TENNESSEE VALLEY FINANCIAL HOLDINGS, INC.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended
DECEMBER 31, 2024 and 2023

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These statements have not been reviewed, or confirmed for accuracy or relevance, by the Federal Deposit Insurance Corporation.

Independent Auditor's Report

To the Stockholders and Board of Directors
Tennessee Valley Financial Holdings, Inc.
Oak Ridge, Tennessee

Opinion

We have audited the accompanying consolidated financial statements of Tennessee Valley Financial Holdings, Inc. and Subsidiary, 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 the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tennessee Valley Financial Holdings, 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 ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our report. We are required to be independent of Tennessee Valley Financial Holdings, Inc. and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Tennessee Valley Financial Holdings, Inc. and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Chattanooga, Tennessee
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TENNESSEE VALLEY FINANCIAL HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

December 31, 2024 and 2023
(amounts in thousands except share data)

	2024	2023
ASSETS		
Cash and due from banks	$ 8,979	$ 8,293
Federal funds sold	2,083	387
Total cash and cash equivalents	11,062	8,680
Securities available for sale, at fair value (amortized cost of $56,277 in 2024 and $65,780 in 2023)	46,791	57,644
Loans, net of allowance for credit losses of $2,553 in 2024 and $2,345 in 2023	212,726	214,916
Federal Home Loan Bank stock, at cost	554	522
Premises and equipment	5,101	5,025
Accrued interest receivable	1,549	1,554
Bank owned life insurance	6,517	6,148
Other assets	3,175	3,029
Total assets	$287,475	$297,518
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest bearing	$ 18,490	$ 20,019
Interest bearing	230,930	239,314
Total deposits	249,420	259,333
Securities sold under agreements to repurchase	5,390	6,153
Borrowings	11,062	11,062
Accrued interest payable	1,084	1,219
Other liabilities	1,731	1,993
Total liabilities	268,687	279,760
Stockholders' equity:		
Common stock, $1.00 par value; 5,000,000 shares authorized; 1,862,327 shares outstanding in 2024 and 2023	1,862	1,862
Additional paid-in capital	12,142	12,142
Retained earnings	11,988	9,966
Treasury stock, 30,246 shares in 2024 and 2023	(226)	(226)
Accumulated other comprehensive loss	(6,978)	(5,986)
Total stockholders' equity	18,788	17,758
Total liabilities and stockholders' equity	$287,475	$297,518

The Notes to Consolidated Financial Statements are an integral part of these statements.

TENNESSEE VALLEY FINANCIAL HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2024 and 2023
(amounts in thousands)

	2024	2023
INTEREST INCOME		
Loans, including fees	$ 14,045	$ 12,544
Securities	1,706	1,879
Federal funds sold and other	769	586
Total interest income	16,520	15,009
INTEREST EXPENSE		
Deposits	5,047	3,452
Borrowings	803	687
Total interest expense	5,850	4,139
Net interest income	10,670	10,870
Provision for credit losses	74	41
Net interest income after provision for credit losses	10,596	10,829
NONINTEREST INCOME		
Service charges on deposit accounts	451	517
Other noninterest income	11	73
	462	590
NONINTEREST EXPENSES		
Salaries and employee benefits	3,480	3,566
Occupancy and equipment	695	696
Data processing	1,261	1,179
Net loss on sale of securities, available for sale	-	10
Foreclosed real estate net	-	23
Other operating expenses	2,334	2,599
	7,770	8,073
Net income before income taxes	3,288	3,346
Income taxes	899	897
Net income	$ 2,389	$ 2,449

The Notes to Consolidated Financial Statements are an integral part of these statements.

TENNESSEE VALLEY FINANCIAL HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2024 and 2023
(amounts in thousands)

	2024	2023
Net income	$ 2,389	$ 2,449
Unrealized holding gains (losses) arising during the year, net of tax benefit (expense) of $351 and $(638) in 2024 and 2023, respectively	(992)	1,750
Reclassification adjustment for losses included in net income, net of income tax benefit of $3 in 2023	-	7
Other comprehensive income (loss)	(992)	1,757
Comprehensive income	$ 1,397	$ 4,206

The Notes to Consolidated Financial Statements are an integral part of these statements.

TENNESSEE VALLEY FINANCIAL HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2024 and 2023
(amounts in thousands)

	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
BALANCE, December 31, 2022	$ 1,774	$ (91)	$12,230	$ 8,240	$ (7,743)	$ 14,410
Net income	-	-	-	2,449	-	2,449
Adoption of ASC 326	-	-	-	(390)	-	(390)
Reconciliation to stock agent records	88	-	(88)	-	-	-
Purchase of treasury stock	-	(135)	-	-	-	(135)
Other comprehensive income, net of tax	-	-	-	-	1,757	1,757
Cash dividends, $0.18 per share	-	-	-	(333)	-	(333)
BALANCE, December 31, 2023	1,862	(226)	12,142	9,966	(5,986)	17,758
Net income	-	-	-	2,389	-	2,389
Other comprehensive loss, net of tax	-	-	-	-	(992)	(992)
Cash dividends, $0.20 per share	-	-	-	(367)	-	(367)
BALANCE, December 31, 2024	$ 1,862	$ (226)	$12,142	$ 11,988	$ (6,978)	$ 18,788

The Notes to Consolidated Financial Statements are an integral part of these statements.

TENNESSEE VALLEY FINANCIAL HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2024 and 2023
(amounts in thousands)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,389	$ 2,449
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	398	381
Net amortization on securities	195	164
Provision for credit losses	74	41
Deferred income taxes	172	170
Losses on foreclosed real estate	-	23
Other losses, net	8	4
Unearned loan fees	48	53
Repayment of operating lease liability	(19)	(17)
Change in operating assets and liabilities:		
Accrued interest receivable	5	(224)
Accrued interest payable	(135)	1,104
Other assets	(331)	(51)
Other liabilities	(243)	(208)
Net cash provided by operating activities	2,561	3,889
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan originations and principal collections, net	2,068	(13,361)
Proceeds from sales, maturities, calls and prepayments of securities available for sale	9,310	6,157
Purchase of securities available for sale	-	(2,582)
Proceeds from sale of restricted investments	(32)	135
Proceeds from sale of foreclosed real estate	-	377
Proceeds from sales of premises and equipment	-	6
Purchase of premises and equipment	(482)	(244)
Net cash provided by (used in) investing activities	10,864	(9,512)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (decrease) increase in deposits	(9,913)	8,156
Decrease in securities sold under agreements to repurchase	(763)	(989)
Purchase of treasury stock	-	(135)
Payment of dividends	(367)	(333)
Net cash (used in) provided by financing activities	(11,043)	6,699
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,382	1,076
CASH AND CASH EQUIVALENTS, beginning of year	8,680	7,604
CASH AND CASH EQUIVALENTS, end of year	$ 11,062	$ 8,680
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Taxes	$ 710	$ 667
Interest	5,985	3,035
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Cumulative effect change in accounting principle (ASC 326)	$ -	$ 390

The Notes to Consolidated Financial Statements are an integral part of these statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Tennessee Valley Financial Holdings, Inc. (the Company) conform with United States generally accepted accounting principles (GAAP) and practices within the banking industry. The policies that materially affect financial position and results of operations are summarized as follows:

Nature of Operations

Tennessee Valley Financial Holdings, Inc. was incorporated on July 6, 1994, for the purpose of organizing a state-chartered commercial bank and commenced operations on May 30, 1995. The Company is a bank holding Company, the principal activity of which is the ownership and management of its wholly-owned subsidiary, TNBank (the Bank). The Bank provides a variety of financial services to individuals and corporate customers at its offices in Oak Ridge, Knoxville and Maryville, Tennessee. The Bank's primary deposit products are interest-bearing demand deposits and certificates of deposit. Its primary lending products are commercial, residential, and consumer loans.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation.

