Eclipse Bancorp, Inc.

Independent Auditor’s Report and

Consolidated Financial Statements

December 31, 2024 and 2023

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elliott davis

Independent Auditor's Report

The Board of Directors
Eclipse Bancorp, Inc.

Opinion

We have audited the consolidated financial statements of Eclipse Bancorp, Inc. and its Subsidiary (the "Company"), which comprise the consolidated balance sheet as of December 31, 2024, the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, 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 their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 Audit of the Financial Statements 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 opinion.

Other Matter

The financial statements of the Company, as of and for the year ended December 31, 2023, were audited by other auditors, whose report, dated April 29, 2024, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 audit.

Elliott Davis, LLC

Charleston, South Carolina
March 28, 2025

Eclipse Bancorp, Inc.
Consolidated Balance Sheets
December 31, 2024 and 2023
(Amounts in Thousands Except Share and Per Share Information)

		2024	2023
Assets:			
Cash and due from banks	$	1,888	1,989
Interest-bearing deposits with other institutions		2,677	11,151
Federal funds sold		17,304	13,628
Total cash and cash equivalents		21,869	26,768
Available-for-sale debt securities, at fair value		19,518	20,674
Held-to-maturity debt securities		11,770	11,616
Loans held for sale		650	1,215
Loans, net of allowance for credit losses of $4,675 and $4,280 at December 31, 2024 and 2023, respectively		405,053	426,789
Premises and equipment, net of accumulated depreciation of $2,098 and $3,157 at December 31, 2024 and 2023, respectively		8,932	12,009
Right-of-use-asset - operating		3,884	470
Federal Home Loan Bank stock		4,369	4,943
Interest receivable		1,609	1,755
Deferred income taxes		2,916	1,909
Other assets		1,117	1,100
Total assets	$	481,687	509,248
Liabilities			
Deposits			
Demand	$	32,524	57,146
Savings, NOW and money market		143,922	124,927
Time		170,524	181,086
Total deposits		346,970	363,159
Federal Home Loan Bank advances		88,000	102,500
Other borrowings		8,469	9,024
Accrued interest payable		1,173	1,407
Lease liability - operating		3,934	473
Other liabilities		1,046	1,262
Total liabilities		449,592	477,825
Stockholders' Equity:			
Common stock, no par value; 4,000,000 shares authorized; 3,313,709 and 3,289,682 shares issued and outstanding at December 31, 2024 and 2023, respectively		9,910	9,869
Additional paid-in capital		24,142	23,970
Retained earnings		1,966	2,496
Accumulated other comprehensive loss, net of taxes		(3,923)	(4,912)
Total stockholders' equity		32,095	31,423
Total liabilities and stockholders' equity	$	481,687	509,248

See accompanying notes to the financial statements

Eclipse Bancorp, Inc.
Consolidated Statements of Operations
For The Years Ended December 31, 2024 and 2023
(Amounts in Thousands Except Share and Per Share Information)

	2024	2023
Interest and dividend income:		
Loans, including fees	$ 24,086	22,007
Debt securities	630	645
Federal funds sold	1,077	556
Dividends on Federal Home Loan Bank stock	406	277
Total interest and dividend income	26,199	23,485
Interest expense:		
Deposits	14,082	10,616
Federal Home Loan Bank advances	3,515	3,852
Other borrowings	334	363
Total interest expense	17,931	14,831
Net interest income	8,268	8,654
Provision for credit losses	640	876
Net interest income after provision for credit losses	7,628	7,778
Noninterest income:		
Customer service fees	64	49
Other service charges and fees	152	141
Mortgage banking income	342	385
Gain on sale of premises and equipment	1,707	-
Other	-	366
Total noninterest income	2,265	941
Noninterest expenses:		
Salaries and employee benefits	6,041	6,445
Occupancy	1,497	1,010
Data processing	915	784
Professional fees	475	454
Local taxes	118	139
Deposit insurance premiums	400	389
Other	1,250	1,305
Total noninterest expense	10,696	10,526
Loss before income tax	(803)	(1,807)
Benefit of income taxes	(273)	(515)
Net loss	$ (530)	(1,292)
Basic loss per share	$ (0.16)	(0.39)
Diluted loss per share	$ (0.16)	(0.39)

See accompanying notes to the financial statements.

(Amounts in Thousands Except Share and Per Share Information)

		2024	2023
Net loss	$	(530)	(1,292)
Other comprehensive income (loss)			
Change in unrealized loss on available-for-sale debt securities, net of taxes of $33 and $(51) for 2024 and 2023, respectively		126	(192)
Reclassification adjustment for amortization of transferred discount on held-to-maturity securities, net of taxes of $199 and $(10) for 2024 and 2023, respectively		747	(29)
Change in fair value of interest rate swap, net of taxes of $31 and $47 for 2024 and 2023, respectively		116	139
Total other comprehensive income (loss)		989	(82)
Comprehensive income (loss)	$	459	(1,374)

See accompanying notes to the financial statements.

Consolidated Statements of Changes in Stockholders' Equity
For The Years Ended December 31, 2024 and 2023
(Amounts in Thousands Except Share and Per Share Information)

	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Total
	Shares	Amount	Capital	Earnings	Loss	Equity
Balance, January 1, 2023	3,287,182	$ 9,862	$ 23,862	$ 3,788	$ (4,830)	$ 32,682
Net loss	-	-	-	(1,292)	-	(1,292)
Issuance of common stock	2,500	7	20	-	-	27
Stock-based compensation expense	-	-	88	-	-	88
Other comprehensive loss, net of taxes	-	-	-	-	(82)	(82)
Balance, December 31, 2023	3,289,682	$ 9,869	$ 23,970	$ 2,496	$ (4,912)	$ 31,423
Net loss	-	-	-	(530)	-	(530)
Issuance of common stock	24,027	41	95	-	-	136
Stock-based compensation expense	-	-	77	-	-	77
Other comprehensive income, net of taxes	-	-	-	-	989	989
Balance, December 31, 2024	3,313,709	$ 9,910	$ 24,142	$ 1,966	$ (3,923)	$ 32,095

See accompanying notes to the financial statements.

(Amounts in Thousands Except Share and Per Share Information)

		2024	2023
Operating Activities			
Net loss	$	(530)	(1,292)
Adjustments to reconcile net loss to net cash from operating activities:			
Depreciation		407	287
Noncash operating lease expense		342	238
Provision for credit losses on loans		639	876
Provision for credit losses on off-balance-sheet credit exposures		1	-
Net amortization of premiums/discounts		13	47
Change in deferred income tax, net		(295)	(515)
Gain on loans held for sale		(326)	(726)
Gain on sale of premises and equipment		(1,707)	-
Stock-based compensation expense		77	88
Change in cash due to changes in operating assets and liabilities:			
Change in accrued interest receivable		146	317
Change in other assets		(845)	(1,102)
Change in loans held for sale		(565)	(489)
Change in interest payable		(234)	846
Change in operating lease liabilities		(295)	(237)
Change in other liabilities		(217)	246
Net cash used in operating activities		(3,389)	(1,416)
Investing Activities			
Proceeds from principal repayments of available-for-sale debt securities		2,094	1,274
Net change in loans receivable		22,553	(72,695)
Purchases of Federal Home Loan Bank stock		(625)	(2,458)
Redemption of Federal Home Loan Bank stock		1,199	133
Proceeds from sale of premises and equipment		4,537	-
Purchase of premises and equipment		(160)	(5,505)
Net cash provied by (used in) investing activities		29,598	(79,251)
Financing Activities			
Net change in deposit accounts		(16,189)	40,065
Net proceeds (repayments) of advances from FHLB		(14,500)	57,500
Net proceeds (repayments) of other borrowings		(555)	(535)
Issuance of common stock		136	27
Net cash provided by (used in) financing activities		(31,108)	97,057
Change in cash and cash equivalents		(4,899)	16,390
Cash and cash equivalents - beginning of year		26,768	10,378
Cash and cash equivalents - end of year	$	21,869	26,768
Supplemental cash flow disclosures:			
Cash paid:			
Interest	$	18,165	13,985
Income taxes	$	-	197
Supplemental noncash disclosures:			
Lease liabilites arising from obtaining right-of-use assets	$	3,756	-

See accompanying notes to the financial statements.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICAN ACCOUNTING POLICIES:

Nature Of Operations

Eclipse Bancorp, Inc. (Company) is a bank holding company, the primary activity of which is the ownership and management of its wholly owned subsidiary, Eclipse Bank (Bank). The Company and Bank are subject to regulation of certain federal and state agencies and undergo periodic examinations by those regulatory authorities.

