

December 31, 2024



in a league all our own.®

TABLE OF CONTENTS

<u>DESCRIPTION</u>	<u>Page</u>
Report of Independent Certified Public Accountants	1 - 3
Consolidated Statements of Financial Condition	4
Consolidated Statements of Income	5
Consolidated Statements of Changes in Shareholders' Equity	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 31

Independent Auditor's Report

Board of Directors and Shareholders
Bank of Utica
Utica, New York

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the consolidated financial statements of Bank of Utica and subsidiary (Company), which comprise the statement of financial condition for the year ended December 31, 2024, and the related statements of income, changes in shareholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

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

We also have audited the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in the *Internal Control – Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on COSO.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audits of the Financial Statements and Internal Control over Financial Reporting" section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Prior Year Audited by Other Auditors

The 2023 financial statements were audited by other auditors, and their report thereon, dated January 31, 2024, expressed an unmodified opinion.

Responsibilities of Management for the Financial Statements and Internal Control over Financial Reporting

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 effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management also is responsible for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management Representation Letter.

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

Auditor's Responsibilities for the Audits of the Financial Statements and Internal Control over Financial Reporting

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 about whether effective internal control over financial reporting was maintained in all material respects, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of financial statements or an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material misstatement or a material weakness 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 to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit of financial statements and an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances.
- Obtain an understanding of internal control over financial reporting relevant to the audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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 financial statement audit.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 112 of the *Federal Deposit Insurance Corporation Improvement Act* (FDICIA), our audit of Bank of Utica's internal control over financial reporting included controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and with the Federal Financial Institutions Examination Council Instructions for Consolidated

Reports of Condition and Income (Call Report Instructions). An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Forvis Mazars, LLP

**New York, New York
February 3, 2025**

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITIONDECEMBER 31,ASSETS

	<u>2024</u>	<u>2023</u>
Assets:		
Cash and Cash Equivalents	\$ 54,013,505	\$ 47,580,943
Investment Securities - Held-To-Maturity - Net	1,014,672,230	953,992,542
Investment Securities - Equity Securities	164,667,020	155,051,059
Loans Receivable - Net	127,682,566	110,584,815
Property and Equipment - Net	15,036,392	15,758,462
Accrued Interest Receivable	11,778,480	10,840,059
Other Assets	1,118,024	1,175,715
	<u>1,388,968,217</u>	<u>1,294,983,595</u>
TOTAL ASSETS	<u>\$ 1,388,968,217</u>	<u>\$ 1,294,983,595</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:		
Deposits	\$ 1,027,138,769	\$ 952,007,387
Deferred Tax Liability - Net	24,712,974	22,046,842
Accrued Interest Payable	2,332,418	1,438,836
Other Liabilities	3,391,940	3,430,595
Total Liabilities	<u>1,057,576,101</u>	<u>978,923,660</u>
Shareholders' Equity:		
Voting Common Stock - \$20 Par Value, Authorized		
50,000 Shares Issued and Outstanding	1,000,000	1,000,000
Nonvoting Common Stock - \$20 Par Value, Authorized		
200,000 Shares Issued and Outstanding	4,000,000	4,000,000
Capital Surplus	287,508,000	280,573,000
Retained Earnings	38,884,116	30,486,935
Total Shareholders' Equity	<u>331,392,116</u>	<u>316,059,935</u>
	<u>\$ 1,388,968,217</u>	<u>\$ 1,294,983,595</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 1,388,968,217</u>	<u>\$ 1,294,983,595</u>

CONSOLIDATED STATEMENTS OF INCOMEFOR THE YEAR ENDED DECEMBER 31,

	<u>2024</u>	<u>2023</u>
Interest and Dividend Income:		
Investment Securities:		
Taxable	\$ 30,444,484	\$ 26,360,164
Exempt from Federal Income Tax	1,859,140	1,662,937
Dividend Income	3,832,768	3,940,706
Loans	6,590,570	5,301,533
Federal Funds Sold	2,236,892	2,710,053
Total Interest and Dividend Income	<u>44,963,854</u>	<u>39,975,393</u>
Interest Expense:		
Interest on Deposits & Borrowed Funds	<u>23,771,297</u>	<u>16,376,911</u>
Net Interest Income	<u>21,192,557</u>	<u>23,598,482</u>
Non-Interest Income:		
Net Gain on Unrealized Gain/Loss of Investment Securities	12,266,728	8,998,458
Net Gain (Loss) on Disposal of Investment Securities	345,578	(239,243)
Service Charges on Deposit Accounts	237,870	183,600
Other	37,818	48,574
Total Non-interest Income	<u>12,887,994</u>	<u>8,991,389</u>
Non-Interest Expense		
Salaries, Employee Benefits and Training	5,064,490	4,817,472
Occupancy and Information Technology	2,602,374	2,554,980
Regulatory - FDIC and NYS Banking Department	609,627	638,672
Provision for Credit Losses	143,270	166,312
Other	924,216	935,469
Total Non-Interest Expense	<u>9,343,977</u>	<u>9,112,905</u>
Income Before Income Taxes	24,736,574	23,476,966
Income Tax Expense	<u>4,716,893</u>	<u>4,611,991</u>
NET INCOME	<u>\$ 20,019,681</u>	<u>\$ 18,864,975</u>
NET INCOME PER SHARE OF COMMON STOCK	<u>\$ 80</u>	<u>\$ 75</u>
SHARES OUTSTANDING	<u>250,000</u>	<u>250,000</u>

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITYFOR THE YEAR ENDED DECEMBER 31,

	Voting Common Stock	Non-Voting Common Stock	Capital Surplus	Retained Earnings	Total Shareholders' Equity
Balance at December 31, 2022	\$ 1,000,000	\$ 4,000,000	\$ 247,921,000	\$ 50,125,732	\$ 303,046,732
Adoption of ASC 326 - Current Expected Credit Losses (CECL), net of tax	-	-	-	(1,289,272)	(1,289,272)
Adjusted Balance at January 1, 2023	1,000,000	4,000,000	247,921,000	48,836,460	301,757,460
Net Income	-	-	-	18,864,975	18,864,975
Dividends Declared	-	-	-	(4,562,500)	(4,562,500)
Transfer	-	-	32,652,000	(32,652,000)	-
Balance at December 31, 2023	1,000,000	4,000,000	280,573,000	30,486,935	316,059,935
Net Income	-	-	-	20,019,681	20,019,681
Dividends Declared	-	-	-	(4,687,500)	(4,687,500)
Transfer	-	-	6,935,000	(6,935,000)	-
Balance at December 31, 2024	\$ 1,000,000	\$ 4,000,000	\$ 287,508,000	\$ 38,884,116	\$ 331,392,116

See Accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWSFOR THE YEAR ENDED DECEMBER 31,