Variable Interest Entities

An entity is referred to as a variable interest entity (VIE) if it meets the criteria outlined in ASC Topic 810, which are: (1) the entity has equity that is insufficient to permit the entity to finance its activities without additional subordinated financial support from other parties, or (2) the entity has equity investors that cannot make significant decisions about the entity's operations or that do not absorb the expected losses or receive the expected returns of the entity. A VIE must be consolidated by the Company if it is deemed to be the primary beneficiary of the VIE, which is the party involved with the VIE that has a majority of the expected losses, expected residual returns, or both. In 2005, the Company established a wholly-owned subsidiary grantor trust which is deemed to be a VIE. This VIE has not been consolidated by the Company as Tennessee Valley Financial Holdings, Inc. is not the primary beneficiary.

Use of Estimates in Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

The determination of the adequacy of the allowance for credit losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

Significant Group Concentrations of Credit Risk

Most of the Bank's activities are with customers located in Anderson, Blount and Knox counties in Tennessee. The types of securities that the Bank invests in are included in Note 2. The types of lending the Bank engages in are included in Note 3. The Bank does not have any significant concentrations to any one industry or customer.

Commercial real estate, including commercial construction loans, represented 45 percent and 44 percent of the loan portfolio at December 31, 2024 and 2023 respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Group Concentrations of Credit Risk (Continued)

Financial instruments that potentially subject the Bank to concentrations of credit risk consist principally of cash and due from banks. The Bank places its cash equivalents with financial institutions and limits the amount of credit exposure to any one financial institution. From time to time, the Bank's cash balances at these institutions exceed federal depository insurance coverage and management considers this to be a normal business risk. The Bank has not experienced any losses on its cash and due from banks.

Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. Securities not classified as held to maturity are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss). Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method. The Bank has made a policy election to exclude accrued interest from the amortized cost basis of debt securities and report accrued interest separately in the consolidated balance sheets. Accrued interest receivable on debt securities totaled $427 and $494 as of December 31, 2024 and 2023, respectively. A debt security is placed on nonaccrual status at the time any principal or interest payments become more than 90 days delinquent or if full collection of interest or principal becomes uncertain. Accrued interest for a security placed on nonaccrual is reversed against interest income. There was no accrued interest related to debt securities reversed against interest income for the years ended December 31, 2024 and 2023.

The Bank evaluates available-for-sale securities in an unrealized loss position to determine if credit-related impairment exists. The Bank first evaluates whether it intends to sell or more likely than not will be required to sell an impaired security before recovering its amortized cost basis. If this condition exists, the entire amount of unrealized loss is recognized in earnings with a corresponding adjustment to the security's amortized cost basis. If this condition does not exist, the Bank evaluates whether the decline in fair value is attributable to credit or resulted from other factors. If credit-related impairment exists, the Bank recognizes an allowance for credit losses (ACL), limited to the amount by which the amortized cost basis exceeds the fair value. Any impairment not recognized through an ACL is recognized in other comprehensive income (loss), net of tax, as a non credit-related impairment.

Securities borrowed or purchased under agreements to resell and securities loaned or sold under agreements to repurchase are treated as collateralized financial transactions. These agreements are recorded at the amount at which the securities were acquired or sold plus accrued interest. It is the Bank's policy to take possession of securities purchased under resale agreements. The market value of these securities is monitored, and additional securities are obtained when deemed appropriate to ensure such transactions are adequately collateralized. The Bank also monitors its exposure with respect to securities sold under repurchase agreements, and a request for the return of excess securities held by the counterparty is made when deemed appropriate.

Loans

The Bank grants mortgage, commercial and consumer loans to customers. A substantial portion of the loan portfolio is represented by real estate loans in the Bank's lending territory in eastern Tennessee. The ability of the Bank's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost, net of the allowance for credit losses. Amortized cost is the outstanding principal balances, net of deferred fees and origination costs. Interest income is accrued on the outstanding principal balance. Loan origination fees and direct loan origination costs are deferred and recognized in income over the life of the loans using a method which approximates a level yield.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans (Continued)

For all classes of loans, the accrual of interest on loans is discontinued when, in management's opinion, the borrower may be unable to make payments as they become due, unless the loan is well secured and in the process of collection. Interest income on mortgage and commercial loans is discontinued and placed on nonaccrual status at the time the loan is 90 days delinquent unless the loan is well secured and in process of collection. Mortgage loans and commercial loans are charged off to the extent principal or interest is deemed uncollectible. Consumer loans continue to accrue interest until they are charged off, generally between 90 and 120 days past due, unless the loan is in the process of collection. All interest accrued, but not collected for loans that are placed on nonaccrual or charged off, is reversed against interest income. Interest received on nonaccrual loans is applied against principal until the loans are returned to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Credit Losses – Loans

Under the current expected credit loss model, the ACL on loans is a valuation allowance estimated at each balance sheet date in accordance with GAAP that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans.

The Bank estimates the ACL on loans based on the underlying loans' amortized cost basis, which is the amount at which the financing receivable is originated or acquired, adjusted for applicable accretion or amortization of premium, discount, and net deferred fees or costs, collection of cash, and charge-offs. In the event that collection of principal becomes uncertain, the Bank has policies in place to reverse accrued interest in a timely manner. Therefore, the Bank has made a policy election to exclude accrued interest from the measurement of ACL. Accrued interest receivable on loans is reported in accrued interest receivable on the consolidated balance sheets and totaled $1,122 and $1,060 at December 31, 2024 and 2023, respectively.

Expected credit losses are reflected in the allowance for credit losses through a charge to provision for credit losses. The Bank measures expected credit losses of loans on a collective (pool) basis, when the loans share similar risk characteristics. Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals and modifications unless the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Bank.

The Bank's methodologies for estimating the ACL consider available relevant information about the collectability of cash flows, including information about past events, current conditions, and reasonable and supportable forecasts. The methodologies apply historical loss information, adjusted for asset-specific characteristics, economic conditions at the measurement date, and forecasts about future economic conditions over a period that has been determined to be reasonable and supportable, to the identified pools of loans with similar risk characteristics for which the historical loss experience was observed.