The state-chartered Bank is primarily engaged in providing a full range of banking and financial services to individual and corporate customers in Louisville, Kentucky, and surrounding areas; Johnson City, Tennessee, and surrounding areas; and Cincinnati, Ohio, and surrounding areas. The Bank is subject to competition from other financial institutions and to the regulation of Kentucky Department of Financial Institutions and the Federal Deposit Insurance Corporation, and undergoes periodic examinations by those regulatory authorities.

Principles Of Consolidation

The consolidated financial statements include the accounts of the Company and Bank. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use Of Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for credit losses, valuation of deferred tax asset and fair values of financial instruments.

Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2024 and 2023, cash equivalents consisted primarily of federal funds sold to correspondent banks. At times, the Company’s cash accounts at correspondent banks may exceed federally insured limits.

Debt Securities

Debt securities held by the Company generally are classified and recorded in the consolidated financial statements as follows:

Classified as	Description	Recorded at
Held to maturity	Certain debt securities that management has the positive intent and ability to hold to maturity	Amortized cost
Available for sale	Securities not classified as held to maturity or trading	Fair value, with unrealized gains and losses (for those which no allowance for credit losses is recorded) excluded from earnings and reported in other comprehensive income

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific-identification method.

When the fair value of securities is below the amortized cost and the Company will not be required to sell the security before recovery of its amortized cost basis, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. If the present value of cash flows expected to be collected from the security are less than the amortized cost basis of the security, an allowance for credit losses (ACL) is recorded for the credit loss, limited to the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an ACL is recognized in other comprehensive income.

	Accounting Treatment	
Circumstances of Impairment Considerations	**Credit Component**	**Remaining Portion**
Not intended for sale and more likely than not that the Company will not have to sell before recovery of cost basis	Recognized as an allowance for credit loss	Recognized in other comprehensive income
Intended for sale or more likely than the Company will be required to sell before recovery of cost basis	Recognized in earnings	

ACL – Held-To-Maturity Securities
The ACL on held-to-maturity (HTM) securities is a contra-asset valuation account that is deducted from the amortized cost basis of HTM securities to present the Company's best estimate of the net amount expected to be collected. Held-to-maturity securities are charged off against the allowance when deemed uncollectible. Adjustments to the allowance are reported in the consolidated statement of income as a component of credit loss expense. The Company measures expected credit losses on HTM securities on a collective basis by major security type with each type sharing similar risk characteristics and considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. The Company excludes accrued interest receivable on HTM securities from the estimate of credit losses. At December 31, 2024 and 2023, the Company determined no ACL was required on HTM securities.

ACL – Available-For-Sale Securities
For available-for-sale (AFS) securities in an unrealized loss position, the Company first assess whether (i) there is intention to sell or (ii) it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. If either case is affirmative, any previously recognized allowances are charged off and the security's amortized cost is written down to fair value through income. If neither case is affirmative, the security is evaluated to determine whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency and any adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an ACL is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an ACL is recognized in other comprehensive income. Adjustments to the allowance are reported in our statement of income as a component of credit loss expense. The Company excludes accrued interest receivable on AFS securities from the estimate of credit losses. AFS securities are charged off against the allowance or, in the absence of any allowance, written down through income when deemed uncollectible by management or when either of the aforementioned criteria regarding intent or requirement to sell is met. At December 31, 2024 and 2023, the Company determined no ACL was required on AFS securities.

Loans Held For Sale
Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to noninterest income. Gains and losses on loan sales are recorded in noninterest income.

Loans
Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balances adjusted for unearned income, charge offs, the allowance for credit losses on loans, any unamortized deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and amortized as a level-yield adjustment over the respective term of the loan.

The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due, unless the credit is well secured and in process of collection. Past-due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

ACL – 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*, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss methodology. The Company adopted Accounting Standards Codification (ASC) 326 using a modified retrospective method for all financial instruments measured at amortized cost and off-balance-sheet credit exposures. 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 $562 as of January 1, 2023, for the cumulative effect of adopting ASC 326. The impact of adoption was primarily related to the ACL for loans. No ACL for debt securities was deemed necessary and reserves for off-balance-sheet credit exposures was immaterial.

The Company also adopted ASU 2022-02, *Financial Instruments – Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures*, on January 1, 2023. The standard modifies the criteria for identification of troubled debt restructurings as well as enhancing disclosure requirements. Additionally, the guidance requires vintage table disclosures and presentation of gross write-offs during the current period by year of origination for financing receivables within scope of the standard. The implementation of the standard did not have a material impact on the identification of troubled debt restructurings.

ACL – Loans

The ACL is established as losses are expected to occur through a provision for credit losses charged to income. Credit losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The ACL is evaluated on a regular basis by management.

Groups of loans with similar risk characteristics are collectively evaluated. Loans that do not share risk characteristics are evaluated on an individual basis. Loans with similar risk characteristics are grouped into homogenous segments, or pools, for analysis.

For those loans that are individually evaluated, an allowance is established when the collateral value of the loan is lower than the carrying value of that loan. The general component covers nonclassified loans and estimated using relevant available information from internal and external sources, related to past events, current conditions and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics and are applied as a qualitative factor.

A weighted-average remaining life method is used for the general component of the ACL for each loan in a pool, and the results are aggregated at the pool level. The analysis produces an expected annual loss rate and applies the loss rate to the pools based on the average expected remaining life developed through an attrition calculation. In determining the proper level of the allowance for credit loss, the Company considers both historical loss experience for the Company and peer data as the basis for the assessment of expected credit losses. The Company therefore used historical credit loss experience by each loan segment over an economic cycle.

The Company qualitatively adjusts model results for risk factors that are not considered within the modeling processes but are nonetheless relevant in assessing the expected credit losses within the loan pools. These qualitative factors and other qualitative adjustments may increase or decrease the Company's estimate of expected credit losses by a calculated percentage or amount based upon the estimated level of risk.

The various risks that may be considered in making qualitative adjustments include, among other things, the impact of:

(i) Changes in lending policies and procedures, including changes in underwriting standards and practices for collections, write-offs, and recoveries

(ii) Actual and expected changes in international, national, regional and local economic and business conditions and developments that affect the collectability of the loan pools

(iii) Changes in the nature and volume of the loan pools and in the terms of the underlying loans

(iv) Changes in the experience, ability, and depth of our lending management and staff

(v) Changes in volume and severity of past due financial assets, the volume of nonaccrual assets, and the volume and severity of adversely classified or graded assets

(vi) Changes in quality of our credit review function

(vii) Changes in the value of the underlying collateral for loans that are non-collateral dependent

(viii) The existence, growth, and effect of any concentrations of credit

(ix) Other factors, such as the regulatory, legal and technological environments; competition; and events such as natural disasters or health pandemics

The Company's estimate also considers a reasonable and supportable forecast in estimating the ACL, using economic data forecasted for a period of four quarters with immediate reversion to historical loss averages.

