FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

NACOGDOCHES COMMERCIAL BANCSHARES, INC. AND SUBSIDIARIES
Nacogdoches, Texas

December 31, 2024 and 2023

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Nacogdoches Commercial Bancshares, Inc.:

Opinion

We have audited the consolidated financial statements of Nacogdoches Commercial Bancshares, Inc. and Subsidiaries (the "Company"), which comprise the consolidated statements of condition as of December 31, 2024, and the related consolidated statements of income, comprehensive income (loss), changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

We also have audited, in accordance with auditing standards generally accepted in the United States of America, Commercial Bank of Texas, N.A.'s internal control over financial reporting as of December 31, 2024, based on criteria established in the Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated March 13, 2025, expressed an unmodified opinion.

Basis for Opinion

We conducted our audit 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 audit. 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 for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those statements on March 15, 2024.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 are identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information included on pages 34 through 36 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements.

The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

March 13, 2025

NACOGDOCHES COMMERCIAL BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONDITION
For the Years Ended December 31, 2024 and 2023
($000's)

	DECEMBER 31	
	2024	2023
ASSETS		
Cash and due from banks	$ 12 962	$ 12 365
Interest-bearing deposits with banks	115 705	23 022
TOTAL CASH AND DUE FROM BANKS	128 667	35 387
Investments		
Available-for-sale debt securities at fair value (amortized cost $332,256 and 372,622, net of allowance $-0-)	305 109	343 001
Held-to-maturity debt securities, net of allowance for credit losses of $-0-	5 750	5 750
Marketable equity securities	1 557	1 426
TOTAL INVESTMENTS	312 416	350 177
Loans held for sale	1 451	1 841
Loans, net of allowance for credit losses of $15,155 and $15,130, respectively	981 896	896 730
Accrued interest receivable	6 498	6 091
Property and equipment	17 337	15 506
Operating lease right-of-use assets	642	805
Restricted equity securities	3 311	3 195
Bank-owned life insurance	17 330	16 889
Investment in land	15	150
Other real estate owned	170	270
Goodwill, net	3 578	3 591
Other assets	13 129	16 525
TOTAL ASSETS	$ 1 486 440	$ 1 347 157
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing deposits	$ 406 883	$ 430 497
Interest-bearing deposits	936 375	789 228
TOTAL DEPOSITS	1 343 258	1 219 725
Accrued interest payable	1 993	1 210
Other borrowings	69	84
Operating lease liabilities	642	805
Other liabilities	11 048	10 861
TOTAL LIABILITIES	1 357 010	1 232 685
Stockholders' Equity:		
Preferred Stock, No Stated Value, 200,000 Shares Authorized:		
Series A, non-convertible, cumulative, 0 shares issued and outstanding in 2023 and 2024	-	-
Series B, convertible, non-cumulative, 0 share issued and outstanding in 2023 and 2024	-	-
Common stock 2,800,000 shares at $10 par value authorized; 1,089,506 and 1,088,966 shares issued, respectively; 923,306 and 933,090 shares outstanding, respectively	10 897	10 892
Capital surplus	7 660	7 598
Retained earnings	136 944	122 568
Accumulated other comprehensive (loss)	(21 429)	(23 391)
Treasury stock	(4 642)	(3 195)
TOTAL STOCKHOLDERS' EQUITY	129 430	114 472
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1 486 440	$ 1 347 157

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

NACOGDOCHES COMMERCIAL BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2024 and 2023
($000's)

	DECEMBER 31	
	2024	2023
Interest Income:		
Interest and fees on loans	$ 62 657	$ 50 212
Interest and dividends on debt securities available-for-sale	6 171	6 528
Interest on debt securities held-to-maturity	80	161
Interest and dividends on restricted equity securities	219	190
Interest on federal funds sold	-	219
Interest on deposits with banks	4 514	939
TOTAL INTEREST INCOME	73 641	58 249
Interest Expense:		
Interest on deposits	23 765	13 903
Interest on bank loan and advances	87	247
TOTAL INTEREST EXPENSE	23 852	14 150
NET INTEREST INCOME	49 789	44 099
Provision:		
Provision for credit losses on loans	1 000	800
Provision for credit losses on unfunded commitments	25	(30)
TOTAL PROVISION	1 025	770
NET INTEREST INCOME AFTER PROVISION	48 764	43 329
Other Income:		
Fees on sales and servicing of loans	1 738	1 586
Income from fiduciary activities	1 994	1 725
Service charges on deposit accounts	4 321	4 054
Interchange income and other fees	6 286	6 015
Net realized gains (losses) on sales of debt securities	-	(333)
Valuation changes of marketable equity securities	132	79
Other income	1 215	970
TOTAL OTHER INCOME	15 686	14 096
Other Expenses:		
Salaries and benefits	21 958	19 792
Occupancy	2 559	2 549
Furniture and equipment	2 693	2 660
Deposit insurance and professional fees	2 673	2 640
Lending and collection	327	311
Advertising and community relations	1 542	1 341
Debit card	2 818	2 605
Internet banking	985	852
ATM	141	157
Other operating	4 928	4 671
TOTAL OTHER EXPENSE	40 624	37 578
INCOME BEFORE FEDERAL INCOME TAXES	23 826	19 847
Federal income taxes	4 707	3 867
NET INCOME	$ 19 119	$ 15 980
Earnings Per Common Share (Not Rounded):		
Basic	$ 20.60	$ 17.01

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

NACOGDOCHES COMMERCIAL BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the Years Ended December 31, 2024 and 2023
($000's)

	DECEMBER 31	
	2024	2023
NET INCOME	$ 19 119	$ 15 980
Other Comprehensive Income (Loss), Net of Tax:		
Unrealized Gains (Losses) on Securities:		
Changes in net unrealized gains (losses) on debt securities available-for-sale, net of income tax effect of $522 in 2024 and $2,416 in 2023	1 962	9 089
Reclassification adjustment for (gains) losses realized, net of income tax effect of $-0- in 2024 and $(70) in 2023	-	263
OTHER COMPREHENSIVE INCOME (LOSS)	1 962	9 352
COMPREHENSIVE INCOME (LOSS)	$ 21 081	$ 25 332

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

NACOGDOCHES COMMERCIAL BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2024 and 2023
($000's)

	COMMON STOCK						
	SHARES	PAR VALUE	CAPITAL SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TREASURY STOCK	TOTAL STOCK-HOLDERS' EQUITY
Balance, December 31, 2022	944 811	$ 10 882	$ 7 520	$ 107 674	$ (32 743)	$ (1 572)	$ 91 761
Comprehensive income (loss)	-	-	-	15 980	9 352	-	25 332
Stock based compensation	415	4	26	-	-	-	30
Cash Dividends Declared:							
Common, $1.09 per share	-	-	-	(1 024)	-	-	(1 024)
Stock bonus	600	6	52	-	-	-	58
Stock options exercised	-	-	-	7	-	-	7
Purchase of treasury stock	(12 736)	-	-	-	-	(1 623)	(1 623)
Adoption of ASC 326	-	-	-	(69)	-	-	(69)
Balance, December 31, 2023	933 090	10 892	7 598	122 568	(23 391)	(3 195)	114 472
Comprehensive income (loss)	-	-	-	19 119	1 962	-	21 081
Cash Dividends Declared:							
Common, $5.12 per share	-	-	-	(4 743)	-	-	(4 743)
Stock bonus	540	5	62	-	-	-	67
Purchase of treasury stock	(10 324)	-	-	-	-	(1 447)	(1 447)
Balance, December 31, 2024	923 306	$ 10 897	$ 7 660	$ 136 944	$ (21 429)	$ (4 642)	$ 129 430

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

NACOGDOCHES COMMERCIAL BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2024 and 2023
($000's)

	DECEMBER 31	
	2024	2023
Cash Flows from Operating Activities:		
Net income	$ 19 119	$ 15 980
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	1 558	1 634
Amortization core deposit intangible	358	595
Amortization of goodwill	12	12
Stock based compensation	-	30
Provision for credit losses on loans and unfunded commitments	1 025	770
Deferred income taxes	29	(281)
Proceeds from sales of loans held for sale	60 970	66 726
Originations of loans held for sale	(59 297)	(67 058)
Net realized gains on sales of loans held for sale	(1 282)	(1 133)
Net realized losses on sales of debt securities available-for-sale	-	333
Net amortization of premiums on debt securities available-for-sale	1 362	1 775
Increase in accrued interest receivable	(407)	(979)
Gain on sale or retirement of property and equipment	(524)	(54)
Increase in bank-owned life insurance	(471)	(449)
Gain on sale of investment land	(71)	(58)
Decrease (Increase) in other assets	2 488	(504)
Increase in accrued expenses and other liabilities	944	1 666
Stock dividends on restricted equity securities	(116)	(97)
Gain on valuation changes of marketable equity securities	(132)	(79)
Gain on sale or exchange of foreclosed real estate	-	(71)
Write down to other real estate owned	100	-
TOTAL ADJUSTMENTS	6 546	2 778
NET CASH PROVIDED BY OPERATING ACTIVITIES	25 665	18 758
Cash Flows from Investing Activities:		
Purchase of cash value of life insurance	(18)	(17)
Proceeds from cash value of life insurance	47	554
Purchases of debt securities available-for-sale	(155 091)	(155 037)
Proceeds from sales and maturities of debt securities available-for-sale	194 104	178 758
Net increase in loans held for investment	(86 166)	(85 294)
Purchases of properties and equipment, net of retirements	(3 780)	(548)
Proceeds from sale of properties and equipment	915	-
Proceeds from sale of land held for investment	221	651
Purchase of land held for investment	(15)	-
Proceeds from sale of foreclosed real estate	-	720
NET CASH USED BY INVESTING ACTIVITIES	(49 783)	(60 213)
Cash Flows from Financing Activities:		
Net (decrease) in noninterest bearing deposits	(23 614)	(62 632)
Net increase in interest bearing deposits	147 147	77 967
Pay down of notes payable and advances	(12)	(13)
Stock options exercised and stock bonuses	67	65
Purchase of treasury stock	(1 447)	(1 623)
Payments of dividends	(4 743)	(1 024)
NET CASH PROVIDED BY FINANCING ACTIVITIES	117 398	12 740
NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS	93 280	(28 715)
Cash and due from banks at January 1	35 387	64 102
CASH AND DUE FROM BANKS AT DECEMBER 31	$ 128 667	$ 35 387
Interest paid	$ 23 069	$ 13 272
Income taxes paid	$ 4 501	$ 3 867
Supplementary Schedule of Noncash Investing and Financing Activities:		
Loans transferred to other real estate	$ -	$ 899

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

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Nacogdoches Commercial Bancshares, Inc. (the Company) is a holding company whose principal activity is the ownership and management of its wholly owned subsidiary, Commercial Bank of Texas, N.A. (the Bank). The Bank provides a variety of financial services to individuals and corporate customers through its five branches located in Nacogdoches County, its four branches located in Angelina County, its two branches located in Anderson County, its three branches in Collin County, its two branches in Rains County, and its single branches located in Cherokee, San Augustine, Tarrant, Denton, and Houston Counties. All locations are in the state of Texas.

Additionally, the Bank maintains correspondent banking relationships and transacts daily federal funds sales on an unsecured basis with regional correspondent banks. The Investment Securities footnote discusses the types of securities in which the Bank invests. The Loan - Credit Quality footnote discusses the types of lending in which the Bank engages. The Bank does not have any significant concentrations to any one industry or customer. Its primary deposit products consist of regular and interest-bearing checking accounts and certificates of deposit. The Bank offers fiduciary and investment services through its Wealth Management Department and insurance products through its Insurance Department.

NCBI Properties LLC (Properties) is a wholly owned subsidiary of the Company. Properties was created to handle certain real estate transactions. At December 31, 2024 and 2023, Properties had approximately $20,000 in assets and no liabilities. The assets of Properties are included in the Company's total assets on the consolidated financial statements.

Basis of Accounting - The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and conform with practices within the banking industry. The following is a summary of the Company's significant accounting policies.

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of the Company, the Bank, and Properties. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents - For purposes of reporting cash flows, cash and cash equivalents includes cash on hand, amounts due from banks (including cash items in process of clearing) and interest-bearing deposits in banks with an original maturity of 90 days or less, and federal funds sold. Generally, federal funds are sold for one-day periods.