Weighted Average Remaining Maturity Method

The Bank's primary methodology for estimating expected credit losses for all loan types is the weighted average remaining maturity method. This methodology calculates the loss of each loan type using historical call report data. The average annual loss rate is applied to the contractual term of each loan, further adjusted for estimated prepayments. Qualitative factors are also assigned to each loan type, as determined by management.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses – Loans (Continued)

Individually Evaluated Loans

Loans that do not share risk characteristics are evaluated on an individual basis. For collateral dependent loans where the Bank has determined that foreclosure of the collateral is probable, or where the borrower is experiencing financial difficulty and the Bank expects repayment of the loan to be provided substantially through the operation or sale of the collateral, the ACL is measured based on the difference between the fair value of the collateral and the amortized cost basis of the loan as of the measurement date. When repayment is expected to be from the operation of the collateral, expected credit losses are calculated as the amount by which the amortized cost basis of the loan exceeds the present value of expected cash flows from the operation of the collateral. The Bank may, in the alternative, measure the expected credit loss as the amount by which the amortized cost basis of the loan exceeds the estimated fair value of the collateral. When repayment is expected to be from the sale of the collateral, expected credit losses are calculated as the amount by which the amortized costs basis of the loan exceeds the fair value of the underlying collateral less estimated cost to sell. The ACL may be zero if the fair value of the collateral at the measurement date exceeds the amortized cost basis of the loan.

Charge-offs and Recoveries

Loan losses are charged against the allowance when management believes the collection of a loan's principal is unlikely. Subsequent recoveries are credited to the allowance. If the loan is collateral dependent, the loss is more easily identified and is charged-off when it is identified, usually based upon receipt of an appraisal. However, when a loan has guarantor support, and the guarantor demonstrates willingness and capacity to support the debt, the Bank may carry the estimated loss as a reserve against the loan while collection efforts with the guarantor are pursued. If, after collection efforts with the guarantor are complete, the deficiency is still considered uncollectible, the loss is charged-off and any further collections are treated as recoveries.

Loan Commitments and Financial Instruments

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

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

Premises and Equipment

Land is carried at cost. Other premises and equipment are carried at cost net of accumulated depreciation. Depreciation is computed using the straight-line method based principally on the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are included in other noninterest income.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Leases are classified as operating or finance leases at the lease commencement date. The Bank leases certain locations and equipment. The Bank records leases on the consolidated balance sheets in the form of a lease liability for the present value of future minimum payments under the lease terms and a right-of-use asset equal to the lease liability adjusted for items such as deferred or prepaid rent, lease incentives, and any impairment of the right-of-use asset. The discount rate used in determining the lease liability is based upon incremental borrowing rates the Bank could obtain for similar loans as of the date of commencement or renewal. The Bank does not record leases on the consolidated balance sheets that are classified as short term (less than one year).

At lease inception, the Bank determines the lease term by considering the minimum lease term and all optional renewal periods that the Bank is reasonably certain to renew. The lease term is also used to calculate straight-line rent expense. The depreciable life of leasehold improvements is limited by the estimated lease term, including renewals if they are reasonably certain to be renewed. The Bank's leases do not contain residual value guarantees or material variable lease payments that will impact the Bank's ability to pay dividends or cause the Bank to incur additional expenses.

Operating lease expense consists of a single lease cost allocated over the remaining lease term on a straight-line basis, variable lease payments not included in the lease liability, and any impairment of the right-of-use asset.

Rent expense and variable lease expense are included in occupancy and equipment expense on the Bank's consolidated statements of income. The Bank's variable lease expense includes rent escalators that are based on market conditions and include items such as common area maintenance, utilities, parking, property taxes, insurance and other costs associated with the lease.

The Bank has elected to treat property leases that include both lease and non-lease components as a single component and account for it as a lease.

Foreclosed Real Estate

Assets acquired through, or in lieu of, foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Any write-down to fair value at the time of transfer to foreclosed real estate is charged to the allowance for credit losses. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Costs of improvements are capitalized. Revenues and expenses from operations and changes in the valuation allowance are included in foreclosed real estate losses.

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance in ASC Topic 740. The income tax accounting guidance results in two components of income tax expense – current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to taxable income or loss. The Company determines deferred income taxes using the liability method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities. The Company's deferred taxes relate primarily to differences between the basis of the allowance for credit losses and accumulated depreciation and net operating loss carryforwards. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. The Company files consolidated income tax returns with its subsidiary. With few exceptions, the Company is no longer subject to tax examinations by tax authorities for years before 2021.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Company recognizes deferred tax assets if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The Company follows the statutory requirements for its income tax accounting and generally avoids risks associated with potentially problematic tax positions that may be challenged upon examination. Deferred tax assets may be reduced by deferred tax liabilities and a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized. The Company recognizes interest and penalties on income taxes as a component of income tax expense.

Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and federal funds sold, all of which mature within 90 days. Cash flows from loans, deposits, securities sold under agreements to repurchase and advances from Federal Home Loan Bank are reported net.

Transfers of Financial Assets

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

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as a separate component of the equity section of the consolidated balance sheets, such items, along with net income, are components of comprehensive income.

Fair Value of Financial Instruments

Fair values of financial instruments are estimates using relevant market information and other assumptions, as more fully disclosed in Note 13. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect the estimates.

Advertising and Promotion

The Company expenses all advertising costs as incurred. Advertising expense was $128 and $156 for the years ended December 31, 2024 and 2023, respectively.

Subsequent Events

Management performed an evaluation of subsequent events through _______________, the date these consolidated financial statements were available to be issued.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The majority of the Company's revenues come from interest income and other sources, including loans, leases and securities that are outside the scope of ASC 606. The Company's services that fall within the scope of ASC 606 are presented within noninterest income and are recognized as revenue as the Company satisfies its obligation to the customer. Services within the scope of ASC 606 include service charges on deposit accounts, interchange income, and the sale of foreclosed assets. Refer to Note 15, *Revenue from Contracts with Customers* for further discussion on the Company's accounting policies for revenue sources within the scope of ASC 606.

Adoption of New Accounting Standards

On January 1, 2023, the Company adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASC 326), as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables, loan commitments, leases, financial guarantees, and held to maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. In addition, ASC 326 made changes to the accounting for available for sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available for sale debt securities that management does not intend to sell or believes that it is more likely than not they will not be required to sell.

The Company 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 January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company recorded a net decrease to retained earnings of $390 as of January 1, 2023, for the cumulative effect of adopting ASC 326. The transition adjustment includes a $99 impact due to an increase in the allowance for unfunded commitments.

In addition, for available for sale debt securities, the new methodology replaces the other-than-temporary impairment model and requires the recognition of an allowance for reductions in a security's fair value attributable to declines in credit quality, instead of a direct write-down of the security when a valuation decline is determined to be other-than-temporary. There was no financial impact related to this implementation.

