MERCHANTS & MARINE BANCORP, INC.

ANNUAL REPORT 2024

mandmbank.com/investor-relations

Family of Brands

Merchants & Marine Bank exemplifies what it means to be a true community bank, having offered dedicated service and financial guidance to individuals and businesses for over 120 years. Their core values—community, relationships, and personal service—guide every decision their team makes, whether it's opening new deposit accounts, assisting local business owners with financing, expanding their workforce, or committing time to the communities they support along the coast of Mississippi and Alabama.

Mississippi River Bank has shown a strong commitment to service and a community-oriented mindset for nearly 45 years. Officially established in 1980, the bank aimed to revive the banking industry that was leaving Plaquemines Parish. Its foundation was built on prioritizing business development and exceptional customer service, a focus that remains central to its mission today.

Canvas Mortgage works to help clients achieve their personal goals and begin their next great story through home ownership. Led by industry veterans, Canvas Mortgage serves community members in their key markets along the Louisiana, Mississippi, Alabama Gulf Coast, and beyond. Their robust staff of Mortgage Loan Officers and operations team allows them to bring the “community banking” style service to home buyers.

CannaFirst Financial is a dedicated division of banking professionals who work directly with Mississippi Cannabis business owners and their affiliates. CannaFirst Financial helps Cannabis business owners navigate regulatory waters and protect their income. Working with Financial Technology (FinTech) providers allows their team to help Cannabis business owners keep their business current and ensure that the providers who work for them also work for their clients.

Community of Resources provides operational support and bank services to the Merchants & Marine Bancorp, Inc. Family of Brands. Staffed by top operational, technology, risk management, and financial services talents from across the Southeast, COR strives to provide best in class bank services support to each and every member of the Family of Brands, their team members, and their clients.

Voyager Lending partners with small businesses by offering government-guaranteed lending solutions. The team at Voyager Lending knows that every business navigates a voyage, and they work to guide clients through their lending journey by giving borrowers the confidence to help their company take flight and thrive. Their community commitment and lending expertise allow them to provide a personalized service that makes for a seamless experience.

At Merchants & Marine Bancorp, Inc., every member of our Family of Brands plays a crucial role, much like essential pieces of a puzzle that come together to define our identity as a company. While each brand possesses its own distinct identity and business model, they combine to create the broader narrative of who we are and the direction we are headed.

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MERCHANTS & MARINE BANCORP, INC.

March 27, 2025

Dear Fellow Shareholder,

It is our great pleasure to share detailed results of our Company's performance over the last year. As you will find in the enclosed Annual Report, 2024 was a year of growth, execution, and success for Merchants & Marine Bancorp, Inc. and our Family of Brands. Despite external challenges – including a high-rate environment and shifting regulatory expectations – our "Battle Ready Balance Sheet" provided our team the stability needed to simultaneously produce strong financial results, complete our first whole-bank acquisition, and position our Company for continued long-term success. As we move into 2025, we remain committed to enhancing shareholder value through disciplined growth and operational excellence.

We hope that the narrative that follows provides helpful context, perspective and insights that aid in your review of our 2024 Annual Report.

2024 Financial Performance: Strength in a Challenging Environment

Our financial performance in 2024 remained **strong**, reflecting careful balance sheet management, profitable growth, and a disciplined pursuit of operational efficiencies.

• **Net income: $5.94 million**, or **$4.46 per share**, compared to $6.03 million, or $4.53 per share, in 2023. This slight decrease reflects strategic investments in growth, including merger-related expenses from the Mississippi River Bank (MRB) acquisition.

• **Return on Average Assets (ROAA): 0.82% for the full year**, with an improved **Annualized Q4 ROAA of 1.1%**, demonstrating positive earnings momentum.

• **Total Assets: $715.2 million**, a 4% increase over 2023.

• **Loan Growth**: **Net loans increased 11.4%** to **$462.6 million**, fueled by the MRB acquisition and solid organic loan demand.

• **Deposit growth: Total deposits rose 14.9%** to **$573.5 million**, reflecting the combined strength of our legacy franchise with new deposit clients from MRB.

• **Net Interest Margin (NIM): Improved to 5.35% at year-end 2024**, due to disciplined deposit pricing and proactive loan repricing, positioning us favorably against industry trends.

Throughout the year, we successfully defended our margin while enhancing diversification in non-interest income throughout our Family of Brands. This level of non-interest income diversification is a challenge that many peer banks struggle to overcome. Our ability to maintain strong core earnings, liquidity, capital and asset quality throughout 2024 positions us well for continued success in 2025.

Credit Risk Management: Prudent and Proactive

Maintaining exceptional credit quality is a cornerstone of our **"Battle Ready Balance Sheet,"** and our performance in 2024 was no exception.

• **Non-Performing Assets:** totaled **0.61% of total assets**, reflecting continued strength.

• **Allowance for Credit Losses (ACL): 1.34% of gross loans**, a strong reserve for potential credit risks.

• **Loans 30-89 Days Past Due:** increased slightly to **1.13% of total loans**, but well below historic norms.

Despite economic uncertainty and concerns about commercial real estate (CRE) markets nationally, our loan portfolio remains healthy thanks to our conservative underwriting and proactive credit risk management. While our team has worked through a limited number of larger loans that were slow in paying near year end, we don't consider these to be indicative of broader deterioration in our loan portfolio.

Balance Sheet Strength: Fuel for Growth

Our "Battle Ready Balance Sheet" continues to be a strategic advantage for our Company, providing the flexibility to grow while maintaining financial strength and stability.

• **Cash & liquid assets: $37.2 million** in cash and equivalents at year-end.

• **Investment portfolio: $142 million**, conservatively positioned to minimize interest rate risk.

• **Available liquidity:** Over **$250 million in additional borrowing capacity** through the Federal Home Loan Bank and Federal Reserve Bank, ensuring significant financial flexibility.

• Capital: Our **17.78% Leverage Ratio** and **20.92% Tier One Risk Based Capital Ratio** continue to position us as one of the best capitalized banks in our peer group.

In addition to fueling growth, our "Battle Ready Balance Sheet" provides significant protection against economic volatility.

Mississippi River Bank Acquisition: A Transformational Milestone

One of our most significant accomplishments in 2024 was the successful acquisition and integration of Mississippi River Bank (MRB) into our Family of Brands. This transaction marked our first whole-bank acquisition, and at closing it added:

• $26 million in high quality loans.

• $98 million in stable, core deposits.

• A **talented team of bankers**, who have seamlessly transitioned into our organization.

Unlike traditional acquisitions that consolidate banks into a single Brand identity, we have preserved MRB's identity and autonomy. In so doing, MRB continues serving its clients and communities as part of our unique Family of Brands model. While integration required significant investments and operational adjustments, we are already seeing the benefits—stronger than market post-acquisition deposit retention, significant new client relationships, and deepened relationships with existing clients. We expect MRB to be a meaningful contributor to earnings and efficiency gains in 2025.

Our Family of Brands: Growth Beyond Traditional Banking

Our team has excelled in building our NIM to exceptionally high levels through leveraging our balance sheet and thoughtful interest rate risk management practices. However, diversifying our revenue streams beyond traditional community banking and Net Interest Margin to protect against downside risks remains a core element of our long-term strategy. Here's an overview of how our non-bank Brands contribute to our overall success:

• **Canvas Mortgage** – Provides comprehensive home financing solutions, including secondary market loan products that drive non-interest income. Canvas also provides cross-sells and supports our Community Development Financial Institution (CDFI) mission and Community Reinvestment Act (CRA) goals.

• **Voyager Lending** – Offers expanded SBA and USDA lending, helping small businesses access government-backed loan products that drive non-interest income. Voyager activities also help support our CDFI mission and CRA goals.

• **CannaFirst Financial** – Continues to grow its specialized banking services for the legal medical cannabis industry, further diversifying our deposit base and fee income streams.

These Brands help us adapt to changing market conditions, expand customer relationships, and reduce reliance on NIM alone in driving profitability.

Looking Ahead

Looking back, 2024 was a year of execution, resilience, and strategic expansion. We delivered strong financial results, successfully integrated Mississippi River Bank, and further strengthened our competitive position. As we look ahead to 2025 and beyond, we remain focused on disciplined growth, operational efficiency, and balance sheet strength. Our key priorities include:

1. Maintaining a strong, "Battle Ready Balance Sheet" – Ensuring robust liquidity levels, a strong capital position, and disciplined risk management frameworks to sustain our long-term success.

2. Leveraging our Family of Brands Model – Enhancing production, efficiency, and collaboration opportunities among our bank and non-bank Brands to both drive profitability and to help us meet our CDFI Mission and CRA goals.

3. Optimizing Community of Resources (COR) – Continuing to strengthen our bank services Brand to support our ongoing organic and acquisitive growth, while also providing superior service to our Family of Brands and their clients.

We are confident in our long-term strategy, our unique operating model, and our ability to create lasting shareholder value.

2025 Annual Shareholder Meeting

We cordially invite you to join us for our 2025 Annual Shareholder's Meeting, which will be held on:

• **Date:** Thursday, May 1, 2025

• **Time:** 10:00 a.m. Central Time

• **Location:** Pelican Landing Event & Conference Center, 6217 Highway 613, Moss Point, MS 39563

• **Virtual Option:** A live webcast will be available via our Investor Relations website. More details on virtual participation are provided in our proxy materials and will be shared on our Investor Relations website at www.mandmbank.com/investor-relations/

On behalf of our Board of Directors, our leadership, and our entire team of bankers; thank you for your continued trust and support.

Sincerely,

Clayton Legear
President & Chief Executive Officer

Royce Cumbest
Chairman of the Board

MERCHANTS & MARINE BANCORP, INC. AND SUBSIDIARY

FINANCIAL HIGHLIGHTS

(In Thousands, Except Per Share Data)

	As of December 31,				
	2024	2023	2022	2021	2020
PERIOD END BALANCE SHEET					
Total assets	$ 715,225	$ 686,157	$ 686,472	$ 678,171	$ 646,061
Loans, net	462,580	415,144	397,788	345,387	359,408
Securities, net	135,776	139,332	201,910	108,219	107,957
Deposits	573,508	498,994	552,650	585,647	550,669
Stockholders' equity	126,050	123,750	120,891	82,109	81,813
AVERAGE BALANCE SHEET					
Total assets	727,770	663,584	711,706	708,368	628,391
Loans, net	438,652	405,555	365,928	341,912	338,023
Securities	151,978	154,799	175,622	108,331	138,537
Deposits	582,123	553,993	613,718	609,768	535,243
Stockholders' equity, net of preferred stock	74,776	68,807	71,929	81,721	80,425
INCOME STATEMENT					
Interest income	39,584	31,090	23,783	22,128	20,090
Interest expense	4,123	1,940	1,387	2,166	3,113
Net interest income	35,462	29,149	22,396	19,962	16,977
Provision (recapture) for credit losses	(86)	91	205	1,391	951
Net interest income after provision (recapture) for credit losses	35,548	29,058	22,191	18,571	16,026
Non-interest income	10,984	11,685	7,935	7,550	8,269
Non-interest expense	39,499	33,320	27,165	23,526	19,334
Net income, after tax	5,936	6,033	2,972	2,185	4,017
Cash dividends declared on common stock	1,929	1,929	1,929	1,929	1,929
PER COMMON SHARE DATA					
Net income	4.06	4.53	2.23	1.64	3.02
Cash dividends	1.45	1.45	1.45	1.45	1.45
Book value, net of preferred stock	56.72	54.99	52.84	61.72	61.50
RATIOS					
Return on average common equity	7.94	8.77	4.13	2.67	4.96
Return on average assets	0.82	0.91	0.42	0.31	0.64
Capital to assets	17.62	18.04	17.61	12.11	12.66
Dividends declared as percentage of income	32.50	31.98	64.91	88.30	48.02

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Merchants & Marine Bancorp, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Merchants & Marine Bancorp, Inc. and Subsidiary (the Bancorp) (a Mississippi Corporation), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and the related notes to consolidated financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Merchants & Marine Bancorp, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

COLUMBUS
221 Seventh St. North
P. O. Box 471
Columbus, MS 39703-0471
Tel: 662.328.5387
Fax: 662.329.4993

STARKVILLE
106 B South Washington St.
P. O. Box 80282
Starkville, MS 39759-0282
Tel: 662.323.1234
Fax: 662.323.1284

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

To the Board of Directors
Merchants & Marine Bancorp, Inc.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

To the Board of Directors
Merchants & Marine Bancorp, Inc.