Investments in Securities - Management's investment portfolio is classified into three categories and accounted for as follows:

> Available-for-sale debt securities are debt securities with readily determinable fair values and those debt securities that Management intends to hold for an indefinite period of time but not necessarily to maturity. Any decision to sell a security classified as available-for-sale would be based on various factors, including significant movement in interest rates, changes in the maturity mix of the Bank's assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors. These securities are carried at estimated fair value based on information provided by a third party pricing service with any unrealized gains or losses excluded from net income and reported in accumulated other comprehensive income (loss), which is reported as a separate component of stockholders' equity, net of the related deferred tax effect.
>
> Held-to-maturity debt securities are those debt securities for which management has the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs, or changes in general economic conditions. These securities are reported at cost, adjusted for amortization of premium and accretion of discount, computed using the interest method, over their contractual lives.
>
> Securities classified as marketable equity securities are carried at estimated fair value with changes in fair value reported in noninterest income. If fair value is not readily determinable, the equity security is carried at cost subject to adjustments for any observable market transactions on the same or similar instruments. The Company's marketable equity securities have readily determinable fair values. Because changes in fair value are recorded as they occur, there is no expectation of a gain or loss on the sale of marketable equity securities.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are generally amortized using the interest method over the period to maturity or call date. Premiums on callable debt securities are amortized to their earliest call date. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on non-accrual is reversed against interest income. There was no accrued interest reversed against interest income for the years ended December 31, 2024 or 2023.

Realized gains and losses on securities available-for-sale are included in other income or expense and, when applicable, are reported as a reclassification adjustment, net of tax, in other comprehensive income (loss). Gains and losses on the sale of securities are determined using the specific-identification method. Investment securities are accounted for on a trade date basis.

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Allowance for Credit Losses - Available-For-Sale Securities - For available-for-sale debt securities in an unrealized loss position, management first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For available-for-sale debt securities that do not meet the aforementioned criteria, management evaluates 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 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 allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available-for-sale debt securities totaled $1,896,147 and $2,123,493 at December 31, 2024 and 2023, respectively. The balance was reported in Accrued interest receivable on the consolidated statements of condition and is excluded from the estimate of credit losses. Accrued interest is written off by reversing recognized interest income generally when principal or interest is past-due 90 days or more.

Allowance for Credit Losses - Held-to-Maturity Securities - Management measures the expected credit losses on held-to-maturity debt securities on an individual basis each quarter. In that evaluation, the ongoing performance of the security issuer is evaluated to determine if the reported allowance for credit losses is appropriate.

Accrued interest receivable, which totaled $36,767 and $54,267 at December 31, 2024 and 2023, respectively, is not considered in the evaluation of the estimated credit losses. If principal or interest becomes 90 days or more past due, accrued interest is written off by reversing recognized interest income.

Restricted Equity Securities - Restricted equity securities include restricted stock held for membership and regulatory purposes. These stocks are carried at cost.

Marketable Equity Securities - Marketable equity securities consist of investments in Community Reinvestment Act and the Company's core processor. These securities are measured at fair value.

The fair value of marketable equity securities as of December 31, 2024 and 2023 are as follows:

MARKETABLE EQUITY SECURITIES

	2024	2023
Community Reinvestment Act	$ 690 005	$ 676 673
Data Center Inc.	867 491	748 944
TOTALS	$ 1 557 496	$ 1 425 617

During 2024 and 2023, no marketable equity securities were sold or redeemed.

At December 31, 2024 and 2023, gross recognized gains from valuation adjustments was $131,879 and $78,906, respectively.

Loans Receivable - Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost net of the allowance for credit losses. Accrued interest receivable on loans totaled $4,563,436 and $3,911,870 at December 31, 2024 and 2023, respectively. The balance was reported in accrued interest receivable on the consolidated statements of condition and is excluded from the estimate of credit losses. Interest income is accrued on the unpaid principal balance. Loan origination and commitment fees are recognized as income when received. Direct loan origination costs are expensed when paid. The net amount of income (or expense) recorded is immaterial to the financial statements.

Loans that have been categorized by management as nonaccrual are included in the total loan portfolio being reported. Loans are deemed nonaccrual because collection of interest is doubtful. When the payment of principal or interest on a loan is delinquent for 90 days, or earlier in some cases, the loan is placed on nonaccrual status unless the loan is in the process of collection and the underlying collateral fully supports the carrying value of the loan. If the decision is made to continue accruing interest on the loan, periodic reviews are made to confirm the accruing status of the loan. When a loan is placed on nonaccrual status, all interest previously accrued is reversed against current period interest income. Subsequent collections of interest payments on nonaccrual loans are recognized as interest income unless ultimate collectability of the loan is in doubt. Cash collections on loans where ultimate collectability remains in doubt are applied as reductions of the loan principal balance and no interest income is recognized until the principal balance has been collected.

Allowance for Credit Losses - Loans - The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The cumulative loss rate used as the basis for the estimate of credit losses is comprised of the Bank's historical loss experience from 2016 to 2024. Management qualitatively adjusts model results for risk factors not considered within the modeling processes but are relevant in assessing the expected credit losses within the loan pools. These qualitative factor ("Q-Factor") adjustments may increase or decrease management's estimate of expected credit losses based on the estimated level of risk. The various risks that may be considered in making Q-Factor adjustments include, among other things, the impact of (i) changes in lending policies and underwriting practices, (ii) actual or expected changes in national and local economic conditions, (iii) changes in portfolio volume and nature, (iv) changes in staff depth and experience, (v) change in in past due, nonaccrual, and quality of assets, (vi) changes in loan review and oversight, (vii) impact and effects of concentration of credit, and (viii) impact of competition, legal requirements, and regulation. Reasonable and supportable forecasts for changes in Q-Factors are considered. The qualitative factors are reviewed on a quarterly basis and are adjusted as needed to reflect current conditions. The forecast period is one year, and reversion occurs immediately. No reversion adjustments were necessary, as the starting point for the Bank's estimate was a cumulative loss rate covering the expected remaining weighted life of the portfolio.

The loan portfolio is segmented and expected loss estimates are calculated separately based on designated loan risk grades. Management has identified the following portfolio segments: Real estate, Consumer, and Commercial which are further segmented by those loans designated as Special Mention, Substandard, Doubtful, or Loss based on management's internal grading system. Refer to the Loans - Credit Quality footnote for discussion of the portfolio segments and internal grading (Credit Quality Indicators).

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. Management uses a weighted average life method and measures the allowance for credit losses based on actual losses in each loan segment's look back period as the loans migrate through risk grades. The review period for each loan segment's expected loss estimate is set based on the Bank's Interest Rate Risk model's weighted average life of each segment. The look back periods are updated annually as calculated by the Bank's Interest Rate Risk Model.

Expected credit losses are estimated over the weighted average life of pooled loans, adjusted for expected prepayments when appropriate. The weighted average life excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a modification will be executed with an individual borrower, or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Bank.

Loans that do not share similar risk characteristics are evaluated on an individual basis. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

This allowance is estimated on a monthly basis.

Loan Charge-Offs - The Bank uses the Federal Financial Institutions Examination Council's Uniform Retail Credit Classification and Account Management Policy for when charge-offs should be recorded on loans.

For consumer and commercial loans, management generally fully or partially charges down to the fair value of collateral securing the asset when:

- management judges the asset to be uncollectible;
- repayment is deemed to be protracted beyond reasonable time frames;
- the asset has been classified as a loss by either the Bank's internal loan review process or external examiners;
- the borrower has filed bankruptcy and the loss becomes evident owing to a lack of assets; or
- the loan is 180 days past due unless both well secured and in the process of collection.

Management's charge-off policies by segment of the loan portfolio are as follows:

- *Real Estate* - Management generally writes down to the net realizable value when the loan is no later than 180 days past due.
- *Auto Loans* - Management generally fully or partially charges down to the net realizable value when the loan is 60 days past due.
- *Unsecured Loans* - Management generally charges off when the loan is 90 days past due.
- *Other Secured Loans* - Management generally fully or partially charges down to the net realizable value when the loan is 120 days past due for closed-end loans and 180 days past due for open-end loans.

Modified Loans - In situations where, for economic or legal reasons related to a borrower's financial difficulties, management grants a concession for other than an insignificant period of time to the borrower that management would not otherwise consider, the loan is classified as a loan modification. These modified terms may include rate reductions, principal forgiveness, payment forbearance, and other actions intended to minimize the economic loss and avoid foreclosure or repossession of the collateral.

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and Equipment - Land is carried at cost, bank premises, furniture, and equipment are carried at cost, less accumulated depreciation. Depreciation is computed using the straight-line method and is charged to operations over the estimated useful lives of the assets. Buildings are depreciated over 39 years, equipment over 3 to 10 years, and vehicles over 5 years. Maintenance and repairs of property and equipment are charged to operations; however, major improvements are capitalized. A capitalization threshold of $2,000 is used. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts, and the resulting gain or loss is included in operations.

Leases - Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities in the consolidated statements of condition sheet and are primarily for branch locations. The Company has no finance leases. Short-term leases (i.e. leases with initial term of twelve months or less that do not contain a purchase option that is likely to be exercised) are not recorded on the consolidated statements of condition. Operating lease ROU assets represent the Company's right to use an underlying asset for the lease term, and operating lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of the future lease payments over the lease term. The Company's leases do not provide an implicit rate, so an incremental borrowing rate is used based on the information available at commencement date in determining the present value of lease payment. The incremental borrowing rate is reevaluated upon lease modification. The operating lease ROU asset also includes initial direct costs and prepaid lease payments made, if any, less lease incentives, if any. The lease assets and liabilities may include options to extend or terminate the lease when it is reasonably certain that management will exercise that option.

Bank-Owned Life Insurance - Bank-owned life insurance is carried at the cash surrender value of the life insurance policies owned where the Company is named beneficiary. Increases in cash surrender value are recorded in noninterest income.

Other Real Estate Owned (OREO) - Real estate properties acquired through, or in lieu of, loan foreclosure are initially recorded at fair value at the date of foreclosure less estimated cost to sell. Any write-downs at the time of acquisition are charged to the allowance for credit losses. After foreclosure, valuations are periodically performed by management, and the real estate is carried at the lower of (1) cost or (2) fair value minus estimated costs to sell. Gains and losses realized on the sale and any adjustments resulting in periodic re-evaluation of the property are included in noninterest income and expense, as appropriate. Net cost of maintaining and operating the properties are expensed as incurred.

Off- Balance Sheet Financial Instruments - In the ordinary course of business, the Bank has entered into off balance sheet financial instruments consisting of commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the financial statements when they are funded or related fees are incurred or received.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures - Management estimates expected credit losses over the contractual period in which the Bank is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Bank. The allowance for credit losses on off-balance sheet credit exposures is adjusted through the provision for credit losses on unfunded commitments. The estimate includes consideration of the likelihood that funding will occur. For off-balance sheet credit exposures, the Bank segments and applies the same historical loss factors as applied to the funded portion of the loan portfolio.

Fair Values of Financial Instruments - Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Income Taxes - Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. Provisions for income taxes are based on amounts reported in the consolidated statements of income (after exclusion of non-taxable income such as interest on state and municipal securities) and include deferred taxes on temporary differences in the recognition of income and expense for tax and financial statement purposes. Items of deferral include differences related to the allowance for credit losses, allowance for losses on foreclosed real estate, accumulated depreciation, accretion of discounts, FHLB and mutual fund stock dividends, the unrealized gains or losses on securities held as available-for-sale, and liabilities accrued for the payment of insurance benefits to officers and directors. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. The Company files a consolidated return with its wholly owned subsidiary, the Bank. Federal income taxes are allocated to members of the controlled group on a separate entity basis.

Transfers of Financial Assets - Management accounts for transfers and servicing of financial assets as sales only 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, (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.

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Loans Held for Sale - Mortgage loans originated and intended for sale in the secondary market are carried at the lower of amortized cost or estimated market value in the aggregate. Net unrealized losses are recognized through a valuation allowance by charges to income. Gains and losses on the sales of loans are determined by differences between the yield rate guaranteed to the buyer on those loans and the contract interest rate being collected and are recognized in the financial statements in the year of sale.

Mortgage Servicing Rights (MSR) - Mortgage loans that the Bank has originated and sold are not reported in assets. When servicing related to these mortgages is retained, servicing rights are initially recoded at fair value with the income statement effect recorded in gains on sales of loans. Management periodically evaluates MSR for impairment. MSR are considered to be impaired when the carrying value exceeds the estimated fair value at the date of evaluation. MSR are amortized against servicing income over the lives of the respective loans.

Earnings Per Share - Basic earnings per common share is computed on the basis of the weighted-average number of shares of common stock outstanding and includes net income less dividends paid on preferred stock.