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities:		
Net Income	\$ 20,019,681	\$ 18,864,975
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities		
Depreciation and Amortization	824,169	938,721
Deferred Income Tax	2,666,132	1,781,102
Investment Securities Amortization	7,970,428	10,758,549
Realized Loss (Gain) on Investment Securities	(345,578)	239,243
Unrealized Gain on Investment Securities	(12,266,728)	(8,998,458)
Loss from Limited Partnerships	11,772	36,721
(Increase) Decrease in Assets:		
Accrued Interest Receivable and Other Assets	(880,730)	2,280,403
Increase (Decrease) in Liabilities:		
Accrued Interest Payable and Other Liabilities	854,927	161,807
NET CASH FROM OPERATING ACTIVITIES	<u>18,854,073</u>	<u>26,063,063</u>
Cash Flows from Investing Activities:		
Proceeds from Redemptions, Principal Payments,		
Maturities of Securities Held-To-Maturity	228,741,017	216,022,623
Purchase of Securities Held-To-Maturity	(298,204,787)	(89,016,317)
Purchase of Securities Equity Securities	(812,102)	-
Proceeds from Sales of Equity Securities	4,466,364	-
Distributions from Limited Partnerships	143,965	121,150
Increase in Loans - Net	(17,097,751)	(4,739,802)
Purchases of Property and Equipment	(102,099)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(82,865,393)</u>	<u>122,387,654</u>
Cash Flows from Financing Activities:		
Increase in Deposits - Net	75,131,382	(141,396,259)
Dividends Paid	(4,687,500)	(4,500,000)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>70,443,882</u>	<u>(145,896,259)</u>
INCREASE IN CASH	6,432,562	2,554,458
Cash Balance - January 1	<u>47,580,943</u>	<u>45,026,485</u>
Cash Balance - December 31	<u><u>\$ 54,013,505</u></u>	<u><u>\$ 47,580,943</u></u>
Supplemental Disclosures:		
Cash Paid for Interest	<u>\$ 22,877,715</u>	<u>\$ 15,763,666</u>
Cash Paid for Taxes	<u>\$ 1,776,000</u>	<u>\$ 2,342,463</u>
Non-Cash Financing Activities		
Dividends Declared and Payable	<u>\$ 2,375,000</u>	<u>\$ 2,312,500</u>
Adoption of ASC 326 - Current Expected Credit Losses (CECL)	<u><u>\$ -</u></u>	<u><u>\$ 1,289,272</u></u>

See Accompanying Notes to Consolidated Financial Statements

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2024 AND 2023NOTE 1 – Summary of Significant Accounting Policies:

- A. Principals of Consolidation and Nature of Operations – The accompanying consolidated financial statements include the accounts of the Bank of Utica and Bank of Utica Investment Subsidiary, Ltd., its wholly-owned subsidiary. Intercompany transactions and balances have been eliminated in consolidation.

The Bank of Utica (the “Bank”) is a privately held full service commercial Bank and accepts deposits, and generates loans primarily in the Utica, New York region, and invests in securities.

- B. Basis of Accounting – The accompanying consolidated financial statements have been prepared in all material respects in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and practices within the Banking industry.
- C. Use of Estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP 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 revenue and expense during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, the valuation of deferred tax assets, and the fair value of financial instruments.
- D. Cash and Cash Equivalents – For the purposes of presentation in the Consolidated Statements of Cash Flows, cash and cash equivalents include cash and due from banks. Cash and cash equivalents have original maturities of three months or less, and accordingly, the carrying amount of these instruments is deemed to be a reasonable estimate of fair value.
- E. Investment Securities – The Bank holds both debt investment and equity securities. Equity securities are securities with a readily determinable fair value. Changes in fair value are recognized in net income. All the Bank’s equities are formally designated as NYS Investment Capital. Debt securities held are designated as held-to-maturity. Debt securities that management has both the intent and ability to hold to maturity are carried at amortized cost.

Premiums (discounts) on debt securities are amortized (accreted) to income using the level yield method to the contractual maturity date or call date as applicable.

Realized gains and losses are determined using the specific identification method and are reported in noninterest income.

- F. Loans Receivable – The Bank’s loan balance is comprised of loans held in the portfolio, including commercial loans, consumer loans, and residential mortgage loans. Loans are reported at their outstanding principal balances adjusted for the allowance for credit losses. Interest income on all types of loans, except those classified as nonaccrual, is accrued based upon the outstanding principal amounts.

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2024 AND 2023NOTE 1 – Summary of Significant Accounting Policies (continued):

The accrual of interest on loans is discontinued after 90 days delinquent unless such loans are well secured and are in process of collection. Loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Upon discontinuance of accrual of interest, all unpaid accrued interest is reversed. Subsequent receipts of interest are recorded as interest income on a cash basis unless collectability is in doubt, in which case cash payments are applied to principal. Loans may be returned to accrual status, if and when borrowers demonstrate the ability to repay a loan in accordance with the contractual terms.

- G. Allowance for Credit Losses – On January 1, 2023, the Bank adopted ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", or ASC 326, which replaced the incurred loss methodology that delayed recognition until it was probable a loss had been incurred with a lifetime expected loss methodology using "reasonable and supportable" expectations about the future that is referred to as the current expected credit loss ("CECL") methodology. The Bank uses historical delinquency and actual loss rates modified by quantitative adjustments based on macroeconomic factors over a twelve-month reasonable and supportable forecast period, plus qualitative factors based on management judgment, in the allowance determination. This evaluation is inherently subjective, as it requires estimates, including those based on changes in economic conditions and forecasted economic conditions, that are susceptible to significant revision as more information becomes available. Credit losses are deducted from the allowance and subsequent recoveries are added back to the allowance.

In March of 2022, the FASB issued ASU 2022-02, "Troubled Debt Restructurings and Vintage Disclosures." ASU 2022-02 eliminates the troubled debt restructuring ("TDRs") accounting model for creditors and instead requires companies to apply the loan refinancing and restructuring guidance to determine whether a modification made to a borrower results in a new loan or a continuation of an existing loan. In addition, companies are no longer required to use a discounted cash flow method to measure the allowance for credit losses for certain TDRs and instead allows for the use of an expected loss approach for all loans. The guidance also introduces new disclosure requirements related to restructuring of financing receivables made to borrowers experiencing financial difficulty, and amends vintage disclosures to require current-period gross write-off by year of origination.

The guidance should be applied on a prospective basis except for amendments related to recognition and measurement of TDRs, where a modified retrospective transition method is optional. The adoption of this guidance did not have a material impact on the Bank's Consolidated Financial Statements. The Bank adopted ASU 2022-02 on January 1, 2023.

The Bank adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures. Results for reporting periods beginning after December 15, 2022, are presented under ASC 326. The transition to the CECL methodology on January 1, 2023, resulted in an increase of \$1,647,000 to the Bank's allowance for credit losses ("ACL") and a net-of-tax cumulative-effect decrease of \$1,289,272 to the beginning balance of retained earnings.

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2024 AND 2023NOTE 1 – Summary of Significant Accounting Policies (continued):

The CECL methodology transition effects on the allowance for credit losses are shown in the following table:

	Effect of ASC 326		
	December 31, 2022 Pre-ASC 326 Adoption	Adoption (Transition Amounts)	January 01, 2023 Post-ASC 326 Adoption
Assets:			
Debt Securities - Held-To-Maturity	\$ -	\$ 1,647,000	\$ 1,647,000
Loans:			
Commercial & Commercial			
Real Estate	1,005,785	-	1,005,785
Residential	34,478	-	34,478
Consumer	5,909	-	5,909
Letters of Credit	-	-	-
Other	-	-	-
Ending Balance	<u>\$ 1,046,172</u>	<u>\$ 1,647,000</u>	<u>\$ 2,693,172</u>

- H. Allowance for Credit Losses – Held-To-Maturity Securities – The Bank measures expected credit losses on held-to-maturity debt securities on a collective basis by major security types that share similar risk characteristics, which may include, but is not limited to, credit ratings, financial asset type, collateral type, size, effective interest rate, term, geographical location, industry, and vintage.

The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. The Bank has evaluated and determined zero risk of nonpayment on all securities guaranteed by U.S. government and U.S. government-sponsored enterprises and agencies. Given the rarity of municipal and corporate bond defaults and losses, the Bank utilizes external third-party loss forecast models (credit ratings) as the primary source of municipal and corporate bond default and loss rates. Management may exercise discretion to make adjustments based on various qualitative factors.