Other Information Included in the Bancorp's Annual Report

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

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

T.E. Lott & Company

Columbus, Mississippi
February 28, 2025

MERCHANTS & MARINE BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2024 AND 2023

ASSETS	2024	2023
Cash and due from banks	$ 31,719,416	$ 65,963,383
Federal funds sold	56,908	156,525
Total cash and cash equivalents	31,776,324	66,119,908
Time deposits due from banks	5,448,898	5,448,898
Debt securities:		
Available-for-sale, at fair value (amortized cost of $111,629,277 in 2024 and $114,190,953 in 2023)	99,275,344	102,781,528
Held-to-maturity, net of allowance for credit losses of $17,193 in 2024 and $8,000 in 2023 (fair value of $34,370,095 in 2024 and $34,564,505 in 2023)	35,451,752	35,175,173
Equity securities	1,049,400	1,374,853
Loans held for sale	1,780,931	2,863,688
Loans, net of allowance for credit losses of $6,286,500 in 2024 and $7,684,076 in 2023	462,580,207	415,143,855
Property and equipment, net	30,715,630	26,813,426
Accrued income	2,891,979	2,508,857
Goodwill	7,149,286	4,543,152
Core deposit intangibles, net	5,068,326	116,900
Cash surrender value of life insurance	23,683,790	14,889,684
Operating lease right-of-use asset	351,358	548,426
Other assets	8,001,771	7,828,848
Total Assets	$ 715,224,996	$ 686,157,196
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Non-interest bearing demand	$ 140,034,300	$ 128,905,987
Interest bearing	433,474,048	370,088,244
Total deposits	573,508,348	498,994,231
Borrowed funds	-	50,000,000
Securities sold under agreements to repurchase	4,336,218	3,631,491
Operating lease liability	385,287	582,630
Accrued expenses and other liabilities	10,944,942	9,199,337
Total liabilities	589,174,795	562,407,689
STOCKHOLDERS' EQUITY		
Preferred stock- no par value per share, 250,000 non-cumulative shares authorized, 50,595 shares issued and outstanding	50,595,000	50,595,000
Common stock- $2.50 par value per share, 5,000,000 shares authorized, 1,330,338 shares issued and outstanding	3,325,845	3,325,845
Surplus	14,500,000	14,500,000
Retained earnings	71,194,134	67,715,945
Accumulated other comprehensive loss	(13,564,778)	(12,387,283)
Total stockholders' equity	126,050,201	123,749,507
Total Liabilities and Stockholders' Equity	$ 715,224,996	$ 686,157,196

The accompanying notes are an integral part of these balance sheets.

MERCHANTS & MARINE BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
INTEREST INCOME		
Interest and fees on loans	$ 31,852,278	$ 25,286,311
Interest on investment securities:		
Taxable	3,383,369	2,796,059
Exempt	1,517,322	1,529,418
Interest on federal funds sold	532,291	739,675
Other interest income	2,298,899	738,057
Total interest income	39,584,159	31,089,520
INTEREST EXPENSE		
Interest on deposits	2,347,266	1,490,495
Interest on borrowed funds	1,775,366	449,849
Total interest expense	4,122,632	1,940,344
Net interest income	35,461,527	29,149,176
Provision for credit losses - loans	382,799	90,859
Provision for credit losses - held-to-maturity debt securities	9,193	-
Recapture of credit losses - off-balance sheet credit exposures	(478,044)	-
Total provision (recapture) for credit losses	(86,052)	90,859
Net interest income after provision (recapture) for credit losses	35,547,579	29,058,317
NON-INTEREST INCOME		
Service charges on deposit accounts	3,361,746	2,951,245
Other service charges, commissions and fees	2,459,587	2,456,682
Gain on sale of securities, net	223,292	-
Income from bank owned life insurance, net of premiums	749,263	395,451
Gain on sale of bank property	1,123,960	14,397
CDFI Fund Awards	725,000	4,155,608
Other	2,341,193	1,711,904
Total non-interest income	10,984,041	11,685,287

(Continued)

The accompanying notes are an integral part of these statements.

MERCHANTS & MARINE BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

(Continued)

	2024	2023
NON-INTEREST EXPENSE		
Salaries and employee benefits	$ 21,507,831	$ 17,878,255
Occupancy expense	8,495,737	6,643,668
Regulatory assessments	388,806	321,456
Professional fees	2,112,986	2,090,349
Director and committee expenses	595,701	585,934
Other	6,397,943	5,799,980
Total non-interest expense	39,499,004	33,319,642
Income before income taxes	7,032,616	7,423,962
Provision for income taxes	1,097,000	1,391,357
Net income	5,935,616	6,032,605
Preferred stock dividends	528,437	-
Net income available to common shareholders	$ 5,407,179	$ 6,032,605
Net income per common share	$ 4.06	$ 4.53

The accompanying notes are an integral part of these statements.

MERCHANTS & MARINE BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Net income	$ 5,935,616	$ 6,032,605
Other comprehensive income (loss):		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the period	(721,216)	2,034,162
Reclassification adjustment for gains included in net income	(223,292)	-
	(944,508)	2,034,162
Defined benefit pension plans:		
Net gain (loss) arising during the period	(624,439)	1,006,134
Income tax (expense) benefit	391,452	(758,554)
Other comprehensive income (loss)	(1,177,495)	2,281,742
Comprehensive income	$ 4,758,121	$ 8,314,347

The accompanying notes are an integral part of these statements.

MERCHANTS & MARINE BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	Preferred Stock		Common Stock					
	Shares Issued	Amount	Shares Issued	Amount	Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, January 1, 2023	50,595	$ 50,595,000	1,330,338	$ 3,325,845	$ 14,500,000	$ 67,138,698	$ (14,669,025)	$ 120,890,518
Cumulative effect adjustment resulting from the initial adoption of ASU 2016-13	-	-	-	-	-	(3,526,368)	-	(3,526,368)
Balance, January 1, 2023, as adjusted	50,595	50,595,000	1,330,338	3,325,845	14,500,000	63,612,330	(14,669,025)	117,364,150
Net income	-	-	-	-	-	6,032,605	-	6,032,605
Cash dividends, $1.45 per share	-	-	-	-	-	(1,928,990)	-	(1,928,990)
Other comprehensive income	-	-	-	-	-	-	2,281,742	2,281,742
Balance, December 31, 2023	50,595	50,595,000	1,330,338	3,325,845	14,500,000	67,715,945	(12,387,283)	123,749,507
Net income	-	-	-	-	-	5,935,616	-	5,935,616
Cash dividends, $1.45 per share	-	-	-	-	-	(1,928,990)	-	(1,928,990)
Cash dividends paid on preferred stock	-	-	-	-	-	(528,437)	-	(528,437)
Other comprehensive loss	-	-	-	-	-	-	(1,177,495)	(1,177,495)
Balance, December 31, 2024	50,595	$ 50,595,000	1,330,338	$ 3,325,845	$ 14,500,000	$ 71,194,134	$ (13,564,778)	$ 126,050,201

The accompanying notes are an integral part of these statements.

MERCHANTS & MARINE BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 5,935,616	$ 6,032,605
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,754,108	1,581,309
Provision (recapture) for credit losses	(86,052)	90,859
FHLB stock dividend	(53,300)	(42,900)
Deferred income tax benefit	(474,000)	(553,000)
Increase in cash value of life insurance	(749,263)	(391,301)
Write-downs of real estate owned	(2,650)	-
Amortization of securities premium/discount	173,794	478,176
Amortization of operating lease right-of-use asset	212,310	160,103
Amortization and accretion of purchase accounting adjustments, net	350,001	-
Gain on sale of bank property	(1,123,960)	-
Gain on sale of other real estate	(823)	(36,786)
Gain on sale of debt securities available-for-sale	(56,510)	-
Gain on sale of equity securities	(166,782)	-
Increase in fair value of equity securities	(33,593)	(88,593)
(Increase) decrease in accrued income	(68,194)	426,730
Increase in accrued expenses and other liabilities	1,067,058	874,865
Decrease in other assets	742,164	219,923
Net increase (decrease) in accrued pension liability	962,472	(345,498)
Repayment of operating lease liabilities	(212,585)	(160,099)
Origination of loans held for sale	(42,642,540)	(33,573,420)
Proceeds from loans held for sale	43,725,297	31,741,969
Other, net	(624,439)	1,006,134
Net cash provided by operating activities	8,628,129	7,421,076
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of debt securities available-for-sale	40,403,406	73,643,793
Purchases of debt securities available-for-sale	(3,768,358)	(6,870,361)
Proceeds from sale and maturities of debt securities held-to-maturity	231,021	1,415,499
Purchases of debt securities held-to-maturity	(335,350)	(3,931,356)
Proceeds from sales and maturities of equity securities	638,628	-

(Continued)

The accompanying notes are an integral part of these statements.

MERCHANTS & MARINE BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

(Continued)

	2024	2023
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to premises and equipment	$ (3,519,343)	$ (4,725,375)
Proceeds from sale of bank property	1,547,059	14,722
Net increase in loans	(23,523,648)	(21,908,253)
Increase in time deposits due from banks	-	(2,996,000)
Proceeds from redemption of bank owned life insurance	-	63,515
Purchase of bank owned life insurance	(8,044,843)	(51,422)
Proceeds from sale of other real estate	25,873	158,864
Cash received from acquisition, net	31,096,270	-
Net cash provided by investing activities	34,750,715	34,813,626
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in deposits	$ (25,969,728)	$ (53,655,716)
Net increase (decrease) in securities sold under agreements to repurchase	704,727	(535,944)
Proceeds from borrowed funds	-	50,000,000
Repayments on borrowed funds	(50,000,000)	-
Dividends paid on preferred stock	(528,437)	-
Dividends paid on common stock	(1,928,990)	(1,928,990)
Net cash used in financing activities	(77,722,428)	(6,120,650)
Net increase (decrease) in cash and cash equivalents	(34,343,584)	36,114,052
Cash and cash equivalents, beginning of year	66,119,908	30,005,856
Cash and cash equivalents, end of year	$ 31,776,324	$ 66,119,908
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for:		
Interest	$ 3,886,153	$ 1,865,100
Income taxes	1,545,010	34,367
Non-cash activities:		
Transfer of loans to other real estate	-	144,478
Lease liabilities arising from obtaining right-of-use assets	15,242	213,172

The accompanying notes are an integral part of these statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Merchants & Marine Bancorp, Inc. (the "Bancorp") and its wholly-owned subsidiary, Merchants & Marine Bank (the "Bank") follow accounting principles generally accepted in the United States of America and, where applicable, general practices within the banking industry.

1. Nature of Operations

The Bancorp is a bank holding company and its principal activity is the ownership and management of the Bank. The Bancorp is subject to regulation by the Federal Reserve Bank. The Bank generates commercial, mortgage, and consumer loans and receives deposits from customers located in Jackson, George, Lamar, and Forrest counties in Mississippi; Baldwin and Mobile counties in Alabama; and Plaquemines Parish in Louisiana. The Bank operates under a state bank charter and provides full banking services.

Canvas Mortgage, a division of the Bank, originates mortgage loans for sale into the secondary market. CannaFirst Financial, a division of the Bank, provides banking services and regulatory guidance to cannabis business owners and affiliates. Voyager Lending, also a division of the Bank, originates government guaranteed loans to small businesses.

M & M Real Estate Bank Securities Corporation, a wholly-owned subsidiary of the Bank, was established to hold real property for potential future Bank utilization.

The Bank is subject to regulation by federal and state banking regulators. The Bank's goal is to offer all the products and services of the larger banks and multi-bank holding corporations, while maintaining the personalized, local service of a community bank.

2. Basis of Consolidation

The consolidated financial statements include the accounts of the Bancorp, the Bank, and M & M Real Estate Bank Securities Corporation, after elimination of all material intercompany transactions and balances.

3. Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the Unites States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses on loans and off-balance sheet credit exposures, deferred tax assets, the fair values of financial instruments, and pension and deferred compensation obligations.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Cash and Cash Equivalents

For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, interest-earning balances with banks with an original maturity less than ninety days and federal funds sold.

5. Securities

Securities have been classified into one of three categories: trading, held-to-maturity or available-for-sale. Management determines the appropriate classification of debt and equity securities at the time of purchase and re-evaluates this classification periodically. Trading account securities are held for resale in anticipation of short-term market movements. Debt securities are classified as held-to-maturity when management has the positive intent and ability to hold the securities to maturity. Securities not classified as held-to-maturity or trading are classified as available-for-sale. The Bank had no trading securities during the periods ended December 31, 2024 and 2023. Held-to-maturity securities debt securities are stated at amortized cost. Debt securities available-for-sale are stated at fair value, with unrealized gains and losses, net of income taxes, reported in accumulated other comprehensive income (loss) as a separate component of stockholders' equity, until realized. Marketable equity securities are recorded at fair value, with unrealized gains and losses reported in net income.

The amortized cost of each debt security classified as held-to-maturity or available-for-sale is adjusted for amortization of premiums and accretion of discounts to maturity over the estimated life of the security. Amortization, accretion and accrued interest are included in interest on investment securities. Realized gains and losses and declines in fair value judged to be other-than-temporary are included in net security gains (losses). Gains and losses on the sale of securities available-for-sale are determined using the specific identification method.