A loan is individually evaluated for allowance for credit loss when the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due.

ACL – Off-Balance-Sheet Credit Exposures
The ACL on off-balance-sheet credit exposures is a liability account, representing expected credit losses over the contractual period for which the Company is exposed to credit risk resulting from a contractual obligation to extend credit. No allowance is recognized if the Company has the unconditional right to cancel the obligation. The allowance is reported as a component of other liabilities and was not material at December 31, 2024 and 2023.

Premises And Equipment
Depreciable assets are stated at cost, less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives for each major depreciable classification of premises and equipment are as follows:

Buildings and improvements	35 to 40 years
Land improvements	5 to 20 years
Equipment	3 to 7 years

Long-Lived Asset Impairment
The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2024 and 2023.

Federal Home Loan Bank (FHLB) Stock
FHLB stock is a required investment for institutions that are members of the FHLB system. The required investment in the common stock is based on a predetermined formula, carried at cost and evaluated for impairment.

Foreclosed Assets Held For Sale
Assets acquired through, or in lieu of, loan 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. 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. Revenue and expenses from operations and changes in the valuation allowance are included in net income or expense from foreclosed assets.

Derivatives
Derivatives are recognized as assets and liabilities on the consolidated balance sheets and measured at fair value. For exchange-traded contracts, fair value is based on quoted market prices. For nonexchange-traded contracts, fair value is based on dealer quotes, pricing models, discounted cash flow methodologies or similar techniques for which the determination of fair value may require significant management judgment or estimation.

Accounting for changes in fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. To qualify for hedge accounting, the Company must comply with detailed rules and documentation requirements at inception of the hedge, and hedge effectiveness is assessed at inception and periodically throughout the life of each hedging relationship. Hedge ineffectiveness, if any, is measured periodically throughout the life of the hedging relationship.

For derivatives designated as cash flow hedges, the effective portion of changes in fair value of the derivative is initially reported in other comprehensive income and subsequently reclassified to interest income or expense when the hedged transaction affects earnings, while the ineffective portion of changes in fair value of derivative, if any, is recognized immediately in other noninterest income. The Company assesses the effectiveness of each hedging relationship by comparing cumulative changes in cash flows of the derivative hedging instrument with cumulative changes in cash flows of the designated hedged item or transaction. No component of the change in the fair value of the hedging instrument is excluded from the assessment of hedge effectiveness.

Derivative Interest Rate Lock Commitments
Interest rate lock commitments that relate to the origination of a mortgage that will be held for sale upon funding are considered derivative instruments under the derivatives and hedging accounting guidance (ASC 815). Interest rate lock commitments that are derivatives are recognized at fair value on the consolidated balance sheets in other assets and liabilities with changes in their fair values recorded in noninterest income.

Leases
The Company determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use (ROU) assets and lease liabilities on the consolidated balance sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Company determines lease classification as operating or finance at the lease commencement date.

The Company combines lease and nonlease components, such as common area and other maintenance costs, and accounts for them as a single lease component in calculating the ROU assets and lease liabilities for its office buildings and employee vehicles.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Company generally uses a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of lease liabilities. The risk-free rate is determined using a period comparable with the lease term. The Company utilized the incremental borrowing rate for the sale and leaseback transaction in 2024.

The lease term may include options to extend or to terminate the lease that the Company is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Company has elected not to record leases with an initial term of 12 months or less on the consolidated balance sheets. Lease expense on such leases is recognized on a straight-line basis over the lease term.

During February of 2024, the Company entered into a sale-leaseback transaction with an unrelated third party. Under the arrangement, the property with a net book value of $2,830 was sold for $4,537 and leased back under a twenty year operating lease agreement. The transaction resulted in gains of $1,707.

Stock Options

The Company recognizes the calculated value of stock-based awards to employees as compensation cost over the requisite service period. The share-based employee compensation plan is described more fully in Note 16. The Company’s accounting policy is to recognize forfeitures as they occur.

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 Company—put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (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 Company 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.

Advertising Expense

The Company recognizes advertising costs in other expenses on the statement of loss in the period in which they are incurred. Advertising expense totaled $136 and $154 as of December 31, 2024 and 2023, respectively.

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance (ASC 740, *Income Taxes*). 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 the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) 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, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by 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.

Tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50%; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment. The Company recognizes interest and penalties on income taxes as a component of income tax expense. The Company files consolidated income tax returns with its subsidiary.

Earnings Per Share
Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during each period. Diluted earnings per share reflects additional potential common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate solely to outstanding stock options and are determined using the treasury stock method.

Comprehensive Income
Comprehensive income consists of net income and other comprehensive income, net of applicable income taxes. Other comprehensive income includes unrealized appreciation on AFS debt securities, amortization of the discount on debt securities transferred to held to maturity at fair value and changes in fair value of interest rate swaps.

Revenue Recognition
The Company applies Financial Accounting Standards Board ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* to some of its revenue. The majority of the Company's revenues come from interest income and other sources, including loans, securities and derivatives, that are outside the scope of Topic 606. The Company's services that fall within the scope of Topic 606 are presented within noninterest income in the accompanying consolidated statements of income and are recognized as revenue, as the Company satisfies its obligation to the customer. Services within the scope of Topic 606 include service charges on deposits. A description of the Company's revenue streams accounted for under Topic 606 are as follows:

Customer Service Fees and Other Service Charges and Fees: The Company generates revenues through fees charged to depositors related to deposit account maintenance fees, overdrafts, ATM fees, wire transfers, debit card interchange transactions and additional miscellaneous services provided at the request of the depositor. For deposit-related services, revenue is recognized when performance obligations are satisfied, which is generally at a point in time.

Segment Reporting
The Company adopted Accounting Standards Update 2023-07 “Segment Reporting (Topic 280) - Improvement to Reportable Segment Disclosures” on January 1, 2024. The Company has determined that all of its banking divisions and subsidiaries meet the aggregation criteria of ASC 280, Segment Reporting, as its current operating model is structured whereby banking divisions and subsidiaries serve a similar base of primarily commercial clients utilizing a company-wide offering of similar products and services managed through similar processes and platforms that are collectively reviewed by the Company’s Chief Executive Officer, who has been identified as the chief operating decision maker (“CODM”).

The CODM regularly assesses performance of the aggregated single operating and reporting segment and decides how to allocate resources based on net income calculated on the same basis as is net income reported in the Company’s consolidated statements of operations and other comprehensive income. The CODM is also regularly provided with expense information at a level consistent with that disclosed in the Company’s consolidated statements of operations and other comprehensive income.

Recently Issued Accounting Pronouncements
The following ASUs have been issued by FASB and may impact the Company's financial statements in future reporting periods. In September 2023, the FASB issued guidance for public business entities to disclose additional information in specified categories with respect to the reconciliation of the effective tax rate to the statutory rate (the rate reconciliation) for federal, state, and foreign income taxes. It also requires greater detail about individual reconciling items in the rate reconciliation to the extent the impact of those items exceeds a specified threshold. For public business entities, the amendments are effective for annual periods beginning after December 15, 2024. The amendments should be applied on a prospective basis. Retrospective application is permitted. The Company does not expect these amendments to have a material effect on its financial statements. In November 2024, the FASB issued guidance for public business entities regarding disclosures of certain costs and expenses. This standard requires disclosure of specified information about certain costs and expenses, including employee compensation, depreciation, intangible asset amortization, depreciation, and selling expenses. For public business entities, the amendments are effective for annual periods beginning after December 15, 2026. Early adoption is permitted. The Company is evaluating what impact this new standard will have on its financial statements. Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Company’s financial position, results of operations or cash flows.