Changes in the ACL are recorded as provision (benefit) for credit losses. A held-to-maturity debt security is written off in the period in which a determination is made that it is probable that all or a portion of the financial asset is uncollectible. The previously recorded allowance, if any, is reversed and then the amortized cost basis is written down to the amount deemed to be collectible, if any.

- I. Property and Equipment – Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation is computed by the straight-line and accelerated methods.

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2024 AND 2023NOTE 1 – Summary of Significant Accounting Policies (continued):

Depreciation is charged to operations over the estimated useful lives of the assets. The estimated useful lives and methods of depreciation for the principal items are as follows:

Buildings and Improvements	10-40	Straight-Line
Furniture and Equipment	3-10	Straight-Line

Maintenance and repairs of premises and equipment are charged to operations, and major improvements are capitalized. Upon retirement, sale, or other disposition of premises and equipment, the cost and accumulated depreciation are eliminated from the accounts and gain, or loss is included in operations.

- J. Equity - The Bank records an annual transfer of retained earnings to capital surplus to maintain a retained earnings balance equal to two years of net income.
- K. Profit Sharing Plan – Profit sharing costs are charged to employee benefits expense as accrued.
- L. Postretirement Benefits – Postretirement health insurance benefits are charged to employee benefits expense when paid. Although not under contractual obligation, the Bank currently provides certain health care benefits to retired employees. At the option of the Bank, retirees may continue to receive certain health insurance benefits if they met age and service requirements while working for the Bank. The health care plans can be contributory with participant contributions adjusted annually. The Bank reserves the right to amend or terminate any of the benefits at any time. The amounts paid for such benefits in 2024 and 2023 were \$44,109 and \$46,107, respectively.
- M. Income Taxes – There are two components of income tax expense: current and deferred. Current income tax expense (benefit) approximates cash to be paid (refunded) for income taxes for the applicable period. Deferred income tax expense (benefit) is determined by recognizing deferred tax assets and liabilities for the future tax consequences attributable to differences in the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

The principal timing differences are the provision for credit losses, depreciation and amortization, and unrealized gain (loss) on equity securities.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The realization of deferred tax assets is assessed, and a valuation allowance is recognized for that portion of the asset, if any, for which it is more likely than not that the tax benefits will be realized. Management generally considers the character and timing of taxable temporary differences, tax planning strategies and the expectation of future taxable income of the appropriate character when evaluating the need for a valuation allowance.

When measuring the amount of current taxes to be paid (or refunded) management considers the merit of various tax treatments in the context of statutory, judicial, and regulatory guidance. The Bank also considers the results of recent tax audits and historical experience. While management considers the amount of income taxes payable (or receivable) to be appropriate based on information currently available, future additions and reductions to such amounts may be necessary due to unanticipated events or changes in circumstances. Management has not taken, and does not expect to take, any

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2024 AND 2023NOTE 1 – Summary of Significant Accounting Policies (continued):

position in a tax return which position it deems to be uncertain. The bank is no longer subject to U.S. Federal and State tax examinations by tax authorities for years prior to 2021.

Interest and penalties, if any, related to the underpayment of income taxes are recorded as a component of non-interest expense in the consolidated statements of income.

- N. Net Income per Share of Common Stock – Net income per share of common stock is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. The weighted average number of common shares, including voting and non-voting, was 250,000 as of December 31, 2024 and 2023.
- O. Off-Balance-Sheet Financial Instruments – In the ordinary course of business, the Bank has entered into off-balance-sheet financial commitments to extend credit, such as lines and letters of credit. Such financial commitments are recorded in the consolidated financial statements when these commitments are funded.
- P. Advertising Costs – Advertising costs are charged to non-interest expense in the statements of income when incurred. Advertising costs for 2024 and 2023 were \$317,311 and \$356,554, respectively.
- Q. Reclassification – Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 2 – Restriction on Cash and Cash Equivalents

The Bank is required at times to maintain reserve funds in cash or on deposit with the Federal Reserve Bank. As of December 31, 2024 and 2023, the Bank was not required to maintain a reserve balance.

NOTE 3 – Investment Securities:

The amortized cost and estimated fair values of securities held-to-maturity and equity securities are as follows:

<u>Securities Being Held-To-Maturity</u>	December 31, 2024			
	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
State & Municipal				
Debt Securities	\$ 81,195,484	\$ 287,839	\$ 5,710,127	\$ 75,773,196
Mortgage Backed Securities	56,388	1,038	-	57,426
Other Domestic &				
Foreign Debt Securities	935,085,174	2,846,739	28,402,589	909,529,324
Allowance For Credit Losses	(1,664,816)	-	-	(1,664,816)
Total Held to Maturity	<u>\$ 1,014,672,230</u>	<u>\$ 3,135,616</u>	<u>\$ 34,112,716</u>	<u>\$ 983,695,130</u>
<u>Equity Securities</u>	<u>\$ 51,234,988</u>	<u>\$ 114,975,835</u>	<u>\$ 1,543,803</u>	<u>\$ 164,667,020</u>

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2024 AND 2023NOTE 3 – Investment Securities (continued):

Securities Being Held-To-Maturity	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
State & Municipal Debt Securities	\$ 89,895,628	\$ 602,569	\$ 5,164,551	\$ 85,333,646
Mortgage Backed Securities	64,693	2,081	-	66,774
Other Domestic & Foreign Debt Securities	865,679,221	2,313,840	46,110,873	821,882,188
Allowance For Credit Losses	(1,647,000)	-	-	(1,647,000)
Total Held to Maturity	<u>\$ 953,992,542</u>	<u>\$ 2,918,490</u>	<u>\$ 51,275,424</u>	<u>\$ 905,635,608</u>
<u>Equity Securities</u>	<u>\$ 53,885,755</u>	<u>\$ 102,253,568</u>	<u>\$ 1,088,264</u>	<u>\$ 155,051,059</u>

Securities carried at approximately \$390,486,392 on December 31, 2024 and \$408,729,983 at December 31, 2023, were pledged to secure public deposits and for other purposes required or permitted by law.

The following summarizes the amortized cost and fair value of securities held-to-maturity by contractual maturity at December 31, 2024. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

Due:	Amortized Cost	Fair Value
Within One Year	\$ 177,628,623	\$ 176,505,893
From One to Five Years	713,455,745	690,121,571
From Five to Ten Years	123,511,033	117,048,644
After Ten Years	1,741,645	1,683,838
Allowance For Credit Losses	(1,664,816)	(1,664,816)
	<u>\$ 1,014,672,230</u>	<u>\$ 983,695,130</u>

As held-to-maturity securities, the difference between amortized cost and fair value is not expected to be realized because of the Bank's ability and intent to hold these securities until due.

In prior periods, the Bank sold held-to-maturity securities with a book value in excess of the market value resulting in losses. These sales were the result of isolated circumstances involving deterioration in the issuer's creditworthiness, and as such are permitted under FASB guidance. The sales were not inconsistent with their original classification of held-to-maturity. During 2024 and 2023, the Bank did not sell any held-to-maturity securities due to instances involving deterioration in the issuer's creditworthiness.