The Bank also holds non-marketable securities. These securities include Federal Home Loan Bank (FHLB) stock, which the Bank accounts for in accordance with FASB ASC 942-325, *Financial Services-Depository and Lending Investments-Other*. FHLB stock is an equity security that does not have a readily determinable fair value because its ownership is restricted, and it lacks a market. FHLB stock is carried at cost and evaluated for impairment. The Bank’s investment in FHLB stock is included in equity securities in the accompanying consolidated balance sheets. At December 31, 2024 and 2023, the Bank’s investment in FHLB stock totaled $1,049,400 and $936,600, respectively. The carrying value of the Bank’s FHLB stock gave rise to no other-than-temporary impairment for the years ended December 31, 2024 and 2023.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Allowance for Credit Losses - Held-to-Maturity Debt Securities

On January 1, 2023, the Bancorp adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which introduces guidance on reporting credit losses for assets held at amortized cost basis, including held-to-maturity debt securities. The Bancorp's debt securities portfolio classified as held-to-maturity includes obligations of states and political subdivisions. Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type. That is, for pools of such securities with common risk characteristics, the historical lifetime probability of default and severity of loss in the event of default is derived or obtained from external sources and adjusted for the expected effects of reasonable and supportable forecasts over the expected lives of the securities. Loss forecasts for held-to-maturity debt securities utilize Moody's municipal and corporate database, based on a scenario-conditioned probability of default and loss rate platform. The core of the stressed default probabilities and loss rates is based on the methodological relationship between key macroeconomic risk factors and historical defaults. Accrued interest receivable on held-to-maturity debt securities totaled $310,888 and $311,206 at December 31, 2024 and 2023, respectively and is excluded from the estimate of credit losses.

A substantial portion of held-to-maturity debt securities held by the Bancorp are obligations issued by U.S. government agency and U.S. government-sponsored enterprises, including mortgage-backed securities. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major credit rating agencies and have a long history of no credit losses. For these securities, management takes into consideration the long history of no credit losses and other factors to assess the risk of nonpayment even if the U.S. government were to default. As such, the Bancorp does not identify a credit loss estimate for these securities.

7. Allowance for Credit Losses - Available-for-Sale Debt Securities

On January 1, 2023, the Bancorp adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which introduces guidance on reporting credit losses for assets held at amortized cost basis and available-for-sale debt securities. For available-for-sale debt securities in an unrealized loss position, the Bancorp first assesses whether it intends to sell or is more likely than not that the Bancorp will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For securities that do not meet these criteria, the Bancorp evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Bancorp considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. ***Allowance for Credit Losses - Available-for-Sale Debt Securities*** (Continued)

If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis.

Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. Changes in the allowance for credit losses are recorded as provision for or (recapture) of credit loss expense. Losses are charged against the allowance when management believes the uncollectability of a security is confirmed or when either of the criteria regarding intent or requirement to sell is met. Accrued interest receivable on available-for-sale debt securities totaled $793,634 and $754,699 at December 31, 2024 and 2023, respectively and is excluded from the estimate of credit losses.

8. Loans Held-for-Sale

Canvas Mortgage originates fixed rate single family, residential first mortgage loans on a presold basis. Rate lock commitments are issued to customers and concurrently "lock in" with a secondary market investor under a best efforts delivery mechanism. Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

Mortgage loans held-for-sale are generally sold without the servicing rights retained by the Bancorp. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold. The Bancorp recognizes certain origination fees and service release fees upon the sale.

9. Loans

Loans are stated at the amount of unpaid principal. Interest on commercial and real estate mortgage loans is accrued and credited to income based on the principal amount outstanding. Income on installment loans is credited to income based on a method that approximates the interest method. Generally, the accrual of interest on loans is discontinued once the loan reaches 90 days past due unless the credit is well secured and in the process of collection. Upon such discontinuance, all unpaid accrued interest is reversed, and payments subsequently received are applied first to principal. Interest income is recorded after principal has been satisfied and as payments are received. Loans are returned to accrual status when all principal and interest contractually due are brought current and future amounts are reasonably assured. Loan origination fees are deferred and recognized in interest income over the remaining life of the loan without anticipating prepayments. Direct loan costs are recognized currently as period costs and do not vary materially from the results that would be recorded using the deferral method prescribed by ASC Topic 310, *Receivables*.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Allowance for Credit Losses - Loans

On January 1, 2023, the Bancorp adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which introduces guidance on reporting credit losses for assets held at amortized cost basis, including loans. Management employs a process and methodology to estimate the allowance for credit losses (ACL) on loans that evaluates both quantitative and qualitative factors. The methodology for evaluating quantitative factors consists of two basic components. The first component involves pooling loans into portfolio segments for loans that share similar risk characteristics. Pooled loan portfolio segments include construction, commercial real estate, residential real estate, commercial loans, and other consumer loans. The second component involves identifying individually analyzed loans that do not share similar risk characteristics with loans that are pooled into portfolio segments. Individually analyzed loans include nonaccrual loans, loans to borrowers experiencing financial difficulty, as well as other loans based on the underlying risk characteristics and the discretion of management to individually analyze such loans.

Loans evaluated individually are not included in the collective evaluation. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral expected, credit losses are based on the fair value of the collateral at the reporting date, adjusted for undiscounted selling costs as appropriate.

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

Quantitative loss factors are also supplemented by certain qualitative risk factors reflecting management’s view of how losses may vary from those represented by quantitative loss rates. These qualitative risk factors include: 1) levels of and trends in loan growth, delinquencies and non-accruals; 2) problem loan identification system; 3) experience, ability and depth of lending management and other relevant staff; 4) changes in national and local economic business conditions and developments that affect the collectability of the portfolio; 5) the existence and effect of any concentrations of credit, and changes in the level of such concentrations; 6) the effect of other internal factors such as changes in credit administration and results of examinations. Qualitative loss factors are applied to each portfolio segment.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Allowance for Credit Losses - Loans (Continued)

Because the methodology is based upon historical experience and trends, current economic data, reasonable and supportable forecasts, as well as management's judgement, factors may arise that result in different estimations. Deteriorating conditions or assumptions could lead to further increases in the ACL on loans, conversely improving conditions or assumptions could lead to further reductions in the ACL on loans. In addition, various regulatory agencies periodically review the ACL on loans. Such agencies may require additions to the allowance based on their judgements about information available to them at the time of their examination. The ACL on loans is an estimate, and ultimate losses may vary from management's estimate. See Note D for further discussion regarding the allowance for credit losses on loans.

11. Property and Equipment, Net

Property and equipment are stated at cost, less accumulated depreciation. The provision for depreciation is computed by the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized over the shorter of the term of the lease or the asset's useful life.

The Bancorp leases facilities in Mobile, Alabama, Fairhope, Alabama, Hattiesburg, Mississippi and Moss Point, Mississippi under operating leases. It also owns certain properties which are leased to outside parties under operating lessor leases; however, such leases are not significant. In accordance with ASU 2016-02, *Leases*, for operating leases other than those considered to be short-term, the Bancorp recognizes lease right-of-use assets and related lease liabilities. Short-term operating leases are not recognized on the balance sheet. A short-term operating lease has an original term of 12 months or less and does not have a purchase option that is likely to be exercised.

In recognizing lease right-of-use assets and related lease liabilities, the Bancorp accounts for lease and non-lease components (such as taxes, insurance, and common area maintenance costs) separately, as such amounts are generally readily determinable under lease contracts. Lease payments over the expected term are discounted using our incremental borrowing rate referenced to the Federal Home Loan Bank Secure Connect advance rates for borrowings of similar term. Renewal and termination options are also considered in the determination of the term of the lease. If it is reasonably certain that a renewal or termination option will be exercised, the effects of such options are included in the determination of the expected lease term. Generally, it is not reasonably possible to be certain about whether or not a lease will be renewed until such time the lease is within the last two years of the existing lease term. However, renewal options are evaluated on a case-by-case basis, typically in advance of such time frame. When management is reasonably certain that a renewal option will be exercised, a measure/remeasure the right-of-use asset and related lease liability process is implemented using the lease payments specified for the renewal period or, if such amounts are unspecified, an increase is generally assumed (evaluated on a case-by-case basis in light of prevailing market conditions) in the lease payment over the final period of the existing lease term.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Other Real Estate Owned

Real estate properties acquired through or in lieu of loan foreclosure are initially recorded at the lower of cost or fair value, less estimated selling costs, at the date of foreclosure. Fair value is based primarily on independent appraisals and other relevant factors. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for credit losses. After foreclosure, valuations are periodically performed by management and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value, less cost to sell. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed and included in non-interest expense. The portion of interest costs relating to development of real estate is capitalized.

13. Goodwill and Identifiable Intangible Assets

The Bancorp accounts for goodwill and other intangible assets in accordance with FASB ASC Topic 350, *"Intangibles - Goodwill and Other"*. Goodwill, which represents the excess of cost over the fair value of the net assets of an acquired business, is not amortized but tested on an annual basis or more often if events or circumstances indicate that there may be impairment.

Identifiable intangible assets are acquired assets that lack physical substance but can be distinguished from goodwill because of contractual or legal rights or because the assets are capable of being sold or exchanged either on their own or in a combination with a related contract asset or liability. The Bancorp's identifiable intangible assets consist, primarily, of core deposits. These intangibles, which have definite useful lives, are amortized on a straight-line basis over their estimated useful lives. In addition, these intangibles are evaluated for impairment whenever events and changes in circumstances indicate that the carrying amount should be reevaluated.

14. Advertising Expense

The Bank expenses advertising costs as they are incurred. Advertising expenses amounted to $540,253 and $630,058 in 2024 and 2023, respectively.

15. Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current year (after exclusion of non-taxable income such as interest on state and municipal securities) and deferred taxes on temporary differences between the amount of taxable and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred taxes on temporary differences are calculated at the currently enacted tax rates applicable to the period in which the deferred tax assets, liabilities, income or expense 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

16. Comprehensive Income

Comprehensive income includes net income and other comprehensive income (loss) items which include unrealized gains and losses on debt securities available-for-sale and the gains or losses and prior service cost or credits that arise during the period related to the defined benefit pension plan but are not recognized as components of net periodic benefit cost. All items of comprehensive income are stated net of tax.

17. Fair Value Measurements

The Bank records fair value measurements using a specified hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). The following summarizes the fair value hierarchy:

Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.

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

The Bank uses observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within the fair value measurement is categorized based on the lowest level input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

18. Bank Owned Life Insurance

The Bank invests in bank owned life insurance (BOLI). BOLI involves the purchasing of life insurance on a chosen number of directors and officers. The Bank is the owner of the policies, and the cash surrender value of the policies is included as an asset in the consolidated balance sheets.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

19. Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Bank enters into off-balance sheet financial instruments consisting of commitments to extend credit, credit card lines, commercial letters of credit and standby letters of credit. Such financial instruments are recorded in the financial statements when they are exercised.

20. Allowance for Credit Losses on Off-Balance Sheet Financial Instruments

On January 1, 2023, the Bancorp adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which introduces guidance on reporting credit losses for assets held at amortized cost basis, including off-balance sheet credit exposures. The Bancorp estimates expected credit losses over the contractual period in which the Bancorp is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Bancorp. Changes in the allowance for credit losses on off-balance sheet exposures are recorded as provision for or (recapture) of credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. 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. The allowance for unfunded commitments is included in other liabilities on the Bancorp's consolidated balance sheets.

21. Revenue from Contracts with Customers

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

22. Recent Accounting Pronouncements

On December 14, 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures.* This update requires public business entities to disclose, in their income tax rate reconciliation table, additional categories of information about federal, state and foreign income tax and to provide more details about the reconciling items in some categories if items meet a quantitative threshold. The update also requires all entities to disclose income taxes paid, net of refunds, disaggregated by federal, state, and foreign taxes for annual periods and to disaggregate the information by jurisdiction based on a quantitative and qualitative threshold, amount other things. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The adoption of this standard is not expected to have a material effect on the Bancorp's consolidated financial statements.

On November 4, 2024, the FASB issued ASU 2024-03, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation (Topic 220).* This update requires disclosure of certain costs and expenses in the notes to the consolidated financial statements. The amendments in this ASU will become effective for fiscal years beginning after December 15, 2026, and will be effective for interim periods with fiscal years beginning after December 15, 2027, with early adoption permitted. The amendments should be applied on a prospective basis, with retrospective application allowed. The adoption of this standard is not expected to have a material effect on the Bancorp's consolidated financial statements.

23. Adoption of New Accounting Standards

On January 1, 2024, the Bancorp adopted ASU 2020-04, *Reference Rate Reform (Topic 848).* The update provides temporary, optional guidance to ease the potential burden in accounting for, or recognizing the effects of, the transition away from the LIBOR or other interbank offered rates on financial reporting. To assist with the transition to new reference rates, the ASU provides optional expedients and exceptions for applying GAAP to affected contract modifications and hedge accounting relationships. The main provisions include: a change in a contract's reference interest rate would be accounted for as a continuation of that contract rather than as the creation of a new contract and when updating its hedging strategies in response to reference rate reform, an entity would be allowed to preserve its hedge accounting. The guidance is applicable only to contracts, such as loans, debt, leases, or hedge accounting relationships that reference LIBOR or another reference rate expected to be discontinued. Because the guidance is meant to assist entities through the transition period, it will be in effect for a limited time and will not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2024, except for hedging relationships existing as of December 31, 2024, for which

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

23. Adoption of New Accounting Standards (Continued)

an entity has elected certain optional expedients that are retained through the end of the hedging relationship. The adoption of this guidance on activities subsequent to December 31, 2020, through December 31, 2024, did not have a material impact on the Bancorp's consolidated financial statements.

