valuation Technique	Significant Unobservable Inputs	General Range of Significant Unobservable Input Values
Individually evaluated, net of related allowance for credit losses:	\$ -	\$ 43,877	Appraised Value/ Discounted Cash Flows/ Market Value of Note	Discounts to reflect current market conditions, ultimate collectability, and estimated costs to sell	0 - 18%

For assets and liabilities that are not presented on the balance sheet at fair value, the Bank uses the following methods to determine fair value:

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Bank's entire holdings of a particular financial instrument. Because no market exists for a portion of the Bank's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on and off balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Significant assets or liabilities not considered financial instruments include deferred tax assets and premises and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered.

The Bank's fair value methods and assumptions for assets and liabilities that are not presented on the balance sheet at fair value are as follows:

*Cash and Cash Equivalents, FHLB Stock, Accrued Interest Receivable, and Accrued Interest Payable* – The carrying value is a reasonable estimate of fair value.

*Loans Held for Sale* – The carrying value is a reasonable estimate of fair value based up the short period of time these loans are held prior to sale in the secondary market.

*Loans, Net* – The carrying value for variable rate loans is a reasonable estimate of fair value due to contractual interest rates based on prime. Fair value for fixed rate loans is estimated based upon discounted future cash flows using discount rates comparable to rates currently offered for such loans.

*Deposit Accounts* – The fair value of certificates of deposit is estimated using rates currently offered for deposits of similar remaining maturities. The fair value of all other deposit account types is the amount payable on demand at year end.

**BLUEHARBOR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2024 AND 2023

**Note 9—Fair value of financial instruments (continued)**

*Repurchase Agreements, Federal Funds Purchased and FHLB Borrowings* – The carrying value of variable rate borrowings is considered to approximate fair value.

*Commitments to Extend Credit and Standby Letters of Credit* – The large majority of the Bank’s loan commitments are at variable rates, and therefore, are subject to minimal interest rate risk exposure. Therefore, the fair value of these financial instruments is considered to approximate the commitment amount.

For loans, the carrying amount is net of unearned income and the allowance for credit losses. The fair value of loans as of December 31, 2024 and 2023 was measured using an exit price notion.

Based on the limitations, methods, and assumptions noted, the estimated fair values of the Bank’s financial instruments at December 31, 2024 and 2023 are as follows:

	2024		2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Cash and cash equivalents	\$ 28,867,182	\$ 28,867,182	\$ 15,422,064	\$ 15,422,064
Investment securities, available-for-sale	27,258,696	27,258,696	36,612,688	36,612,688
FHLB stock	493,100	493,100	286,500	286,500
Loans held for sale	-	-	-	-
Loans, net	428,625,231	415,217,402	353,374,699	338,860,711
Financial liabilities:				
Deposit accounts	\$440,733,082	\$421,374,000	\$ 374,829,306	\$355,892,290

**Note 10—Stock and earnings per share**

Upon opening, the Bank issued 1,900,000 shares of common stock. Share data for all periods reported are reflective of stock dividends issued in prior periods. The Bank is authorized to issue 20,000,000 shares of common stock with a par value of \$5 per share and 5,000,000 shares of preferred stock with no par value.

*Earnings Per Share* – The following table details the computation of basic and diluted earnings per common share for the years ended December 31, 2024 and 2023:

	2024	2023
Net income available to common shareholders	\$ 6,786,909	\$ 7,159,963
Weighted average shares outstanding, basic	2,942,628	2,913,484
Effect of dilutive securities	75,300	120,950
Weighted average shares outstanding, diluted	3,017,928	3,034,434
Basic earnings per common share	\$ 2.31	\$ 2.46
Dilutive earnings per common share	\$ 2.25	\$ 2.36

**BLUEHARBOR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 11—Income taxes**

*Current and Deferred Income Tax Components* – The components of income tax expense (substantially all federal) for the years ended December 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Current	\$ 2,085,744	\$ 2,067,609
Deferred benefit	(242,986)	(21,633)
Income tax expense	<u>\$ 1,842,758</u>	<u>\$ 2,045,976</u>