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2024 AND 2023NOTE 3 – Investment Securities (continued):

Gross realized gains and losses on sales of equity securities and optional calls of held-to-maturity securities are summarized as follows:

	December 31,	
	2024	2023
Realized Gains	\$ 1,429,512	\$ -
Realized Losses	(1,083,934)	(239,243)
	<u>\$ 345,578</u>	<u>\$ (239,243)</u>

The portion of unrealized gains and losses for the period related to equity securities still held at the reporting date is calculated as follows:

	2024	2023
Net gains and (losses) recognized during the period on equity securities	\$ 13,408,145	\$ 8,998,458
Less net gains and (losses) recognized during the period on equity securities sold during the period	<u>1,141,417</u>	<u>-</u>
Unrealized gains and losses recognized during the period on equity securities still held at the reporting date	<u>\$ 12,266,728</u>	<u>\$ 8,998,458</u>

December 31, 2024									
Less Than Twelve Months			Twelve Months or Longer			Total			
Amortized Cost	Fair Value	Unrealized Losses	Amortized Cost	Fair Value	Unrealized Losses	Amortized Cost	Fair Value	Unrealized Losses	
Mortgage Backed	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal Securities	11,390,183	11,246,695	(143,488)	52,345,249	46,778,610	(5,566,639)	63,735,432	58,025,305	(5,710,127)
Corporate Bonds	168,618,202	166,413,326	(2,204,876)	561,176,041	534,978,328	(26,197,713)	729,794,243	701,391,654	(28,402,589)
	<u>\$ 180,008,385</u>	<u>\$ 177,660,021</u>	<u>\$ (2,348,364)</u>	<u>\$ 613,521,290</u>	<u>\$ 581,756,938</u>	<u>\$ (31,764,352)</u>	<u>\$ 793,529,675</u>	<u>\$ 759,416,959</u>	<u>\$ (34,112,716)</u>
December 31, 2023									
Less Than Twelve Months			Twelve Months or Longer			Total			
Amortized Cost	Fair Value	Unrealized Losses	Amortized Cost	Fair Value	Unrealized Losses	Amortized Cost	Fair Value	Unrealized Losses	
Mortgage Backed	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal Securities	10,791,645	10,758,878	(32,767)	62,464,328	57,332,544	(5,131,784)	73,255,973	68,091,422	(5,164,551)
Corporate Bonds	8,297,944	8,263,875	(34,069)	762,711,350	716,634,546	(46,076,804)	771,009,294	724,898,421	(46,110,873)
	<u>\$ 19,089,589</u>	<u>\$ 19,022,753</u>	<u>\$ (66,836)</u>	<u>\$ 825,175,678</u>	<u>\$ 773,967,090</u>	<u>\$ (51,208,588)</u>	<u>\$ 844,265,267</u>	<u>\$ 792,989,843</u>	<u>\$ (51,275,424)</u>

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2024 AND 2023NOTE 3 – Investment Securities (continued):

The temporary impairment of securities held-to-maturity is primarily attributable to changes in overall market interest rates and/or changes in credit spreads since the investments were acquired. In general, as market interest rates rise and/or credit spreads widen, the fair value of fixed rate securities will decrease, and as market interest rates fall and/or credit spreads tighten, the fair value of fixed rate securities will increase. As of December 31, 2024, the Bank has the ability and intent to hold these securities to maturity or until such time as they are called or prepaid. As of December 31, 2024, management expects to collect all amounts due according to the contractual terms of these securities and does not believe that there are any cases of individual securities with credit losses as of December 31, 2024.

The Bank monitors the credit quality of held-to-maturity securities primarily through the use of credit ratings. The credit ratings are monitored on a monthly basis or more frequently if required. The Bank obtains ratings from Moody's, S&P Global and Fitch Ratings. Investment grade is defined as BBB– or higher by Fitch Ratings or S&P Global, or Baa3 or higher by Moody's. The following table summarizes the amortized cost of held-to-maturity securities at December 31, 2024 and 2023, aggregated by credit quality indicator:

	Investment Grade	Split Grade ⁽¹⁾	Below Investment Grade	Not Rated	Total
December 31, 2024					
State & Municipal					
Debt Securities	\$ 76,688,973	\$ -	\$ 124,464	\$ 4,382,047	\$ 81,195,484
Mortgage Backed Securities	-	-	-	56,388	56,388
Other Domestic &					
Foreign Debt Securities	901,998,318	11,055,762	4,402,435	17,628,659	935,085,174
	<u>\$ 978,687,291</u>	<u>\$ 11,055,762</u>	<u>\$ 4,526,899</u>	<u>\$ 22,067,094</u>	<u>\$ 1,016,337,046</u>
December 31, 2023					
State & Municipal	\$ 85,626,550	\$ -	\$ 382,066	\$ 3,887,012	\$ 89,895,628
Debt Securities	-	-	-	64,693	64,693
Mortgage Backed Securities					
Other Domestic &	831,055,746	12,086,016	2,438,352	20,099,107	865,679,221
Foreign Debt Securities	<u>\$ 916,682,296</u>	<u>\$ 12,086,016</u>	<u>\$ 2,820,418</u>	<u>\$ 24,050,812</u>	<u>\$ 955,639,542</u>

(1) The split grade category indicates bonds rated investment grade and below investment grade by different ratings agencies.

None of the Bank's bonds were past due 30 days or more or on nonaccrual at December 31, 2024 or 2023.

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2024 AND 2023NOTE 4 – Loans Receivable and Allowance for Credit Losses (continued):

The components of loans in the consolidated statements of financial condition were as follows:

	2024	2023
Commercial Loans	\$ 33,433,822	\$ 25,516,203
Commercial Real Estate Loans	31,757,114	30,590,739
Residential Real Estate Loans	1,484,207	1,293,720
Consumer Loans	6,929,885	5,432,558
Government Guaranteed Loans	49,833,862	44,454,605
Overdrafts	1,048,982	56,054
Gross Loans	124,487,872	107,343,879
Add (Less):		
Purchase Premiums on Government Guaranteed Loans	4,334,794	4,261,424
Allowance for Credit Losses	(1,140,100)	(1,020,488)
Net Loans	<u>\$ 127,682,566</u>	<u>\$ 110,584,815</u>

The Bank evaluates the credit quality of its loan portfolio based on internal credit risk ratings using numerous factors, including rating agency information, collateral, collection experience, and other internal metrics. Ratings are updated at least annually or more frequently if there is a material change in creditworthiness.

The rating classifications in use by the Bank are as follows:

Pass – Primary source of loan repayment is satisfactory or better, with secondary sources very likely to be realized if necessary; loan within normal credit standards.

Special Mention – An asset classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Bank's credit position at some future date.

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

Doubtful – An asset classified doubtful has all the weaknesses inherent in one classified Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss – An asset classified loss is considered uncollectable and of such little value that continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing-off this basically worthless asset even though partial recovery may be affected in the future.