On January 1, 2024, the Bancorp adopted ASU 2021-01, *Reference Rate Reform (Topic 848).* The amendments in this update were intended to clarify certain optional expedients and scope of derivative instruments. The ASU was effective upon issuance and, based upon the amendments provided in ASU 2022-06 discussed below, can generally be applied through December 31, 2024. The adoption of this guidance did not have a material impact on the Bancorp's consolidated financial statements.

On January 1, 2024, the Bancorp adopted ASU 2022-06, *Reference Rate Reform (Topic 848) - Deferral of Sunset Date of Topic 848.* This update defers the sunset date of Topic 848 from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. The adoption of this guidance did not have a material impact on the Bancorp's consolidated financial statements.

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

24. Reclassifications

Certain reclassifications have been made to the consolidated financial statements for the year ended December 31, 2023, to conform to the current year presentation.

25. Subsequent Events

The Bancorp has evaluated subsequent events for recognition and disclosure through the date of the Independent Auditors' Report, which is the date the consolidated financial statements were available to be issued. No material subsequent events have occurred since December 31, 2024, that required recognition or disclosure in the consolidated financial statements.

NOTE B - SECURITIES

The amortized cost, allowance for credit losses, gross unrealized gains, gross unrealized losses and estimated fair value of available-for-sale and held-to-maturity securities are as follows (In thousands):

	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2024					
Available-for-sale:					
U.S. Government Agency Funds	$ 7,524	$ -	$ 11	$ 290	$ 7,245
Mortgage-backed securities	51,916	-	2	7,887	44,031
State, county and municipal securities	52,189	-	1	4,191	47,999
Total	$ 111,629	$ -	$ 14	$ 12,368	$ 99,275
Held-to-maturity:					
U.S. Government Agency Funds	$ 2,340	$ -	$ -	$ 34	$ 2,306
U.S. Treasuries	14,913	-	-	86	14,827
Mortgage-backed securities	3,110	-	-	305	2,805
State, county and municipal securities	15,106	17	13	671	14,431
Total	$ 35,469	$ 17	$ 13	$ 1,096	$ 34,369

NOTE B - SECURITIES (Continued)

	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2023					
Available-for-sale:					
U.S. Government Agency Funds	$ 5,236	$ -	$ 8	$ 294	$ 4,950
Mortgage-backed securities	54,037	-	-	7,829	46,208
State, county and municipal securities	54,918	-	48	3,342	51,624
Total	$ 114,191	$ -	$ 56	$ 11,465	$ 102,782
Held-to-maturity:					
U.S. Government Agency Funds	$ 1,999	$ -	$ 5	$ 11	$ 1,993
U.S. Treasuries	14,771	-	-	279	14,492
Mortgage-backed securities	3,337	-	-	260	3,077
State, county and municipal securities	15,076	8	162	226	15,004
Total	$ 35,183	$ 8	$ 167	$ 776	$ 34,566

The amortized cost and estimated fair value of securities by contractual maturity at December 31, 2024, are as follows (In thousands):

	Available-For-Sale		Held-to-Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Amounts maturing in:				
One year or less	$ 310	$ 308	$ 15,913	$ 15,825
After one year through five years	5,488	5,340	-	-
After five years through ten years	23,227	21,682	3,409	3,329
Greater than ten years	30,688	27,914	13,037	12,410
Mortgage-backed securities and other installment obligations	51,916	44,031	3,110	2,805
Total	$ 111,629	$ 99,275	$ 35,469	$ 34,369

NOTE B - SECURITIES (Continued)

Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

Proceeds from sales and maturities of available-for-sale securities were $40,403,406 in 2024, including a realized gain of $56,510. Proceeds from sales of available-for-sale securities were $76,643,793 in 2023, including a realized gain of $0.

Securities with a carrying value of $11,673,165 and $58,517,800 were pledged at December 31, 2024 and 2023, respectively, against borrowings and to secure certain deposits.

Information pertaining to securities with gross unrealized losses at December 31, 2024 and 2023, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows (In thousands):

	Losses Less Than 12 Months		Losses 12 Months Or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2024:						
Available-for-sale securities:						
U.S. Government Agency Funds	$ 4,182	$ 50	$ 1,737	$ 240	$ 5,919	$ 290
Mortgage-backed securities	300	3	43,460	7,884	43,760	7,887
State, county and municipal securities	4,174	126	42,740	4,065	46,914	4,191
Total	$ 8,656	$ 179	$ 87,937	$ 12,189	$ 96,593	$ 12,368
Held-to-maturity securities:						
U.S. Government Agency Funds	$ 1,307	$ 32	$ 999	$ 2	$ 2,306	$ 34
U.S. Treasuries	-	-	14,826	86	14,826	86
Mortgage-backed securities	301	13	2,503	292	2,804	305
State, county and municipal securities	5,657	121	7,702	550	13,359	671
Total	$ 7,265	$ 166	$ 26,030	$ 930	$ 33,295	$ 1,096

NOTE B - SECURITIES (Continued)

	Losses Less Than 12 Months		Losses 12 Months Or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2023:						
Available-for-sale securities:						
U.S. Government Agency Funds	$ 1,749	$ 23	$ 2,703	$ 271	$ 4,452	$ 294
Mortgage-backed securities	-	-	46,208	7,829	46,208	7,829
State, county and municipal securities	4,080	57	42,688	3,285	46,768	3,342
Total	$ 5,829	$ 80	$ 91,599	$ 11,385	$ 97,428	$ 11,465
Held-to-maturity securities:						
U.S. Government Agency Funds	$ -	$ -	$ 989	$ 11	$ 989	$ 11
U.S. Treasuries	-	-	14,492	279	14,492	279
Mortgage-backed securities	767	18	2,309	242	3,076	260
State, county and municipal securities	2,514	39	6,409	187	8,923	226
Total	$ 3,281	$ 57	$ 24,199	$ 719	$ 27,480	$ 776

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 to 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 investments in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

As of December 31, 2024, approximately 95.83% of the number of securities in the investment portfolio reflected an unrealized loss. Management is of the opinion the Bank has the ability to hold these securities until such time as the value recovers or the securities mature. Management also believes the deterioration in value is attributable to changes in market interest rates and not to the credit quality of the issuer.

NOTE B - SECURITIES (Continued)

At December 31, 2024, the two hundred seven debt securities with unrealized losses have declined 9.39% from the amortized cost basis. These unrealized losses relate principally to current interest rates for similar types of securities and not credit quality. 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 until maturity, or for the foreseeable future if classified as available-for-sale, no declines are deemed to be other-than-temporary.

The Bank holds equity securities, which include Federal Home Loan Bank stock, recorded at cost of $1,049,400 and $936,600 as of December 31, 2024 and 2023, respectively. During 2024, the Bank sold its investment in VISA Class B stock, resulting in the recognition of a gain of $166,782. VISA Class B stock, recorded at fair market value of $438,253 at December 31, 2023, was included in equity securities.

Additionally, the FNBB, Inc. equity investment of $949,960, was reclassified from Equity securities to other assets in accordance with ASU 2016-01, which was adopted prospectively as allowed by the standard.

NOTE C - LOANS

The following table shows the composition of the loan portfolio by category:

	December 31, 2024		December 31, 2023	
	Amount	Percent of Total	Amount	Percent of Total
	($ in thousands)		($ in thousands)	
Loans secured by real estate:				
Construction	$ 85,370	18.21%	$ 64,694	15.30%
Farmland	10,130	2.16%	9,742	2.30%
Revolving, open and secured 1-4	16,978	3.62%	13,286	3.14%
1-4 Family residential property	92,234	19.67%	83,722	19.80%
Multifamily (5 or more) residential properties	14,186	3.03%	3,098	0. 73%
Nonfarm non-residential properties	168,572	35.95%	173,545	41.04%
Commercial and industrial loans	68,844	14.68%	63,618	15.05%
Loans to individuals for personal expenditures	8,213	1.75%	8,605	2.04%
Municipal and government	3,870	0.83%	1,855	0.44%
Other	470	0.10%	663	0.16%
	468,867	100.00%	422,828	100.00%
Allowance for credit losses	(6,287)		(7,684)	
Net loans	$ 462,580		$ 415,144	

NOTE C - LOANS (Continued)

The Bank primarily grants commercial, residential and consumer loans to customers within its market area and immediate surrounding areas, all of which are affected by the general economic conditions of the area. Although the Bank regularly reviews the diversification of the loan portfolio to avoid concentrations of credit risk, the overall quality of the portfolio and the borrowers' ability to repay the loans are to an extent affected by the local economy.

NOTE D - ALLOWANCE FOR CREDIT LOSSES

The Bank has developed policies and procedures for evaluating the overall quality of its credit portfolio and the timely identification of potential problem loans. Management's judgment as to the adequacy of the allowance is based upon a number of assumptions which it believes to be reasonable, but which may not prove to be accurate. Thus, there can be no assurance that charge-offs in future periods will not exceed the allowance for credit losses on loans or that additional increases in the credit loss allowance will not be required.

The Bank's allowance consists of two components. The first component is determined in accordance with authoritative guidance regarding contingencies. The Bank's determination of this component of the allowance is based upon quantitative and qualitative factors. The Bancorp uses the weighted average remaining maturity (WARM) method, which annualizes the loss rate by defined segments and converts it to a life of loan Current Expected Credit Losses (CECL) application. The remaining contractual life is adjusted by scheduled payments and prepayment assumptions. Historical loss rates are calculated using the Bancorp's historical loss data. The loss rates are multiplied by the expected outstanding loan balances for each period. The sum of the estimated losses for all quarters is the total calculated allowance for the pool. The expected losses may also be modified based upon other qualitative factors including, but not limited to, local and national economic conditions, trends of delinquent loans and management's knowledge of the loan portfolio. These factors require judgment upon the part of management and are based upon state and national economic reports received from various institutions and agencies including the Federal Reserve Bank, United States Bureau of Economic Analysis, Bureau of Labor Statistics, meetings with the Bank's loan officers and loan committee, and data and guidance received or obtained from the Bank's regulatory authorities.

The second component of the allowance is determined in accordance with authoritative guidance regarding loan impairment. Impaired loans are determined based upon a review by internal loan review and senior loan officers. A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

NOTE D - ALLOWANCE FOR CREDIT LOSSES (Continued)

Impairment is measured on a loan-by-loan basis, and a specific allowance is assigned to each loan determined to be impaired. Impaired loans not deemed collateral dependent are analyzed according to the ultimate repayment source, whether that is cash flow from the borrower, guarantor or some other source of repayment. Impaired loans are deemed collateral dependent if, in the Bank’s opinion, the ultimate source of repayment will be generated from the liquidation of collateral.

Risk characteristics applicable to each segment of the loan portfolio are described as follows:

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

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

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

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

NOTE D - ALLOWANCE FOR CREDIT LOSSES (Continued)

The following tables summarize the activity related to the allowance for credit losses by portfolio segment for the years ended December 31, 2024 and 2023, under the CECL methodology (In thousands):

	Beginning Balance	Charge-Offs	Recoveries	Provision/ (Recapture) for Credit Losses	Ending Balance
Year Ended December 31, 2024:					
Residential	$ 2,435	$ -	$ 10	$ 31	$ 2,476
Non-Residential	3,722	-	3	(2,401)	1,324
Consumer	190	(424)	266	187	219
Commercial	1,337	(1,643)	8	2,566	2,268
Other	-	-	-	-	-
Total	$ 7,684	$ (2,067)	$ 287	$ 383	$ 6,287

	Beginning Balance	Impact of Adopting ASC 326	Charge-Offs	Recoveries	Provision/ (Recapture) for Credit Losses	Ending Balance
Year Ended December 31, 2023:						
Residential	$ 1,327	$ 1,287	$ (19)	$ 75	$ (235)	$ 2,435
Non-Residential	1,254	2,408	-	3	57	3,722
Consumer	199	(44)	(382)	220	197	190
Commercial	612	666	(196)	8	247	1,337
Other	175	-	-	-	(175)	-
Total	$ 3,567	$ 4,317	$ (597)	$ 306	$ 91	$ 7,684

NOTE D - ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table is a summary of the Bancorp's nonaccrual loans by portfolio segment for the years ended December 31, 2024 and 2023 (In thousands):

	December 31, 2024		
	Nonaccrual Loans With No Allowance	Nonaccrual Loans With An Allowance	Total Nonaccrual Loans
Residential	$ 1,514	$ -	$ 1,514
Non-Residential	433	-	433
Consumer	36	-	36
Commercial	1,828	568	2,396
	$ 3,811	$ 568	$ 4,379

	December 31, 2023		
	Nonaccrual Loans With No Allowance	Nonaccrual Loans With An Allowance	Total Nonaccrual Loans
Residential	$ 1,737	$ -	$ 1,737
Non-Residential	793	-	793
Consumer	42	-	42
Commercial	322	-	322
	$ 2,894	$ -	$ 2,894

The gross interest income that would have been recorded in the year, if the nonaccrual loans at December 31, 2024 and 2023, had been current in accordance with their original terms and had been outstanding throughout the year or since origination, if held for part of the years ended for December 31, 2024 and 2023, was $37,390 and $103,387, respectively. The Bank had no loan commitments to borrowers in non-accrual status at December 31, 2024.