*Deferred Income Tax Analysis* – The significant components of net deferred tax assets at December 31, 2024 and 2023 are summarized as follows:

	<u>2024</u>	<u>2023</u>
Deferred tax assets:		
Allowance for credit losses	\$ 838,099	\$ 670,797
Unfunded Commitments	94,756	93,809
Unrealized losses on securities	1,127,683	1,127,727
Supplemental executive retirement plan accrual	1,242,766	955,622
Stock compensation expense	52,870	87,823
Other	23,353	115,071
Deferred tax asset	<u>3,379,527</u>	<u>3,050,849</u>
Deferred tax liabilities:		
Deferred loan costs	326,389	327,232
Depreciation	402,081	430,580
Other	129,372	14,294
Deferred tax liability	<u>857,842</u>	<u>772,106</u>
Net deferred tax asset	<u>\$ 2,521,685</u>	<u>\$ 2,278,743</u>

The net deferred tax asset is included in other assets on the balance sheet. The Bank measures deferred tax assets and liabilities using enacted tax rates that will apply in the years in which the temporary differences are expected to be recovered or paid.

The income tax expense for the years ended December 31, 2024 and 2023, is reconciled to the amount of income tax computed at the federal statutory rate of 21 percent on income before income taxes as follows:

	<u>2024</u>	<u>2023</u>
Tax expense at statutory rate	\$ 1,812,230	\$ 1,933,247
State income tax expense, net of federal expense	161,433	179,617
Decrease in taxes resulting from:		
Stock based compensation	(74,090)	(38,704)
Other, net	(56,815)	(28,184)
Income tax expense	<u>\$ 1,842,758</u>	<u>\$ 2,045,976</u>

**BLUEHARBOR BANK**  
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

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**Note 11—Income taxes (continued)**

The Bank 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.

The Bank files income tax returns with the federal and state governments. With few exceptions, the Bank is no longer subject to federal and state income tax examinations by tax authorities for tax years prior to 2020.

**Note 12—Commitments and contingencies**

*Litigation* – In the normal course of business, the Bank may be involved in various legal proceedings. At December 31, 2024, management is not aware of any pending or threatened litigation or unasserted claims or assessments that could result in losses, if any, that would be material to the financial statements.

*Financial Instruments with Off-Balance-Sheet Risk* – The Bank is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, credit risk in excess of the amount recognized in the balance sheet.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as for on-balance-sheet instruments.

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. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the party. Collateral held varies but may include accounts receivable, inventory, property and equipment, residential real estate, and income-producing commercial properties.

Standby letters of credit are conditional financial commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Collateral held varies as specified above and is required in instances which the Bank deems necessary.

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

	<u>2024</u>	<u>2023</u>
Commitments to grant loans	\$ 75,701,821	\$ 64,621,208
Unfunded commitments under lines of credit	80,246,605	79,110,923
Standby letters of credit	141,299	118,430
Commitments to Plexus Fund III and IV	525,000	525,000

**BLUEHARBOR BANK**  
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

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**Note 12—Commitments and contingencies (continued)**

*Concentrations of Credit Risk* – Substantially all of the Bank’s loans and commitments to extend credit have been granted to customers in the Bank’s market area and such customers are generally depositors of the Bank. The concentrations of credit by type of loan are set forth in Note 4. The Bank’s primary focus is toward consumer and

small business transactions, and accordingly, it does not have a significant number of loans or commitments to any single borrower or group of related borrowers.

The Bank from time to time may have cash and cash equivalents on deposit with financial institutions that exceed federally insured limits.

**Note 13—Regulatory restrictions**

*Dividends* – The Bank, as a North Carolina banking corporation, may pay dividends only out of undivided profits (retained earnings) as determined pursuant to North Carolina General Statutes Section 53C. However, regulatory authorities may limit payment of dividends by any bank when it is determined that such a limitation is in the public interest and is necessary to ensure financial soundness of the bank.

*Capital Requirements* – The Bank is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory (and possibly additional discretionary) actions by regulators that, if undertaken, could have a direct material effect on the Bank’s financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank’s assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank’s capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total, Tier I capital, and Common Tier I capital to risk-weighted assets, and of Tier I capital to average assets, as all those terms are defined in the applicable regulations. As of December 31, 2024 and 2023, the Bank met all capital adequacy requirements to which it was subject.