Noninterest Income - The Bank recognizes revenue when the performance obligations related to the transfer of goods or services under the terms of a contract are satisfied. Some obligations are satisfied at a point in time while others are satisfied over a period of time. Revenue is recognized as the amount of consideration to which the Bank expects to be entitled to in exchange for transferring goods or services to a customer. When consideration includes a variable component, the amount of consideration attributable to variability is included in the transaction price only to the extent it is probable that significant revenue recognized will not be reversed when uncertainty associated with the variable consideration is subsequently resolved. Generally, the variability relating to the consideration is explicitly stated in the contracts but may also arise from the Bank's customer business practices, such as waiving certain fees related to customers' deposit accounts (i.e. nonsufficient fund fees (NSF)). The Bank's contracts generally do not contain terms that require significant judgement to determine the variability impacting the transaction price.

Control is transferred to a customer either at a point in time or over time. A performance obligation is deemed satisfied when the control over goods or services is transferred to the customer. To determine when control is transferred at a point in time, the Bank considers indicators, including but not limited to the right to payment for the asset, transfer of significant risk and rewards of ownership of the asset, and acceptance of the asset by the customer. When control is transferred over a period of time, for different performance obligations, either the input or output method is used to determine the progress. The measure of progress used to assess completion of the performance obligations varies between performance obligations and may be based on time throughout the period of service or on the value of goods and services transferred to the customer. As each distinct service or activity is performed, the Bank transfers control to the customer based on the services performed as the customer simultaneously receives the benefits of those services. This timing of revenue recognition aligns with the resolution of any uncertainty related to variable consideration. Costs to obtain a revenue producing contract are expensed when incurred as a practical expedient as the contractual period for the majority of contracts is one year or less.

Revenue is segregated based on the nature of products and services offered as part of contractual arrangements. Revenue from contracts with customers is broadly segregated as follows:

- Income from Fiduciary Activities - The Company provides trust or asset management services to customers on a continuous scale and customers are invoiced quarterly and annually. Fees are automatically deducted from customer accounts. Income is derived as management fees and is recorded in accordance with end of month fee schedules.
- Service Charges on Deposit Accounts - Service charges on deposit accounts include fees and other charges the Bank receives to provide various services, including but not limited to, maintaining an account with a customer, providing overdraft services, and electronic fund transfers. The consideration includes both fixed (e.g. account maintenance fee) and transaction fees (e.g. wire-transfer fee). The fixed fee is recognized over a period of time while the transaction fee is recognized when a specific service (e.g. execution of wire-transfer) is rendered to the customer. The Bank may, from time to time, waive certain fees (e.g. NSF fee) for customers but generally does not reduce the transaction price to reflect variability for future reversals due to the insignificance of the amounts. Additionally, waiver of fees reduces the revenue in the period the waiver is granted to the customer.
- Other Service Charges and Fees - Other service Charges and Fess primarily consists of interchange fees earned on debit cards and credit cards. The Bank recognized interchange fees for services performed related to authorization and settlement of a cardholder's transaction with a merchant. Revenue is recognized when a cardholder's transaction is approved and settled. The revenue may be constrained due to inherent uncertainty related to cardholder's right to return goods and services but as the uncertainty is resolved within a short period of time (generally within 30 days) interchange revenue is reduced by the amount of returns in the period the return is made by the customer. The remainder of income noted in this line item is triggered under customer account agreements and publicized fee sheets (the contract with the customer) when either the customer requests a specific transaction or service (purchase of a money order, check cashing, etc.).

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Goodwill and Intangible Assets - Under the acquisition method of accounting, the net assets of entities acquired are recorded at their estimated fair value at date of acquisition. The excess of consideration paid over the fair value of the net assets acquired is recorded as goodwill. Other intangible assets with finite useful lives are amortized over their estimated useful lives.

Intangible assets which consist of core deposits intangibles are amortized over their estimated life of 5 years using the sum-of-the-years digits method. These intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Goodwill is evaluated for impairment on an annual basis at December 31, except for $148,438 of goodwill related to the 2016 acquisition of the Emory branch which is being amortized over 15 years. Management amortized $12,372 of goodwill in 2024 and 2023. Goodwill in the amounts of $3,578,483 and $3,590,855 is being carried on the consolidated statements of condition as of December 31, 2024 and 2023, respectively. There is no impairment of goodwill for the years presented.

Comprehensive Income - U.S. GAAP generally requires that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale debt securities are reported as a separate component of the stockholder's equity on the consolidated statement of condition. Such items, along with net income, are components of comprehensive income (loss).

Advertising - The Bank expenses all advertising costs when incurred. For 2024 and 2023, advertising and community relations expenses amounted to $1,541,309 and $1,340,602, respectively.

Uncertain Tax Positions - Management evaluates on an ongoing basis to identify potential uncertain tax position for potential recognition, measurement, and disclosure. The Company currently accounts for uncertain tax positions based on the estimated likelihood of assessment and has not determined that any tax positions require an accrual based on current standards of accounting. The Company is generally no longer subject to Federal tax examinations for years before 2021.

Stock-Based Compensation - The Company has a stock-based employee compensation plan, which is described more fully in Stock Option Plan disclosure, which provides for grants of incentive stock options. Professional standards require that all equity-based compensation, including grants of stock options, to employees be expensed based on the fair value on the date of grant recognized over the service period for awards expected to vest. For awards with graded vesting schedules, the Company uses the straight-line method of attributing the value of stock-based compensation expense based on the applicable vesting schedule.

Segment Reporting - Based on the analysis performed by the Company, management has determined that the Company only has one operating segment, which is commercial banking. The chief operating decision-makers use consolidated results to make operating and strategic decisions and, therefore, are not required to disclose any additional segment information.

Treasury Stock - Treasury stock is the Company's own stock, which has been issued and reacquired but not canceled or retired. The stock is stated at cost, and no cash dividends are paid on this stock. Subsequent sales of treasury stock are accounted for using the first-in, first-out method of accounting.

Subsequent Events - Management has evaluated subsequent events through March 13, 2025, the date the financial statements were available to be issued.

CORE DEPOSIT INTANGIBLE

The core deposit intangible is included in other assets on the consolidated statement of condition. The following table represents the activity in the core deposit intangible for the years presented.

		AMOUNT
Balance December 31, 2022	$	1 155 089
Branch purchase		-
Amortization		(594 833)
Balance December 31, 2023		560 256
Branch purchase		-
Amortization		(357 500)
Balance December 31, 2024	$	202 756

INVESTMENT SECURITIES

The following table summarizes the amortized cost and fair value of available-for-sale debt securities at December 31, 2024 and 2023 and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income (loss):

AVAILABLE-FOR-SALE DEBT SECURITIES

	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
December 31, 2024:				
U.S. government	$ 127 574 490	$ -	$ (5 468 118)	$ 122 106 372
Mortgage-backed securities	18 299 084	-	(1 477 901)	16 821 183
Collateralized mortgage obligations	38 179 379	20 004	(3 091 724)	35 107 659
Municipal securities	78 270 239	-	(7 050 290)	71 219 949
Municipal securities - Taxable	69 932 722	-	(10 078 484)	59 854 238
TOTALS	$ 332 255 914	$ 20 004	$ (27 166 517)	$ 305 109 401

AVAILABLE-FOR-SALE DEBT SECURITIES

	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
December 31, 2023:				
U.S. government	$ 160 471 292	$ -	$ (8 680 171)	$ 151 791 121
U.S. agency sponsored securities	3 500 975	-	(15 965)	3 485 010
Mortgage-backed securities	18 587 285	-	(936 924)	17 650 361
Collateralized mortgage obligations	35 989 600	-	(3 061 183)	32 928 417
Municipal securities	84 044 637	-	(6 371 387)	77 673 250
Municipal securities - Taxable	70 027 888	-	(10 555 080)	59 472 808
TOTALS	$ 372 621 677	$ -	$ (29 620 710)	$ 343 000 967

Based on management's assessment, the Bank did not recognize an allowance for credit losses on available-for-sale debt securities as of December 31, 2024 or 2023.

The amortized cost of held-to-maturity securities as of December 31, 2024 and 2023 are as follows:

	AMORTIZED COST DECEMBER 31 2024	AMORTIZED COST DECEMBER 31 2023
Held-to-maturity Debt Securities:		
Bank subordinated debt	$ 5 750 000	$ 5 750 000
TOTALS	$ 5 750 000	$ 5 750 000

The Bank did not hold HTMs at December 1, 2024 or 2023 that were collateral dependent or were either nonaccrual or past due over 89 days and still accruing.

Based on management's assessment, the Bank did not recognize an allowance for credit losses on HTMs as of December 31, 2024 or 2023.

The proceeds from sales of available-for-sale debt securities and the associated gains and losses for 2024 and 2023 are listed below:

	2024	2023
Proceeds	$ -	$ 9 932 938
Gross gains	$ -	$ 20 679
Gross losses	$ -	$ (353 910)

The tax benefit (provision) related to the 2023 net realized gains and losses was $70,609.

No held-to-maturity debt securities were sold or transferred during 2024 or 2023.

The amortized cost and fair value of available-for-sale debt securities and amortized cost of held-to-maturity debt securities are shown by contractual maturity. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

2024

	AVAILABLE-FOR-SALE SECURITIES		HELD-TO-MATURITY SECURITIES
	AMORTIZED COST	FAIR VALUE	AMORTIZED COST
Within one year	$ 40 009 100	$ 39 675 032	$ -
One to five years	12 9084 235	121 139 560	-
Five to ten years	77 386 846	67 690 121	5 750 000
Beyond ten years	29 297 270	24 675 846	-
Mortgage-backed securities	18 299 084	16 821 183	-
Collateralized mortgage obligations	38 179 379	35 107 659	-
TOTALS	$ 332 255 914	$ 305 109 401	$ 5 750 000

INVESTMENT SECURITIES - CONTINUED

2023	AVAILABLE-FOR-SALE SECURITIES AMORTIZED COST	AVAILABLE-FOR-SALE SECURITIES FAIR VALUE	HELD-TO-MATURITY SECURITIES AMORTIZED COST
Within one year	$ 47 471 675	$ 46 683 830	$ -
One to five years	154 291 033	144 031 087	-
Five to ten years	71 420 341	62 942 693	5 750 000
Beyond ten years	44 861 740	38 764 578	-
Mortgage-backed securities	18 587 286	17 650 362	-
Collateralized mortgage obligations	35 989 602	32 928 417	-
TOTALS	$ 372 621 677	$ 343 000 967	$ 5 750 000

At year-end 2024 and 2023, there were no holdings of securities of any one issuer, other than the U.S. government and its agencies, in an amount greater than 10% of shareholders' equity.

Securities carried at $176,831,254 and $203,531,495 at December 31, 2024 and 2023, respectively, were pledged to secure deposits and for other purposes required or permitted by law.

The following table summarizes debt securities available-for-sale in an unrealized loss position for which an allowance for credit losses has not been recorded at December 31, 2024 and 2023, aggregated by major security type and length of time in a continuous unrealized loss position:

	LESS THAN 12 MONTHS FAIR VALUE	LESS THAN 12 MONTHS UNREALIZED LOSSES	12 MONTHS OR LONGER FAIR VALUE	12 MONTHS OR LONGER UNREALIZED LOSSES	TOTAL FAIR VALUE	TOTAL UNREALIZED LOSSES
December 31, 2024						
Available-for-Sale:						
U.S. government	$ 8 845 669	$ (112 664)	$ 113 260 703	$ (5 355 454)	$ 122 106 372	$ (5 468 118)
Mortgage-backed securities	5 369 591	(383 695)	11 451 592	(1 094 206)	16 821 183	(1 477 901)
Collateralized mortgage obligations	4 591 195	(157 566)	27 477 646	(2 934 158)	32 068 841	(3 091 724)
Municipal securities	-	-	71 219 949	(7 050 290)	71 219 949	(7 050 290)
Municipal securities - Taxable	910 600	(95 353)	58 943 638	(9 983 131)	59 854 238	(10 078 484)
TOTALS	$ 19 717 055	$ (749 278)	$ 282 353 528	$ (26 417 239)	$ 302 070 583	$ (27 166 517)

	LESS THAN 12 MONTHS FAIR VALUE	LESS THAN 12 MONTHS UNREALIZED LOSSES	12 MONTHS OR LONGER FAIR VALUE	12 MONTHS OR LONGER UNREALIZED LOSSES	TOTAL FAIR VALUE	TOTAL UNREALIZED LOSSES
December 31, 2023						
Available-for-Sale:						
U.S. government	$ -	$ -	$ 151 791 121	$ (8 680 171)	$ 151 791 121	$ (8 680 171)
U.S. agency sponsored securities	-	-	3 485 010	(15 965)	3 485 010	(15 965)
Mortgage-backed securities	7 166 652	(188 882)	10 483 709	(748 042)	17 650 361	(936 924)
Collateralized mortgage obligations	4 945 628	(157 681)	27 982 790	(2 903 502)	32 928 417	(3 061 183)
Municipal securities	497 802	(2 198)	77 175 448	(6 369 189)	77 673 250	(6 371 387)
Municipal securities - Taxable	515 118	(26 099)	58 957 690	(10 528 981)	59 472 808	(10 555 080)
TOTALS	$ 13 125 200	$ (374 860)	$ 329 875 768	$ (29 245 850)	$ 343 000 967	$ (29 620 710)

Unrealized losses on available-for-sale securities have not been recognized into income for any losses in the portfolio per assessment by management. Management does not intend to sell and it is likely that management will not be required 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. The issuers continue to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds approach maturity.