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

	For the Year Ended December 31, 2024
Residential	$ 5
Non-Residential	-
Consumer	6
Commercial	24
	$ 35

NOTE D - ALLOWANCE FOR CREDIT LOSSES (Continued)

The Bancorp designates individually evaluated loans on nonaccrual status as collateral dependent loans, as well as other loans that management 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 Bancorp has adopted the practical expedient to measure the allowance for credit losses based on 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, and amortized cost. If the fair value of the collateral exceeds the amortized cost, no allowance is required.

The following table presents an analysis of the recorded investment of collateral dependent loans of the Bancorp as of December 31, 2024 and 2023 (In thousands):

	Real Estate	Business Assets	Total	ACL Allocation
December 31, 2024				
Residential real estate	$ 4,374	$ -	$ 4,374	$ 29
Non-residential real estate	2,105	-	2,105	-
Commercial	-	2,286	2,286	1,061
Total	$ 6,479	$ 2,286	$ 8,765	$ 1,090

	Real Estate	Business Assets	Total	ACL Allocation
December 31, 2023				
Residential real estate	$ 2,397	$ -	$ 2,397	$ 62
Non-residential real estate	166	-	166	-
Commercial	-	412	412	300
Total	$ 2,563	$ 412	$ 2,975	$ 362

NOTE D - ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table summarizes by class the Bank's loans classified as past due in excess of 30 days or more in addition to those loans classified as non-accrual:

	30 - 89 Days Past Due	90 or More Days Past Due - Still Accruing	Non-Accrual	Total Past Due and Non-Accrual	Current	Total Loans
			(In thousands)			
December 31, 2024:						
Residential real estate	$ 1,934	$ 510	$ 1,420	$ 3,864	$204,904	$ 208,768
Non-residential real estate	2,441	-	527	2,968	175,734	178,702
Commercial	1,846	-	2,396	4,242	68,472	72,714
Consumer	148	-	36	184	8,029	8,213
Other	-	-	-	-	470	470
Total	$ 6,369	$ 510	$ 4,379	$ 11,258	$457,609	$ 468,867

	30 - 89 Days Past Due	90 or More Days Past Due - Still Accruing	Non-Accrual	Total Past Due and Non-Accrual	Current	Total Loans
			(In thousands)			
December 31, 2023:						
Residential real estate	$ 668	$ -	$ 1,737	$ 2,405	$162,395	$ 164,800
Non-residential real estate	1	-	793	794	182,493	183,287
Commercial	274	-	322	596	64,877	65,473
Consumer	114	-	42	156	8,449	8,605
Other	-	-	-	-	663	663
Total	$ 1,057	$ -	$ 2,894	$ 3,951	$418,877	$ 422,828

NOTE D - ALLOWANCE FOR CREDIT LOSSES (Continued)

The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Bank uses the following definitions for risk ratings, which are consistent with the definitions used in supervisory guidance:

Special Supervision. Loans classified as special supervision are credits that show a sign of weakness in either sources of repayment or collateral but have mitigating factors that minimize the risk of loss.

Special Mention. Loans classified as special mention are credits that show a defined weakness in the primary repayment and / or collateral but are not to the point of substandard classification.

Substandard. Loans classified as substandard are credits that are inadequately protected by the worth and repayment capacity of the borrower or the collateral. The Bank has a distinct possibility of loss if weaknesses are not corrected.

Doubtful. Loans classified as doubtful are credits that meet characteristics of substandard with further weaknesses that make a collection of the full debt highly questionable and improbable.

Loss. Loans classified as loss are credits that are considered uncollectible and it is not practical to defer writing off. This classification does not mean that there is absolutely no possibility of recovery but that recovery is not practical enough to defer writing off as a worthless asset.

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

NOTE D - ALLOWANCE FOR CREDIT LOSSES (Continued)

From time-to-time, the Bancorp may modify certain loans to borrowers who are experiencing financial difficulty. In some cases, these modifications may result in new loans. Loan modifications to borrowers experiencing financial difficulty may be in the form of a principal forgiveness, an interest rate reduction, an other-than-insignificant payment delay, a term extension, or a combination thereof, among other things.

The following table presents the amortized cost of loans modified to borrowers experiencing financial difficulty disaggregated by portfolio segment and type of modification as of December 31, 2024. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each portfolio segment of loans is also presented below ($ in thousands):

	Term Extensions	Percentage of Total Loans
December 31, 2024		
Residential	$ 22	0.013%
Non-residential	4	0.002%
Consumer	12	0.129%
Total	$ 38	0.009%

The financial effect of the loan modifications to borrowers experiencing financial difficulty presented above resulted in extended maturity dates of, at a minimum, twenty-four months.

The Bancorp had no unused commitments on modified loans to borrowers experiencing financial difficulty at December 31, 2024.

During the years ended December 31, 2024 and 2023, the Bancorp did not perform any loan modifications to borrowers experiencing financial difficulty.

NOTE D - ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table presents loans by credit quality indicator by vintage year at December 31, 2024 (In thousands):

	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans Amortized Cost Basis	
	2024	2023	2022	2021	Prior		Total
Residential Real Estate:							
Risk Rating:							
Pass	$ 44,200	$ 24,411	$ 16,124	$ 20,168	$ 23,594	$13,747	$ 142,244
Special Supervision	12,089	22,844	19,893	1,537	2,129	2,988	61,480
Special Mention	-	65	91	263	2,879	191	3,489
Substandard	104	-	249	218	928	53	1,552
Doubtful	-	-	-	-	3	-	3
Loss	-	-	-	-	-	-	-
Total	$ 56,393	$ 47,320	$ 36,357	$ 22,186	$ 29,533	$16,979	$ 208,768
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Non-Residential Real Estate:							
Risk Rating:							
Pass	$ 3,729	$ 10,358	$ 39,225	$ 25,361	$ 37,856	$ -	$ 116,529
Special Supervision	4,381	5,551	27,276	14,252	7,953	-	59,413
Special Mention	1,000	-	-	-	1,358	-	2,358
Substandard	-	-	-	138	92	-	225
Doubtful	-	-	-	-	177	-	177
Loss	-	-	-	-	-	-	-
Total	$ 9,110	$ 15,909	$ 66,501	$ 39,746	$ 47,436	$ -	$ 178,702
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial:							
Risk Rating:							
Pass	$ 14,257	$ 9,538	$ 5,547	$ 9,957	$ 10,068	$ -	$ 49,367
Special Supervision	8,022	6,424	4,257	202	244	-	19,149
Special Mention	50	109	87	998	260	-	1,504
Substandard	-	-	-	30	1,017	-	1,047
Doubtful	-	43	-	-	1,604	-	1,647
Loss	-	-	-	-	-	-	-
Total	$ 22,329	$ 16,114	$ 9,891	$ 11,187	$ 13,193	$ -	$ 72,714
Current period gross charge-offs	$ 25	$ -	$ 14	$ -	$ 1,604	$ -	$ 1,643

NOTE D - ALLOWANCE FOR CREDIT LOSSES (Continued)

	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans Amortized Cost Basis	Total
	2024	2023	2022	2021	Prior		
Consumer and other:							
Risk Rating:							
Pass	$ 4,452	$ 1,872	$ 951	$ 334	$ 232	$ 789	$ 8,630
Special Supervision	3	-	-	-	45	-	48
Special Mention	-	-	-	-	1	-	1
Substandard	-	-	4	-	-	-	4
Doubtful	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-
Total	$ 4,455	$ 1,872	$ 955	$ 334	$ 278	$ 789	$ 8,683
Current period gross charge-offs	$ 7	$ 48	$ 21	$ 8	$ 1	$ 339	$ 424
Total Loans:							
Risk Rating:							
Pass	$ 66,638	$ 46,179	$ 61,847	$ 55,820	$ 71,750	$14,536	$ 316,770
Special Supervision	24,495	34,819	51,426	15,991	10,371	2,988	140,090
Special Mention	1,050	174	178	1,261	4,498	191	7,352
Substandard	104	-	253	381	2,037	53	2,828
Doubtful	-	43	-	-	1,784	-	1,827
Loss	-	-	-	-	-	-	-
Total	$ 92,287	$ 81,215	$ 113,704	$ 73,453	$ 90,440	$17,768	$ 468,867
Current period gross charge-offs	$ 32	$ 48	$ 35	$ 8	$ 1,605	$ 339	$ 2,067

NOTE D - ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table presents loans by credit quality indicator by vintage year at December 31, 2023:

	Term Loans Amortized Cost Basis by Origination Year				Revolving Loans Amortized Cost Basis	Total
	2023	2022	2021	Prior		
Residential Real Estate:						
Risk Rating:						
Pass	$ 38,038	$ 18,593	$ 24,738	$ 30,183	$11,746	$ 123,298
Special Supervision	10,786	22,498	1,537	2,055	1,303	38,179
Special Mention	69	101	369	748	160	1,447
Substandard	-	273	342	1,082	77	1,774
Doubtful	-	-	-	102	-	102
Loss	-	-	-	-	-	-
Total	$ 48,893	$ 41,465	$ 22,986	$ 34,170	$13,286	$ 164,800
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -
Non-Residential Real Estate:						
Risk Rating						
Pass	$ 12,151	$ 24,885	$ 31,139	$ 48,518	$ -	$ 116,693
Special Supervision	2,602	40,053	15,164	7,895	-	65,714
Special Mention	-	-	-	160	-	160
Substandard	-	-	158	334	-	492
Doubtful	-	-	-	228	-	228
Loss	-	-	-	-	-	-
Total	$ 14,753	$ 64,938	$ 46,461	$ 57,135	$ -	$ 183,287
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -

NOTE D - ALLOWANCE FOR CREDIT LOSSES (Continued)

	Term Loans Amortized Cost Basis by Origination Year				Revolving Loans Amortized Cost Basis	Total
	2023	2022	2021	Prior		
Commercial:						
Risk Rating:						
Pass	$ 14,278	$ 7,214	$ 13,819	$ 14,003	$ -	$ 49,314
Special Supervision	4,575	6,238	2,163	2,332	-	15,308
Special Mention	225	184	18	363	-	790
Substandard	-	-	44	15	-	59
Doubtful	-	-	-	2	-	2
Loss	-	-	-	-	-	-
Total	$ 19,078	$ 13,636	$ 16,044	$ 16,715	$ -	$ 65,473
Current period gross charge-offs	$ -	$ -	$ 5	$ 191	$ -	$ 196
Consumer and Other:						
Risk Rating:						
Pass	$ 3,518	$ 2,443	$ 846	$ 1,200	$ 1,146	$ 9,153
Special Supervision	-	-	-	60	-	60
Special Mention	-	-	-	21	-	21
Substandard	-	7	-	7	-	14
Doubtful	-	-	-	20	-	20
Loss	-	-	-	-	-	-
Total	$ 3,518	$ 2,450	$ 846	$ 1,308	$ 1,146	$ 9,268
Current period gross charge-offs	$ 2	$ 44	$ 25	$ 33	$ 278	$ 382
Total Loans:						
Risk Rating:						
Pass	$ 67,985	$ 53,135	$ 70,542	$ 93,904	$12,892	$ 298,458
Special Supervision	17,963	68,789	18,864	12,342	1,303	119,261
Special Mention	294	285	387	1,292	160	2,418
Substandard	-	280	544	1,438	77	2,339
Doubtful	-	-	-	352	-	352
Loss	-	-	-	-	-	-
Total	$ 86,242	$ 122,489	$ 90,337	$109,328	$14,432	$ 422,828
Current period gross charge-offs	$ 2	$ 44	$ 30	$ 243	$ 278	$ 597

MERCHANTS & MARINE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE E - PROPERTY AND EQUIPMENT, NET

Property and equipment as of December 31, 2024 and 2023, are stated at cost less accumulated depreciation as follows (In thousands):

	2024	2023
Land and buildings	$ 38,392	$ 35,628
Furniture and equipment	9,871	9,246
Leasehold improvements	647	579
	48,910	45,453
Accumulated depreciation	(20,450)	(18,699)
	28,460	26,754
Construction in process	2,256	59
Net property and equipment	$ 30,716	$ 26,813

Depreciation expense for the years ended December 31, 2024 and 2023, amounted to $1,754,108 and $1,581,309.

NOTE F - INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the deferred tax assets and liabilities included in other assets as of December 31, 2024 and 2023, were as follows (In thousands):

	2024	2023
Deferred tax assets:		
Allowance for credit losses	$ 1,604	$ 2,076
Deferred compensation	615	731
Loan origination costs	319	391
Interest on nonaccrual loans	171	177
Losses on defined benefit plan assets	1,427	1,271
Unrealized loss on securities available-for-sale	3,082	2,847
Loan impairment	114	-
Other	19	140
Gross deferred tax asset	7,351	7,633
Deferred tax liabilities:		
Property and equipment	(1,391)	(1,479)
Core deposit intangible	(138)	(119)
Prepaid pension obligation	(977)	(1,064)
Prepaid expenses	(241)	(259)
Unrealized gain on equity securities	-	(92)
Tax credit carry forward	-	(3)
Other	(164)	(94)
Gross deferred tax liability	(2,911)	(3,110)
Net deferred tax asset	$ 4,440	$ 4,523

The Bank has evaluated the need for a valuation allowance and, based on the weight of the available evidence, has determined that it is more likely than not that all deferred tax assets will be realized.