**BLUEHARBOR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2024 AND 2023

**Note 13—Regulatory restrictions (continued)**

As of December 31, 2024 and 2023, the Bank met the criteria to be considered well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios. These minimum requirements as well as the Bank's actual capital amounts and ratios are presented in the following table:

	Actual		Minimum Capital Requirement		Minimum to be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>December 31, 2024</b>						
Total Capital						
(to Risk-Weighted Assets)	\$ 63,517	14.1%	\$ 35,937	8.0%	\$ 44,921	10.0%
Tier 1 Capital						
(to Risk-Weighted Assets)	\$ 58,969	13.1%	\$ 26,953	6.0%	\$ 35,937	8.0%
Common Equity Tier 1 Capital						
(to Risk-Weighted Assets)	\$ 58,969	13.1%	\$ 20,215	4.5%	\$ 29,199	6.5%
Tier 1 Capital						
(to Average Assets)	\$ 58,969	12.0%	\$ 19,691	4.0%	\$ 24,614	5.0%
<b>December 31, 2023</b>						
Total Capital						
(to Risk-Weighted Assets)	\$ 57,012	15.3%	\$ 29,824	8.0%	\$ 37,280	10.0%
Tier 1 Capital						
(to Risk-Weighted Assets)	\$ 53,182	14.3%	\$ 22,368	6.0%	\$ 29,824	8.0%
Common Equity Tier 1 Capital						
(to Risk-Weighted Assets)	\$ 53,182	14.3%	\$ 16,776	4.5%	\$ 24,232	6.5%
Tier 1 Capital						
(to Average Assets)	\$ 53,182	12.4%	\$ 17,192	4.0%	\$ 21,491	5.0%

In July 2013, the Federal Reserve and the FDIC approved revisions to their capital adequacy guidelines and prompt corrective action rules that implement the revised standards of the Basel Committee on Banking Supervision, commonly called "Basel III," and address relevant provision of the Dodd-Frank Act. Basel III refers to two consultative documents released by the Basel Committee on Banking Supervision in December 2009, the rules text released in December 2010, and loss absorbency rules issued in January 2011, which include significant changes to bank capital, leverage, and liquidity requirements.

The rules include new risk-based capital and leverage ratios, which became effective on January 1, 2015, and revise the definition of what constitutes "capital" for purposes of calculating those ratios. The new minimum capital level requirements applicable to the Bank are: (i) a new common equity Tier 1 capital ratio of 4.5 percent; (ii) a Tier 1 capital ratio of 6.0 percent (increased from 4.0 percent); (iii) a total capital ratio of 8.0 percent (unchanged from current rules); and (iv) a Tier 1 leverage ratio of 4.0 percent for all institutions. The rules eliminated the inclusion of certain instruments, such as trust preferred securities, from Tier 1 capital. Instruments issued prior to May 19, 2010, are grandfathered for companies with consolidated assets of \$15 billion or less. The rules established a "capital conservation buffer" of 2.5 percent above the new regulatory minimum capital requirements, which must consist entirely of common equity Tier 1 capital and result in the following minimum ratios: (i) a common equity Tier 1 capital ratio of 7.0 percent, (ii) a Tier 1 capital ratio of 8.5 percent and (iii) a total capital ratio of 10.5 percent. The new capital conservation buffer requirement was phased in beginning in January 2016 at 0.625 percent of risk-weighted assets and increased by that amount each year until fully implemented in January 2019 at 2.5%. An institution will be subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if its capital level falls below the buffer amount. These limitations will establish a maximum percentage of eligible retained income that may be utilized for such actions.