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2024 AND 2023NOTE 4 – Loans Receivable and Allowance for Credit Losses (continued):

The following tables sets forth the loans by credit quality indicator:

	Term Loans By Year Of Origination						Revolving Loans	Total
	2024	2023	2022	2021	2020	Prior		
<u>Commercial</u>								
Pass	\$ 10,529,448	\$ 4,787,417	\$ 2,232,711	\$ 812,386	\$ 1,268,995	\$ 5,141,945	\$ 8,455,715	\$ 33,228,617
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	60,000	-	-	145,205	-	205,205
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total	<u>\$ 10,529,448</u>	<u>\$ 4,787,417</u>	<u>\$ 2,292,711</u>	<u>\$ 812,386</u>	<u>\$ 1,268,995</u>	<u>\$ 5,287,150</u>	<u>\$ 8,455,715</u>	<u>\$ 33,433,822</u>
<u>Commercial Real Estate</u>								
Pass	\$ 5,280,051	\$ 2,838,912	\$ 5,321,053	\$ 2,393,360	\$ 3,957,492	\$ 10,972,802	\$ -	\$ 30,763,670
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	993,444	-	993,444
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total	<u>\$ 5,280,051</u>	<u>\$ 2,838,912</u>	<u>\$ 5,321,053</u>	<u>\$ 2,393,360</u>	<u>\$ 3,957,492</u>	<u>\$ 11,966,246</u>	<u>\$ -</u>	<u>\$ 31,757,114</u>
<u>Residential Real Estate</u>								
Pass	\$ 390,601	\$ -	\$ 275,564	\$ 376,573	\$ 116,375	\$ 325,094	\$ -	\$ 1,484,207
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total	<u>\$ 390,601</u>	<u>\$ -</u>	<u>\$ 275,564</u>	<u>\$ 376,573</u>	<u>\$ 116,375</u>	<u>\$ 325,094</u>	<u>\$ -</u>	<u>\$ 1,484,207</u>
<u>Consumer</u>								
Pass	\$ 3,597,956	\$ 2,089,368	\$ 223,716	\$ 209,778	\$ 11,653	\$ 615,999	\$ 181,415	\$ 6,929,885
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total	<u>\$ 3,597,956</u>	<u>\$ 2,089,368</u>	<u>\$ 223,716</u>	<u>\$ 209,778</u>	<u>\$ 11,653</u>	<u>\$ 615,999</u>	<u>\$ 181,415</u>	<u>\$ 6,929,885</u>
<u>Government Guaranteed</u>								
Pass	\$ 14,300,378	\$ 6,897,866	\$ 5,596,546	\$ 14,020,121	\$ 6,659,673	\$ 2,359,278	\$ -	\$ 49,833,862
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total	<u>\$ 14,300,378</u>	<u>\$ 6,897,866</u>	<u>\$ 5,596,546</u>	<u>\$ 14,020,121</u>	<u>\$ 6,659,673</u>	<u>\$ 2,359,278</u>	<u>\$ -</u>	<u>\$ 49,833,862</u>
<u>Overdrafts</u>	965,672	83,310	-	-	-	-	-	1,048,982
Total	<u>\$ 965,672</u>	<u>\$ 83,310</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,048,982</u>
<u>Total Loans</u>								
Pass	\$ 35,064,106	\$ 16,696,873	\$ 13,649,590	\$ 17,812,218	\$ 12,014,188	\$ 19,415,118	\$ 8,637,130	\$ 123,289,223
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	60,000	-	-	1,138,649	-	1,198,649
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total Loans	<u>\$ 35,064,106</u>	<u>\$ 16,696,873</u>	<u>\$ 13,709,590</u>	<u>\$ 17,812,218</u>	<u>\$ 12,014,188</u>	<u>\$ 20,553,767</u>	<u>\$ 8,637,130</u>	<u>\$ 124,487,872</u>

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 4 – Loans Receivable and Allowance for Credit Losses (continued):

	Term Loans By Year Of Origination						Revolving Loans	Total
	2023	2022	2021	2020	2019	Prior		
<u>Commercial</u>								
Pass	\$ 7,601,989	\$ 3,002,968	\$ 1,072,725	\$ 1,605,469	\$ 4,360,777	\$ 2,284,150	\$ 5,354,042	\$ 25,282,120
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	60,000	-	-	-	174,083	-	234,083
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total	<u>\$ 7,601,989</u>	<u>\$ 3,062,968</u>	<u>\$ 1,072,725</u>	<u>\$ 1,605,469</u>	<u>\$ 4,360,777</u>	<u>\$ 2,458,233</u>	<u>\$ 5,354,042</u>	<u>\$ 25,516,203</u>
<u>Commercial Real Estate</u>								
Pass	\$ 2,990,141	\$ 5,791,021	\$ 2,587,151	\$ 4,937,569	\$ 1,840,408	\$ 11,396,480	\$ -	\$ 29,542,770
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	80,157	967,812	-	1,047,969
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total	<u>\$ 2,990,141</u>	<u>\$ 5,791,021</u>	<u>\$ 2,587,151</u>	<u>\$ 4,937,569</u>	<u>\$ 1,920,565</u>	<u>\$ 12,364,292</u>	<u>\$ -</u>	<u>\$ 30,590,739</u>
<u>Residential Real Estate</u>								
Pass	\$ -	\$ 296,512	\$ 406,402	\$ 164,993	\$ -	\$ 425,813	\$ -	\$ 1,293,720
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ 296,512</u>	<u>\$ 406,402</u>	<u>\$ 164,993</u>	<u>\$ -</u>	<u>\$ 425,813</u>	<u>\$ -</u>	<u>\$ 1,293,720</u>
<u>Consumer</u>								
Pass	\$ 3,679,788	\$ 458,686	\$ 250,906	\$ 105,911	\$ 438,195	\$ 311,878	\$ 187,194	\$ 5,432,558
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total	<u>\$ 3,679,788</u>	<u>\$ 458,686</u>	<u>\$ 250,906</u>	<u>\$ 105,911</u>	<u>\$ 438,195</u>	<u>\$ 311,878</u>	<u>\$ 187,194</u>	<u>\$ 5,432,558</u>
<u>Government Guaranteed</u>								
Pass	\$ 7,055,619	\$ 7,416,243	\$ 17,597,170	\$ 8,730,171	\$ 3,655,402	\$ -	\$ -	\$ 44,454,605
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total	<u>\$ 7,055,619</u>	<u>\$ 7,416,243</u>	<u>\$ 17,597,170</u>	<u>\$ 8,730,171</u>	<u>\$ 3,655,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,454,605</u>
<u>Overdrafts</u>	\$ 56,054	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,054
Total	<u>\$ 56,054</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,054</u>
<u>Total Loans</u>								
Pass	\$ 21,383,591	\$ 16,965,430	\$ 21,914,354	\$ 15,544,113	\$ 10,294,782	\$ 14,418,321	\$ 5,541,236	\$ 106,061,827
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	60,000	-	-	80,157	1,141,895	-	1,282,052
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total Loans	<u>\$ 21,383,591</u>	<u>\$ 17,025,430</u>	<u>\$ 21,914,354</u>	<u>\$ 15,544,113</u>	<u>\$ 10,374,939</u>	<u>\$ 15,560,216</u>	<u>\$ 5,541,236</u>	<u>\$ 107,343,879</u>

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2024 AND 2023NOTE 4 – Loans Receivable and Allowance for Credit Losses (continued):

The following table presents gross chargeoffs at December 31, 2024 and 2023 by loan category and origination year.