Income taxes consisted of the following components for the years ended December 31, 2024 and 2023 (In thousands):

	2024	2023
Currently payable	$ 623	$ 838
Deferred	474	553
Total income tax expense	$ 1,097	$ 1,391

NOTE F - INCOME TAXES (Continued)

Income taxes were computed by applying the U.S. Federal income tax rate of 21% to income before taxes for the years ended December 21, 2024 and 2023. The reasons for the differences for the years ended December 31, 2024 and 2023, are as follows ($ in thousands):

	2024		2023	
	Amount	Percent	Amount	Percent
Taxes computed at statutory rate	$ 1,477	21.0%	$ 1,560	21.0%
Increase/(decrease) in taxes resulting from:				
Tax-exempt life insurance income				
(net of expense)	(157)	(2.2%)	(83)	(1.1%)
Tax-exempt interest income	(291)	(4.1%)	(299)	(4.0%)
State income tax expense	73	1.0%	213	2.9%
Other, net	(5)	(0.1%)	-	0.0%
Total	$ 1,097	15.6%	$ 1,391	18.8%

ASC Topic 740, *Income Taxes,* provides guidance on financial statement recognition and measurement of tax positions taken, or expected to be taken, in tax returns. ASC Topic 740 requires an evaluation of tax positions to determine if the tax positions will more likely than not be sustainable upon examination by the appropriate tax authorities. The Bancorp, at December 31, 2024 and 2023, had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

NOTE G - DEPOSITS

Deposit account balances at December 31, 2024 and 2023, are summarized as follows (In thousands):

	2024	2023
Non-interest bearing demand	$ 140,034	$ 128,906
Interest bearing demand	270,590	235,524
Savings	109,270	93,626
Certificates of deposit	53,614	40,938
Total deposits	$ 573,508	$ 498,994

NOTE G - DEPOSITS (Continued)

Certificates of deposit by contractual maturity as of December 31, 2024, were as follows (In thousands):

2025	$ 46,402
2026	2,814
2027	1,463
2028	947
2029	1,847
Thereafter	141
Total	$ 53,614

Certificates of deposit in excess of $250,000 aggregated approximately $17,407,000 and $7,520,000 at December 31, 2024 and 2023, respectively.

Overdrawn demand deposits, reclassified as loans, totaled approximately $470,000 and $663,000 at December 31, 2024 and 2023, respectively.

NOTE H - BORROWINGS

At December 31, 2024 and 2023, borrowed funds consisted of the following:

	2024	2023
Federal Reserve Bank Term Funding Program Advance – Maturity December 13, 2024, fixed rate 4.93%	$ -	$50,000,000

The Bancorp has established various lines of credit with financial institutions, allowing for maximum borrowings of $203,845,175 at rates determined by the lender when borrowed. At December 31, 2024 and 2023, the Bancorp had an undisbursed direct standby letter of credit with the Federal Home Loan Bank in the amount of $30,000,000. At December 31, 2024 and 2023, there were no federal funds purchased, which would consist of short-term borrowings from other financial institutions.

NOTE I - BALANCE SHEET OFFSETTING AND REPURCHASE AGREEMENTS

Certain financial instruments, including repurchase agreements, may be eligible for offset in the consolidated balance sheets and/or subject to master netting arrangement or similar agreements. Nonetheless, the Bancorp does not generally offset such financial instruments for financial reporting purposes.

The following tables summarize information about financial instruments that are eligible for offset in the consolidated balances sheets as of December 31, 2024 and 2023:

December 31, 2024:

				Gross Amount Not Offset		
	Gross Amount Recognized	Gross Amount Offset	Net Amount Recognized	Financial Instruments	Collateral	Net Amount
Securities sold under repurchase agreements	$4,336,218	$ -	$4,336,218	$ -	$(4,336,218)	$ -

December 31, 2023:

				Gross Amount Not Offset		
	Gross Amount Recognized	Gross Amount Offset	Net Amount Recognized	Financial Instruments	Collateral	Net Amount
Securities sold under repurchase agreements	$3,631,491	$ -	$3,631,491	$ -	$(3,631,491)	$ -

Securities sold under repurchase agreements are utilized to facilitate the needs of our customers and to facilitate secured short-term funding needs. Securities sold under repurchase agreements are stated at the amount of cash received in connection with the transaction. The Bancorp monitors collateral levels on a continuous basis. Securities pledged as collateral under repurchase agreements are maintained with our safekeeping agents.

NOTE I - BALANCE SHEET OFFSETTING AND REPURCHASE AGREEMENTS (Continued)

The remaining contractual maturity of repurchase agreements in the consolidated balance sheets as of December 31, 2024 and 2023, is presented in the following tables:

December 31, 2024

	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater than 90 Days	Total
Repurchase agreements:					
Mortgage-backed securities	$ 2,293,267	$ -	$ -	$ -	$ 2,293,267
State, county and municipal securities	2,042,951	-	-	-	2,042,951
Total borrowings	$ 4,336,218	$ -	$ -	$ -	4,336,218
Gross amount of recognized liabilities for repurchase agreements					4,336,218
Amounts related to agreements not included in offsetting disclosures above					$ -

December 31, 2023

	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater than 90 Days	Total
Repurchase agreements:					
Mortgage-backed securities	$ 2,293,193	$ -	$ -	$ -	$ 2,293,193
State, county and municipal securities	1,338,298	-	-	-	1,338,298
Total borrowings	$ 3,631,491	$ -	$ -	$ -	3,631,491
Gross amount of recognized liabilities for repurchase agreements					3,631,491
Amounts related to agreements not included in offsetting disclosures above					$ -

NOTE J - EMPLOYEE BENEFIT PLANS

The Bank has a non-contributory defined benefit pension plan covering all employees who qualify under length of service and other requirements. The plan calls for benefits to be paid to eligible employees at retirement based primarily upon years of service and average earnings for the five consecutive plan years which produce the highest average. The pension plan was frozen effective January 1, 2013. Data relative to the pension plan as of December 31, 2024 and 2023, follows (In thousands):

	2024	2023
Reconciliation of benefit obligation:		
Projected benefit obligation at beginning of period	$ 14,578	$ 14,922
Interest cost	739	708
Actuarial gain	209	(21)
Distributions	(991)	(1,029)
Curtailments, settlement acquisition	-	(2)
Projected benefit obligation at end of period	14,535	14,578
Reconciliation of plan assets:		
Fair value of plan assets at beginning of period	13,747	13,745
Actual return on plan assets	(246)	1,033
Employer contributions	232	-
Benefit payments	(991)	(1,029)
Settlements	-	(2)
Fair value of plan assets at end of period	12,742	13,747
Funded status, included in other liabilities	$ (1,793)	$ (831)
Net periodic pension expense:		
Interest cost	$ 739	$ 708
Return on plan assets	(719)	(720)
Amortization of loss	550	673
Net periodic pension expense	$ 570	$ 661

NOTE J - EMPLOYEE BENEFIT PLANS (Continued)

The accumulated benefit obligation for the defined benefit plan was $14,534,905 and $14,578,185 at December 31, 2024 and 2023, respectively.

	2024	2023
Rate assumptions:		
Discount rate	5.31%	4.96%
Long-term rate of investment return	5.50%	5.50%
Rate of compensation increase	N/A	N/A
Amortization period	6.61	6.85

The investment portfolio objective is to seek a balance of investment risk and return by investing in fixed income and equities using tactical asset allocation. In addition, the portfolio seeks to meet current beneficiary liabilities while at the same time grow the principal of the portfolio through price appreciation, dividend income and interest income. The Pension Plan Investment Committee, in establishing these objectives, acknowledges that any investment, other than cash, entails a risk of loss of principal value, but expects the evaluation of the risk to the potential return to be a significant factor in the selection of the investment assets. The Pension Plan's asset allocation targets are 80% fixed income and 20% equity, with no more than 5% of the total equity investment concentrated in international investments.

The fair values of the pension plan assets at December 31, 2024 and 2023, by asset category were as follows (In thousands):

	Total	Level 1	Level 2	Level 3
December 31, 2024:				
Asset category:				
Cash and cash equivalents	$ 101	$ 101	$ -	$ -
Mutual funds:				
Collective fund – U.S. equity	318	-	318	-
Other equity	2,650	2,650	-	-
Fixed income	9,673	9,673	-	-
Total pension plan assets	$ 12,742	$ 12,424	$ 318	$ -

NOTE J - EMPLOYEE BENEFIT PLANS (Continued)

	Total	Level 1	Level 2	Level 3
December 31, 2023:				
Asset category:				
Cash and cash equivalents	$ 207	$ 207	$ -	$ -
Mutual funds:				
Collective fund – U.S. equity	292	-	292	-
Other equity	2,377	2,377	-	-
Fixed income	10,871	10,871	-	-
Total pension plan assets	$ 13,747	$ 13,455	$ 292	$ -

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2025	$ 1,339,962
2026	1,302,699
2027	1,286,568
2028	1,269,565
2029	1,260,648
2030 - 2034	5,902,728

The Bank also has a 401(k) retirement plan, which covers all employees who have completed one year of service of 1,000 hours or more and have attained the age of 21. The employees may voluntarily contribute up to one hundred percent (100%) of their wages to the plan on a tax-deferred basis subject to IRS limitations. The Bank's contributions to the plan were $451,818 and $353,072, for the years ended December 31, 2024 and 2023, respectively. The plan was amended in January 2014, to provide a 3% safe harbor contribution by the Bank for the benefit of eligible employees. Also, the plan was amended to allow for separate classifications of participants in the event of discretionary contributions to the plan by the Bank.

The Bank has entered into certain deferred compensation agreements with certain directors. Expenses related to these deferred compensation plans amounted to approximately $28,000 and $6,500 for the years ended December 31, 2024 and 2023, respectively.

NOTE K - REGULATORY CAPITAL

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

The prompt corrective action regulations define specific capital categories based on an institution's capital ratios. The capital categories, in declining order, are "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "criticality undercapitalized."

As of December 31, 2024 and 2023, the most recent notification from the Bancorp's and the Bank's regulator categorized the Bancorp and the Bank as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," the Bancorp and the Bank must maintain minimum Common Equity Tier 1 risk-based, total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table below. There are no conditions or events since that notification that management believes have changed the institution's regulatory designation as "well-capitalized" under the regulatory framework for prompt corrective action.

Quantitative measures established by regulation to ensure capital adequacy require the Bancorp and the Bank to maintain minimum amounts and ratios as set forth in the table below. At December 31, 2024 and 2023, the Bancorp's and the Bank's ratios exceeded the regulatory requirements. Management believes that the Bancorp and the Bank met all capital adequacy requirements to which they were subject as of December 31, 2024 and 2023. The Bancorp's and the Bank's regulatory capital ratios are set forth below.

NOTE K - REGULATORY CAPITAL (Continued)

The Bank's actual and required capital amounts and ratios as of December 31, 2024 and 2023, are as follows ($ in thousands):

	Actual		Minimum Capital Requirement		Minimum To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2024						
Common Equity Tier 1 Capital:						
Consolidated	$ 76,803	12.61%	$ 27,404	4.50%	N/A	N/A
Merchants & Marine Bank	93,668	15.38%	27,404	4.50%	$ 39,584	6.50%
Total Capital to Risk Weighted Assets:						
Consolidated	133,828	21.98%	48,719	8.00%	N/A	N/A
Merchants & Marine Bank	100,116	16.44%	48,719	8.00%	60,899	10.00%
Tier 1 Capital to Risk Weighted Assets:						
Consolidated	127,398	20.92%	36,539	6.00%	N/A	N/A
Merchants & Marine Bank	93,668	15.38%	36,539	6.00%	48,719	8.00%
Tier 1 Capital to Average Assets:						
Consolidated	127,398	17.78%	28,659	4.00%	N/A	N/A
Merchants & Marine Bank	93,668	13.07%	28,659	4.00%	35,824	5.00%
December 31, 2023						
Common Equity Tier 1 Capital:						
Consolidated	$ 80,883	15.67%	$ 23,232	4.50%	N/A	N/A
Merchants & Marine Bank	98,592	19.10%	22,232	4.50%	$ 33,558	6.50%
Total Capital to Risk Weighted Assets:						
Consolidated	137,931	26.72%	41,302	8.00%	N/A	N/A
Merchants & Marine Bank	105,068	20.35%	41,302	8.00%	51,627	10.00%
Tier 1 Capital to Risk Weighted Assets:						
Consolidated	131,478	25.47%	30,976	6.00%	N/A	N/A
Merchants & Marine Bank	98,592	19.10%	30,976	6.00%	41,302	8.00%
Tier 1 Capital to Average Assets:						
Consolidated	131,478	20.10%	26,169	4.00%	N/A	N/A
Merchants & Marine Bank	98,592	15.07%	26,169	4.00%	32,712	5.00%

NOTE L - RELATED PARTIES

The Bank has entered into transactions with its officers, Bancorp's directors and significant stockholders and their affiliates. 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. Such loans amounted to approximately $2,468,000 and $1,786,000 at December 31, 2024 and 2023, respectively. In addition to these loans, the Bank has commitments to extend credit to these related parties, which amounted to approximately $1,007,000 and $1,678,000 at December 31, 2024 and 2023, respectively. The following is a summary of activity in related party loans:

	2024	2023
Balance, beginning of year	$ 1,785,757	$ 316,526
Advances	2,355,038	2,136,324
Repayments	(1,672,598)	(667,093)
Ending balance	$ 2,468,197	$1,785,757

Deposits from related parties held by the Bank at December 31, 2024 and 2023, totaled approximately $7,523,000 and $11,787,000, respectively.