**BLUEHARBOR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2024 AND 2023

**Note 14—Transactions with related parties**

The Bank has entered into transactions with its directors, significant shareholders and their affiliates (related parties). Such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers, and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features. Annual activity consisted of the following:

	<u>2024</u>	<u>2023</u>
Beginning balance	\$ 2,032,781	\$ 2,785,308
New loans and advances	1,072,433	820,545
Repayments	<u>(808,758)</u>	<u>(1,573,072)</u>
Ending balance	<u>\$ 2,296,456</u>	<u>\$ 2,032,781</u>

Deposits and repurchase agreements from related parties held by the Bank at December 31, 2024 and 2023 amounted to \$6,627,655 and \$6,059,150, respectively.

**Note 15—Employee benefit plans**

*Defined Contribution Plan* – The Bank maintains a profit sharing plan pursuant to Section 401(k) of the Internal Revenue Code of 1986, as amended (the “Code”). The plan covers substantially all full-time employees who are 21 years of age and have completed 90 days of service. Participants may contribute a percentage of compensation, subject to a maximum allowed under the Code. In addition, the Bank matches certain contributions and may make additional contributions at the discretion of the Board of Directors. The Bank’s contributions were \$129,695 and \$115,610 for the years ended December 31, 2024 and 2023, respectively.

*Supplemental Executive Retirement Plan* – The Bank maintains a Supplemental Executive Retirement Plan (“SERP”) for its President and Chief Executive Officer, Joe I. Marshall, Jr., to which benefits will be contributed to the extent permitted by Section 409A of the Code. The SERP provides for an annual retirement benefit of 70 percent of Mr. Marshall’s average annual compensation from the Bank during the three calendar years preceding his retirement, continuing on a monthly basis thereafter for a period of 20 years and vesting 10 percent annually from the date the agreement was signed and 100 percent upon a Change in Control. The liability for the SERP was \$5,456,114 and \$4,159,399 for the years ended December 31, 2024 and 2023, respectively and is included on the balance sheet under other liabilities. The expense related to funding the SERP was \$1,296,715 and \$491,345 for the years ended December 31, 2024 and 2023, respectively.

*Stock Compensation Plans* – The Bank has adopted both an Incentive Stock Option Plan and a Nonstatutory Stock Option Plan (each a “Plan” and collectively, the “Plans”). Under each Plan, up to 273,600 shares may be issued for a total of 547,200 shares. Options granted under both Plans expire no more than 10 years from the date of grant. The exercise price for each option shall be set by the Board of Directors at the date of grant, but shall not be less than 100 percent of fair market value of the related stock at the date of the grant. Under both Plans, option vesting terms shall be set by the Board of Directors at the date of grant. All options granted under the Plans vest annually over a five-year period from the date of the grant. There was no compensation expense related to options granted for the years ended December 31, 2024 and 2023. The Plans expired on June 19, 2018, and no additional grants may be awarded under either Plan.

**BLUEHARBOR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2024 AND 2023

**Note 15—Employee benefit plans (continued)**

A summary of stock options outstanding under each Plan during the years ended December 31, 2024 and 2023 is as follows:

	<b>Incentive Plan</b>	<b>Nonstatutory Plan</b>
<b>Balance, December 31, 2022</b>	\$ 27,600	\$ 38,392
Forfeited	(6,000)	-
Exercised	(8,400)	(4,800)
<b>Balance, December 31, 2023</b>	13,200	33,592
Forfeited	-	(4,792)
Exercised	(13,200)	(28,800)
<b>Balance, December 31, 2024</b>	<u>\$ -</u>	<u>\$ -</u>

The Bank has also adopted an Omnibus Incentive Plan (“Omnibus Plan”) whereby certain stock-based rights, such as stock options, restricted stock, or performance units, may be granted to eligible directors and employees. Under the Omnibus Plan, 271,857 shares of the authorized and unissued shares of the Bank’s common stock can be awarded. Options granted under the Omnibus Plan expire no more than 10 years from the date of grant. The exercise price for each option shall be set by the Board of Directors at the date of grant but shall not be less than 100 percent of fair market value of the related stock at the date of the grant. Under the Omnibus Plan, option vesting terms shall be set by the Board of Directors at the date of grant. All options granted so far under the Plans vest annually over a five-year period from the date of the grant. During the year ended December 31, 2024, 7,800 incentive stock options were exercised, and no incentive options were forfeited under the Omnibus Plan and during the year ended December 31, 2023, 6,600 incentive stock options were exercised, and no incentive options were forfeited under the Omnibus Plan.