On January 1, 2023, the Company adopted ASU 2022-02 – *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures* (ASU 2022-02). ASU 2022-02 eliminates the troubled debt restructuring (TDR) measurement and recognition guidance and requires that entities evaluate whether the modification represents a new loan or a continuation of an existing loan consistent with the accounting for other loan modifications. Additional disclosures relating to modifications to borrowers experiencing financial difficulty are required under ASU 2022-02. The Company adopted this ASU on a prospective basis.

(amounts in thousands, except share and per share data)

NOTE 2 - SECURITIES

Investment securities available for sale at December 31, 2024 and 2023 are as follows:

	Securities Available for Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2024				
U.S. Treasury and federal agency	$ 3,517	$ -	$ (104)	$ 3,413
Mortgage-backed securities:				
Pass-through entities	9,847	1	(1,423)	8,425
Government-sponsored enterprises	6,728	-	(763)	5,965
Obligations of state and political subdivisions, non-taxable	33,247	4	(6,961)	26,290
Obligations of state and political subdivisions, taxable	2,938	-	(240)	2,698
Total securities available for sale	$56,277	$ 5	$(9,491)	$46,791
December 31, 2023				
U.S. Treasury and federal agency	$11,262	$ -	$ (221)	$11,041
Mortgage-backed securities:				
Pass-through entities	11,002	2	(1,305)	9,699
Government-sponsored enterprises	7,009	-	(820)	6,189
Obligations of state and political subdivisions, non-taxable	33,532	42	(5,592)	27,982
Obligations of state and political subdivisions, taxable	2,975	-	(242)	2,733
Total securities available for sale	$65,780	$ 44	$(8,180)	$57,644

The amortized cost and fair value of securities at December 31, 2024, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Securities Available for Sale	
	Amortized Cost	Fair Value
Due in less than one year	$ 2	$ 2
Due after one year through five years	1,852	1,786
Due after five years through ten years	3,394	3,122
Due after ten years	34,454	27,491
	39,702	32,401
Mortgage-backed securities	16,575	14,390
	$56,277	$46,791

Expected maturities of mortgage-backed securities can differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Therefore, these securities are not included in the maturity categories.

During the years ended December 31, 2024 and 2023, proceeds from sales of securities available for sale and other equity investments were $0 and $2,517 respectively. The Bank recognized net losses of $0 and $10 for 2024 and 2023, respectively.

Securities with a carrying value of approximately $6,625 and $8,960 at December 31, 2024 and 2023, respectively, were pledged to secure various deposits.

(amounts in thousands, except share and per share data)

NOTE 2 - SECURITIES (Continued)

The following tables show the gross unrealized losses and fair value of the Bank's investments with unrealized losses, aggregated by investment category and length of time the individual securities have been in a continuous unrealized loss position at December 31, 2024 and 2023.

	Less Than 12 Months		12 Months or More		
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Total Unrealized Losses
At December 31, 2024:					
U.S. Treasury and federal agency	$ -	$ -	$ 3,307	$ (104)	$ (104)
Mortgage-backed securities:					
Pass-through entities	182	(1)	8,142	(1,422)	(1,423)
GSE	-	-	5,965	(763)	(763)
Obligations of state and political subdivisions, non-taxable	-	-	24,795	(6,961)	(6,961)
Obligations of state and political subdivisions, taxable	-	-	2,698	(240)	(240)
Total	$ 182	$ (1)	$44,907	$(9,490)	$(9,491)
At December 31, 2023:					
U.S. Treasury and federal agency	$2,369	$ (17)	$ 8,647	$ (204)	$ (221)
Mortgage-backed securities:					
Pass-through entities	33	-	9,362	(1,305)	(1,305)
GSE	-	-	6,189	(820)	(820)
Obligations of state and political subdivisions, non-taxable	-	-	26,443	(5,592)	(5,592)
Obligations of state and political subdivisions, taxable	-	-	2,733	(242)	(242)
Total	$2,402	$ (17)	$53,374	$(8,163)	$(8,180)

As of December 31, 2024 and 2023, no ACL has been recognized on available for sale securities in an unrealized loss position as management does not believe any of the securities are impaired due to reasons of credit quality. This is based upon an analysis of the underlying risk characteristics, including credit ratings, and other qualitative factors related to available for sale securities and in consideration of historical credit loss experience and internal forecasts. The issuers of these securities continue to make timely principal and interest payments under the contractual terms of the securities. Furthermore, the Bank does not have the intent to sell any of the securities classified as available for sale in the table above and believes that it is more likely than not that they will not have to sell any such securities before a recovery of cost. The unrealized losses are due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the securities approach their maturity date or repricing date or if market yields for such investments decline.

The proceeds from sales of securities and associated gains and losses are listed below:

	2024	2023
Proceeds	$ -	$2,517
Gross gains	-	2
Gross losses	-	12

The tax benefit related to these realized losses was approximately $0 and $3 in 2024 and 2023, respectively.

(amounts in thousands, except share and per share data)

NOTE 2 - SECURITIES (Continued)

Restricted equity investments, at cost, consist of the following:

	2024	2023
Federal Home Loan Bank stock	$554	$522

The Bank is a member of the Federal Home Loan Bank (FHLB) and as such is required to maintain an investment of the capital stock of FHLB of Cincinnati. This investment is carried at costs which approximates the fair value of such stock, based on the redemption provisions of the FHLB of Cincinnati. The amount of FHLB stock required to be held by the Bank is adjusted annually based on a determination made by FHLB of Cincinnati. Management reviews this investment for impairment based on the ultimate recoverability of the cost basis of the stock.

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES

Portfolio Segmentation

At December 31, 2024 and 2023, loans consist of the following:

	2024	2023
Loans secured by real estate:		
Speculative residential real estate	$ 11,320	$ 6,930
Commercial real estate owner occupied	45,195	45,917
Commercial real estate non-owner occupied	51,949	50,615
Residential real estate	70,785	76,077
Home equity lines of credit	25,692	26,106
Total loans secured by real estate	204,941	205,645
Consumer	878	1,192
Commercial	9,564	10,487
	215,383	217,324
Less: Allowance for credit losses	(2,553)	(2,345)
Unearned loan (fees) expenses	(104)	(63)
Loans, net	$212,726	$214,916

For purposes of the disclosures required under ASC 326, the loan portfolio was disaggregated into segments. A portfolio segment is defined as the level at which an entity develops and documents a systematic method for determining its allowance for credit losses. There are seven loan portfolio segments.

The following describe risk characteristics relevant to each of the portfolio segments:

Speculative Residential Real Estate: Loans for speculative residential real estate are repaid through cash flow related to the sale of the underlying property. This portfolio segment includes extensions of credit to real estate developers and contractors where repayment is dependent on the sale of the real estate collateral.

Commercial Real Estate: Include owner-occupied commercial real estate loans and loans secured by income producing properties. Owner-occupied commercial real estate loans to operating businesses are long-term financing of land and buildings. These loans are repaid by cash flow generated from the business operation. Real estate loans for income-producing properties such as apartment buildings, office and industrial buildings, and retail shopping centers are repaid from rent income derived from the properties. Loans within this segment are particularly sensitive to the valuation of real estate collateral.