During the ordinary course of business, the Bank may purchase goods and services from companies that have a relationship with individuals who are considered related parties to the Bank. Significant transactions of this type include the acquisition of legal services.

During the years ended December 31, 2024 and 2023, the Bank paid $186,071 and $180,666, respectively, in fees to a law firm of which one of the partners is a member of the Bank's Board of Directors.

NOTE M - DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES

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

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

NOTE M - DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

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

Recurring Measurements

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

	Total	Level 1	Level 2	Level 3
Assets at December 31, 2024:				
Debt securities available-for-sale:				
U.S. Government Agency Funds	$ 7,245	$ -	$ 7,245	$ -
Mortgage-backed securities	44,031	-	44,031	-
State, county and municipal securities	47,999	-	47,999	-
	$ 99,275	$ -	$ 99,275	$ -

	Total	Level 1	Level 2	Level 3
Assets at December 31, 2023:				
Debt securities available-for-sale:				
U.S. Government Agency Funds	$ 4,950	$ -	$ 4,950	$ -
Mortgage-backed securities	46,208	-	46,208	-
State, county and municipal securities	51,624	-	51,624	-
	$ 102,782	$ -	$ 102,782	$ -

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

NOTE M - DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

Available-for-sale debt securities

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

Nonrecurring Measurements

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

	Total	Level 1	Level 2	Level 3
Assets at December 31, 2024:				
Impaired loans	$ 4,379	$ -	$ -	$ 4,379
Other real estate owned	-	-	-	-
Assets at December 31, 2023:				
Impaired loans	$ 2,894	$ -	$ -	$ 2,894
Other real estate owned	22	-	-	22

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

Impaired Loans

The estimated fair value of impaired loans is based on the appraised fair value of the collateral, less estimated cost to sell. Impaired loans are classified within Level 3 of the fair value hierarchy.

NOTE M - DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

Other Real Estate Owned

Other real estate owned is carried at the lower of fair value at acquisition date or current estimated fair value, less estimated cost to sell when the real estate is acquired. Estimated fair value is determined on the basis of appraisals and evaluations. The Bank's other real estate owned are classified within Level 3 of the fair value hierarchy. The Bank considers the appraisal or evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals are obtained when the real estate is acquired and subsequently as deemed necessary by management. Appraisers are selected from the list of approved appraisers maintained by management. Another unobservable input used in the fair value measurement of collateral for impaired loans and other real estate owned relates to the discounting criteria used to consider lack of marketability and estimated costs to sell. These discounts and estimates are developed by management by comparison to historical results.

Fair Value of Financial Instruments

FASB ASC Topic 825 requires disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis.

The carrying amounts and estimated fair values of financial instruments at December 31, 2024 and 2023 were as follows (In thousands):

	December 31, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Level 2 Inputs:				
Cash and due from banks	$ 31,719	$ 31,719	$ 65,963	$ 63,963
Federal funds sold	57	57	157	157
Time deposits due from banks	5,449	5,449	5,449	5,449
Accrued income	2,892	2,892	2,509	2,509
FHLB stock	1,049	1,049	937	937
Level 3 Inputs:				
Loans, net	464,361	464,396	418,008	414,184
Financial liabilities				
Level 2 Inputs:				
Deposits	573,508	504,748	498,994	425,321
Borrowed funds	-	-	50,000	50,000
Securities sold under agreements to repurchase	4,336	4,336	3,631	3,631
Interest payable	387	387	151	151

NOTE M - DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

Fair Value of Financial Instruments (Continued)

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

Cash and due from banks, time deposits due from banks, accrued income, FHLB stock, borrowed funds, and interest payable

The carrying amount approximates fair value.

Loans

The fair value of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. The market rates used are based on current rates the Bank would impose for similar loans and reflect a market participant assumption about risks associated with nonperformance, illiquidity and the structure and term of the loans along with local economic and market conditions. Loans with similar characteristics were aggregated for purposes of the calculations.

Deposits

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

NOTE N - CONCENTRATIONS OF CREDIT

All of the Bank's loans, commitments, commercial and standby letters of credit have been granted to customers in the Bank's market area. The concentrations of credit by type of loan are set forth in Note C. Commercial and standby letters of credit were granted primarily to commercial borrowers. Regulations limit the amount of credit that can be extended to any single borrower or group of related borrowers.

The Bank had due from bank balances in excess of the $250,000 federal insurance limit as of December 31, 2024 and 2023, respectively, of approximately $11,138,000 and $1,183,000.

NOTE O - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit, which are not reflected in the accompanying financial statements until they are funded or related fees are incurred or received.

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 these instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments and may require collateral or other credit support for financial instruments with credit risk. These obligations are summarized below as of December 31, 2024 and 2023 (In thousands):

	2024	2023
Commitments to extend credit	$ 76,124	$ 83,586
Standby letters of credit	4,272	3,876

Commitments to extend credit are agreements to lend to a customer as long as conditions established in the agreement have been satisfied. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since commitments often expire without being fully drawn, the total commitment amounts do not necessarily represent future cash requirements. The Bank continually evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if it is deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty. Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending a loan.

NOTE P - ALLOWANCE FOR OFF-BALANCE SHEET CREDIT EXPOSURES

The Bancorp 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 standby letters of credit when there is a contractual obligation to extend credit when this extension of credit is not unconditionally cancellable. 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 historical funding activity derived from internal information, and an estimate of expected credit losses on commitments expected to be funded over its estimated life, which are the same loss rates that are used in computing the allowance for credit losses on loans. The allowance for credit losses for unfunded loan commitments of $144,000 and $622,000 at December 31, 2024 and 2023, respectively, is separately classified on the balance sheet within other liabilities.

The following table presents the balance and activity in the allowance for credit losses for unfunded loan commitments for the year ended December 31, 2024 and 2023 (In thousands):

	2024	2023
Balance, beginning of year	$ 622	$ 186
Impact of adopting ASC 326	-	436
Provision for unfunded commitments	(478)	-
Balance, end of year	$ 144	$ 622

NOTE Q - COMMITMENTS AND CONTINGENCIES

The Bank is a defendant in legal actions arising from its normal business activities. Management, on advice from counsel, believes that those actions are without merit or that the ultimate liability resulting from them, if any, will not materially affect the Bank's financial position.

NOTE R - OPERATING LEASES

On January 1, 2019, The Bancorp adopted Accounting Standards Update ("ASU") 2016-02 *Leases,* which required the recognition of certain operating leases on the balance sheet as lease right-of-use assets and related lease liabilities. See Note A - Summary of Significant Accounting Policies. Rent expense totaled $253,132 and $230,778 in 2024 and 2023, respectively. Rent expense includes amounts related to items that are not included in the determination of lease right-of-use assets including expenses related to short-term leases totaling $5,023 and $4,901 in 2024 and 2023, respectively.

The Bancorp's leases have remaining terms ranging from one to five years, one of which includes three options to extend the lease for five years, per option. It is reasonably certain that the first option will be exercised. Lease payments per the agreement are $5,000 per month, and beginning in January 2019, the annual rent increases by 3% per year.

Lease payments under operating leases that were applied to our operating lease liability totaled $230,953 and $162,216 during 2024 and 2023, respectively. The following table reconciles future undiscounted lease payments due under non-cancelable operating leases (those amounts subject to recognition) to the aggregate operating lessee lease liability as of December 31, 2024.

A maturity analysis of the operating lease liability and reconciliation of the undiscounted cash flows to the total operating lease liability is as follows:

2025	$ 208,059
2026	110,779
2027	78,280
2028	-
2029	-
Thereafter	-
Total undiscounted cash flows	397,118
Discount on cash flows	(11,831)
Total operating lease liability included in the accompanying balance sheet	$ 385,287
Weighted-average remaining lease term in years	2.25
Weighted-average discount rate	2.72%

NOTE S - REVENUE FROM CONTRACTS WITH CUSTOMERS

Substantially all of the Bancorp's revenue from contracts with customers within the scope of FASB ASC 606 is included in the core banking segment and is recognized within noninterest income. The following table presents the Bancorp's sources of noninterest income for the years ended December 31, 2024 and 2023 (In thousands):

	Year Ended December 31,	
	2024	2023
Service charges on deposit accounts	$ 3,362	$ 2,951
Other service charges, commissions, and fees	2,460	2,457
Gain on sale of other real estate owned	1	37
Income from loan fees	1,239	904
Other	55	55
Revenue from contracts with customers	7,117	6,404
Income from bank owned life insurance, net of premiums	749	395
Gain on sale of securities, net	223	-
CDFI Fund Award	725	4,156
Gain on sale of bank property	1,124	14
Other	1,046	716
Other noninterest income	3,867	5,281
Total noninterest income	$ 10,984	$ 11,685

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

Service Charges on Deposit Accounts: The Bancorp earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as wire fees, stop payment charges, statement rendering, ATM fees, and ACH fees, are recognized at the time the transaction in executed as that is the point in time the Bancorp fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Bancorp satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs.

Other Service Charges, Commissions, and Fees: The Bancorp earns interchange fees from debit cardholder transactions conducted through a 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.

NOTE S - REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

***Gains on Sales of Other Real Estate Owned*:** The Bancorp records a gain from the sale of other real estate owned when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Bancorp finances the sale of other real estate owned to the buyer, the Bancorp assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the other real estate asset is derecognized and the gain on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain on the sale, the Bancorp adjusts the transaction price and related gain on sale if a significant financing component is present.

Income from Mortgage Loan Fees: The Bancorp earns fees for originating mortgage loans. The originated loans are pre-sold into the secondary market; therefore, the Bancorp recognizes these fees at the point in time when the loans are originated.

Other Income: Other income from contracts with customers include safe deposit fees and instant issue debit card fees. This revenue is recognized at the time the transaction is executed or over the period the Bancorp satisfies the performance obligation.

NOTE T - SENIOR PREFERRED STOCK

On December 27, 2020, the Consolidated Appropriations Act of 2021 (Act) was signed into law and added a new section 104A to the Community Development Banking and Financial Institutions Act of 1994. Section 104A authorized the United States Department of the Treasury (Treasury) to establish the Emergency Capital Investment Program (ECIP), through which the Treasury can make capital investments to certain low and moderate-income community financial institutions. The Act states that the purpose of these capital investments is to support the efforts of low and moderate-income community financial institutions to, among other things, provide loans, grants, and forbearance for small businesses, minority-owned businesses, and consumers in low-income and underserved communities, including persistent poverty counties, which may be disproportionately impacted by the economic effects of the COVID-19 pandemic. Under ECIP, a financial institution is generally eligible to receive capital investments from the Treasury if it is a low and moderate-income community financial institution, which is defined by the Act to include any financial institution that is (1) a community development financial institution (CDFI) or minority depository institution, and (2) an insured depository institution, bank holding company, savings and loan holding company, or federally insured credit union. Under ECIP, the Treasury can acquire senior preferred stock (Senior Preferred Stock) from eligible banking organizations. If the Treasury determines that an eligible banking organization cannot feasibly issue preferred stock, such as banks organized as S-Corporations or mutual banking organizations, the Treasury can acquire subordinated debt instruments. In 2022 the Bancorp issued 50,595 shares of no par non-cumulative senior preferred stock in exchange for ECIP funds totaling $50,595,000.

NOTE T - SENIOR PREFERRED STOCK (Continued)

The Senior Preferred Stock will pay quarterly non-cumulative dividends based on an increase in qualified lending compared to a baseline. An increase in qualified lending of less than 200% of the capital investment will yield a dividend of 2.00%. An increase between 200% and 400% of the capital investment will yield a dividend of 1.25%. An increase in qualified lending greater than 400% of the capital investment will yield a dividend of 0.05%. No dividends will accrue or be due for the first 24 months following the capital investment. Dividends will begin to accrue on the 2-year anniversary of the investment date. Dividends will be payable quarterly in arrears on March 15, June 15, September 15 and December 15. The first quarterly payment will be due on the first dividend payment date following the 2-year anniversary of the investment date. Following the 2-year anniversary of the investment date, if dividends are not declared, the Chief Executive Officer and Chief Financial Officer of the Bancorp will be required to provide written notice, no later than three business days prior to the payment date, informing the Treasury that dividends will not be declared and the rationale of the Bancorp's Board of Directors for not declaring dividends.