The Bank granted 15,000 options under the Omnibus Plan during the year ended December 31, 2024, and the Bank did not grant any options under the Omnibus Plan during the years ended December 31, 2023. The weighted average fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

Grant Date	February 2024	March 2024	May 2024
Total number of options granted	7,500	2,500	5,000
Expected volatility	28.42%	24.19%	21.94%
Expected dividend	0.00%	0.00%	0.00%
Expected term (years)	5.00	5.00	5.00
Risk free rate	4.28%	4.25%	4.54%

Compensation expense related to options granted under the Omnibus Plan was \$47,934 and \$39,564 for the years ended December 31, 2024 and 2023, respectively.

**BLUEHARBOR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2024 AND 2023

**Note 15—Employee benefit plans (continued)**

For the year ended December 31, 2024, the Bank granted 4,000 shares of restricted stock at a weighted average grant date fair value of \$21.10 per share under the Omnibus Plan. During the year ended December 31, 2023, the Bank granted 19,750 shares of restricted stock at a weighted average grant date fair value of \$17.43 per share under the Omnibus Plan. As of December 31, 2024 and 2023, there were 16,650 and 9,500 shares of restricted stock vested, respectively. The Bank recognizes compensation expense on the restricted stock grants over the period of time the restrictions are in place (three years or five years from the grant date). The Bank recognized compensation expense for restricted stock granted under the Omnibus Plan of \$196,093 and \$238,414 during the years ended December 31, 2024 and 2023, respectively. The total unrecognized compensation expense related to the restricted stock grants under the Omnibus Plan was \$176,469 and \$288,162 as of December 31, 2024 and 2023, respectively.

Under the Omnibus Plan, total shares available to be issued were 98,036 and 127,236 at December 31, 2024 and 2023, respectively.

A summary of option activity under all plans during the periods ended December 31, 2024 and 2023 is presented below:

	<b>Options Outstanding</b>	<b>Weighted Average Exercise Price</b>	<b>Average Remaining Contractual Term</b>	<b>Aggregate Intrinsic Value *</b>
Outstanding, December 31, 2022	151,792	\$ 7.65	4.67 years	1,375,669
Exercisable, December 31, 2022	100,200	\$ 7.16	3.30 years	-
Granted	-	-		
Forfeited	(6,000)	8.38		
Exercised	(19,800)	6.81		
Outstanding, December 31, 2023	125,992	\$ 7.69	4.09 years	1,596,843
Exercisable, December 31, 2023	94,200	\$ 7.38	3.33 years	-
Granted	15,000	20.55		
Forfeited	(4,792)	6.68		
Exercised	(49,800)	6.92		
Outstanding, December 31, 2024	86,400	\$ 10.47	5.99	1,091,463
Exercisable, December 31, 2024	55,200	\$ 8.42	5.28 years	

\* The aggregate intrinsic value of stock options in the table above 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 option holders exercised their options on December 31, 2024, 2023, and 2022. This amount changes based on changes in the market value of the Bank's stock. The fair value (present value of the estimated future benefit to the option holder) of each option grant is estimated on the date of grant using the Black-Scholes option pricing model.

**BLUEHARBOR BANK**  
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

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**Note 15—Employee benefit plans (continued)**

There were 16,800 and 18,600 options vested during the years ended December 31, 2024 and 2023, respectively. Total unrecognized compensation expense related to outstanding non-vested stock options will be recognized over the following periods:

**Years Ending December 31,**

2025	\$	52,436
2026		19,400
2027		19,400
2028		19,400
2029		19,400
		<hr/>
	\$	<u>130,036</u>

**Note 16—Subsequent events**

Subsequent events are events or transactions that occur after the balance sheet date, but before financial statements are issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date.

Management has reviewed the events occurring through March 21, 2025, the date the financial statements were issued and no subsequent events occurred that require accrual or disclosure.