(amounts in thousands, except share and per share data)

NOTE 3 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Portfolio Segmentation (Continued)

Residential Real Estate: Include 1-4 family residential real estate loans, second liens, and up to four-unit multifamily residential loans. These are repaid by various means such as a borrower's income, sale of the property, or rental income derived from the property. These loans are sensitive to the valuation of real estate collateral, unemployment and other key economic measures.

Home Equity: Home equity lines of credit include real estate loans repaid by various means such as borrower's income or sale of the property. These loans are often secured by second liens.

Commercial: Include commercial and financial loans. These loans include those loans to commercial customers for use in normal business operations to finance working capital needs, equipment purchases, or expansion projects. Loans are repaid by business cash flows. Collection risk in this portfolio is driven by the creditworthiness of the underlying borrower, particularly cash flows from the customers' business operations.

Consumer: The consumer loan portfolio segment includes direct consumer installment loans, overdrafts and other revolving credit loans, and educational loans. Loans in this portfolio are sensitive to unemployment and other key consumer economic measures.

Nonaccrual and Past Due Loans

A loan is placed on nonaccrual status when, in management's judgment, the collection of the interest income appears doubtful. Interest receivable that has been accrued and is subsequently determined to have doubtful collectability is charged to interest income. Interest on loans that are classified as nonaccrual is subsequently applied to principal until the loans are returned to accrual status. The Bank's loan policy states that a nonaccrual loan may be returned to accrual status when (i) none of its principal and interest is due and unpaid, and the Bank expects repayment of the remaining contractual principal and interest, or (ii) it otherwise becomes well secured and in the process of collection. Restoration to accrual status on any given loan must be supported by a well-documented credit evaluation of the borrower's financial condition and the prospects for full repayment. Past due loans are accruing loans whose principal or interest is past due 30 days or more.

The following tables provide a summary of current, accruing past due, and nonaccrual loans by portfolio segment as of December 31, 2024 and 2023.

	As of December 31, 2024						
	Past Due 30-89 Days and Accruing	Past Due 90 Days or More and Accruing	Nonaccrual with an ACL	Nonaccrual without an ACL	Total Past Due	Current Loans	Total Loans
Speculative residential real estate	$ -	$ -	$ -	$ -	$ -	$ 11,320	$ 11,320
Commercial real estate owner occupied	-	-	-	1,566	1,566	43,629	45,195
Commercial real estate non-owner occupied	-	-	-	8	8	51,941	51,949
Residential real estate	316	-	-	1,888	2,204	68,581	70,785
Home equity lines of credit	50	-	-	259	309	25,383	25,692
Consumer	-	-	-	-	-	878	878
Commercial	-	-	-	-	-	9,564	9,564
	$366	$ -	$ -	$3,721	$4,087	$211,296	$215,383

(amounts in thousands, except share and per share data)

NOTE 3 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Nonaccrual and Past Due Loans (Continued)

	As of December 31, 2023						
	Past Due 30-89 Days and Accruing	Past Due 90 Days or More and Accruing	Nonaccrual with an ACL	Nonaccrual without an ACL	Total Past Due	Current Loans	Total Loans
Speculative residential real estate	$ 32	$ -	$ -	$ -	$ 32	$ 6,898	$ 6,930
Commercial real estate owner occupied	224	-	-	-	224	45,693	45,917
Commercial real estate non-owner occupied	-	-	-	-	-	50,615	50,615
Residential real estate	12	67	-	169	248	75,829	76,077
Home equity lines of credit	342	-	-	19	361	25,745	26,106
Consumer	-	-	-	-	-	1,192	1,192
Commercial	-	-	-	-	-	10,487	10,487
	$610	$67	$ -	$188	$865	$216,459	$217,324

There was no interest income recognized on nonaccrual loans during the years ended December 31, 2024 and 2023.

Collateral Dependent Loans

Collateral dependent loans are loans where repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulty. If the Bank determines that foreclosure is probable, these loans are written down to the lower of cost or collateral value less estimated costs to sell. When repayment is expected to be from the operation of the collateral, the allowance for credit losses is calculated as the amount by which the amortized cost basis of the financial asset exceeds the present value of expected cash flows from the operation of the collateral. The Bank may, in the alternative, measure the allowance for credit loss as the amount by which the amortized cost basis of the financial asset exceeded the estimated fair value of the collateral. There were no loans considered to be collateral dependent as of December 31, 2024 and 2023.

Credit Quality Indicators

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 analyzes loans individually to classify the loans as to credit risk. This analysis includes loan relationships with outstanding debt greater than $1 million and a sample of loans less than $1 million, including larger substandard and special mention rated loans and larger past due loans. This analysis is performed on an annual basis.

The Bank uses the following definitions for risk ratings:

Pass: Loans in this risk category involve borrowers of acceptable-to-strong credit quality and risk who have the apparent ability to satisfy their loan obligations. Loans in this risk grade would possess sufficient mitigating factors, such as adequate collateral or strong guarantors possessing the capacity to repay the debt if required, for any weakness that may exist.

Special Mention: Loans in this risk grade are the equivalent of the regulatory definition of "Other Assets Especially Mentioned" classification. Loans in this category possess some credit deficiency or potential weakness, which requires a high level of management attention. Potential weaknesses include declining trends in operating earnings and cash flows and /or reliance on the secondary source of repayment. If left uncorrected, these potential weaknesses may result in noticeable deterioration of the repayment prospects for the asset or in the Bank's credit position.

(amounts in thousands, except share and per share data)

NOTE 3 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Credit Quality Indicators (Continued)

Substandard: Loans in this risk grade are inadequately protected by the borrower's current financial condition and payment capability or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the orderly repayment of debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans in this risk grade have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or orderly repayment in full, on the basis of current existing facts, conditions and values, highly questionable and improbable. Possibility of loss is extremely high, but because of certain important and reasonably specific factors that may work to the advantage and strengthening of the exposure, its classification as an estimated loss is deferred until its more exact status may be determined.

The following tables summarize the risk category of the Bank's loan portfolio based on the most recent analysis performed as of December 31, 2024 and 2023:

	Speculative Residential Real Estate		Commercial Real Estate Owner Occupied		Commercial Real Estate Non-Owner Occupied		Residential Real Estate	
	2024	2023	2024	2023	2024	2023	2024	2023
Pass	$11,320	$6,930	$43,628	$43,634	$51,940	$50,590	$68,376	$74,609
Special mention	-	-	-	1,573	-	-	117	-
Substandard	-	-	1,567	710	9	25	2,292	1,468
Doubtful	-	-	-	-	-	-	-	-
Total	$11,320	$6,930	$45,195	$45,917	$51,949	$50,615	$70,785	$76,077

	Home Equity Lines of Credit		Consumer		Commercial		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
Pass	$24,935	$25,848	$878	$1,192	$9,564	$10,458	$210,641	$213,261
Special mention	-	-	-	-	-	-	117	1,573
Substandard	757	258	-	-	-	29	4,625	2,490
Doubtful	-	-	-	-	-	-	-	-
Total	$25,692	$26,106	$878	$1,192	$9,564	$10,487	$215,383	$217,324

Allowance for Credit Losses on Loans

The allowance for credit losses represents an allowance for expected losses over the remaining contractual life of the assets. The contractual term does not consider extensions, renewals or modifications. The Bank segregates the loan portfolio by type of loan and utilizes this segregation in evaluating exposure to risks within the portfolio.

Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

As of December 31, 2024

	Speculative Residential Real Estate	Commercial Real Estate Owner Occupied	Commercial Real Estate Non-Owner Occupied	Residential Real Estate	Home Equity Lines of Credit	Consumer	Commercial	Unallocated	Total
Beginning balance	$ 147	$605	$433	$730	$300	$ 10	$120	$ -	$2,345
Charge-offs	-	-	-	-	-	-	-	-	-
Recoveries	-	-	39	-	-	-	39	-	78
Provision for credit losses	100	35	121	5	(40)	(5)	(86)	-	130
Ending balance	$247	$640	$593	$735	$260	$ 5	$ 73	$ -	$2,553

(amounts in thousands, except share and per share data)

NOTE 3 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Allowance for Credit Losses on Loans (Continued)

	As of December 31, 2023								
	Speculative Residential Real Estate	Commercial Real Estate Owner Occupied	Commercial Real Estate Non-Owner Occupied	Residential Real Estate	Home Equity Lines of Credit	Consumer	Commercial	Unallocated	Total
Beginning balance	$ 29	$298	$405	$645	$207	$ 12	$114	$ 230	$1,940
Adoption of ASC 326	-	-	-	-	-	-	-	291	291
Charge-offs	-	-	-	-	-	(14)	-	-	(14)
Recoveries	-	-	-	-	-	2	85	-	87
Provision for credit losses	118	307	28	85	93	10	(79)	(521)	41
Ending balance	$147	$605	$433	$730	$300	$ 10	$120	$ -	$2,345

Modifications to Borrowers Experiencing Financial Difficulty

The Bank periodically provides modifications to borrowers experiencing financial difficulty. These modifications include either payment deferrals, term extensions, interest rate reductions, principal forgiveness or combinations of modification types. The determination of whether the borrower is experiencing financial difficulty is made on the date of the modification. When principal forgiveness is provided, the amount of principal forgiveness is charged off against the allowance for credit losses with a corresponding reduction in the amortized cost basis of the loan. A modified loan is tracked for at least 12 months following the modifications granted.

At December 31, 2024 and 2023, loans modified to borrowers experiencing financial difficulty during the year were immaterial. The Bank has no unfunded commitments to borrowers experiencing financial difficulty for which the Bank has modified their loans at December 31, 2024 and 2023.

Related Party Loans

In the normal course of business, the Company has granted loans to certain related parties, including to directors, executive officers, and principal shareholders of the Company, on substantially the same terms, including interest rates and collateral as those prevailing at the time for comparable transactions with other borrowers. Annual activity consisted of the following:

	2024	2023
Balance beginning of year	$2,945	$2,601
Advances	1,197	519
Repayments	(838)	(175)
Balance end of year	$3,304	$2,945

NOTE 4 - PREMISES AND EQUIPMENT

A summary of premises and equipment at December 31, 2024 and 2023, is as follows:

	2024	2023
Land	$ 2,150	$ 2,150
Buildings	5,850	5,850
Building improvements	429	238
Furniture, fixtures and equipment	3,356	3,186
	11,785	11,424
Less: Accumulated depreciation	(6,684)	(6,399)
	$ 5,101	$ 5,025

(amounts in thousands, except share and per share data)

NOTE 5 - DEPOSITS

A summary of deposits is as follows:

	2024	2023
Noninterest bearing demand accounts	$ 18,490	$ 20,019
Interest bearing accounts		
Demand accounts	124,388	127,853
Savings accounts	24,612	29,590
Term deposits		
Less than $250,000	49,617	44,350
$250,000 or more	32,313	37,521
Total interest bearing accounts	230,930	239,314
Total deposits	$249,420	$259,333

At December 31, 2024, the scheduled maturities of term deposits are as follows:

Less than 1 year	$74,535
1 year to 3 years	5,104
3 years and greater	2,291
	$81,930

NOTE 6 – SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Securities sold under repurchase agreements, which are secured borrowings, generally mature within one to four days from the transaction date. Securities sold under repurchase agreements are reflected at the amount of cash received in connection with the transaction. The Bank may be required to provide additional collateral based on the fair value of the underlying securities.

NOTE 7 – BORROWINGS

Advances from the Federal Home Loan Bank

The following table is a detail of advances from the Federal Home Loan Bank as of December 31, 2024 and 2023:

Date of Advance	Interest Rate	Final Maturity Date	Amount Outstanding December 31, 2024	2023
05/01/2023	4.01%	5/01/2028	$5,000	$5,000

Aggregate principal payments required on advances from the Federal Home Loan Bank at December 31, 2024, are as follows:

2028	$5,000

(amounts in thousands, except share and per share data)

NOTE 7 – BORROWINGS (Continued)

Interest expense associated with the advances from the FHLB totaled $224 for the year ended December 31, 2024 and $202 for the year ended December 31, 2023. Pursuant to collateral agreements with the FHLB, these advances are secured by certain securities available for sale, as well as certain first mortgage loans and home equity lines of credit. The Bank has a Cash Management Advance (CMA) agreement with the FHLB with maximum borrowings of $10,000 as of December 31, 2024 and $10,000 as of December 31, 2023. There were no outstanding borrowings under this agreement as of December 31, 2024 or 2023.

Subordinated Debentures

In March 2005, the Company formed Tennessee Valley Statutory Trust I (Trust). The Trust is a statutory business trust formed under the laws of the state of Delaware and is wholly owned by the Company. The Trust issued $2,000 of trust preferred securities as part of a pooled offering of such securities. The Company then issued $2,062 subordinated debentures to the Trust in exchange for the proceeds of the offering, which debentures represent the sole asset of the Trust. The Company may redeem the subordinated debentures, in whole or part, beginning June 2010 at a price of 100% of face value. The debentures pay interest quarterly at the three-month SOFR rate plus 2.26%, adjusted quarterly, which was 6.95% and 7.61% at December 31, 2024 and 2023, respectively. The subordinated debentures must be redeemed no later than 2035.

In accordance with ASC Topic 810, the Trust is not consolidated with the Company. Accordingly, the Company reports as liabilities the subordinated debentures issued by the Company and held by the Trust. However, the Company has fully and unconditionally guaranteed the repayment of the trust preferred securities. The Company's equity interest in the Trust ($62 as of December 31, 2024 and 2023) is included in "Other assets" on the consolidated balance sheets.