As of December 31, 2024, the Company's security portfolio consisted of 291 securities, 264 of which were in a continuous loss position of twelve months or more. The majority of unrealized losses are related to U.S. government and municipal securities as discussed below:

U.S. Government Securities are in the form of treasury bonds that are widely considered risk free when held-to-maturity. These securities make-up 20% of unrealized losses. However, they have extremely low odds of default since they are backed fully by the U.S. government.

Municipal securities are primarily government obligations issued by cities and schools and make-up approximately 63% of total unrealized losses. All bonds of this type within the portfolio have a rating of AA or greater and are considered relatively low-risk.

LOANS - CREDIT QUALITY:

The Bank’s goal is to mitigate risks from an unforeseen threat to the loan portfolio as a result of an economic downturn or other negative influences. Plans that aid in mitigating these potential risks in managing the loan portfolio include: enforcing loan policies and procedures, evaluating the borrower's business plan through the loan term, identifying and monitoring primary and alternative sources of repayment, and obtaining adequate collateral to mitigate loss in the event of liquidation. Allowance for credit losses for individually evaluated loans is established based upon credit and/or collateral risks on an individual loan basis. A risk rating system is used to estimate potential loss exposure and to provide a measuring system for setting general and specific reserve allocations.

LOANS - CREDIT QUALITY

As of December 31, 2024, the real estate loan portfolio constituted 81% of the total loan portfolio. Included in this amount were 5% construction and land development, 49% commercial real estate, and 31% residential real estate loans.

The Bank's construction and land development loans are secured by real property where the loan funds are advanced to acquire land and to construct or improve real property. Borrowers are generally required to put equity into the project at levels determined by the loan committee and usually are underwritten with a maximum term of 24 months. 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 Bank's operating area.

Commercial real estate loans are secured by improved real property. These loans are generally underwritten with a term not greater than 5 years at a fixed rate with a maximum amortization based on 20 years. The preferred term is 3 years, with a balloon payment based on a 15 year amortization. Commercial real estate loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Credit risk in these loans may be impacted by the creditworthiness of a borrower, property values, and the local economies in the Bank's operating area.

Residential real estate loans are secured by the improved real property of the borrower. Repayment of these loans is primarily dependent on the personal income of the borrowers. Credit risk in these loans can be impacted by economic conditions within the Bank's operating area that might impact either property values or a borrower's personal income.

The Bank also makes commercial and industrial loans for a variety of purposes, which include working capital, equipment, and accounts receivable financing. This category represents about 14% of the loan portfolio at December 31, 2024 and was generally with a variable interest rate. 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. The Bank generally takes as collateral a lien on any available real estate, equipment, or other assets owned by the borrower and typically obtains a personal guaranty of the borrower or principal.

In consumer and other loans credit risk is driven by consumer economic factors, such as unemployment and general economic conditions in the Bank's operating area and the creditworthiness of a borrower.

The table below presents total outstanding loans and an aging analysis:

	DECEMBER 31, 2024				
	30-89 DAYS PAST DUE	90 DAYS OR MORE PAST DUE	TOTAL PAST DUE 30 DAYS OR MORE	TOTAL CURRENT OR LESS THAN 30 DAYS PAST DUE	TOTAL
Real Estate:					
Commercial real estate	$ 491 491	$ -	$ 491 491	$ 392 604 074	$ 393 095 565
Commercial construction	-	-	-	38 062 702	38 062 702
1-4 family residential	-	421 470	421 470	32 321 687	32 743 157
Residential mortgages	2 227 308	550 645	2 777 953	244 087 710	246 865 663
Home equity	652 919	195 462	848 381	60 203 328	61 051 709
Agriculture	-	-	-	13 765 687	13 765 687
VA/FHA	5 854	1 337	7 191	650 980	658 171
SBA/FSA	-	14 344	14 344	18 051 681	18 066 025
TOTAL REAL ESTATE	3 377 572	1 183 258	4 560 830	799 747 849	804 308 679
Consumer and Credit Card:					
Retail	137 388	3 887	141 275	35 227 620	35 368 895
Certificate of Deposit secured	-	-	-	12 646 017	12 646 017
Fresh start	-	-	-	22 997	22 997
TOTAL CONSUMER	137 388	3 887	141 275	47 896 634	48 037 909
Commercial:					
Agriculture	3 836	-	3 836	5 981 571	5 985 407
Secured and unsecured	90 223	85 761	175 984	131 799 474	131 975 458
SBA/FSA	-	-	-	2 215 591	2 215 591
TOTAL COMMERCIAL	94 059	85 761	179 820	139 996 636	140 176 456
Loans in-process and dealer prepaid				3 309 030	3 309 030
Overdrafts				1 219 510	1 219 510
TOTAL LOANS	$ 3 609 019	$ 1 272 906	$ 4 881 925	$ 992 169 659	997 051 584
Allowance for credit losses					15 155 436
NET LOANS					$ 981 896 148

LOANS - CREDIT QUALITY - CONTINUED

	DECEMBER 31, 2023				
	30-89 DAYS PAST DUE	90 DAYS OR MORE PAST DUE	TOTAL PAST DUE 30 DAYS OR MORE	TOTAL CURRENT OR LESS THAN 30 DAYS PAST DUE	TOTAL
Real Estate:					
Commercial real estate	$ 209 952	$ -	$ 209 952	$ 326 944 253	$ 327 154 205
Commercial construction	-	-	-	39 489 219	39 489 219
1-4 family residential	-	-	-	38 855 104	38 855 104
Residential mortgages	1 121 707	176 647	1 298 354	240 274 370	241 572 724
Home equity	144 098	306 698	450 796	49 824 746	50 275 542
Agriculture	6 579	-	6 579	16 990 911	16 997 490
VA/FHA	9 759	14 366	24 125	854 786	878 911
SBA/FSA	-	76 495	76 495	20 518 307	20 594 802
TOTAL REAL ESTATE	1 492 095	574 206	2 066 301	733 751 696	735 817 997
Consumer and Credit Card:					
Retail	208 734	6 334	215 068	33 805 924	34 020 992
Certificate of Deposit secured	63 878	-	63 878	11 429 551	11 493 429
Fresh start	-	-	-	31 418	31 418
TOTAL CONSUMER	272 612	6 334	278 946	45 266 893	45 545 839
Commercial:					
Agriculture	-	-	-	4 408 362	4 408 362
Secured and unsecured	330 727	68 941	399 668	120 486 753	120 886 421
SBA/FSA				1 983 171	1 983 171
TOTAL COMMERCIAL	330 727	68 941	399 668	126 878 286	127 277 954
Loans in-process and dealer prepaid				2 062 131	2 062 131
Overdrafts				1 155 942	1 155 942
TOTAL LOANS	$ 2 095 434	$ 649 481	$ 2 744 915	$ 909 114 948	911 859 863
Allowance for credit losses					15 129 903
NET LOANS					$ 896 729 960

Nonaccruals:

The following table presents the amortized cost basis of loans on nonaccrual status and loans past due 90 days or more and still accruing:

	DECEMBER 31, 2024		
	NONACCRUAL WITH NO ALLOWANCE FOR CREDIT LOSS	NONACCRUAL	LOANS PAST DUE 90 DAYS OR MORE STILL ACCRUING
Real Estate:			
1-4 family residential	$ -	$ -	$ 421 460
Residential mortgages	-	-	550 645
Home equity	-	-	195 462
VA/FHA	-	-	1 337
SBA/FSA	-	14 344	-
TOTAL REAL ESTATE	-	14 344	1 168 914
Consumer:			
Certificate of deposit secured	-	20 347	3 887
TOTAL CONSUMER	-	20 347	3 887
Commercial:			
Secured and unsecured	-	44 413	85 761
TOTAL COMMERCIAL	-	44 413	85 761
TOTAL	$ -	$ 79 104	$ 1 258 562

	DECEMBER 31, 2023		
	NONACCRUAL WITH NO ALLOWANCE FOR CREDIT LOSS	NONACCRUAL	LOANS PAST DUE 90 DAYS OR MORE STILL ACCRUING
Real Estate:			
Commercial real estate	$ -	$ 136 725	$ -
Residential mortgages	-	-	176 647
Home equity	-	-	306 698
VA/FHA	-	-	14 366
SBA/FSA	-	76 495	-
TOTAL REAL ESTATE	-	213 220	497 711
Consumer:			
Certificate of deposit secured	-	-	6 334
TOTAL CONSUMER	-	-	6 334
Commercial:			
Secured and unsecured	-	348 334	39 661
TOTAL COMMERCIAL	-	348 334	39 661
TOTAL	$ -	$ 561 554	$ 543 706

LOANS - CREDIT QUALITY - CONTINUED

The Company did not recognize interest income on nonaccrual loans during the years ended December 31, 2024 and 2023.

Credit Quality Indicators:

Management categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. Management analyzes loans individually to classify the loans as to credit risk. This analysis includes loans with an outstanding balance greater than $500,000 (other than monthly amortizing owner occupied one to four residential mortgages), all loans on the Bank's supervised loan list, and a sample of loans (other than monthly amortizing owner occupied one to four residential mortgages) between $200,000 and $500,000. This analysis is performed on an annual basis. The Bank uses the following definitions for risk ratings:

Pass - loans in this category have strong asset quality and liquidity along with a multi-year track record of profitability.

Special Mention - loans in this category are currently protected but are potentially weak. The credit risk may be relatively minor yet constitute an increased risk in light of the circumstances surrounding a specific loan.

Substandard - loans in this category show signs of continuing negative financial trends and unprofitability and, therefore, are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any.

Doubtful - loans in this category are illiquid and highly leveraged, have negative net worth, low cash flow, and a continuing trend of serious losses. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors which may work to the advantage and strengthening of the asset, its classification as loss is deferred until its more exact status may be determined.

Loss - loans in this category are considered uncollectible and of such little value that their continuance as bankable loans is not warranted. This classification does not mean that the loan has no recovery value, but it is not practical to defer writing it off, even though partial recovery may be affected in the future. Such credits should be recommended for charge-off.