**BLUEHARBOR BANK**  
**BOARD OF DIRECTORS AND EMPLOYEES**

DECEMBER 31, 2024 AND 2023

**Board of Directors**

Kelley Earnhardt Miller (Chairman)	JR Motorsports
Abigail Jennings	Lake Norman Realty
Jim Marshall	blueharbor bank
Bynum Marshall	Chick-fil-A, Inc.
Rock Pickard, Jr.	Central Carolina Insurance Agency
Bill Pope (Vice Chairman)	Pope McMillan, P.A.
R. B. Sloan, Jr.	Southeastern Data Cooperative
Louis Stanfield, Jr.	Stanfield & Blackman, LLC and Stanfield & Company, LLC
Rick Teague	Techmet Carbides, Inc.

**Employees**

Jim Marshall	President and Chief Executive Officer
Don Flowe	Senior Vice President and Chief Credit Officer
Chris Nichols	Senior Vice President and Senior Commercial Lender
Kim Atwell	Senior Vice President and Commercial Banker
Gordon Quarles	Senior Vice President and Market Executive
Andrew Jackson	Market President
Lindsey Huffman	Vice President and Chief Financial Officer
Carl Larson	Vice President and Controller
Gerald Huffman	Vice President and Commercial Lender
Cliff Hunnicutt	Vice President and Branch Manager
Thom Kincaid	Vice President and Commercial Lender
Karen Patterson	Vice President and Mortgage Lender
Heather Troutman	Vice President and Mortgage Lender
Danielle Johnson	Vice President and Deposit Operations Manager
Beth Mills	Vice President and Loan Operations Manager
Fred Brown	Vice President and Senior Credit Officer
Tina Butcher	Vice President and Branch Manager
Jennifer Mahaffey	Branch Manager
Stefani Beane	Loan Operations Specialist
Lisa Colvard	Mortgage Loan Officer
Toey Fortenbery	Treasury Services Specialist
Christine Glidden	Operations Specialist
Erin Hooper	Operations Specialist
Blake Hunt	Commercial Banking Associate
Kelsey Norwood	Loan Compliance and Operations Specialist
Sue Stamey	Executive Assistant
Maria Weatherman	Commercial Loan Assistant
Kelly Pfeuger	Lead Universal Associate
Leslie Ramirez	Lead Universal Associate
Alicia Belk	Universal Associate
Jody Bolin	Universal Associate
Renae Davidson	Universal Associate
Susan Gambill	Universal Associate
Melissa Hawks	Universal Associate
Nichol Johns	Universal Associate
Justin Saunders	Universal Associate
Sherry Spann	Universal Associate
Tara Summers	Universal Associate

# BLUEHARBOR BANK

## SHAREHOLDERS' INFORMATION

DECEMBER 31, 2024 AND 2023

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### Annual Meeting

The 2024 Annual Meeting of Shareholders of the Bank will be held on May 19th, 2024, at 4:30 p.m., Eastern Daylight Savings Time, at the Bank's headquarters, 106 Corporate Park Drive, Mooresville, North Carolina 28117.

### Request for Information

Requests for information should be directed to Jim Marshall, President and Chief Executive Officer, at blueharbor bank, Post Office Box 3546, Mooresville, North Carolina 28117.

#### Independent Auditors

Cherry Bekaert LLP  
101 S. Fifth Street, Suite 2100  
Louisville, KY 40202

#### Stock Transfer Agent

Broadridge Corporate Issuer Solutions, Inc.  
Post Office Box 1342  
Brentwood, NY 11717

### Federal Deposit Insurance Corporation

The Bank is a member of the Federal Deposit Insurance Corporation. This Annual Report has not been reviewed, or confirmed for accuracy or relevance by the Federal Deposit Insurance Corporation.

#### Mailing Address

blueharbor bank  
Post Office Box 3546  
Mooresville, North Carolina 28117

#### Internet Address

<http://www.blueharborbank.com/>

### Stock Information

*Market Information* – The Bank's common stock began trading on July 7, 2008. As of March 21, 2025, there were approximately 385 holders of record, not including the number of persons or entities whose stock is held in nominee or street name through various brokerage firms or banks. The Bank's stock is traded on the OTCQX Market under the symbol BLHK.