If dividends on the Senior Preferred Stock have not been declared and paid in full for five quarterly dividend periods or more, whether or not consecutive, Treasury will have the right, but not the obligation, to appoint a representative to serve as an observer on the Bancorp's Board of Directors. This right will end when full dividends have been paid for four consecutive subsequent dividend periods. If dividends on the Senior Preferred Stock have not been declared and paid in full for six quarterly dividend periods or more, whether or not consecutive, Treasury will have the right to elect two directors to the Bancorp's Board of Directors. The right to elect directors will end when the full dividends have been paid for four consecutive subsequent dividend periods.

NOTE U - BUSINESS COMBINATION

On April 10, 2024, the Bancorp completed a merger with Mississippi River Bank (MRB), whereby the Bancorp acquired substantially all of the assets and assumed substantially all of the liabilities of MRB, in a purchase and assumption transaction, in exchange for a cash consideration of $27,694,068. The primary reasons for the acquisition were to realize cost synergies and to expand the Bancorp's footprint by acquiring a financial institution with banking operations in Belle Chasse, Louisiana and Port Sulphur, Louisiana. The revenue and earnings amounts specific to MRB since the effective date of the merger that are included in the consolidated statement of income for 2024 are not readily determinable. The disclosures of these amounts are impracticable due to the merging of certain processes and systems at the effective date. Acquisition related costs of $242,870 and 290,389 are included in other noninterest expense in the Bancorp's Consolidated Statements of Income for the years ended December 31, 2024 and 2023, respectively.

NOTE U - BUSINESS COMBINATION (Continued)

In connection with the acquisition, the Bancorp recorded $2,606,134 in goodwill, which will be deductible for income tax purposes over a period of fifteen years. Additionally, the Bancorp recognized $5,322,992 of core deposit intangibles which will be amortized over ten years for financial statement purposes and fifteen years for income tax purposes. The following table summarizes the amounts of assets acquired and liabilities assumed at the acquisition date:

Fair Value of Consideration Transferred:	
Cash	$ 27,694,068
Identifiable assets:	
Cash and due from banks	58,790,843
Available-for-sale debt securities	34,372,099
Equity securities	77,000
Loans	24,237,122
Property and equipment	2,560,068
Core deposit intangible	5,322,992
Other assets	369,463
Total assets	125,729,587
Identifiable liabilities	
Deposits	100,447,029
Other liabilities	194,624
Total liabilities	100,641,653
Identifiable net assets acquired	25,087,934
Goodwill resulting from acquisition	$ 2,606,134

The fair value of net assets acquired includes fair value adjustments to certain loan receivables that were not considered impaired as of the acquisition date. The fair value adjustments were determined using discounted contractual cash flows. However, the Bancorp believes that all contractual cash flows related to these financial instruments will be collected. As such, these receivables were not considered impaired at the effective date of the merger and were not subject to the guidance related to purchased credit deteriorated loans, which have shown evidence of credit deterioration since origination. Receivables acquired that were not subject to these requirements include non-impaired loans with a fair value of $24,237,122 and gross contractual amounts receivable of $24,335,315. The fair value discount of $98,193 represents expected credit losses and adjustments to market interest rates.

NOTE U - BUSINESS COMBINATION (Continued)

The Bancorp recognized contract assets and contract liabilities from revenue contracts with customers as a result of the business combination. The related revenue contracts with customers are recognized in accordance with ASC Topic 606. The Bancorp elected the following practical expedients on the date of acquisition:

1. The aggregate effect of all modifications that occurred before the acquisition date was reflected when:
   a. Identifying the satisfied and unsatisfied performance obligations.
   b. Determining the transaction price.
   c. Allocating the transaction price to the satisfied and unsatisfied performance obligations.

2. The standalone selling price was determined at the acquisition date for all contracts, for the purpose of allocating the transaction price, of each performance obligation in the contract as opposed to using the contract inception date.

The application of the above expedients was designed to simplify the evaluation and allocation process for the acquired revenue contracts. The Bancorp has assessed the impact of applying these practical expedients and concluded that there was no material impact on the recognition or measurement of contract assets, contract liabilities, or the allocation of transaction price. Accordingly, the expedients did not have a material effect on the Bancorp's consolidated financial statements for the year ended December 31, 2024.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (In Thousands)

The Company is reporting Net Income of $5,407, or $4.06 per share, for the 12 months ended December 31, 2024 compared to $6,032, or $4.53 per share, for the 12 months ended December 31, 2023. Return on average assets totaled 0.75% and 0.91% for the years ended December 31, 2024, and December 31, 2023, respectively. Return on average common equity for the 12 months ended December 31, 2024, and December 31, 2023, totaled 7.23% and 8.77%, respectively.

The Company's net interest margin is a prime indicator of its profitability. The net interest margin (tax equivalent basis) reflects the spread between interest-earning asset yields and interest-bearing liability costs, and the percentage of interest-earning assets funded by interest-bearing liabilities. The Company's net interest margin (tax equivalent) improved to 5.35% at December 31, 2024, from 4.82% in the same period in 2023. Ongoing enhancement of pricing strategies, paired with the company's liquidity position and low dependency on certificates of deposit served to hold average deposit costs to just 0.36% in 2024 compared to 0.26% in 2023. While the Company's overall cost of funds increased to 0.58% in 2024 from 0.34% in 2023, the increase is due almost exclusively to participation in the Federal Reserve Board's Bank Term Funding Program through September 2024.

Average assets totaled $723.264 for the year ended December 31, 2024, an increase of $59,680, or 8.99%, from $663,584 through the year ended December 31, 2022. Average net loans totaled $443,130 during 2024, an increase of $37,575, or 9.27%, from 2023. Loan growth and asset growth, like deposit growth in the following paragraph, were primarily, but not entirely, the result of the acquisition of Mississippi River Bank in Belle Chasse, Louisiana in the second quarter of the year.

Average total deposits grew by $3,363, or 0.61%, to $557,356 in 2024, while averaging $553,993 during 2023. However, average total deposits in 2024 increases to $581,426 when excluding the first quarter of the year. The majority of the Company's growth in deposits in 2024 is attributable to the acquisition of Mississippi River Bank during the second quarter. As the Federal Reserve continued to effect monetary tightening during 2024, the Company continued to decrease its the reliance on time deposits and other non-core funding, also repaying its $50 million advance under the Bank Term Funding Program.

Total non-performing assets, including non-accrual loans, accruing loans past due over 90 days, and other real estate owned, totaled $4,889 and $2,916 in 2024 and 2023, respectively. While this rate increased somewhat, it remains well below the historical rate of non-performing assets at the company. Non-performing loans as a percentage of net loans were 1.10% as of December 31, 2024, and 0.69% as of December 31, 2023.

The Company places a great emphasis on maintaining its strong capital base. The Company's management and Board of Directors continually evaluate business decisions that may have an impact on the level of stockholders' equity. It is their goal that the bank maintains a "well-capitalized" equity position. The bank's regulator defines a "well-capitalized" institution as one that has at least a 10% total risk-based capital ratio, a 6.5% common equity Tier 1 capital ratio, an 8% Tier 1 risk-based capital ratio, and a 5% leverage ratio. The Company's capital ratios for 2024 were 21.98%, 12.61%, 20.92% and 17.78% compared to 26.72%, 15.67%, 25.47% and 20.10% for 2023, respectively. The Company's strong capital base not only protects the bank against risks presented by the industry and the economy, but also positions the company to take advantage of growth and expansion opportunities as they arise.

Stockholders' equity (inclusive of preferred stock) to total assets for 2024 and 2023 was 17.58% and 18.04%, respectively. Common equity to total assets stood at 10.53% and 10.66% for the same periods.

OTHER INFORMATION

Information Relating to Common Stock

At December 31, 2024, the Company's authorized capital stock consisted of 5,000,000 shares of common stock, par value $2.50 per share, of which 1,330,338 were issued and outstanding. The Company joined the OTCQX Market Place on January 19, 2018 trading under the ticker symbol MNMB. The common stock was not traded on an exchange prior to this date, nor was there a known active trading market. As of December 31, 2024, the common stock of the Company was held of record by 863 stockholders. Based solely on information made available to the Company from limited numbers of buyers and sellers, the Company believes that the following table sets forth the quarterly range of sales prices for the Company's stock during the years 2024 and 2023.

Stock Prices

2024	High	Low
1st Quarter	$51.50	$46.50
2nd Quarter	47.20	44.15
3rd Quarter	45.75	43.10
4th Quarter	47.25	42.45

2023	High	Low
1st Quarter	$40.95	$36.53
2nd Quarter	41.50	35.05
3rd Quarter	45.00	37.00
4th Quarter	51.50	43.00

During each quarter of 2024 and 2023, cash dividends on common stock were paid as follows:

	2024	2023
1st Quarter	$0.55	$0.55
2nd Quarter	0.30	0.30
3rd Quarter	0.30	0.30
4th Quarter	0.30	0.30
Total	$1.45	$1.45

Although no assurances can be given, the Company anticipates that cash dividends on shares of the Company's common stock will continue to be paid during 2025, subject to the discretion of the Board of Directors.

MERCHANTS & MARINE BANCORP, INC.
AND
MERCHANTS & MARINE BANK

BOARD OF DIRECTORS

William Russell Buster, IV
Owner
C-Sharpe Co, LLC

Royce Cumbest
Chairman of the Board
Merchants & Marine Bancorp, Inc., and
Merchants & Marine Bank

Frank J. Hammond, III
Attorney
Watkins & Eager, PLLC

Abe L. Harper, Jr.
President
Harper Technologies, LLC

Clayton Legear
President and Chief Executive Officer
Merchants & Marine Bancorp, Inc., and
Merchants & Marine Bank

Paul H. (Hal) Moore, Jr., M.D.
Retired Radiologist
Singing River Radiology Group

Diann M. Payne
Executive Director
LifeWise

Alan K. Sudduth
Corporate Affairs Manager
Chevron Pascagoula Refinery

Henry G. (Hank) Torjusen, Jr.
Co-owner
Fletcher Construction Company

T. Bragg Van Antwerp, Jr.
Managing Director
Mitchell McLeod Pugh & Williams

Julius A. (Jay) Willis, Jr., DMD
Owner
Willis & Associates, LLC

SENIOR ADVISORY DIRECTORS

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President
St. Pé & Associates

Thomas B. Van Antwerp
Trustee
The Hearin-Chandler Foundation

DIRECTOR EMERITUS

Lynda J. Gautier
Retired Certified Public Accountant

MERCHANTS & MARINE BANCORP, INC.
<u>Officers as of December 31, 2024</u>

Clayton L. Legear*
President and Chief Executive Officer

Jeffery S. Trammell*
Chief Operations Officer

Casey B. Hill*
Chief Financial Officer

W. Greg Hodges*
Chief Banking Officer

Antonio J. Davis*
Chief Risk Officer

Kristi V. Maxwell
Chief Administrative Officer

Jackie E. Skelton
Secretary to the Board

**Executive Officers*

MERCHANTS & MARINE BANK CHARTER
<u>Corporate Officers as of December 31, 2024</u>

Clayton L. Legear*
President and Chief Executive Officer

Jeffery S. Trammell*
Chief Operations Officer

Casey B. Hill*
Chief Financial Officer

W. Greg Hodges*
Chief Banking Officer

Antonio J. Davis*
Chief Risk Officer

Kristi V. Maxwell
Chief Administrative Officer

Jackie E. Skelton
Secretary to the Board

**Executive Officers*

MERCHANTS & MARINE BANK
<u>Brand Executive Leadership Team</u>

Paige Oliver
President and Chief Executive Officer

Jimmy Conyers
Alabama Market President

Mack Rushing
Coastal Mississippi Market President

David Thomas
Director Retail Banking

Grant Walker
Pine Belt Market President

CANVAS MORTGAGE
<u>Brand Executive Leadership Team</u>

Jonathan Shows
President

Joe McNeese
Director of Mortgage Operations

CANNAFIRST FINANCIAL
<u>Brand Executive Leadership Team</u>

Jeffery S. Trammell
Managing Director

Jon Parker
Director of Sales

Kia Mallety
Director of Operations

VOYAGER LENDING
<u>Brand Executive Leadership Team</u>

Matthew McElveen
President

Kailynn Summers
Director of Credit

JoAnn Hill
Director of Operations

COMMUNITY OF RESOURCES
<u>Brand Executive Leadership Team</u>

Rita Bailey
Controller and Cashier

Lisa Jones
Director of Operations Services

Michelle Baldwin
Director of Credit

Stacey McElroy
Director of Information Technology

Riece Fleming
Bank Secrecy Act Officer

Stephanie Spring
Compliance Manager

Kelly Green
COR Project Manager

Sheryl Wolfe
Human Resources Director

MISSISSIPPI RIVER
<u>Brand Executive Leadership Team</u>

Michael Bush
Chief Executive Officer

Lisa Works
President and Chief Operating Officer

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MERCHANTS & MARINE BANCORP, INC.

We fit together...

Our company would not be what it is today without our incredible team members. Throughout 2024, we have laughed, loved, and persevered with a forward-looking mindset. It is important for us to reflect on past memories to ignite our passion and drive for the future. We have many things to look forward to in the years to come, and we want to express our gratitude and congratulations to the Merchants & Marine Bancorp, Inc., family.

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