The Company utilizes its borrowings to satisfy a portion of its Tier I capital requirement in accordance with the regulations promulgated by the Federal Reserve Board.

In May 2019, the Company entered into two subordinated debentures for $2,000 each. The Company may redeem the subordinated debentures, in whole or in part, in a principal amount with integral multiples of $100, on or after June 30, 2019 at 100% of the principal amount, plus accrued and unpaid interest. The subordinated debentures mature on May 29, 2029. The subordinated debentures are also redeemable in whole or in part from time to time, upon the occurrence of specific events defined within the subordinated note indenture. At December 31, 2024 and 2023, the two subordinated debentures had a 7.25% fixed rate of interest.

NOTE 8 – PROFIT SHARING PLAN

The Bank has a profit sharing plan (Plan) which allows all employees to contribute up to the maximum allowed under the IRS code. Contributions to the Plan made by the Bank are determined annually at the discretion of the Bank's board of directors. The Bank's contributions to the Plan were $47 and $59 in 2024 and 2023, respectively.

NOTE 9 - INCOME TAXES

Income taxes as shown in the consolidated statements of income differ from the amounts computed using the statutory federal income tax rate as follows:

	2024	2023
Federal income tax at statutory rate	$690	$703
State income tax, net of federal tax benefit	170	173
Tax exempt income	(21)	(38)
Other	60	59
	$899	$897

(amounts in thousands, except share and per share data)

NOTE 9 - INCOME TAXES (Continued)

	2024	2023
Income taxes consist of:		
Current	$727	$727
Deferred	172	170
	$899	$897

Deferred tax assets recognized for deductible temporary differences totaled $3,076 at December 31, 2024. Deferred tax liabilities for temporary differences totaled $218 at December 31, 2024. Deferred tax assets recognized for deductible temporary differences totaled $2,721 at December 31, 2023. Deferred tax liabilities for temporary differences totaled $173 at December 31, 2023.

NOTE 10 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

In the normal course of business, the Bank has outstanding commitments and contingent liabilities, such as commitments to extend credit and standby letters of credit, which are not included in the accompanying consolidated financial statements. The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Bank uses the same credit policies in making such commitments as it does for instruments that are included in the consolidated balance sheets.

A summary of the Bank's commitments is as follows:

	December 31,	
	2024	2023
Commitments to extend credit	$55,231	$53,268
Other standby letters of credit	439	531
	$55,670	$53,799

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include accounts receivable, inventory, property and equipment, and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Standby letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank's policy for obtaining collateral, and the nature of such collateral, is essentially the same as that involved in making commitments to extend credit.

The Bank has not been required to perform on any financial guarantees and the Bank has not incurred any losses on its commitments or standby letters of credit for the years ended December 31, 2024 and 2023.

(amounts in thousands, except share and per share data)

NOTE 10 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (Continued)

The Bank maintains an allowance for unfunded commitments such as unfunded balances for existing lines of credit, commitments to extend future credit, and standby letters of credit when there is a contractual obligation to extend credit and when this extension of credit is not unconditionally cancellable. The allowance for unfunded commitments is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur, which is based on a historical funding study derived from internal information, and an estimate of expected credit losses on commitments expected to be funded over its estimated life, which are the same loss rates that are used in computing the allowance for credit losses on loans. The allowance for credit losses for unfunded commitments is separately classified on the consolidated balance sheets within other liabilities.

The following tables present the balance and activity in the allowance for credit losses for unfunded commitments for the year ended December 31, 2024 and 2023:

	2024	2023
Beginning balance	$ 99	$ -
Adjustment to allowance for the adoption of ASC 326	-	99
Provision for credit losses	(56)	-
Ending balance	$ 43	$99

NOTE 11 - REGULATORY CAPITAL MATTERS

Banks are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgements by regulators. Failure to meet capital requirements can initiate regulatory action.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of common equity, total, and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2024 and 2023, that the Bank meets all capital adequacy requirements to which it is subject. In addition to these requirements, the Bank is subject to an institution-specific capital buffer, which must exceed 2.50% to avoid limitations on distributions and discretionary bonus payments.

As of December 31, 2024, the most recent notification from the regulatory agencies categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios as of December 31, 2024 and 2023, are presented in the following:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2024:						
Total capital (to risk-weighted assets)	$33,283	13.2%	$20,201	8.0%	$25,251	10.0%
Tier I capital (to risk-weighted assets)	30,688	12.2%	15,151	6.0%	20,201	8.0%
Common equity Tier I capital (to risk-weighted assets)	30,688	12.2%	11,363	4.5%	16,413	6.5%
Tier I capital (to average assets)	30,688	10.3%	11,966	4.0%	14,958	5.0%

(amounts in thousands, except share and per share data)

NOTE 11 - REGULATORY CAPITAL MATTERS (Continued)

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2023:						
Total capital (to risk-weighted assets)	$31,735	12.7%	$20,062	8.0%	$25,078	10.0%
Tier I capital (to risk-weighted assets)	29,292	11.7%	15,047	6.0%	20,062	8.0%
Common equity Tier I capital (to risk-weighted assets)	29,292	11.7%	11,285	4.5%	16,301	6.5%
Tier I capital (to average assets)	29,292	10.0%	11,711	4.0%	14,639	5.0%

NOTE 12 – LEASES

A lease is defined as a contract, or part of a contract, that covers the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration.

Lessee Accounting

The Bank leases real estate property for a branch with terms extending through 2044. The lease is classified as an operating lease, and therefore, is required to be recognized on the consolidated balance sheets as a right-of-use (ROU) asset and a corresponding lease liability. The Company has applied the exemption for short-term leases with a term of less than one year and therefore does not recognize a lease liability or right-of-use asset on the balance sheet but instead recognizes lease payments as an expense over the lease term as appropriate.

The following table represents the consolidated balance sheet classification of the Company's ROU assets and lease liabilities. The Company elected not to include short-term leases (i.e., leases with initial terms of twelve months or less), or equipment leases (deemed immaterial) on the consolidated balance sheets.

Lease Right of Use Asset	Classification on Consolidated Balance Sheet	December 31, 2024	December 31, 2023
Operating Lease ROU Asset	Other assets	$591	$622

Lease Right of Use Liability	Classification on Consolidated Balance Sheet	December 31, 2024	December 31, 2023
Operating Lease Liability	Other liabilities	$632	$651

(amounts in thousands, except share and per share data)

NOTE 12 – LEASES (Continued)

Lessee Accounting (Continued)

The calculated amount of the ROU assets and lease liabilities in the table above are impacted by the length of the lease term and the discount rate used to present value the minimum lease payments. The Company's lease agreements often include one or more options to renew at the Company's discretion. If at lease inception, the Company considers the exercising of a renewal option to be reasonably certain, the Company will include the extended term in the calculation of the ROU asset and lease liability. Regarding the discount rate, Topic 842 requires the use of the rate implicit in the lease whenever this rate is readily determinable. As this rate is rarely determinable, the Company utilizes its incremental borrowing rate at lease inception, on a collateralized basis, over a similar term. For operating leases existing prior to January 1, 2022, the rate for the remaining lease term as of January 1, 2022 was used.