Reclassification Of Comparative Amounts
Certain items previously reported have been reclassified to conform to the current year’s reporting format. Such reclassifications did not affect net income or total equity.

2. RESTRICTION ON CASH AND DUE FROM BANKS:

As of December 31, 2024 and 2023, the Company was not required to maintain reserve funds in cash and/or on deposit with the Federal Reserve Bank.

(Amounts in Thousands Except Share and Per Share Information)

3. SECURITIES:

The amortized cost and approximate fair values, together with gross unrealized gains and losses, of securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities				
December 31, 2024				
U. S. Government and federal agency	$ 6,000	$ -	$ (440)	$ 5,560
Residential mortgage-backed securities	17,332	-	(3,374)	13,958
	$ 23,332	$ -	$ (3,814)	$ 19,518

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities				
December 31, 2023				
U. S. Government and federal agency	$ 6,000	$ -	$ (603)	$ 5,397
Residential mortgage-backed securities	18,647	-	(3,370)	15,277
	$ 24,647	$ -	$ (3,973)	$ 20,674

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Helf-to-Maturity Securities				
December 31, 2024				
State and Political subdivisions	$ 11,770	$ 1	$ (830)	$ 10,941

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Helf-to-Maturity Securities				
December 31, 2023				
State and Political subdivisions	$ 11,616	$ 56	$ (542)	$ 11,130

The Company reassessed classification of certain investments. Effective June 30, 2022, the Company transferred $11,392 of state and political subdivision debt securities from AFS to HTM securities. The transfer occurred at fair value. The related unrealized loss of $2,390 included in accumulated other comprehensive income remained in accumulated other comprehensive income, to be amortized out of other comprehensive income over the remaining term of the securities. No gain or loss was recorded at the time of transfer.

(Amounts in Thousands Except Share and Per Share Information)

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

	Available for Sale		**Held to Maturity**	
	Amortized Cost	**Fair Value**	**Amortized Cost**	**Fair Value**
Within one year	$ -	$ -	$ -	$ -
One to five years	4,430	4.270	4,811	4,535
Five to 10 years	1,570	1,290	1,542	1,228
After 10 years	-	-	5,417	5,178
	6,000	5,560	11,770	10,941
Residential mortgage-backed Securities	17,332	13,958	-	-
Totals	$ 23,332	$ 19,518	$ 11,770	$ 10,941

There were no sales of AFS securities in 2024 or 2023.

The following tables show the Company's investments' gross unrealized losses and fair value of the Company's investments for which an ACL has not been recorded, aggregated by investment class and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2024 and 2023:

	December 31, 2024					
	Less than 12 months		12 Months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-Sale Securities						
U.S. Government agencies	$ -	$ -	$ 5,560	$ (440)	$ 5,560	$ (440)
Residential mortgage-backed Securities	-	-	13,958	(3,374)	13,958	(3,374)
Total temporarily impaired securities	$ -	$ -	$ 19,518	$ (3,814)	$ 19,518	$ (3,814)

	December 31, 2023					
	Less than 12 months		12 Months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-Sale Securities						
U.S. Government agencies	$ -	$ -	$ 5,397	$ (603)	$ 5,397	$ (603)
Residential mortgage-backed Securities	-	-	15,277	(3,370)	15,277	(3,370)
Total temporarily impaired securities	$ -	$ -	$ 20,674	$ (3,973)	$ 20,674	$ (3,973)

(Amounts in Thousands Except Share and Per Share Information)

	December 31, 2024					
	Less than 12 months		12 Months or more		Total	
	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized
Held-to-Maturity Securities						
State and political subdivisions	$ -	$ -	$ 8,941	$ (830)	$ 8,941	$ (830)

	December 31, 2023					
	Less than 12 months		12 Months or more		Total	
	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized
Held-to-Maturity Securities						
State and political subdivisions	$ -	$ -	$ 9,773	$ (542)	$ 9,773	$ (542)

Unrealized losses on AFS debt securities have not been recorded as an allowance for credit loss because the Company does not intend to sell the securities prior to their anticipated recovery and the decline in fair value is largely due to changes in interest rates and other market conditions.

Securities with a par value and market value of $757 and $661, respectively were pledged at December 31, 2024 to secure certain deposits and for other purposes as permitted or required by law.

For the Company's investments in each type of security having a significant effect on unrealized losses, without a recorded allowance for credit loss note the following:

U.S. Government Agencies
The unrealized losses on the Company's investments in direct obligations of U.S. Government agencies were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of its amortized cost bases, which may be maturity, the Company has not recorded an ACL at December 31, 2024 and 2023.

Residential Mortgage-Backed Securities
The unrealized losses on the Company's investment in residential mortgage-backed securities were caused by interest rate increases. The Company expects to recover the amortized cost basis over the term of the securities. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company has not recorded an ACL at December 31, 2024 and 2023.

State And Political Subdivisions
The unrealized losses on the Company's investments in securities of state and political subdivisions were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of its amortized cost bases, which may be maturity, the Company has not recorded an ACL at December 31, 2024 and 2023.

(Amounts in Thousands Except Share and Per Share Information)

4. LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS:

Categories of loans at December 31, 2024 and 2023 include:

	2024	2023
Real estate		
Commercial – owner occupied	$ 33,962	$ 38,040
Commercial – nonowner occupied	87,522	92,650
Residential	194,087	207,736
Other	38,969	39,316
Commercial Loans	34,365	26,840
Consumer and other	20,823	26,487
Gross Loans	409,728	431,069
Less		
Allowance for credit losses	4,675	4,280
Net Loans	$ 405,053	$ 426,789

The following tables present the balance in the ACL and the recorded investment in loans based on portfolio segment as of December 31, 2024 and 2023:

	2024			
	Real Estate	Commercial	Consumer and Other	Total
ACL				
Balance, beginning	$ 3,314	$ 479	$ 487	$ 4,280
Provision charged to expense	151	354	134	639
Losses charged off	-	(320)	(89)	(409)
Recoveries	155	10	-	165
Balance, end of year	$ 3,620	$ 523	$ 532	$ 4,675

	2023			
	Real Estate	Commercial	Consumer and Other	Total
ACL				
Balance, beginning	$ 3,030	$ 74	$ 400	$ 3,504
Provision charged to expense	284	405	187	876
Losses charged off	-	-	(104)	(104)
Recoveries	-	-	4	4
Balance, end of year	$ 3,314	$ 479	$ 487	$ 4,280

Internal Risk Categories

Loan grades are numbered 1 through 10. Grades 1 through 6 are considered satisfactory grades. The grade of 7, or Special Mention, represents loans of lower quality and is considered criticized. The grades of 8, or Substandard, and 9, or Doubtful, refer to assets that are classified. The use and application of these grades by the Company will be uniform and shall conform to the Company's policy.

1–6 – Pass: Loans graded 1–6 are considered satisfactory with sound primary and secondary source of repayment. These loans carry a normal degree of risk that is acceptable to the Company. Risk factors related to cash flows or liquidity may be present.

7 – Special Mention: Loans 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 of the Company's credit position at some future date.

8 – Substandard: Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

9 – Doubtful: Loans classified as doubtful have all the weaknesses inherent in those classified as 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.

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

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

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

Other Real Estate: Other real estate is comprised of construction and land development real estate loans which are usually based upon estimates of costs and estimated value of the completed project and include independent appraisal reviews and a financial analysis of the developers and property owners. Sources of repayment of these loans may include permanent loans, sales of developed property or an interim loan commitment from the Company until permanent financing is obtained. These loans are considered to be higher risk than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, general economic conditions and the availability of long-term financing. Credit risk in these loans may be impacted by the creditworthiness of a borrower, property values and the local economies in the Company’s market areas.