	Term Loans By Year Of Origination					Prior	Revolving Loans	Total
	2024	2023	2022	2021	2020			
Commercial	\$ 19,797	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,797
Residential Real Estate	-	-	6,943	-	-	-	-	6,943
Consumer	5,120	23,441	1,237	-	-	-	-	29,798
Totals	<u>\$ 24,917</u>	<u>\$ 23,441</u>	<u>\$ 8,180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,538</u>

	Term Loans By Year Of Origination					Prior	Revolving Loans	Total
	2023	2022	2021	2020	2019			
Commercial	\$ 14,676	\$ 35,291	\$ 27,000	\$ -	\$ 50,990	\$ 141,277	\$ -	\$ 269,234
Commercial Real Estate	-	-	-	-	-	42,239	-	42,239
Consumer	1,365	-	3,527	-	1,824	-	-	6,716
Totals	<u>\$ 16,041</u>	<u>\$ 35,291</u>	<u>\$ 30,527</u>	<u>\$ -</u>	<u>\$ 52,814</u>	<u>\$ 183,516</u>	<u>\$ -</u>	<u>\$ 318,189</u>

The Bank tracks loan payment activity for the loan portfolio. The payment status for the loan portfolio at December 31, 2024 and 2023 is shown in the table below:

	December 31, 2024				
	30-89 Days	90+ Days	Total	Current	Total
	Past Due	Past Due	Past Due		Loans
Commercial Loans	\$ 846,640	\$ 310,000	\$ 1,156,640	\$ 32,277,182	\$ 33,433,822
Commercial Real Estate Loans	830,450	-	830,450	30,926,664	31,757,114
Residential Real Estate Loans	14,729	-	14,729	1,469,478	1,484,207
Consumer Loans	-	-	-	6,929,885	6,929,885
Government Guaranteed Loans	-	-	-	49,833,862	49,833,862
Overdrafts	12,088	944,242	956,330	92,652	1,048,982
	<u>\$ 1,703,907</u>	<u>\$ 1,254,242</u>	<u>\$ 2,958,149</u>	<u>\$ 121,529,723</u>	<u>\$ 124,487,872</u>

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2024 AND 2023NOTE 4 – Loans Receivable and Allowance for Credit Losses (continued):

	December 31, 2023				
	30-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Loans
Commercial Loans	\$ 613,488	\$ 60,000	\$ 673,488	\$ 24,842,715	\$ 25,516,203
Commercial Real					
Estate Loans	980,775	-	980,775	29,609,964	30,590,739
Residential Real					
Estate Loans	28,079	-	28,079	1,265,641	1,293,720
Consumer Loans	1,000	-	1,000	5,431,558	5,432,558
Government					
Guaranteed Loans	-	-	-	44,454,605	44,454,605
Overdrafts	766	33,087	33,853	22,201	56,054
	<u>\$ 1,624,108</u>	<u>\$ 93,087</u>	<u>\$ 1,717,195</u>	<u>\$ 105,626,684</u>	<u>\$ 107,343,879</u>

Performing and non-performing assets are shown in the following table:

	December 31, 2024		December 31, 2023	
	Accrual	Non-Accrual	Accrual	Non-Accrual
Commercial Loans	\$ 33,040,941	\$ 392,881	\$ 25,344,444	\$ 171,759
Commercial Real Estate Loans	31,681,078	76,036	30,590,739	-
Residential Real Estate Loans	1,474,267	9,940	1,293,720	-
Consumer Loans	6,929,885	-	5,432,558	-
Government Guaranteed Loans	49,833,862	-	44,454,605	-
Overdrafts	1,048,982	-	56,054	-
	<u>\$ 124,009,015</u>	<u>\$ 478,857</u>	<u>\$ 107,172,120</u>	<u>\$ 171,759</u>

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. The Company reviews individually evaluated loans for designation as collateral-dependent loans, as well as other loans that management of the Company designates as having higher risk. These loans do not share common risk characteristics and are not included within the collectively evaluated loans for determining the ACL.

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2024 AND 2023NOTE 4 – Loans Receivable and Allowance for Credit Losses (continued):

The following table presents an analysis of collateral-dependent loans of the Bank as of:

	December 31, 2024			
	Real Estate	Collateral Type Other	Total	Allocated Allowance
Allowance for Credit Losses:				
Commercial	\$ -	\$ 205,205	\$ 205,205	\$ 80,720
Commercial Real Estate	993,444	-	993,444	-
Residential Real Estate	-	-	-	-
Consumer	-	-	-	-
Totals	<u>\$ 993,444</u>	<u>\$ 205,205</u>	<u>\$ 1,198,649</u>	<u>\$ 80,720</u>

	December 31, 2023			
	Real Estate	Collateral Type Other	Total	Allocated Allowance
Allowance for Credit Losses:				
Commercial	\$ -	\$ 234,083	\$ 234,083	\$ 87,940
Commercial Real Estate	1,047,969	-	1,047,969	-
Residential Real Estate	-	-	-	-
Consumer	-	-	-	-
Totals	<u>\$ 1,047,969</u>	<u>\$ 234,083</u>	<u>\$ 1,282,052</u>	<u>\$ 87,940</u>

The Bank does not have a significant concentration of risk to any individual client. However, a geographic concentration arises because the Bank operates primarily in the Central New York region. The Bank does not engage in any international lending activities.

In its normal course of business, the Bank does not offer interest only loans, other than demand notes typically secured by quick collateral, or loans with other features that may increase the Bank's exposure to credit risk and result in a concentration of credit risk.

The allowance for credit losses is composed of specific allowances for certain loans and general allowances grouped into loan pools based on similar characteristics. The allowance for credit losses is allocated at year end based on the CECL Allowance for Credit Losses Report of required reserves. Additionally, the Bank does not record an allowance for loans that are guaranteed by government agencies, as there is nominal risk of principal loss.

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2024 AND 2023NOTE 4 – Loans Receivable and Allowance for Credit Losses (continued):

An analysis of the change in the allowance for credit losses follows:

	December 31, 2024				
	Commercial & Commercial Real Estate	Residential	Consumer	Other	Total
Beginning Balance	\$ 963,551	\$ 24,258	\$ 32,679	\$ 1,312	\$ 1,021,800
Provision (Benefit) for					
Credit Losses	108,282	24,123	(7,077)	126	125,454
Charge-Offs	(19,797)	(6,943)	(29,798)	-	(56,538)
Recoveries	12,638	-	38,184	-	50,822
Ending Balance	<u>\$ 1,064,674</u>	<u>\$ 41,438</u>	<u>\$ 33,988</u>	<u>\$ 1,438</u>	<u>\$ 1,141,538</u>

	December 31, 2023				
	Commercial & Commercial Real Estate	Residential	Consumer	Other	Total
Beginning Balance	\$ 1,005,785	\$ 34,478	\$ 5,909	\$ -	\$ 1,046,172
CECL Transition Amount					
Upon ASC 326 Adoption	-	-	-	-	-
Provision (Benefit) for					
Credit Losses	210,142	32,019	(77,161)	1,312	166,312
Charge-Offs	(269,234)	(42,239)	(6,716)	-	(318,189)
Recoveries	16,858	-	110,647	-	127,505
Ending Balance	<u>\$ 963,551</u>	<u>\$ 24,258</u>	<u>\$ 32,679</u>	<u>\$ 1,312</u>	<u>\$ 1,021,800</u>

In the normal course of business, the Bank may execute loan modifications with borrowers. These modifications are analyzed to determine whether the modification is made to a borrower experiencing financial difficulty. The Bank's modifications generally include interest rate adjustments and amortization and maturity date extensions. These modifications provide the borrowers with short-term cash relief to allow them to improve their financial condition. If a loan modification is determined to be made to a borrower experiencing financial difficulty, the loan is considered collateral dependent and evaluated as part of the ACL. For the years ended December 31, 2024 and 2023, modifications made to borrowers experiencing financial difficulty were not material. The Bank had no commitments to lend to borrowers experiencing financial difficulty for which the Bank had modified an existing loan as of December 31, 2024.

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2024 AND 2023NOTE 5 – Property and Equipment:

Components of premises and equipment included in the consolidated statements of financial condition at December 31, 2024 and 2023 were as follows:

	December 31,	
	2024	2023
Cost:		
Land	\$ 79,541	\$ 79,541
Bank Building & Improvements	25,074,744	25,074,744
Furniture & Equipment	4,847,722	4,745,623
Total Cost	30,002,007	29,899,908
Less Accumulated Depreciation	14,965,615	14,141,446
Net Book Value	<u>\$ 15,036,392</u>	<u>\$ 15,758,462</u>

Depreciation and amortization charged to equipment and occupancy expense amounted to \$824,169 in 2024 and \$938,721 in 2023.