Credit risk profile by internal assigned grade:

	2024					
	PASS	SPECIAL MENTION	SUBSTANDARD	DOUBTFUL	LOSS	TOTAL
Real Estate:						
Commercial real estate	$ 390 051 528	$ 2 706 455	$ 337 582	$ -	$ -	$ 393 095 565
Commercial construction	38 062 702	-	-	-	-	38 062 702
1-4 family residential	32 321 687	-	421 470	-	-	32 743 157
Residential mortgages	245 136 244	404 453	1 324 966	-	-	246 865 663
Home equity	60 355 958	164 881	530 870	-	-	61 051 709
Agriculture	13 765 687	-	-	-	-	13 765 687
VA/FHA	653 778	-	4 393	-	-	658 171
SBA/FSA	18 051 681	-	-	-	14 344	18 066 025
TOTAL REAL ESTATE	798 399 265	3 275 789	2 619 281	-	14 344	804 308 679
Consumer:						
Retail	35 045 699	14 015	288 834	20 347	-	35 368 895
Certificate of deposit secured	12 646 017	-	-	-	-	12 646 017
Fresh start	22 997	-	-	-	-	22 997
TOTAL CONSUMER	47 714 713	14 015	288 834	20 347	-	48 037 909
Commercial:						
Agriculture	5 913 335	68 236	3 836	-	-	5 985 407
Secured and unsecured	130 481 038	784 462	709 958	-	-	131 975 458
SBA/FSA	2 215 591	-	-	-	-	2 215 591
TOTAL COMMERCIAL	138 609 964	852 698	713 794	-	-	140 176 456
TOTAL LOANS	$ 984 723 942	$ 4 142 502	$ 3 621 909	$ 20 347	$ 14 344	$ 992 523 044

	2023					
	PASS	SPECIAL MENTION	SUBSTANDARD	DOUBTFUL	LOSS	TOTAL
Real Estate:						
Commercial real estate	$ 322 853 346	$ 2 875 328	$ 1 425 531	$ -	$ -	$ 327 154 205
Commercial construction	39 489 219	-	-	-	-	39 489 219
1-4 family residential	38 570 931	284 173	-	-	-	38 855 104
Residential mortgages	240 220 749	376 563	975 412	-	-	241 572 724
Home equity	49 677 180	51 301	547 061	-	-	50 275 542
Agriculture	16 990 911	-	6 579	-	-	16 997 490
VA/FHA	864 545	-	14 366	-	-	878 911
SBA/FSA	20 518 307	-	76 495	-	-	20 594 804
TOTAL REAL ESTATE	729 185 188	3 587 365	3 045 444	-	-	735 817 997
Consumer:						
Indirect	33 412 009	290 270	318 713	-	-	34 020 992
Retail	11 493 429	-	-	-	-	11 493 429
Certificate of deposit secured	31 418	-	-	-	-	31 418
TOTAL CONSUMER	44 936 856	290 270	318 713	-	-	45 545 839
Commercial:						
Agriculture	4 330 641	62 208	15 513	-	-	4 408 362
Secured and unsecured	118 984 746	1 205 395	669 000	27 280	-	120 886 421
SBA/FSA	1 983 171	-	-	-	-	1 983 171
TOTAL COMMERCIAL	125 298 558	1 267 603	684 513	27 280	-	127 277 954
TOTAL LOANS	$ 899 420 602	$ 5 145 238	$ 4 048 670	$ 27 280	$ -	$ 908 641 790

LOANS - CREDIT QUALITY - CONTINUED

Collateral Dependent:

The following tables present the amortized cost basis of collateral-dependent loans by class of loans:

	2024			
	AUTO	EQUIPMENT	REAL ESTATE	INVENTORY
Real Estate:				
Commercial real estate	$ -	$ -	$ -	$ -
TOTAL REAL ESTATE	-	-	-	-
Consumer:				
Retail	-	-	-	-
TOTAL CONSUMER	-	-	-	-
Commercial:				
Secured and unsecured	-	-	-	44 413
TOTAL COMMERCIAL	-	-	-	44 413
TOTAL LOANS	$ -	$ -	$ -	$ 44 413

	2023			
	AUTO	EQUIPMENT	REAL ESTATE	INVENTORY
Real Estate:				
Commercial real estate	$ -	$ -	$ 136 725	$ -
TOTAL REAL ESTATE	-	-	136 725	-
Consumer:				
Retail	27 280	-	-	-
TOTAL CONSUMER	27 280	-	-	-
Commercial:				
Secured and unsecured	-	248 363	-	147 188
TOTAL COMMERCIAL	-	248 363	-	147 188
TOTAL LOANS	$ 27 280	$ 248 363	$ 136 725	$ 147 188

Allowance for Credit Losses - Loans:

The following table presents the activity in the allowance for credit losses by portfolio segment for the years ended December 31, 2024 and 2023:

	COMMERCIAL	REAL ESTATE	CONSUMER	TOTAL ALLOWANCE 2024
Allowance for Credit Losses				
Beginning balance	$ 3 330 843	$ 10 697 199	$ 1 101 861	$ 15 129 903
Loans charged off	(41 545)	(560 915)	(1 639 271)	(2 241 731)
Recoveries of previously charged off loans	78 725	150	1 188 389	1 267 264
NET CHARGE OFFS	37 180	(560 765)	(450 882)	(974 467)
Credit loss expense	-	500 000	500 000	1 000 000
ALLOWANCE FOR CREDIT LOSSES DECEMBER 31, 2024	$ 3 368 023	$ 10 636 434	$ 1 150 979	$ 15 155 436

	COMMERCIAL	REAL ESTATE	CONSUMER	TOTAL ALLOWANCE 2023
Allowance for Credit Losses				
Beginning balance, prior to adoption of ASC 326	$ 3 133 579	$ 10 984 244	$ 941 674	$ 15 059 497
Impact of adopting ASC 326	78 474	(80 495)	(3 336)	(5 358)
Loans charged off	(55 845)	(254 942)	(1 096 099)	(1 406 885)
Recoveries of previously charged off loans	174 635	48 392	459 622	682 649
NET CHARGE OFFS	118 791	(206 550)	(636 477)	(724 236)
Credit loss expense	-	-	800 000	800 000
ALLOWANCE FOR CREDIT LOSSES DECEMBER 31, 2023	$ 3 330 843	$ 10 697 199	$ 1 101 861	$ 15 129 903

The table below represents the allowance and the amortized cost of outstanding loans by portfolio segment at December 31, 2024 and 2023:

December 31, 2024	COMMERCIAL	REAL ESTATE	CONSUMER	TOTAL
Individually Evaluated for Impairment:				
Allowance for credit losses	$ 44 000	$ -	$ -	$ 44 000
Amortized cost	$ 44 413	$ -	$ -	$ 44 413
Allowance as a percentage of unpaid principal balance	99.07%	- %	- %	99.07%
Collectively Evaluated for Impairment:				
Allowance for credit losses	$ 3 324 023	$ 10 636 434	$ 1 150 979	$ 15 111 436
Amortized cost	$ 140 132 042	$ 804 308 679	$ 48 037 909	$ 992 478 631
Allowance as a percentage of unpaid principal balance	2.37%	1.32%	2.40%	1.52%
Total:				
Allowance for credit losses	$ 3 368 023	$ 10 636 434	$ 1 150 979	$ 15 155 436
Amortized cost	$ 140 176 455	$ 804 308 679	$ 48 037 909	$ 992 523 044
Allowance as a percentage of unpaid principal balance	2.40%	1.32%	2.40%	1.53%

LOANS - CREDIT QUALITY - CONTINUED

December 31, 2023	COMMERCIAL	REAL ESTATE	CONSUMER	TOTAL
Individually Evaluated for Impairment:				
Allowance for credit losses	$ 134 000	$ -	$ -	$ 134 000
Amortized cost	$ 395 551	$ 136 725	$ 27 280	$ 559 556
Allowance as a percentage of unpaid principal balance	33.88%	- %	- %	23.95%
Collectively Evaluated for Impairment:				
Allowance for credit losses	$ 3 196 844	$ 10 697 199	$ 1 101 861	$ 14 995 903
Amortized cost	$ 126 882 403	$ 735 681 272	$ 45 518 559	$ 908 082 234
Allowance as a percentage of unpaid principal balance	2.52%	1.45%	2.42%	1.65%
Total:				
Allowance for credit losses	$ 3 330 844	$ 10 697 199	$ 1 101 861	$ 15 129 903
Amortized cost	$ 127 277 954	$ 735 817 997	$ 45 545 839	$ 908 641 790
Allowance as a percentage of unpaid principal balance	2.62%	1.45%	2.42%	1.67%

Modifications:

Occasionally, the Bank modifies loans to borrowers in financial distress by providing principal forgiveness, other-than-insignificant term extension, and other-than-insignificant payment delays or interest rate reductions. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

The following table presents the amortized cost basis of loans at December 31, 2024 and 2023 that were both experiencing financial difficulty and modified during the year ended December 31, 2024 and 2023, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below:

	TERM EXTENSION	INTEREST RATE REDUCTION	TOTAL CLASS OF FINANCING RECEIVABLE
December 31, 2024			
Consumer:			
Retail	$ 6 639	$ 13 628	0.06%
TOTAL CONSUMER	6 639	13 628	0.06%
Commercial:			
Secured and unsecured	-	248 285	0.19%
TOTAL COMMERCIAL	-	248 285	0.19%
TOTAL	$ 6 639	$ 261 913	0.03%

	TERM EXTENSION	INTEREST RATE REDUCTION	TOTAL CLASS OF FINANCING RECEIVABLE
December 31, 2023			
Consumer:			
Retail	$ 28 494	$ -	0.08%
TOTAL CONSUMER	28 494	-	0.08%
Commercial:			
Secured and unsecured	205 657	42 760	0.21%
TOTAL COMMERCIAL	205 657	42 760	0.20%
TOTAL	$ 234 151	$ 42 760	0.03%

There was no commitment to lend additional funds to the borrowers included in the previous tables.

The Bank closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table presents the performance of such loans that have been modified in the 12 months prior to December 31, 2024 and 2023:

	30-59 DAYS PAST DUE	60-89 DAYS PAST DUE	GREATER THAN 89 DAYS PAST DUE	TOTAL PAST DUE
December 31, 2024				
Consumer:				
Retail	$ -	$ -	$ -	$ -
TOTAL CONSUMER	-	-	-	-
TOTAL	$ -	$ -	$ -	$ -

	30-59 DAYS PAST DUE	60-89 DAYS PAST DUE	GREATER THAN 89 DAYS PAST DUE	TOTAL PAST DUE
December 31, 2023				
Consumer:				
Retail	$ 22 797	$ -	$ -	$ 22 797
TOTAL CONSUMER	22 797	-	-	22 797
TOTAL	$ 22 797	$ -	$ -	$ 22 797

LOANS - CREDIT QUALITY - CONTINUED

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty for the year ended December 31, 2024 and 2023:

		PRINCIPAL FORGIVENESS	WEIGHTED-AVERAGE INTEREST RATE REDUCTION	WEIGHTED-AVERAGE TERM EXTENSION (in months)
December 31, 2024				
Consumer:				
Retail	$	-	0.49%	7
TOTAL CONSUMER		-	0.49%	7
Commercial:				
Secured and unsecured		-	8.86%	88
TOTAL COMMERCIAL		-	8.86%	88
TOTAL	$	-	9.35%	95

		PRINCIPAL FORGIVENESS	WEIGHTED-AVERAGE INTEREST RATE REDUCTION	WEIGHTED-AVERAGE TERM EXTENSION (in months)
December 31, 2023				
Consumer:				
Retail	$	-	-	5
TOTAL CONSUMER		-	-	5
Commercial:				
Secured and unsecured		-	1.50%	40
TOTAL COMMERCIAL		-	1.50%	40
TOTAL	$	-	1.50%	45

The following table presents the amortized cost basis of loans that had a payment default during the year ended December 31, 2024 and 2023 and were modified in the twelve months prior to that default to borrowers experiencing financial difficulty:

	PRINCIPAL FORGIVENESS	PAYMENT DELAY	TERM EXTENSION	INTEREST RATE REDUCTION	COMBINATION TERM EXTENSION INTEREST RATE REDUCTION
December 31, 2024					
Consumer:					
Retail	$ -	$ -	$ -	$ -	$ -
TOTAL CONSUMER	-	-	-	-	-
TOTAL	$ -	$ -	$ -	$ -	$ -

	PRINCIPAL FORGIVENESS	PAYMENT DELAY	TERM EXTENSION	INTEREST RATE REDUCTION	COMBINATION TERM EXTENSION INTEREST RATE REDUCTION
December 31, 2023					
Consumer:					
Retail	$ -	$ -	$ -	$ -	$ 12 000
TOTAL CONSUMER	-	-	-	-	12 000
TOTAL	$ -	$ -	$ -	$ -	$ 12 000

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

Loans Purchased/Sold:

No loans held for investment were purchased or sold during 2024 and 2023.

Mortgage loans held for sale at December 31, 2024 and 2023 were $1,451,357 and $1,840,946, respectively. These loans consisted of loans which management intended to sell in the secondary market at the next available opportunity. Since these mortgage loans were originated shortly before year end at current market rates, the carrying value of the held for sale loan portfolio approximated the market value and no provisions for unrealized losses were made. Aggregate gains on sales of loans held for sale amounted to $1,281,836 and $1,133,469 in 2024 and 2023, respectively. These are included in "Fees on sales and servicing of loans" on the Consolidated Statements of Income.

LOAN SERVICING

Mortgage loans serviced for others are not included in assets. The unpaid balances of those loans at December 31, 2024 and 2023 were $246,777,620 and $266,804,894, respectively.

Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in demand deposits, totaled $1,729,341 and $2,393,817 at December 31, 2024 and 2023, respectively.

LOAN SERVICING - CONTINUED

Mortgage servicing rights are reported as part of other assets. The table below summarized the changes in mortgage servicing rights:

	2024	2023
Balance at beginning of the period	$ 1 496 275	$ 1 676 716
Servicing rights capitalized	41 329	32 795
Amortization of servicing rights	(181 190)	(213 236)
Change in valuation allowance	-	-
Balance at end of the period	1 356 414	1 496 275

The following table summarizes the activity in the valuation allowance for MSR's:

	2024	2023
Beginning of the period	$ -	$ -
Impairment	-	-
Recovery	-	-
Balance at end of the period	$ -	$ -

Fair value at December 31 was determined using the following inputs:

	2024	2023
Discount rate range	4.92% to 5.55%	4.78% to 6.35%
Prepayment speed range	0.12% to 0.50%	0.18% to 0.72%

Fair value was $2,913,355 and $2,753,947 at December 31. 2024 and 2023, respectively, and is based on the present value of expected future cash inflows.

PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2024	2023
Land	$ 4 611 843	$ 5 372 239
Buildings	19 400 881	17 274 950
Furniture and equipment	7 561 250	6 720 040
Vehicles	331 347	268 534
Construction in process	1 063 449	34 850
TOTAL COST	32 968 770	29 670 613
Less: Accumulated depreciation	(15 632 005)	(14 164 438)
NET BOOK VALUE	$ 17 336 765	$ 15 506 175

Depreciation expense totaled $1,558,303 and $1,633,889 for the years presented and is included in occupancy expense on the consolidated statements of income.

OTHER REAL ESTATE OWNED

A comparative summary of activity on foreclosed real estate follows:

	2024	2023
Balance at January 1	$ 270 000	$ 20 000
Foreclosed during the year	-	898 872
Gain on sale	-	70 740
Sales and other dispositions	-	(719 612)
Write down	(100 000)	-
BALANCE AT DECEMBER 31	$ 170 000	$ 270 000
As Shown on the Consolidated Statements of Condition:		
Non-residential real estate owned	$ 170 000	$ 270 000
Residential real estate owned	-	-
	$ 170 000	$ 270 000

During the years presented, there were no significant investments in mortgage loans secured by residential real estate properties where formal foreclosure procedures were in process at year end.

During 2020, the Bank moved OREO in the amount of $1,537,340 to the Company. A portion of the land was sold during 2024 and 2023 for $150,000 and $795,000, respectively, with recognized gains in 2024 of $71,490 and $57,660 for 2023. The amount is carried as investment in land on the consolidated statements of condition at fair value less an estimated cost to sell.

DEPOSITS

The following table summarizes deposits by category at December 31:

	2024	2023
Noninterest-bearing:		
Demand	$ 406 883 168	$ 430 497 342
Interest-bearing:		
Interest-bearing demand	244 773 377	244 649 674
Savings	96 210 133	109 695 607
Money market accounts	361 529 173	250 076 742
Time deposits less than $250,000	152 822 489	111 051 510
Time deposits $250,000 and over	81 039 666	73 754 143
TOTAL INTEREST-BEARING	936 374 838	789 227 676
TOTAL DEPOSITS	$ 1 343 258 006	$ 1 219 725 018

The maturity distribution of time deposits at December 31, 2024, was as follows:

Within one year	$ 204 281 028
One to two years	15 907 201
Two to three years	4 964 880
Three to five years	2 995 122
Over five years	5 713 924
	$ 233 862 155

Interest on deposits consisted of the following for the years ended December 31:

	2024	2023
Savings	$ 222 854	$ 234 497
NOW accounts	3 127 456	2 816 538
Money market accounts	11 510 468	6 673 271
Certificates of deposit	8 904 675	4 179 127
	$ 23 765 453	$ 13 903 433

NOTES PAYABLE AND FHLB ADVANCES

The Company has an available advance from the FHLB of $471,550,691 that is collateralized by certain loans. The balance of borrowings as of December 31, 2024 and 2023 was $-0-.

Additionally, the Company is required to own stock in the FHLB which varies in relation to the level of debt. FHLB stock balances held by the Company at December 31, 2024 and 2023 were $2,237,100 and $2,121,600, respectively, which exceeded the minimum levels required by the FHLB.

During 2020, the Company began receiving Small Business Boost loans from FHLB for customers. The balance in these loans was $69,460 and $83,532 for December 31, 2024 and 2023, respectively. The liabilities recorded correspond to customer loans of equal amount and will be paid off via customer payments.

The future principal requirements of the long-term debt are as follows:

Within one year	$ 15 349
One to two years	14 647
Two to three years	10 852
Three to four years	6 137
Four to five years	5 885
Over five years	16 590
	$ 69 460

The Company also has a Federal Funds Purchase Line available with a limit of $20,000,000. The line expires on January 1, 2025. The Company has a second Federal Funds Purchase Line available up to $20,000,000 with no expiration. There were no advances outstanding under these lines at December 31, 2024 and 2023.

The Company has a $15,000,000 line of credit with a balance of $-0- at December 31, 2024 and 2023. The line is secured by 100,000 shares of the Company's common stock, requires quarterly interest payments at prime plus 0.25%, and has a final maturity date of June 2025.

OPERATING LEASES

The Bank leases branch locations under noncancelable operating lease arrangements. Short-term leases, leases with an initial term of 12 months or less and do not contain a purchase option that are likely to be exercised, are not recorded on the consolidated statements of condition. Operating lease cost is recognized on a straight-line basis over the lease term and is included in occupancy expense within other expenses on the consolidated statements of income. Management evaluated the lease term by assuming the exercise of the options to extend that are reasonably assured and those option periods covered by the option to terminate the lease, if deemed not reasonably certain to be exercised. The lease term is used to determine straight-line expense. Certain leases require the Bank to pay real estate taxes associated with the leased premises. Those expenses are classified in occupancy expense on the consolidated statements of income within noninterest expense but are not included in operating lease cost below.

OPERATING LEASES - CONTINUED

The Bank's leases have remaining lease terms ranging from 5 to 37 months, three of which include an option to extend for up to 5 years, and one of which includes an option to terminate upon mutual agreement with both parties. Management calculated the lease liability using a discount rate that represents their incremental borrowing rate at the lease commencement date.

The consolidated statements of condition presents operating lease ROU assets of $641,934 and $804,983 and operating lease liabilities of $641,934 and $804,983 as of December 31, 2024 and 2023, respectively.

Operating lease cost in was $181,210 and $174,480 as of December 31, 2024 and 2023, respectively. These amounts are carried in occupancy expense in the consolidated statement of income.

At December 31, 2024, the weighted-average remaining lease term was 8 years, and the weighted-average discount rate was 4.30% for operating leases recognized in the consolidated financial statements.

The future minimum lease commitments under operating leases at December 31, 2024 are as follows:

For the Year Ended December 31,		Amount
2025	$	176 280
2026		123 760
2027		22 800
2028		25 000
2029		25 200
Later years		383 700
Future minimum lease payments		756 740
Less: Imputed interest		(114 806)
Present value of operating lease liabilities	$	641 934

REGULATORY CAPITAL MATTERS

The Company is subject to certain restrictions on the amount of dividends that it may declare without prior regulatory approval. National banks may not, without the prior approval of the Office of the Comptroller of Currency (OCC), declare dividends in excess of the sum of the current year's earnings plus the retained earnings from the prior two years. The dividends, as of December 31, 2024, that the Bank could declare, without the prior approval of the OCC, amounted to approximately $38,172,000.

The Federal Reserve Board has established guidelines with respect to the maintenance of appropriate levels of capital by registered bank holding companies. Compliance with such standards, as presently in effect, or as they may be amended from time to time, could possibly limit the amount of dividends that the Company may pay in the future. In 1985, the Federal Reserve Board issued a policy statement on the payment of cash dividends by bank holding companies. In the statement, the Federal Reserve Board expressed its view that a holding company experiencing earnings weaknesses should not pay cash dividends exceeding its net income, or which could only be funded in ways that weaken the holding company's financial health, such as by borrowing.

Restrictions on Lending from Subsidiary to Parent:

Federal law imposes certain restrictions limiting the ability of the Bank to transfer funds to the Company in the forms of loans or advances. Section 23A of the Federal Reserve Act prohibits the Bank from making loans or advances to the Company in excess of 10 percent of its capital stock and surplus, as defined therein. There were no loans or advances outstanding between the Bank and the Company at December 31, 2024 and 2023.

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2024 that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2024, the Bank is considered well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution's category.

Actual capital amounts and ratios are presented in the table for the Bank (in thousands). Since Company assets are less than $3 billion, consolidated ratios are not required to be prepared and as such are not presented here.

REGULATORY CAPITAL MATTERS - CONTINUED

	ACTUAL		MINIMUM CAPITAL REQUIRED UNDER BASEL III PHASE IN FOR CAPITAL ADEQUACY PURPOSES		REQUIRED TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
	(000's) AMOUNT	RATIO	(000's) AMOUNT	RATIO	(000's) AMOUNT	RATIO
As of December 31, 2024:						
Total Risk Based Capital (to risk-weighted assets)	$ 158 794	15.97%	$ 104 413	≥10.50%	$ 99 441	≥10.0%
Tier I Capital (to risk-weighted assets)	$ 146 328	14.72%	$ 84 525	≥8.500%	$ 79 553	≥ 8.0%
Tier I Leverage Capital (to average total assets)	$ 146 328	9.75%	$ 60 041	≥4.000%	$ 75 051	≥ 5.0%
Common Equity Tier I Capital (to risk-weighted assets)	$ 146 328	14.72%	$ 69 609	≥7.000%	$ 64 637	≥ 6.5%
As of December 31, 2023:						
Total Risk Based Capital (to risk-weighted assets)	$ 143 482	15.75%	$ 95 650	≥10.50%	$ 91 095	≥10.0%
Tier I Capital (to risk weighted assets)	$ 132 048	14.50%	$ 77 430	≥8.500%	$ 72 876	≥ 8.0%
Tier I Leverage Capital (to average total assets)	$ 132 048	9.75%	$ 54 149	≥4.000%	$ 67 686	≥ 5.0%
Common Equity Tier I Capital (to risk-weighted assets)	$ 132 048	14.50%	$ 63 766	≥7.000%	$ 59 211	≥ 6.5%

The above 2024 and 2023 risk-weighted capital ratios for capital adequacy purposes include a 2.50% capital conservation buffer which increases the minimum required total risk-based capital, Tier I risk-based and common equity Tier I capital to risk-weighted assets the Bank must maintain to avoid limits on capital distribution and certain bonus payments to executive officers and similar employees. As reflected above, the Bank's capital was sufficient to exceed its minimum capital requirements including the required capital conservation buffer.

INCOME PER SHARE

The weighted-average number of shares outstanding used in computing earnings per common share was 928,309 in 2024 and 939,458 in 2023.

TREASURY STOCK

Shares held in treasury are being carried by the Company at original cost. At December 31, 2024 and 2023, the Company held 166,200 shares of its own common stock in treasury with a cost basis of $4,641,885 and 155,876 shares of its own common stock in treasury with cost basis of $3,195,405, respectively.

PREFERRED STOCK

The Company is authorized to issue up to 200,000 shares of Preferred Stock with no stated value. At December 31, 2024 and 2023, no shares of preferred stock are issued.

EMPLOYEE STOCK OWNERSHIP PLAN

Effective January 1, 1994, the Company adopted an Employee Stock Ownership Plan (Plan) containing Internal Revenue Code 401(k) provisions for all employees of the Bank who have attained age 18 and have completed 90 days of service with the Bank. Three types of contributions can be made to the Plan by the Company: 1) discretionary contributions made for all non-highly compensated participants in order to satisfy the nondiscrimination requirements of the IRS Code, 2) matching contributions which are currently set at 50% of the first 6% of each employee's salary reduction contribution, and 3) optional contributions which, when made by the Bank, are allocated to the accounts of participants on the basis of total relative compensation. All Bank contributions except for the optional contributions are automatically 100% vested. The optional contributions are vested evenly over a 4 year period.

During 2023, the ESOP borrowed from the Company to purchase 1,722 shares of stock at $127.50 per share. Employer contributions were used to repay the loan, and pay-off occurred during 2024. Total contributions expensed for the Plan by the Bank during 2024 and 2023 were $352,347 and $328,536, respectively, which were recognized as salary and benefits expense in the consolidated statements of income. All participants have the option to put their shares back to the Plan at fair value in the event of termination of employment. Cash available in the Plan for future stock purchases or debt service (temporarily invested in money market funds) totaled $154,463 at December 31, 2024 and $2,567 at December 31, 2023.

At December 31, 2024 and 2023, shares allocated, and shares remaining in suspense were as follows:

	2024	2023
Numbers of Shares:		
Released and allocated	40 621	38 812
Unearned	-	1 722
TOTAL ESOP SHARES	40 621	40 534
Fair Value:		
Allocated shares subject to repurchase obligation	$ 5 636 164	$ 4 948 551
Unearned shares	-	219 534
TOTAL FAIR VALUE	$ 5 636 164	$ 5 168 085

Dividends declared and paid on stock held by the Plan were charged against retained earnings in the same manner as dividends paid to other stockholders. Stock held by the Plan was included in the calculation of average shares outstanding and in the earnings per share computation.