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

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

(Amounts in Thousands Except Share and Per Share Information)

The Company evaluates the loan risk grading system definitions and allowance for credit loss methodology on an ongoing basis. The following tables present the credit risk profile of the Company's loan portfolio based on internal rating category and payment activity by year of origination as of December 31, 2024 and 2023:

	2024	2023	2022	2021	2020	Prior	Revolving	Total
Commercial Real Estate								
Owner Occupied								
Grade								
Pass	$ 620	$ 3,484	$ 22,147	$ 6,730	$ 246	$ 671	$ 64	$ 33,962
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total	$ 620	$ 3,484	$ 22,147	$ 6,730	$ 246	$ 671	$ 64	$ 33,962
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	2024	2023	2022	2021	2020	Prior	Revolving	Total
Commercial Real Estate								
Non-Owner Occupied								
Grade								
Pass	$ 5,224	$ 29,913	$ 28,501	$ 10,192	$ 10,309	$ 72	$ 2,481	$ 86,692
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	830	-	-	-	-	830
Total	$ 5,224	$ 29,913	$ 29,331	$ 10,192	$ 10,309	$ 72	$ 2,481	$ 87,522
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	2024	2023	2022	2021	2020	Prior	Revolving	Total
Residential Real Estate								
Grade								
Pass	$ 7,483	$ 25.812	$ 70,814	$ 40,924	$ 13,648	$ 10,380	$ 24,447	$ 193,508
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	199	-	-	185	195	579
Total	$ 7,483	$ 25,812	$ 71,013	$ 40,924	$ 13,648	$ 10,565	$ 24,642	$ 194,087
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	2024	2023	2022	2021	2020	Prior	Revolving	Total
Other Real Estate								
Grade								
Pass	$ 14,208	$ 11,841	$ 10,413	$ 1,257	$ -	$ 1,250	$ -	$ 38,969
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total	$ 14,208	$ 11,841	$ 10,413	$ 1,257	$ -	$ 1,250	$ -	$ 38,969
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	2024	2023	2022	2021	2020	Prior	Revolving	Total
Commercial								
Grade								
Pass	$ 3,991	$ 1,912	$ 1,641	$ 58	$ 172	$ 558	$ 21,685	$ 30,017
Special mention	-	-	-	-	-	-	-	-
Substandard	-	299	-	848	-	-	3,201	4,348
Total	$ 3,991	$ 2,211	$ 1,641	$ 906	$ 172	$ 558	$ 24,886	$ 34,365
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ 320	$ -	$ 320

	2024	2023	2022	2021	2020	Prior	Revolving	Total
Consumer and Other								
Grade								
Pass	$ 370	$ 2,509	$ 3,362	$ 40	$ 69	$ 232	$ 14,241	$ 20,823
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total	$ 370	$ 2,509	$ 3,362	$ 40	$ 69	$ 232	$ 14,241	$ 20,823
Current period gross write-offs	$ -	$ -	$ -	$ 89	$ -	$ -	$ -	$ 89

(Amounts in Thousands Except Share and Per Share Information)

The following tables present the Company's loan portfolio aging analysis of the recorded investment in loans as of December 31, 2024 and 2023:

	2024					
	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans
Real Estate						
Commercial - owner occupied	$ -	$ -	$ -	$ -	$ 33,962	$ 33,962
Commercial - nonowner occupied	-	-	-	-	87,522	87,522
Residential	137	55	590	782	193,305	194,087
Other	-	-	-	-	38,969	38,969
Commercial loans	347	-	-	347	34,018	34,365
Consumer and other	-	-	-	-	20,823	20,823
Total	$ 484	$ 55	$ 590	$ 1,129	$ 408,599	$ 409,728

	2023					
	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans
Real Estate						
Commercial - owner occupied	$ -	$ -	$ 804	$ 804	$ 37,236	$ 38,040
Commercial - nonowner occupied	-	-	195	195	92,455	92,650
Residential	3,009	139	6	3,154	204,582	207,736
Other	-	-	-	-	39,316	39,316
Commercial loans	-	-	1,340	1,340	25,500	26,840
Consumer and other	57	34	-	91	26,396	26,487
Total	$ 3,066	$ 173	$ 2,345	$ 5,584	$ 425,485	$ 431,069

(Amounts in Thousands Except Share and Per Share Information)

The following table presents the Company's nonperforming loans at December 31, 2024 and 2023. Interest recognized on nonaccrual loans was not significant in 2024 or 2023.

	2024				
	Nonaccrual With No ACL	Nonaccrual With ACL	Total Nonaccrual	Total Loans > 90 Days & Accruing	Total Nonperforming
Real Estate					
Commercial - owner occupied	$ -	$ -	$ -	$ -	$ -
Commercial - nonowner occupied	830	-	830	-	830
Residential	-	-	-	590	590
Other	-	-	-	-	-
Commercial loans	423	848	1,271	-	1,271
Consumer and other	-	-	-	-	-
Total	$ 1,253	$ 848	$ 2,101	$ 590	$ 2,691

	2023				
	Nonaccrual With No ACL	Nonaccrual With ACL	Total Nonaccrual	Total Loans > 90 Days & Accruing	Total Nonperforming
Real Estate					
Commercial - owner occupied	$ -	$ 804	$ 804	$ -	$ 804
Commercial - nonowner occupied	195	-	195	-	195
Residential	6	-	6	-	6
Other	-	-	-	-	-
Commercial loans	492	848	1,340	-	1,340
Consumer and other	-	-	-	-	-
Total	$ 693	$ 1,652	$ 2,345	$ -	$ 2,345

(Amounts in Thousands Except Share and Per Share Information)

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

	Residential Real Estate	Commercial Real Estate	Business Assets	Related Allowance
Real Estate				
Commercial – owner occupied	$ -	$ -	$ -	$ -
Commercial – nonowner occupied	-	830	-	-
Residential	569	-	-	-
Other	-	-	-	-
Commercial loans	-	-	1,270	502
Consumer and other	-	-	-	-
	$ 569	$ 830	$ 1,270	$ 502

The following table presents the amortized cost basis of collateral-dependent loans by class of loans as of December 31, 2023.

	Residential Real Estate	Commercial Real Estate	Business Assets	Related Allowance
Real Estate				
Commercial – owner occupied	$ -	$ 804	$ -	$ -
Commercial – nonowner occupied	-	195	-	-
Residential	6	-	-	-
Other	-	-	-	-
Commercial loans	-	-	1,340	502
Consumer and other	-	-	-	-
	$ 6	$ 999	$ 1,340	$ 502

The Company had no loans modified to borrowers experiencing financial difficulty for the year ended December 31, 2024 and 2023.

(Amounts in Thousands Except Share and Per Share Information)

5. PREMISES AND EQUIPMENT:

Major classifications of premises and equipment, stated at cost, are as follows:

	2024	2023
Land	$ 1,503	$ 2,451
Buildings and improvements	6,859	10,133
Equipment	2,668	2,582
	11,030	15,166
Less accumulated depreciation	2,098	3,157
Net premises and equipment	$ 8,932	$ 12,009

6. INTEREST-BEARING TIME DEPOSITS:

Interest-bearing time deposits in denominations of $250 or more were $59,423 on December 31, 2024, and $66,464 on December 31, 2023. Brokered deposits were $37,463 and $37,528 at December 31, 2024 and 2023, respectively.