NOTE 6 – Deposits:

Components of deposits included in the consolidated statements of financial condition at December 31, 2024 and 2023 were as follows:

	December 31,	
	2024	2023
Demand Deposit Accounts	\$ 193,861,221	\$ 193,770,971
Savings & Other Time	124,713,980	126,476,727
Money Market	172,825,146	208,105,471
Certificates of Deposit of Under \$250,000	377,477,143	342,305,035
Certificates of Deposit of \$250,000 and Over	158,261,279	81,349,183
Total Deposits	<u>\$ 1,027,138,769</u>	<u>\$ 952,007,387</u>

Certificates of deposit maturing in years ending December 31:

2025	\$ 272,364,888
2026	51,764,033
2027	33,435,902
2028	108,864,092
2029	69,309,507
	<u>\$ 535,738,422</u>

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2024 AND 2023NOTE 6 – Deposits (continued):

Interest expense by deposit type is as follows:

	December 31,	
	2024	2023
Demand Deposit Accounts	\$ 119,249	\$ 128,643
Savings & Other Time	1,991,536	2,360,913
Money Market	2,783,672	3,235,021
Certificates of Deposit of Under \$250,000	14,290,756	8,782,084
Certificates of Deposit of \$250,000 and Over	4,586,084	1,870,250
Total Expense	<u>\$ 23,771,297</u>	<u>\$ 16,376,911</u>

NOTE 7 – Income Taxes:

The provision for income taxes consisted of the following:

	December 31,	
	2024	2023
Current		
Federal	\$ 1,893,750	\$ 2,304,761
State	157,011	168,400
	<u>2,050,761</u>	<u>2,473,161</u>
Deferred		
Federal	2,430,514	1,747,630
State	235,618	391,200
	<u>2,666,132</u>	<u>2,138,830</u>
	<u>\$ 4,716,893</u>	<u>\$ 4,611,991</u>

The provision for income taxes is less than that computed by applying the federal statutory rate of 21%, as indicated in the following analysis:

	December 31,	
	2024	2023
Taxes Based on Statutory Rate	\$ 5,194,681	\$ 4,930,163
State Income Tax, Net of Tax Benefit	277,119	234,043
Effect of Tax-Exempt Income	(390,419)	(349,217)
Dividends Received Deduction	(402,441)	(413,774)
Effective Tax Rate Change on Deferred Items	82,229	288,642
Other	(44,276)	(77,866)
	<u>\$ 4,716,893</u>	<u>\$ 4,611,991</u>

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2024 AND 2023NOTE 7 – Income Taxes (continued):

The net cumulative effects of the temporary differences are as follows:

	December 31,	
	2024	2023
Deferred Tax Assets		
Allowance for Credit Losses - Loans	\$ 251,511	\$ 224,502
Allowance for Credit Losses - Bonds	366,807	-
Interest on Nonaccrual Loans	10,823	4,421
	<u>629,141</u>	<u>228,923</u>
Deferred Tax Liabilities		
Net Unrealized Gain on Equity		
Securities	24,990,462	21,861,053
Depreciation and Amortization	351,653	414,712
	<u>25,342,115</u>	<u>22,275,765</u>
Net Deferred Tax (Liabilities)	<u>\$ (24,712,974)</u>	<u>\$ (22,046,842)</u>

The Bank has performed an evaluation of its tax positions and has concluded that as of December 31, 2024, there were no significant uncertain tax positions requiring additional recognition in its consolidated financial statements.

The Bank is subject to regular examination by Federal and State taxing authorities. As of December 31, 2024, the tax years ended December 31, 2021, 2022, 2023, and 2024 remain subject to examination by all of the Bank's relevant tax jurisdictions.

NOTE 8 – Employee Benefits:

The Bank has both a cash profit sharing and deferred profit sharing in effect for employees. The cash profit sharing uses a contribution rate and applies it to the Bank's operating profits. It then allocates this amount to the employees based on their compensation. For 2024 and 2023, the contribution rate used was 2%. The deferred profit sharing plan is employer funded. For 2024 and 2023, the contribution rate was 15% of salaries and is allocated to the employees based on their compensation. The amount of the contributions each year are at the discretion of the Board of Directors. These expenses totaled \$751,701 in 2024 and \$770,359 in 2023, and are included within salaries and employee benefits.

NOTE 9 – Related Parties:

The Bank has entered into transactions and commitments to extend credit with its directors, officers, and their affiliations, including companies under their control. Such transactions were made in the ordinary course of business, and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features. The aggregate amount of loans and commitments to such related parties at December 31, 2024 and 2023 were \$537,878 and \$344,146, and related party deposits amounted to \$13,620,463 and \$10,850,619 respectively.

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2024 AND 2023NOTE 10 – Contingent Liabilities and Commitments:

The Bank's consolidated financial statements do not reflect various commitments and contingent liabilities which arise in the normal course of business, and which involve elements of credit risk, interest rate risk and liquidity risk. A summary of the Bank's commitments and contingent liabilities at December 31, 2024 and 2023, is as follows:

	2024	2023
Commitments to Extend Credit (Commercial)	\$ 27,738,239	\$ 26,234,290
Open Letters of Credit	\$ 945,000	\$ 945,000
Unused Check Credit Lines	\$ 1,932,075	\$ 1,890,477

The Bank's credit policies and procedures for credit commitments and financial guarantees are the same as those for extension of credit that are recorded on the statement of condition. The commitments to extend credit are non-contractual in nature. Because letters of credit have fixed maturity dates, and they almost always expire without being drawn upon, they do not generally present any significant liquidity risk to the Bank.

As of December 31, 2024 and 2023, the Bank had no reserves related to credit risk inherent in off balance sheet credit commitments and financial guarantees.

The Bank can often be party to litigation and claims arising in the normal course of business. Management, after consultation with legal counsel, believes at December 31, 2024 and 2023 that the liabilities, if any, arising from such litigation and claims will not be material to its financial position.

NOTE 11 – Concentrations of Credit Risk:

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Bank's total credit exposure. Although the Bank's portfolio of financial instruments is broadly diversified along industry, product, and geographic lines, material transactions are completed with other financial institutions, particularly in the securities business.

In connection with the Bank's efforts to maintain a diversified portfolio, the Bank limits its exposure to any one geographic region, country (excluding U.S.A) or individual creditor and monitors this exposure on a continuous basis. The consolidated Bank's investment policy includes segment limits that prescribe the maximum investment in each market segment based on a percentage of Bank assets or capital. At December 31, 2024, the Bank's most significant concentration of credit risk was with foreign corporations. The Bank's exposure, which primarily results from debt securities issued by United States and foreign corporations, amounted to approximately \$935,085,000 and \$865,679,000 at December 31, 2024 and 2023, respectively. All such debt securities are rated investment grade at the time of acquisition and the Bank was well below the maximum percentage allowed by bank policy for investments in United States and foreign corporate debt as of December 31, 2024 and 2023.

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2024 AND 2023NOTE 12 – Fair Value of Financial Instruments:

Fair value is defined as 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.