EXECUTIVE SUPPLEMENTAL INCOME PLAN

Certain officers of the Bank are covered by an Executive Supplemental Income Plan (ESI) which provides retirement and/or life insurance benefits to each participant. The Plan is funded by life insurance products purchased and owned by the Bank which is designed to be self-sustaining after the first five years. The asset values of the policies totaled $16,559,774 at December 31, 2024, and $16,092,204 at December 31, 2023. A portion of the future retirement benefits which will be paid to the participants are accrued and expensed annually. The total accrued retirement benefit was $1,793,864 and $1,570,315 at December 31, 2024 and 2023, respectively. This benefit is included in other liabilities in the consolidated statements of condition.

DIRECTORS' DEFERRED INCOME PLAN

The Directors' Deferred Income Plan (DDI) provides retirement and/or life insurance benefits to each participating director. The Plan is substantially funded by the deferral of fees otherwise payable to those directors who elect to participate. The asset values of the policies totaled $770,696 at December 31, 2024, and $796,643 at December 31, 2023. A portion of the future retirement benefits which will be paid to the participants are accrued and expensed annually. The total accrued retirement benefit was $3,070,666 and $2,851,774 at December 31, 2024 and 2023, respectively. This benefit is included in other liabilities in the consolidated statement of condition.

FINANCIAL INSTRUMENTS, COMMITMENTS, AND CONTINGENCIES

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to fund loans and standby letters of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated statements of condition. The contract or notional amounts of those instruments reflect the extent of involvement the Bank has in those particular financial instruments.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for instruments that are reflected on the consolidated statements of condition.

	CONTRACT OR NOTIONAL AMOUNT	
	2024	2023
Financial Instruments Whose Contract Amounts Represent Credit Risk:		
Commitments to fund loans	$ 184 135 294	$ 160 432 089
Standby letters of credit	$ 531 000	$ 1 133 422

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

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private arrangements in which the customer has guaranteed payment to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers.

The Bank has not incurred materially significant losses on its commitments in either 2024 or 2023. The Bank primarily serves customers located in Texas. As such, the Bank's loans, commitments, and standby letters of credit have been granted to customers in that area.

The following tables present the activity in the allowance for credit losses on off-balance sheet credit exposures by portfolio segment for the year ended December 31, 2024 and 2023:

	COMMERCIAL	REAL ESTATE	CONSUMER	TOTAL ALLOWANCE 2024
Allowance for Credit Losses:				
Beginning balance	$ 149 075	$ 2 649	$ 16	$ 151 740
Credit loss expense	24 868	58	74	25 000
Change due to settlement or recognition of a financial asset	2 384	(2 295)	434	523
ALLOWANCE FOR CREDIT LOSSES DECEMBER 31, 2024	$ 176 327	$ 412	$ 524	$ 177 263

FINANCIAL INSTRUMENTS, COMMITMENTS, AND CONTINGENCIES - CONTINUED

	COMMERCIAL	REAL ESTATE	CONSUMER	TOTAL ALLOWANCE 2023
Allowance for Credit Losses:				
Beginning balance, prior to adoption of ASC 326	$ 46 986	$ 42 437	$ 15	$ 89 438
Impact of adopting ASC 326	133 856	(41 561)	7	92 302
Credit loss expense	(31 767)	1 773	(6)	(30 000)
Change due to settlement or recognition of a financial asset	-	-	-	-
ALLOWANCE FOR CREDIT LOSSES DECEMBER 31, 2023	$ 149 075	$ 2 649	$ 16	$ 151 740

The allowance for credit losses for off-balance sheet credit exposures is included in other liabilities on the consolidated statements of condition.

In the normal course of business, the Company and its subsidiaries are involved in various legal proceedings. Management has concluded based upon advice of counsel, that the result of these proceedings will not have a material effect on the Company's consolidated statements of condition or results of operations.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other 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.
- Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Management used the following methods and significant assumptions to estimate fair value:

Investment Securities - The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2), using matrix pricing. Matrix pricing is a mathematical technique commonly used to price debt securities that are not actively traded, values debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

Loans Held for Sale - The fair value of loans held for sale is determined using quoted prices for similar assets, adjusted for specific attributes of that loan (Level 2).

Collateral Dependent Loans - Collateral dependent loans are measured based on the fair value of collateral adjusted for estimated costs to sell if repayment or satisfaction of the loan depends on the sale of the collateral. Collateral type dictates how fair value of the underlying collateral is determined. Collateral may be real estate and/or business assets including equipment, inventory and/or accounts receivable. The value of real estate collateral is determined based on appraisal by qualified licensed appraisers hired by the Company. The value of business equipment, inventory, and accounts receivable collateral is based on the net book value on the business' financial statements and, if necessary, discounted based on management's review and analysis. Appraised and reported values may be discounted based on management's historical knowledge, changes in market conditions from the time of valuation, and/or management's expertise and knowledge of the client and client's business. (Level 3).

Other Real Estate Owned and Investment in Land - Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Fair value is commonly based on recent real estate appraisals which are updated no less frequently than annually. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach with data from comparable properties. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available result in a Level 3 classification of the inputs for determining fair value.

FAIR VALUE OF FINANCIAL INSTRUMENTS - CONTINUED

The following table presents the Company's fair value hierarchy for the assets measured at fair value on a recurring basis as of December 31:

	QUOTED MARKET PRICES IN ACTIVE MARKETS (LEVEL 1)	OTHER OBSERVABLE INPUTS (LEVEL 2)	UNOBSERVABLE INPUTS (LEVEL 3)	TOTAL CARRYING AMOUNT
December 31, 2024:				
Available-for-Sale Securities:				
U.S. government	$ 122 106 372	$ -	$ -	$ 122 106 372
Mortgage-backed securities	$ -	$ 16 821 183	$ -	$ 16 821 183
Collateralized mortgage obligations	$ -	$ 35 107 659	$ -	$ 35 107 659
Municipal securities	$ -	$ 71 219 949	$ -	$ 71 219 949
Municipal securities - Taxable	$ -	$ 59 854 238	$ -	$ 59 854 238
Equity Securities:				
Marketable equity securities	$ 690 005	$ 867 491	$ -	$ 1 557 496
Loans held for sale	$ 1 451 357	$ -	$ -	$ 1 451 357
December 31, 2023:				
Available-for-Sale Securities:				
U.S. government	$ 148 821 656	$ 2 969 465	$ -	$ 151 791 121
U.S. sponsored agency securities	$ -	$ 3 485 010	$ -	$ 3 485 010
Mortgage-backed securities	$ -	$ 17 650 361	$ -	$ 17 650 361
Collateralized mortgage obligations	$ -	$ 32 928 417	$ -	$ 32 928 417
Municipal securities	$ -	$ 77 673 250	$ -	$ 77 673 250
Municipal securities - Taxable	$ -	$ 59 472 808	$ -	$ 59 472 808
Equity Securities:				
Marketable equity securities	$ 676 673	$ 748 944	$ -	$ 1 425 617
Loans held for sale	$ -	$ 1 840 946	$ -	$ 1 840 946

Each major category of assets and liabilities presented on the consolidated statements of condition measured at fair value on a nonrecurring basis during the period are presented as follows:

		FAIR VALUE MEASUREMENTS USING		
DESCRIPTION	TOTAL	QUOTED MARKET PRICES IN ACTIVE MARKETS (LEVEL 1)	OTHER OBSERVABLE INPUTS (LEVEL 2)	UNOBSERVABLE INPUTS (LEVEL 3)
12/31/2024				
Collateral dependent loans	$ 413	$ -	$ -	$ 413
Investment in land	$ 15 000	$ -	$ -	$ 15 000
Other real estate owned	$ 170 000	$ -	$ -	$ 170 000

		FAIR VALUE MEASUREMENTS USING		
DESCRIPTION	TOTAL	QUOTED MARKET PRICES IN ACTIVE MARKETS (LEVEL 1)	OTHER OBSERVABLE INPUTS (LEVEL 2)	UNOBSERVABLE INPUTS (LEVEL 3)
12/31/2023				
Collateral dependent loans	$ 425 556	$ -	$ -	$ 425 556
Investment in land	$ 150 000	$ -	$ -	$ 150 000
Other real estate owned	$ 270 000	$ -	$ -	$ 270 000

INCOME TAXES

The provision for income taxes consisted of the following for 2024 and 2023:

	2024	2023
Current:		
Federal	$ 4 678 480	$ 4 147 683
Deferred:		
Federal	28 644	(281 001)
TOTAL INCOME TAX EXPENSE	$ 4 707 124	$ 3 866 682

The provision for federal income tax differs from that computed by applying the federal statutory rate of 21% in 2024 and 2023, as indicated in the following analysis:

	2024	2023
Statutory rate	21.00 %	21.00 %
Increase (Decrease) Resulting from:		
Effect of tax-exempt income	(0.86)%	(1.09)%
Nondeductible interest, entertainment and amortization expenses	- %	- %
Insurance cash surrender value increase	(0.42)%	(0.42)%
	19.72%	19.49 %

INCOME TAXES - CONTINUED

The components of deferred income taxes included in other assets in the consolidated statements of condition are as follows:

		2024		2023
Deferred Tax Asset:				
Federal	$	11 106 657	$	11 329 470
Deferred Tax Liability:				
Federal		(1 104 448)		(752 070)
NET DEFERRED TAX ASSET	$	10 002 209	$	10 577 400

The tax effects of each type of significant item that gave rise to deferred taxes are:

		2024		2023
Allowance for credit losses	$	3 299 711	$	3 238 629
Depreciation		(486 431)		(368 081)
Amortization of core deposit intangibles		720 510		728 628
Accretion of discounts on debt securities		(481 476)		(222 315)
Deferred compensation		1 018 398		925 335
Interest accrued on non-accrual loans		20 252		20 252
Loan origination costs capitalized for tax purposes		129 189		128 189
Stock dividends and unearned credit life insurance		(47 434)		(6 295)
Investment in land		70 475		70 475
Unrealized (gain) or loss on securities available-for-sale		5 696 310		6 217 962
Unrealized (gain) loss on marketable equity securities		(139 107)		(114 212)
Other		201 812		(41 167)
BALANCE AT DECEMBER 31	$	10 002 209	$	10 577 400

RELATED PARTY TRANSACTIONS

The Bank has entered into transactions with its executive officers, directors, significant shareholders, and their affiliates (related parties). In the opinion of management, such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers, and did not involve more than normal credit risk or present other unfavorable features. An analysis of the approximate activity during 2023 and 2024 is as follows:

Balance, December 31, 2022	$	1 033 420
New loans		9 770 000
Repayments		(237 260)
Balance, December 31, 2023		10 566 160
New loans		14 714 100
Repayments		(20 801 812)
Balance, December 31, 2024	$	4 478 448

Deposits owed to such related parties consisted of approximately $22,202,160 and $14,738,338 at December 31, 2024 and 2023, respectively.

CONCENTRATION OF CREDIT

Substantially all of the Bank's loans, commitments, and commercial and standby letters of credit have been granted to customers in the Banks's market areas. Many such customers are depositors of the Bank. The concentrations of credit by type of loan are set forth in the notes above. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Standby letters of credit were granted primarily to commercial borrowers. The Bank, as a matter of policy, does not extend credit to any single borrower or group of related borrowers in excess of the legal lending limit.

On March 15, 2020, the Board of Governors of the Federal Reserve System eliminated reserve requirements for all depository institutions effective March 26, 2020. The requirement was to maintain certain reserves in cash and on deposit with the Federal Reserve Bank against outstanding domestic deposit liabilities. Balances on deposit at the Federal Reserve totaled $111,229,832 and $21,793,427 at December 31, 2024 and 2023, respectively.

The Company may from time to time carry certain assets with other financial institutions which are subject to credit risk by the amount such assets exceed federal deposit insurance limits. Management monitors the financial stability of correspondent banks and considers any amounts advanced in excess of FDIC insurance limits to present no significant additional risk to the Company.

TRUST ASSETS

Trust assets and other property (except cash deposits), held by the Company in agency or other fiduciary capacities for its customers are not included in the financial statements as they are not assets of the Company. The market value of the trust assets at December 31, 2024 and 2023 was $416,646,104 and $378,377,715, respectively.