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

2025	$ 148,488
2026	21,696
2027	255
2028	85
	$ 170,524

7. FHLB ADVANCES:

FHLB advances are secured by a blanket lien on qualifying mortgage loans totaling $275,427 and $304,167 at December 31, 2024 and 2023, respectively. Advances, at interest rates from 4.07% to 4.84% are subject to restrictions or penalties in the event or prepayment. Aggregate annual maturities of FHLB advances at December 31, 2024, are:

2025	$ 73,000
2026	10,000
2027	5,000
	$ 88,000

8. OTHER BORROWINGS:

Other borrowings consist of a line of credit. The debt is secured by all shares of capital stock of Eclipse Bank owned by Eclipse Bancorp, Inc. The Company can request advances up to $10,000 to be repaid in quarterly installments amortized over 15 years until the maturity date of January 22, 2037. Accrued and unpaid interest on this note, along with quarterly principal payments, shall be paid quarterly on the 15th day of each calendar quarter until final maturity. The note bears interest at a fixed rate of 3.75% of outstanding principal per year until January 22, 2026, at which time the note will bear interest at a variable rate equal to the sum of a floating rate equal to the Wall Street Journal Index.

(Amounts in Thousands Except Share and Per Share Information)

Aggregate annual maturities of the debt at December 31, 2024, were:

2025	$ 694
2026	694
2027	694
2028	694
2029	694
Thereafter	4,999
	$ 8,469

9. DERIVATIVE FINANCIAL INSTRUMENTS:

In the normal course of business, the Company uses various derivative financial instruments to manage its interest rate risk and market risks in accommodating the needs of its customers. These instruments carry varying degrees of credit, interest rate and market or liquidity risks. Derivative instruments are recognized as either assets or liabilities in the accompanying consolidated financial statements and are measured at fair value.

Cash Flow Hedge

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Company entered into two interest rate swaps during 2023 with the below terms to hedge cash flows of rolling one-month fixed rate FHLB borrowings:

- A swap where the agreement provides for the Company to receive interest from the counterparty at USD Secured Overnight Financing Rate (SOFR) Overnight Indexed Swap (OIS) compound rate and to pay interest to the counterparty at a fixed rate of 3.692% on notional amount of $21,250 at December 31, 2024 and which matures in April 2026.

- A swap where the agreement provides for the Company to receive interest from the counterparty at USD SOFR IOS compound rate and to pay interest to the counterparty at a fixed rate of 3.494% on notional amount of $21,250 at December 31, 2024 and which matures in April 2027.

While the Company expects to utilize fixed-rate one-month FHLB advances with respect to these interest rate swaps, brokered CDs or other fixed rate advances may be utilized for the same one-month terms instead should those sources be more favorable. For purposes of hedging, rolling fixed rate advances are considered to be floating rate liabilities.

Under the agreements, the Company pays or receives the net interest amount monthly, with the monthly settlements included in interest expense.

The gain or loss on the derivatives is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on hedge components excluded from the assessment of effectiveness are recognized in current earnings.

(Amounts in Thousands Except Share and Per Share Information)

The following table presents the fair value of derivative instruments as of December 31, 2024 and 2023:

Derivatives Not Designated as Hedging Instruments	2024 Balance Sheet Location	2024 Fair Value	2023 Balance Sheet Location	2023 Fair Value
Interest rate lock commitments	Other assets	$ 101	Other assets	$ 27

Derivatives Designated as Hedging Instruments	2024 Balance Sheet Location	2024 Fair Value	2023 Balance Sheet Location	2023 Fair Value
Interest rate swaps	Other assets	$ 240	Other assets	$ 186

The following tables present the effect of derivative instruments on the statement of financial performance for the years ended December 31, 2024 and 2023:

Derivatives Not Designated as Hedging Instruments	Location of Gain Recognized in Income	Amount of Gain Recognized in Income 2024	Amount of Gain Recognized in Income 2023
Interest rate lock commitments	Gain on loans sold and loan Commitments	$ 74	$ 20

Cash Flow Hedge	Location of Gain (Loss) Reclassified from AOCI into	Amount of Gain(Loss) Reclassified from AOCI into income 2024	Amount of Gain(Loss) Reclassified from AOCI into income 2023	Amount of Gain(Loss) Recognized in AOCI, Net of Taxes 2024	Amount of Gain(Loss) Recognized in AOCI, Net of Taxes 2023
Interest rate Swaps	FHLB advances interest rate expense	$ 664	$ 461	$ 116	$ 139

10. OPERATING LEASES:

The Company has noncancelable operating leases for various office spaces expiring at varying times through 2027. These leases generally contain renewal options for periods ranging from one to five years and require the Company to pay all executory costs (property taxes, maintenance and insurance). Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

Short-Term Leases
The Company leases certain equipment on a seasonal demand. The expected lease terms are less than 12 months.

(Amounts in Thousands Except Share and Per Share Information)

All Leases
The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Quantitative Disclosures
The lease cost and other required information for the years ended December 31 are:

	2024	2023
Lease cost		
Operating lease cost	$ 243	$ 247
Short -term lease cost	10	27
Total lease cost	$ 253	$ 274

	2024	2023
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 503	$ 237
Right-of-use assets obtained in exchange of new operating lease liabilities	$ 3,756	$ -
Weighted-average remaining lease term		
Operating leases	17.6 years	2.7 years
Weighted-average discount rate		
Operating leases	7.56%	1.80%

Future minimum lease payments and reconciliation to the consolidated balance sheet at December 31, 2024 are as follows:

	Operating Leases
2025	$ 206
2026	183
2027	102
2028	56
2029	91
Thereafter	3,296
Total future undiscounted lease payments	3,934
Less imputed interest	-
Lease liabilities	$ 3,934

(Amounts in Thousands Except Share and Per Share Information)

11. INCOME TAXES:

The provision (credit) for income taxes includes these components:

	2024	2023
Taxes currently payable	$ 22	$ -
Deferred income taxes	(295)	(515)
Income tax benefit	$ (273)	$ (515)

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense is shown below:

	2024	2023
Computed at the statutory rate (21% for 2024 and 2023)	$ (169)	$ (380)
Increase (decrease) resulting from		
Nondeductible expenses	3	3
Other	(14)	(15)
Tax-exempt interest	(48)	(35)
State taxes	(45)	(88)
Actual tax benefit	$ (273)	$ (515)

The tax effects of temporary differences related to deferred taxes shown on the consolidated balance sheets were:

	2024	2023
Deferred tax assets		
Allowance for credit losses	$ 1,202	$ 848
Nonaccrual loan interest	113	37
Nonqualified stock options	21	20
Unrealized losses on available-for-sale securities and available-for-sale securities transferred to held to maturity	1,579	1,033
Net operating loss carryforward	162	55
Accrual to cash	160	179
Other	23	25
	3,260	2,197
Deferred tax liabilities		
Depreciation	(259)	(212)
Interest rate swap	(85)	(46)
Other	-	(30)
	(344)	(288)
Net deferred tax asset	$ 2,916	$ 1,909

(Amounts in Thousands Except Share and Per Share Information)

The Company generated a federal and state net operating loss in the current year of $397 and $20, respectively. These losses are carried forward indefinitely and have no expiration period but may only be used to offset up to 80% of taxable income in the future, with the remaining to continue to be carried forward. The Company expects to generate taxable income in the future and to fully utilize its deferred tax assets, including the net operating losses.

12. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):

The following table presents changes in accumulated other comprehensive income (loss), by component, net of tax, for the years ended December 31, 2024 and 2023:

	Unrealized Gains and Losses on Available-for-Sale Securities	Discount from Transfer at Fair Value of Held-to-Maturity Securities	Change in Fair Value of Interest Rate Swap	Total
December 31, 2024				
Beginning balance	$ (3,139)	$ (1,912)	$ 139	$ (4,912)
Other comprehensive income before reclassification	126	-	116	242
Amounts reclassified from accumulated other comprehensive income	-	747	-	747
Net current period other comprehensive income	126	747	116	989
Ending balance	$ (3,013)	$ (1,165)	$ 255	$ (3,923)

	Unrealized Gains and Losses on Available-for-Sale Securities	Discount from Transfer at Fair Value of Held-to-Maturity Securities	Change in Fair Value of Interest Rate Swap	Total
December 31, 2023				
Beginning balance	$ (2,947)	$ (1,883)	$ -	$ (4,830)
Other comprehensive income before reclassification	(192)	-	139	(53)
Amounts reclassified from accumulated other comprehensive income	-	(29)	-	(29)
Net current period other comprehensive income	(192)	(29)	139	(82)
Ending balance	$ (3,139)	$ (1,912)	$ 139	$ (4,912)

13. REGULATORY MATTERS:

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Furthermore, the Bank's regulators could require adjustments to regulatory capital not reflected in these consolidated financial statements.

Quantitative measures established by regulatory reporting standards to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined) to risk-weighted assets (as defined), common equity Tier I capital (as defined) to total risk-weighted assets (as defined) and of Tier I capital (as defined) to average assets (as defined).

Alternatively, the Community Bank Leverage Ratio (CBLR) framework, which became effective January 1, 2020, provides an optional simple leverage capital measure, which is generally calculated the same as the Tier I capital ratio described above. A banking organization that has less than $10 billion in total consolidated assets can elect to opt into the CBLR framework if its leverage ratio is greater than 9% and the banking organization meets the framework's qualifying criteria. A qualifying institution with a leverage ratio that exceeds 9% and opts into the CBLR framework shall be considered to have met: (i) the generally applicable risk-based and leverage capital requirements in the agencies' capital rules; (ii) the capital ratio requirements to be considered well capitalized under the agencies' prompt corrective action (PCA) framework; and (iii) any other applicable capital or leverage requirements.

A qualifying banking organization can opt into or out of the CBLR framework at any time by following the prescribed procedures and completing the associated reporting line items that are required on its Call Report and/or form FR Y-9SP, as applicable. The banking organization becomes subject to the CBLR framework when it makes an election. If a CBLR banking organization fails to satisfy one of the qualifying criteria, but has a leverage ratio of greater than 8%, the banking organization can continue to apply the CBLR framework and be considered "well capitalized" for a grace period of up to two quarters. The Bank opted in for the CBLR framework effective June 30, 2022.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below). Management believes, as of December 31, 2024 and 2023, the Bank meets all capital adequacy requirements to which it is subject.

(Amounts in Thousands Except Share and Per Share Information)

The Bank's actual capital amounts and ratios are also presented in these tables.

	Actual		Minimum Capital Requirement (CBLR Framework)	
	Amount	Ratio	Amount	Ratio
December 31, 2024				
Tier 1 capital to average assets	$44,541	9.21%	43,334	9.00%
December 31, 2023				
Tier 1 capital to average assets	$ 45,139	9.06%	$ 44,831	9.00%

The net unrealized gain or loss on AFS securities is not included in computing regulatory capital.

The Bank is subject to certain restrictions on the amount of dividends that it may declare without prior regulatory approval. At December 31, 2024 and 2023, $0 and $1,563 of retained earnings were available for dividend declaration without prior regulatory approval.

14. RELATED-PARTY TRANSACTIONS:

At December 31, 2024 and 2023, the Company had loans outstanding to executive officers, directors, significant stockholders and their affiliates (related parties), as follows.

	2024	2023
Beginning	$ 3,002	$ 3,580
Advances	3	-
Repayments	(115)	(578)
Ending	$ 2,887	$ 3,002

In management's opinion, such loans and other extensions of credit and deposits were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve more than normal risk of collectability or present other unfavorable features.

Deposits from related parties held by the Company at December 31, 2024 and 2023, totaled $6,896 and $3,059, respectively.

A director of the Company provides legal services to the Company at times. Approximately $0 and $4 were paid in legal fees and expenses on behalf of the Company for the years ended December 31, 2024 and 2023, respectively.

(Amounts in Thousands Except Share and Per Share Information)

15. EMPLOYEE BENEFITS:

The Company has a retirement savings 401(k) plan covering substantially all employees. Employees may contribute up to 80% of their compensation with the Company matching 100% of the employee's contribution on the first 3% of the employee's compensation. Employer contributions charged to expense for 2024 and 2023 were $123 and $128, respectively.

16. STOCK-BASED COMPENSATION:

The Company has three stock plans, which are stockholder approved, and permits the grant of stock options to its current employees, as well as the organizing directors. The 2005 plan authorized up to 75,000 shares of common stock and the 2011 plan authorized up to 80,000 shares of common stock; however, both plans prohibit issuance of new options after the tenth anniversary of the plans. The 2022 plan authorizes 160,000 shares of common stock. The Company believes that such awards better align the interests of its employees with those of its stockholders. Option awards are generally granted with an exercise price equal to the market price of the Company's stock at the date of grant; those option awards have vesting periods ranging from immediate to three years and have contractual terms of 10 years.

The fair value of each option award is estimated on the date of grant using a Black-Scholes option valuation model that uses the assumptions noted in the following table. Expected volatility is based on historical volatility of the Company's stock and other factors. The Company uses historical data to estimate option exercise and employee termination within the valuation model; separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected term of options granted represents the period of time that options are expected to be outstanding; the range given below results from certain groups of employees exhibiting different behavior. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

	2024	2023
Expected volatility	20.00%	20.00%
Expected dividend rate	0.12%	0.12%
Expected term (in years)	10	10
Risk-free rate	3.58%	3.58%

(Amounts in Thousands Except Share and Per Share Information)

A summary of option activity under the plan as of December 31, 2024, and changes during the year then ended, is presented below:

	Shares	Weighted Average Exercise Price	Weighted-Average Remaining Contractual Term
Outstanding, beginning of year	107,000	$ 9.59	$ 5.87
Granted	-	-	-
Exercised	-	-	-
Forfeited or expired	(12,500)	8.63	-
Outstanding, end of year	94,500	$ 9.91	$ 6.30
Exercisable, end of year	35,500	$ 8.97	$ 2.61

As of December 31, 2024 and 2023, there were $115 and $155, respectively, of total unrecognized compensation costs related to nonvested share-based compensation arrangements granted under the plan. During the years ended December 31, 2024 and 2023, the Company has recorded $77 and $88 in award-based compensation expense, respectively. That cost is expected to be recognized over a weighted-average period of 1.5 years.

Cash received from option exercise under all share-based payment arrangements for the years ended December 31, 2024 and 2023, was $0 and $27, respectively.

17. DISCLOSURE ABOUT FAIR VALUE OF ASSETS AND LIABILITIES:

ASC Topic 820, *Fair Value Measurements*, defines fair value 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. Topic 820 also specifies a 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. The standard describes three levels of inputs that may be used to measure fair value:

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

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

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

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2024. There were no liabilities recorded at fair value on a recurring basis for the years ended December 31, 2024 and 2023.

(Amounts in Thousands Except Share and Per Share Information)

AFS Securities
Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy.

Interest Rate Lock Commitments
The fair value of the interest rate lock commitments is based on current secondary market prices for loans with similar characteristics less estimated costs to originate the loans and adjusted for the anticipated funding probability (pull-through rate). The fair value of the interest rate lock commitments is classified as Level 3 in the fair value hierarchy.