The fair value hierarchy established under ASC 820-10 is summarized as follows:

- Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets that the reporting entity has the ability to access at the measurement date.
- Level 2 - Significant other observable inputs such as any of the following: (1) quoted prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in markets that are not active, (3) inputs other than quoted prices that are observable for the asset or liability (*e.g.*, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates), or (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).
- Level 3 - Significant unobservable inputs for the asset or liability. Significant unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Significant unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The following tables present the assets that are reported on the consolidated statements of financial condition at fair value as of the date indicated by level within the fair value hierarchy. Financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Assets Measured at Fair Value on a Recurring Basis at December 31, 2024				
	Fair Value	Level 1	Level 2	Level 3
Equity Securities	\$ 164,667,020	\$ 164,659,653	\$ 7,367	\$ -

Assets Measured at Fair Value on a Recurring Basis at December 31, 2023				
	Fair Value	Level 1	Level 2	Level 3
Equity Securities	\$ 155,051,059	\$ 155,043,692	\$ 7,367	\$ -

During the years ended December 31, 2024 and 2023, there were no transfers of financial instruments between Level 1 and Level 2. The Bank had no Level 3 securities measured on a recurring basis as of December 31, 2024 and 2023.

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2024 AND 2023NOTE 12 – Fair Value of Financial Instruments (continued):

Assets Measured at Fair Value on a Non-Recurring Basis at December 31, 2024				
	Fair Value	Level 1	Level 2	Level 3
Collateral-Dependent Loans				
Commercial & Commercial Real Estate	\$ 1,117,929	\$ -	\$ -	\$ 1,117,929
Residential Real Estate	\$ -	\$ -	\$ -	\$ -
Assets Measured at Fair Value on a Non-Recurring Basis at December 31, 2023				
	Fair Value	Level 1	Level 2	Level 3
Collateral-Dependent Loans				
Commercial & Commercial Real Estate	\$ 1,194,112	\$ -	\$ -	\$ 1,194,112
Residential Real Estate	\$ -	\$ -	\$ -	\$ -

Collateral-Dependent Loans - Loans with certain characteristics are evaluated individually for impairment. The Bank's collateral-dependent loans at December 31, 2024 and 2023 were collateralized by real estate and were thus carried at the lower of the outstanding principal balance or the estimated fair value of the collateral. Fair value is estimated through either a negotiated note sale value (Level 2 input), or, more commonly, a recent real estate appraisal (Level 3 input). These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

An appraisal is generally ordered when a collateral-dependent commercial real estate or residential real estate loan is determined to be collateral-dependent. Adjustments for potential disposal costs are also considered when determining the final appraised value.

The following table presents quantitative information about significant unobservable inputs used in the fair value measurements for Level 3 assets and liabilities at December 31, 2024:

	Fair Value at December 31, 2024	Valuation Technique	Input/ Assumption
Non-Recurring Fair Value Measurements			
Collateral-Dependent Loans	\$ 1,117,929	Underlying Collateral	Probability of Default Discount

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2024 AND 2023NOTE 12 – Fair Value of Financial Instruments (continued):

The carrying amounts and estimated at fair values of financial instruments at December 31, 2024 and 2023 are as follows:

	December 31,			
	2024		2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and Equivalents	\$ 54,013,505	\$ 54,013,505	\$ 47,580,943	\$ 47,580,943
Securities Held to Maturity	\$ 1,014,672,230	\$ 982,955,450	\$ 953,992,542	\$ 905,635,610
Equity Securities	\$ 164,667,020	\$ 164,667,020	\$ 155,051,059	\$ 155,051,059
Loans Receivable	\$ 124,487,872	\$ 97,566,261	\$ 107,343,879	\$ 74,500,539
Accrued Interest Receivable	\$ 11,778,480	\$ 11,778,480	\$ 10,840,059	\$ 10,840,059
Financial Liabilities:				
Deposits	\$ 1,027,138,769	\$ 938,280,830	\$ 952,007,387	\$ 863,628,629
Accrued Interest Payable	\$ 2,332,418	\$ 2,332,418	\$ 1,438,836	\$ 1,438,836

The methods and assumptions used to estimate fair values for financial assets and liabilities other than those previously discussed were determined as follows:

Cash and equivalents, accrued interest receivable and accrued interest payable – due to the short-term nature of these assets and liabilities the Bank estimated that carrying value approximates fair value.

Securities held-to-maturity and equity securities – investment securities fair values were based on quoted market prices and significant other observable inputs, such as interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates.

Loans receivable – the estimated fair value for fixed rate loans is determined by discounting the estimated cash flows using the current rate at which similar loans would be made to borrowers with similar credit ratings and maturities. The estimated fair value of variable rate loans approximate carrying value as the portfolio reprices frequently.

Deposits – the estimated fair value of demand deposit, savings and money market accounts is, by definition, equal to the amount payable on demand at the reporting date (*i.e.*, their carrying amount). The fair value of certificates of deposits is estimated using a discounted cash flow calculation that applies current interest rates to aggregated expected maturities.

Borrowed funds – estimated fair value is based on carrying value because of the short-term nature of the borrowing.

Commitments to extend credit – The fair value of commitments to extend credit is estimated as the fully refundable fees charged as of the valuation date to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current interest rates and the committed rates.

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2024 AND 2023NOTE 13 – Minimum Regulatory Capital Requirements:

On September 17, 2019, the federal banking agencies issued a final rule providing simplified capital requirements for certain community banking organizations (banks and holding companies) with less than \$10 billion in total consolidated assets, implementing provisions of The Economic Growth, Regulatory Relief, and Consumer Protection Act (“EGRRCPA”). Under the proposal, a qualifying community banking organization would be eligible to elect the community bank leverage ratio framework or continue to measure capital under the existing Basel III requirements. The new rule was effective beginning January 1, 2020, and qualifying community banking organizations may elect to opt into the new community bank leverage ratio (“CBLR”) in their call report beginning in the first quarter of 2020.

A qualifying community banking organization (“QCBO”) is defined as a bank, a savings association, a bank holding company or a savings and loan holding company with:

- A leverage capital ratio of greater than 9.0%;
- Total consolidated assets of less than \$10.0 billion;
- Total off-balance sheet exposures (excluding derivatives other than credit derivatives and unconditionally cancelable commitments) of 25% or less of total consolidated assets; and
- Total trading assets and trading liabilities of 5% or less of total consolidated assets.

On April 6, 2020, the federal banking regulators, implementing the applicable provisions of the CARES Act, which modified the CBLR framework so that: (i) beginning in the second quarter 2020 and until the end of the year, a banking organization that has a leverage ratio of 8% or greater and meets certain other criteria may elect to use the CBLR framework; and (ii) community banking organizations will have until January 1, 2022, before the CBLR requirement is re-established at greater than 9%. Under the interim rules, the minimum CBLR will be 8.5% for calendar year 2021, and 9% thereafter. The numerator of the CBLR is Tier 1 capital, as calculated under present rules. The denominator of the CBLR is the QCBO’s average assets, calculated in accordance with the QCBO’s Call Report instructions less assets deducted from Tier 1 capital.

The Bank has opted into the CBLR and will therefore not be required to comply with the Basel III capital requirements. As of December 31, 2024 and 2023, the Bank’s CBLR was 24.1% and 24.5%, respectively.

The following table shows the CBLR ratio for the Bank for the periods ended December 31, 2024 and 2023:

	Actual	Required for Capital Adequacy Purposes	To Be Well- Capitalized Under Prompt Corrective Action Regulations
At December 31, 2024:			
CBLR	24.1%	9.0%	9.0%
At December 31, 2023:			
CBLR	24.5%	9.0%	9.0%

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 14 – Subsequent Events:

The Bank has evaluated its December 31, 2024 consolidated financial statements for subsequent events through February 3, 2025 the date the consolidated financial statements were available to be issued. The Bank is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.