*Dividend Information* – On January 28, 2013, the Board of Directors declared a 20 percent stock dividend that was paid on March 5, 2013, to shareholders of record at the close of business on February 15, 2013. On February 12, 2016, the Board of Directors declared a 20 percent stock dividend that was paid on March 21, 2016, to shareholders of record at the close of business on February 29, 2016. On March 8, 2021 the Board of Directors declared a \$0.10 per share dividend to be paid on April 9, 2021 to shareholders of record at the close of business on March 19, 2021. On June 17, 2024, the Board of Directors declared a \$0.20 per share dividend to be paid on July 5, 2024 to shareholders of record at the close of business on June 27, 2024 and on November 21, 2024, the Board of Directors declared a \$0.20 per share dividend to be paid on December 13, 2024 to shareholders of record at the close of business on December 3, 2024. In determining whether to declare future dividends, the Board of Directors will take into account the Bank's operating results, capital requirements, financial condition, tax considerations and other relevant factors including federal and state regulatory restrictions on dividends. Also, the Bank's ability to declare and pay future cash dividends will be dependent upon, among other things, restrictions imposed by bank regulators and capital requirements of federal and state law.

## **BLUEHARBOR BANK**

### **SHAREHOLDERS' INFORMATION**

*DECEMBER 31, 2024 AND 2023*

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*Stock Buyback* – On January 29, 2013, the Bank reported the approval of a stock repurchase plan to repurchase up to \$250,000 of common stock over a twelve-month period, representing approximately 2.5 percent of the common stock outstanding. No shares were repurchased during the approved twelve-month period. On October 21, 2015, the Bank reported the approval of a stock repurchase plan to repurchase up to \$400,000 of common stock over a twelve-month period, representing approximately 2.4 percent of the common stock outstanding. A total of 20,300 shares of common stock were repurchased under this plan with a weighted-average per share price of \$7.66. In March of 2020, the Bank approved a stock repurchase plan to repurchase up to \$500,000 of common stock over a twelve-month period, representing approximately 2.2 percent of the common stock outstanding. A total of 47,827 shares were repurchased under this plan with a weighted-average per share price of \$10.19. In February of 2021, the Bank approved a stock repurchase plan to repurchase up to \$750,000 of common stock over a twelve-month period, representing approximately 2.2 percent of the common stock outstanding. In April 2022, this repurchase plan was extended 12 months to April 2023 and lowered to \$400,000 of common stock. A total of 24,220 shares have been repurchased under this plan with a weighted-average per share price of \$13.62. In April of 2023, the Bank approved a stock repurchase plan to repurchase up to \$500,000 of common stock over a twelve-month period, representing approximately one percent of the common stock outstanding. A total of 25,220 shares were repurchased under this plan with a weighted average per share price of \$19.55. In August 2023, the Bank approved a stock repurchase plan to repurchase up to \$500,000 of common stock over a twelve-month period, representing less than one percent of the common stock outstanding. A total of 27,920 shares have been repurchased under this plan with a weighted average per share price of \$19.47. In May 2024, the Bank approved a stock repurchase plan to repurchase up to \$1,000,000 of common stock over a twelve-month period, representing approximately 1.6% of the common stock outstanding. A total of 12,918 shares have been repurchased under this plan with a weighted average per share price of \$20.42.



### FIVE GREAT LOCATIONS TO SERVE YOU

#### Mooreville Branch

Located in Morrison Plantation  
106 Corporate Park Drive  
Mooreville, NC 28117  
(704) 662-7700

#### Statesville Branch

Located in Downtown Statesville  
108 N. Tradd Street  
Statesville, NC 28677  
(704) 380-3101

#### Mount Airy Branch

Located in Downtown Mount Airy  
954 N. Main Street  
Mount Airy, NC 27030  
(336) 429-5990

#### Belmont Office

409 E. Catawba Street  
Belmont, NC 28012  
(704) 461-8013

#### Hickory Office

2131 North Center Street  
Hickory, NC 28601  
(828) 446-0838

Member  
**FDIC**

[www.blueharborbank.com](http://www.blueharborbank.com)