	December 31, 2024	December 31, 2023
Weighted -Average remaining lease term for operating leases	19.17 Years	20.17 Years
Weighted-Average discount rate for operating leases	4.25%	4.25%

Future minimum lease payments for operating leases with initial or remaining terms of one year or more as of December 31, 2024 were as follows:

	Operating Leases
2025	$ 46
2026	46
2027	46
2028	46
2029	48
Thereafter	700
Total future minimum lease payments	932
Amounts representing interest	(300)
Present value of net future minimum lease payments	$ 632

Total lease expense for 2024 and 2023 was approximately $60 and $59, respectively.

NOTE 13 - FAIR VALUE DISCLOSURES

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with ASC Topic 820, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

(amounts in thousands, except share and per share data)

NOTE 13 - FAIR VALUE DISCLOSURES (Continued)

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

ASC Topic 820 also establishes a three-tier fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, as follows:

> Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.
>
> Level 2 - Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data.
>
> Level 3 - Significant unobservable inputs that reflect a Company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. There have been no changes in the methodologies used at December 31, 2024 and 2023.

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

Securities Available for Sale:

Fair values are estimated using pricing models and discounted cash flows that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, and credit spreads. Securities classified as available for sale are reported at fair value utilizing Level 2 inputs.

Below are tables that present information about certain assets measured at fair value on a recurring basis:

	Balance as of December 31, 2024	Level 1	Level 2	Level 3
Investment securities available for sale:				
U.S. Treasury and federal agency	$ 3,413	$ -	$ 3,413	$ -
Mortgage-backed securities:		-		
Pass-through entities	8,425	-	8,425	-
GSE	5,965	-	5,965	-
Obligations of state and political subdivisions, non-taxable	26,240	-	26,240	-
Obligations of state and political subdivisions, taxable	2,698	-	2,698	-
	$46,791	$ -	$46,791	$ -

(amounts in thousands, except share and per share data)

	Balance as of December 31, 2023	Level 1	Level 2	Level 3
Investment securities available for sale:				
U.S. Treasury and federal agency	$ 11,041	$ -	$11,041	$ -
Mortgage-backed securities:				
Pass-through entities	9,699	-	9,699	-
GSE	6,189	-	6,189	-
Obligations of state and political subdivisions, non-taxable	27,982	-	27,982	-
Obligations of state and political subdivisions, taxable	2,733	-	2,733	-
	$57,644	$ -	$57,644	$ -

The Company has no assets or liabilities whose fair values are measured on a recurring basis using Level 1 or Level 3 inputs.

Certain assets and liabilities are measured at fair value on a nonrecurring basis, which means the assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The tables below present information about assets on the consolidated balance sheets at December 31, 2024 and 2023, for which a nonrecurring change in fair value was recorded.

	Balance as of December 31, 2024	Level 1	Level 2	Level 3
Individually evaluated loans	$ -	$ -	$ -	$ -
Foreclosed real estate	-	-	-	-

	Balance as of December 31, 2023	Level 1	Level 2	Level 3
Individually evaluated loans	$ -	$ -	$ -	$ -
Foreclosed real estate	-	-	-	-

Loans included collateral dependent loans for which an allowance for credit losses has been calculated based upon the fair value of the collateral at December 31, 2024 and 2023. Losses derived from Level 3 inputs were calculated by models incorporating significant unobservable market data.

Individually Evaluated Loans: The fair value of individually evaluated and impaired loans are primarily measured based on the value of the collateral securing these loans and classified within Level 3 of the fair value hierarchy. Collateral may be real estate and/or business assets including equipment, inventory, and/or accounts receivable. The Company determines the value of the collateral based on independent appraisals performed by qualified licensed appraisers. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Appraised values are discounted for costs to sell and may be discounted further based on management's historical knowledge, changes in market conditions from the date of the most recent appraisal, and/or management's expertise and knowledge of the customer and the customer's business. Such discounts by management are subjective and are typically significant unobservable inputs for determining fair value. These loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the same factors discussed above.

(amounts in thousands, except share and per share data)

NOTE 13 - FAIR VALUE DISCLOSURES (Continued)

Foreclosed Real Estate: Foreclosed real estate, consisting of properties obtained through foreclosure or in satisfaction of loans, are initially recorded at fair value less estimated costs to sell upon transfer of the loans to other real estate. Subsequently, other real estate is carried at the lower of carrying value or fair value less costs to sell. Fair values are generally based on third party appraisals of the property and are classified within Level 3 of the fair value hierarchy. The appraisals are sometimes further discounted based on management's historical knowledge, and/or changes in market conditions from the date of the most recent appraisal, and/or management's expertise and knowledge of the customer and the customer's business. Such discounts are typically significant unobservable inputs for determining fair value. In cases where the carrying amount exceeds the fair value, less estimated costs to sell, a loss is recognized in noninterest expense.

For Level 3 assets measured at fair value on a non-recurring basis as of December 31, 2024 and 2023, the significant unobservable inputs used in the fair value measurements are presented below.

	Carrying Amount	Valuation Technique	Significant Unobservable Input	Weighted Average of Input
2024:				
Individually evaluated loans	$ -	Appraisal	Appraisal discounts	0%
Foreclosed real estate	-	Appraisal	Appraisal discounts	0%
2023:				
Individually evaluated loans	$ -	Appraisal	Appraisal discounts	0%
Foreclosed real estate	-	Appraisal	Appraisal discounts	0%

NOTE 14 - LOSS CONTINGENCIES

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

NOTE 15 - REVENUE FROM CONTRACTS WITH CUSTOMERS

All of the Company's revenue from contracts with customers in the scope of ASC 606 is recognized within noninterest income. The following table presents the Company's sources of noninterest income for the twelve months ended December 31, 2024 and 2023.

	2024	2023
Noninterest Income		
Service charges on deposit accounts	$451	$517
Other noninterest income	11	73
	$462	$590

NOTE 15 - REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Following is a discussion of key revenues within the scope of Topic 606:

Service charges on deposit accounts: Revenue from service charges on deposit accounts is earned through cash management, wire transfer, overdraft, non-sufficient funds, and other deposit-related services. ATM fees are recognized concurrently with the delivery of service on a daily basis as transactions occur. Revenue is recognized for these services either over time, corresponding with deposit accounts' monthly cycle, or at a point in time for transaction-related services and fees. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts. This category also includes revenues generated from safe deposit box rentals. Safe deposit box rental income is recognized on a monthly basis as the Bank’s performance obligation for this service is satisfied.

Other noninterest income: This category primarily includes interchange fees from consumer credit and debit cards processed by card association networks, as well as merchant discounts, and other card-related services. Interchange rates are generally set by the credit card associations and based on purchase volumes and other factors. Interchange fees and merchant discounts are recognized concurrently with the delivery of service on a daily basis as transactions occur. Payment is typically received immediately or in the following month.