STOCK OPTION PLAN

The stockholders of the Company have approved the 2012 employee incentive stock option plan which provides for the granting of qualified incentive stock options to key employees of the Bank. The period of time over which options may be exercised is ten years from the date of grant for each option agreement. The purchase price of each option is determined at the date of grant but cannot be less than 100% of fair market value. In the case of incentive stock options granted to an existing holder of 10% or more of common stock, the option price cannot be less than 110% of fair market value. Options vest on a graduated scale and are fully vested in the fourth year.

STOCK OPTION PLAN - CONTINUED

In 2013, the stockholders of the Company approved to amend the Certificate of Formation to conform with Texas law to have the ability to issue bonus stock to certain key officers in lieu of, or in addition to, cash without triggering any preemptive rights held by the shareholders.

The Company has set aside 10,000 shares of common stock to be considered available for the bonus stock plan. The Company issued 540 and 600 shares of common stock under this bonus stock plan during 2024 and 2023, respectively.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model that uses the assumptions noted in the following table. Volatility is based on changes observed in the price of the stock as it has been internally-traded as well as changes observed in price/earnings ratios and multiples of regional banks that have been sold in recent years. The expected term of options granted is based on historical data regarding time frames that options have been outstanding. Expected dividends are based on historical data of dividends declared in recent years. The risk-free rate is based on the yield of 10-year Treasury notes as of the date of grant.

A summary of option activity under the plans as of December 31, 2024 and 2023, and changes during the years then ended is presented below:

OPTIONS	NUMBER OF SHARES		WEIGHTED-AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE REMAINING CONTRACTUAL TERM		AGGREGATE INTRINSIC VALUE
Outstanding at January 1, 2024	490	$	74.48			
Granted	3 500	$	127.50			
Exercised	-	$	-			
Forfeited or expired	-	$	-			
Outstanding at December 31, 2024	3 990	$	120.99	9 years	$	25 978
Exercisable at December 31, 2024	490		74.48	9 years	$	25 978

OPTIONS	NUMBER OF SHARES		WEIGHTED-AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE REMAINING CONTRACTUAL TERM		AGGREGATE INTRINSIC VALUE
Outstanding at January 1, 2023	905	$	74.26			
Granted	-	$	-			
Exercised	415	$	74.01			
Forfeited or expired	-	$	-			
Outstanding at December 31, 2023	490	$	74.48	5 years	$	25 978
Exercisable at December 31, 2023	490			5 years	$	25 978

As of December 31, 2024 and 2023, there were 3,500 and -0- nonvested shares under option with a weighted-average grant date fair value of $127.50 and $-0- per share, respectively, and there was unrecognized compensation cost related to nonvested shares of $135,167 in 2024 and $-0- in 2023.

Total compensation cost related to the stock option plan for 2024 and 2023 was approximately $-0- and $30,000, respectively.

Total cash received from options exercised for 2024 and 2023 approximated $-0- and $65,000, respectively.

COMPONENTS OF OTHER COMPREHENSIVE INCOME

The following table presents the components of other comprehensive income (loss).

	YEARS ENDED											
	DECEMBER 31, 2024						DECEMBER 31, 2023					
		BEFORE TAX		TAX EFFECT		NET OF TAX		BEFORE TAX		TAX EFFECT		NET OF TAX
Changes in net unrealized gains (losses) on debt securities Available-for-sale	$	2 484 058	$	(521 652)	$	1 962 406	$	11 504 165	$	(2 415 875)	$	9 088 291
Reclassification adjustment for losses realized, net		-		-		-		332 732		(69 874)		262 858
OTHER COMPREHENSIVE INCOME (LOSS)	$	2 484 058	$	(521 652)	$	1 962 406	$	11 836 897	$	(2 485 748)	$	9 351 149

COMPONENTS OF OTHER COMPREHENSIVE INCOME - CONTINUED

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

	SECURITIES AVAILABLE FOR SALE	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
Balance at December 31, 2022	$ (32 742 530)	$ (32 742 530)
Other comprehensive income before reclassifications	9 088 291	9 088 291
Amounts reclassified from accumulated other comprehensive loss	262 858	262 858
Balance at December 31, 2023	(23 391 381)	(23 391 381)
Other comprehensive income before reclassifications	1 962 406	1 962 406
Amounts reclassified from accumulated other comprehensive income	-	-
Balance at December 31, 2024	$ (21 428 975)	$ (21 428 975)

SUPPLEMENTAL SCHEDULES

NACOGDOCHES COMMERCIAL BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CONDITION
December 31, 2024

	NACOGDOCHES COMMERCIAL BANCSHARES, INC.	COMMERCIAL BANK OF TEXAS, N.A.	ELIMINATIONS	CONSOLIDATED TOTAL
ASSETS				
Cash and due from banks	$ 539 709	$ 12 962 493	$ (539 709)	$ 12 962 493
Interest-bearing deposits with banks	-	115 704 835	-	115 704 835
Federal funds sold	-	-	-	-
Available-for-sale debt securities at fair value (amortized cost $332,255,914 net of allowance for credit losses of $-0-)	-	305 109 401	-	305 109 401
Held-to-maturity debt securities, net of allowance for credit losses of $-0-	-	5 750 000	-	5 750 000
Marketable equity securities	-	1 557 496	-	1 557 496
Investment in subsidiary	128 680 636	-	(128 680 636)	-
Loans held for sale	-	1 451 357	-	1 451 357
Loans, net of allowance for credit losses of $15,155	-	981 896 148	-	981 896 148
Accrued interest receivable	-	6 497 671	-	6 497 671
Property and equipment	123 741	17 213 024	-	17 336 765
Operating lease right-of-use assets	-	641 934	-	641 934
Restricted equity securities	52 500	3 258 300	-	3 310 800
Bank owned life insurance	-	17 330 470	-	17 330 470
Investment in land	15 000	-	-	15 000
Other real estate owned	-	170 000	-	170 000
Goodwill, net	-	3 578 483	-	3 578 483
Other assets	291 378	13 096 032	(260 000)	13 127 410
TOTAL ASSETS	$ 129 702 964	$ 1 486 217 644	$ (129 480 345)	$ 1 486 440 263
LIABILITIES AND STOCKHOLDERS' EQUITY				
Liabilities:				
Deposits:				
Noninterest bearing	$ -	$ 407 422 877	$ (539 709)	$ 406 883 168
Interest bearing	-	936 374 838	-	936 374 838
TOTAL DEPOSITS	-	1 343 797 715	(539 709)	1 343 258 006
Accrued interest payable	-	1 993 167	-	1 993 167
Other borrowings	-	69 460	-	69 460
Operating lease liabilities	-	641 934	-	641 934
Other liabilities	272 609	11 034 732	(260 000)	11 047 341
TOTAL LIABILITIES	272 609	1 357 537 008	(799 709)	1 357 009 908
Stockholders' Equity:				
Common stock, 2,800,000 shares at $10 par value authorized; 1,089,506 shares issued; 923,306 shares outstanding	10 897 060	1 000 000	(1 000 000)	10 897 060
Capital surplus	7 659 805	33 043 324	(33 043 324)	7 659 805
Retained earnings	136 944 350	116 066 287	(116 066 287)	136 944 350
Accumulated other comprehensive (loss)	(21 428 975)	(21 428 975)	21 428 975	(21 428 975)
Treasury stock	(4 641 885)	-	-	(4 641 885)
TOTAL STOCKHOLDERS' EQUITY	129 430 355	128 680 636	(128 680 636)	129 430 355
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 129 702 964	$ 1 486 217 644	$ (129 480 345)	$ 1 486 440 263

NACOGDOCHES COMMERCIAL BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF INCOME
Year Ended December 31, 2024

	NACOGDOCHES COMMERCIAL BANCSHARES, INC.	COMMERCIAL BANK OF TEXAS, N.A.	ELIMINATIONS	CONSOLIDATED TOTAL
Interest Income:				
Interest and fees on loans	$ 11 969	$ 62 645 390	$ -	$ 62 657 359
Interest and dividends on debt securities available-for-sale	-	6 171 424	-	6 171 424
Interest on debt securities held-to-maturity	-	79 990	-	79 990
Interest and dividends on restricted equity securities	-	218 868	-	218 868
Interest on deposits with banks	-	4 514 440	-	4 514 440
TOTAL INTEREST INCOME	11 969	73 630 112	-	73 642 081
Interest Expense:				
Interest on deposits	-	23 765 453	-	23 765 453
Interest on bank loans and advances	-	86 978	-	86 978
TOTAL INTEREST EXPENSE	-	23 852 431	-	23 852 431
NET INTEREST INCOME	11 969	49 777 681	-	49 789 650
Provision:				
Provision for credit losses on loans	-	1 000 000	-	1 000 000
Provision for credit losses on unfunded commitments	-	25 000	-	25 000
TOTAL PROVISION	-	1 025 000	-	1 025 000
NET INTEREST INCOME AFTER PROVISION	11 969	48 752 681	-	48 764 650
Other Income:				
Fees on sales and servicing of loans	-	1 737 887	-	1 737 887
Income from fiduciary activities	-	1 994 521	-	1 994 521
Service charges on deposit accounts	-	4 321 136	-	4 321 136
Interchange income and other fees	-	6 285 727	-	6 285 727
Net realized gains (losses) on sales of debt securities	-	-	-	-
Valuation changes of marketable equity securities	-	131 879	-	131 879
Other income	642 674	572 213	-	1 214 887
TOTAL OTHER INCOME	642 674	15 043 363	-	15 686 037
Other Expenses:				
Salaries and benefits	57 139	21 901 208	-	21 958 347
Occupancy	17 875	2 541 363	-	2 559 238
Furniture and equipment	-	2 693 025	-	2 693 025
Deposit insurance and professional fees	6 500	2 666 319	-	2 672 819
Lending and collection	-	327 250	-	327 250
Advertising and community relations	-	1 541 309	-	1 541 309
Debit card	-	2 817 407	-	2 817 407
Internet banking	-	985 387	-	985 387
ATM	-	141 220	-	141 220
Other operating	68 754	4 859 526	-	4 928 280
TOTAL OTHER EXPENSES	150 268	40 474 014	-	40 624 282
INCOME (LOSS) BEFORE FEDERAL INCOME TAXES	504 375	23 322 030	-	23 826 405
Federal income taxes	91 537	4 615 587	-	4 707 124
NET INCOME BEFORE EQUITY IN INCOME OF SUBSIDIARY	412 838	18 706 443	-	19 119 281
Equity in income of subsidiary	18 706 443	-	(18 706 443)	-
NET INCOME	$ 19 119 281	$ 18 706 443	$ (18 706 443)	$ 19 119 281
Earnings Per Common Share:				
Basic	$ 20.60	$ 187.06		$ 20.60

NACOGDOCHES COMMERCIAL BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF STOCKHOLDERS' EQUITY
For the Year Ended December 31, 2024

	NACOGDOCHES COMMERCIAL BANCSHARES, INC.	COMMERCIAL BANK OF TEXAS N.A.	ELIMINATIONS	CONSOLIDATED TOTAL
Common Stock:				
Balance December 31, 2023	$ 10 891 660	$ 1 000 000	$ (1 000 000)	$ 10 891 660
Stock issued	5 400	-	-	5 400
BALANCE DECEMBER 31, 2024	10 897 060	1 000 000	(1 000 000)	10 897 060
Capital Surplus:				
Balance December 31, 2023	7 598 101	33 039 001	(33 039 001)	7 598 101
Capital contribution	-	4 323	(4 323)	-
Stock issued	61 704	-	-	61 704
BALANCE DECEMBER 31, 2024	7 659 805	33 043 324	(33 043 324)	7 659 805
Retained Earnings:				
Balance December 31, 2023	122 567 749	102 159 845	(102 159 845)	122 597 749
Net income	19 119 281	18 706 443	(18 706 443)	19 119 281
Common dividends declared	(4 742 680)	(4 800 001)	4 800 001	(4 742 680)
BALANCE DECEMBER 31, 2024	136 944 350	116 066 287	(116 066 287)	136 944 350
Accumulated Other Comprehensive (Loss):				
Balance December 31, 2023	(23 391 381)	(23 391 381)	23 391 381	(23 391 381)
Other comprehensive income (loss)	1 962 406	1 962 406	(1 962 406)	1 962 406
BALANCE DECEMBER 31, 2024	(21 428 975)	(21 428 975)	21 428 975	(21 428 975)
Treasury Stock:				
Balance December 31, 2023	(3 195 405)	-	-	(3 195 405)
Purchase of treasury stock	(1 446 480)	-	-	(1 446 480)
BALANCE DECEMBER 31, 2024	(4 641 885)	-	-	(4 641 885)
TOTAL STOCKHOLDERS' EQUITY	$ 129 430 355	$ 128 680 636	$ (128 680 636)	$ 129 430 355