Interest Rate Swaps
The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

	2024			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U. S. Government and federal agency	$ 5,560	$ -	$ 5,560	$ -
Mortgage-backed securities	$ 13,958	$ -	$ 13,958	$ -
Interest rate lock commitments	$ 101	$ -	$ -	$ 101
Interest rate swaps	$ 240	$ -	$ 240	$ -

	2023			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U. S. Government and federal agency	$ 5,397	$ -	$ 5,397	$ -
Mortgage-backed securities	$ 15,277	$ -	$ 15,277	$ -
Interest rate lock commitments	$ 27	$ -	$ -	$ 27
Interest rate swaps	$ 186	$ -	$ 186	$ -

(Amounts in Thousands Except Share and Per Share Information)

There were no transfers into or out of Level 3 of the fair value hierarchy during the years ended December 31, 2024 and 2023. The Company issued approximately $389 interest rate lock commitments during 2024, and settled $376 during the year ended December 31, 2024. The Company issued approximately $385 interest rate lock commitments during 2023, and settled $365 during the year ended December 31, 2023.

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments 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). Following is a description of valuation methodologies used for assets and liabilities recorded at fair value on a non-recurring basis.

Collateral Dependent Loans
The Company has identified collateral dependent loans with fair value considerations as those loans with a recorded investment less the applicable reserve allocation. The estimated fair value of collateral dependent loans is based on the appraised fair value of the collateral, less estimated cost to sell. Collateral dependent loans are classified within level 2 of the fair value hierarchy. The Company considers the appraisal or evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals of the collateral securing collateral dependent loans are obtained when the loan is determined to be collateral dependent and subsequently, as deemed necessary, according to Bank policy. Appraisers are selected from the list of approved appraisers maintained by Management. Appraisals are only obtained from independent licensed appraisers following Uniform Standards of Professional Appraisal Practice.

	2024			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Collateral dependent loans	$ 768	$ -	$ 768	$ -

	2023			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Collateral dependent loans	$ 838	$ -	$ 838	$ -

(Amounts in Thousands Except Share and Per Share Information)

The following tables present quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at December 31, 2024 and 2023:

	Fair Value at December 31, 2024	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Interest rate lock commitments	$ 101	Secondary market prices	Comparable loan prices	2.00%
			Pull-through Rate	100%

	Fair Value at December 31, 2023	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Interest rate lock commitments	$ 27	Secondary market prices	Comparable loan prices	1.75%
			Pull-through Rate	100%

(Amounts in Thousands Except Share and Per Share Information)

Fair Value of Financial Instruments

The following table presents estimated fair values of the Company's financial instruments and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2024 and 2023:

		Fair Value Measurements Using		
	Carrying Amounts	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2024				
Financial assets				
Cash and cash equivalents	$ 21,869	$ 21,869	$ -	$ -
Available-for-sale debt securities	19,518	-	19,518	-
Held-to-maturity debt securities	11,770	-	10,941	-
Loans held for sale	650	-	663	-
Loans, net	405,053	-	-	379,179
Accrued interest receivable	1,609	-	1,609	-
Interest rate lock commitments	101	-	-	101
Interest rate swap	240	-	240	-
Financial liabilities				
Deposits	346,970	-	-	333,765
Federal Home Loan Bank advances	88,000	-	-	87,631
Other borrowings	8,469	-	-	8,570
Accrued interest payable	1,173	1,173	-	-
December 31, 2023				
Financial assets				
Cash and cash equivalents	$ 26,768	$ 26,768	$ -	$ -
Available-for-sale debt securities	20,674	-	20,674	-
Held-to-maturity debt securities	11,616	-	11,130	-
Loans held for sale	1,215	-	1,236	-
Loans, net	426,789	-	-	391,426
Accrued interest receivable	1,755	-	1,755	-
Interest rate lock commitments	27	-	-	27
Interest rate swap	186	-	186	-
Financial liabilities				
Deposits	363,159	-	-	359,071
Federal Home Loan Bank advances	102,500	-	-	101,772
Other borrowings	9,024	-	-	8,973
Accrued interest payable	1,407	1,407	-	-

18. SIGNIFICANT ESTIMATES AND CONCENTRATIONS:

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Estimates related to the allowance for credit losses are reflected in the note regarding loans. Current vulnerabilities due to certain concentrations of credit risk are discussed in the note on commitments and credit risk. Other significant estimates and concentrations not discussed in those notes include:

General Litigation
The Company is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, results of operations and cash flows of the Company.

Investments
The Company invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated balance sheets.

19. COMMITMENTS AND CREDIT RISK:

Standby Letters of Credit
Standby letters of credit are irrevocable conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Financial standby letters of credit are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. Performance standby letters of credit are issued to guarantee performance of certain customers under nonfinancial contractual obligations. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers. Should the Company be obligated to perform under the standby letters of credit, the Company may seek recourse from the customer for reimbursement of amounts paid.

The Company had total outstanding standby letters of credit amounting to $386 and $278 at December 31, 2024 and 2023, respectively.

Lines of Credit
Lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Lines of credit generally have fixed expiration dates. Since a portion of the line may expire without being drawn upon, the total unused lines do not necessarily represent future cash requirements. Each customer’s creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management’s credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate. Management uses the same credit policies in granting lines of credit as it does for on-balance-sheet instruments.

(Amounts in Thousands Except Share and Per Share Information)

At December 31, 2024, the Company had granted unused lines of credit to borrowers aggregating approximately $48,498 and $21,986 for commercial lines and open-end consumer lines, respectively. At December 31, 2023, unused lines of credit to borrowers aggregated approximately $36,692 for commercial lines and $32,857 for open-end consumer lines.

20. EARNINGS PER SHARE:

The factors used in earnings per share computation follow:

	2024	2023
Basic and diluted		
Net loss available to common stockholders	$ (530)	$ (1,292)
Weighted average common shares outstanding	3,299	3,290
Basic and diluted earnings per share	$ (0.16)	$ (0.39)

21. CONDENSED PARENT ONLY FINANCIAL STATEMENTS:

The following presents condensed financial information of Eclipse Bancorp, Inc. (parent company only) as of and for the years ended December 31, 2024 and 2023:

Condensed Balance Sheets

	2024	2023
Assets:		
Cash and due from banks	$ 7	$ 281
Investment in bank subsidiary	40,618	40,229
Deferred income taxes	31	31
Total assets	$ 40,656	$ 40,541
Liabilities:		
Other borrowings	8,469	9,024
Accrued interest payable	92	94
Total liabilities	8,561	9,118
Stockholder' equity:		
Common stock	9,910	9,869
Additional paid-in capital	24,142	23,970
Retained earnings	1,966	2,496
Accumulated other comprehensive loss, net of taxes	(3,923)	(4,912)
Total stockholders' equity	32,095	31,423
Total liabilities and stockholders' equity	$ 40,656	$ 40,541

(Amounts in Thousands Except Share and Per Share Information)

Condensed Statements of Operations

	2024	2023
Interest expense:		
Other borrowings	$ 334	$ 360
Total interest expense	$ 334	$ 360
Noninterest expense:		
Salaries and employee benefits	77	88
Professional fees	-	31
Other	119	815
Total noninterest expense	196	934
Net loss	$ (530)	$ (1,294)

Condensed Statements of Cash Flows

	2024	2023
Operating Activities:		
Net loss	$ (530)	$ (1,294)
Adjustments to reconcile net loss to net cash from operating activities:		
Equity in undistributed earnings in subsidiary	600	1,415
Stock-based compensation expense	77	88
Change in cash due to changes in operating assets and liabilities:		
Change in interest payable	(2)	5
Net cash provided by operating activities	145	214
Financing Activities:		
Net repayments of advances from FHLB	(555)	(535)
Issuance of common stock	136	27
Net cash used in financing activities	(419)	(508)
Change in cash and cash equivalents	(274)	(294)
Cash and cash equivalents – beginning of year	281	575
Cash and cash equivalents – end of year	$ 7	$ 281

22. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through March 28, 2025, which is the date the consolidated financial statements were available to be issued.