SVB & T Corporation

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2024 and 2023

SVB & T Corporation

December 31, 2024 and 2023

Contents

Forvis Mazars, LLP
312 Walnut Street, Suite 3000
Cincinnati, OH 45202
P 513.621.8300 | F 513.621.8345
forvismazars.us

Independent Auditor's Report

Board of Directors
SVB & T Corporation
Jasper, Indiana

Opinion

We have audited the consolidated financial statements of SVB & T Corporation and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for the years 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 SVB &T Corporation and its subsidiaries as of December 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of SVB & T Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SVB & T Corporation's ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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, but not for the purpose of expressing an opinion on the effectiveness of SVB &T Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SVB & T Corporation's ability to continue as a going concern for a reasonable period of time.

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

Other Information Included in the Annual Report

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

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

Forvis Mazars, LLP

Cincinnati, Ohio
March 19, 2025

SVB & T Corporation

Consolidated Balance Sheets
December 31, 2024 and 2023
(In Thousands, Except Share Data)

Assets

	2024	2023
Cash and due from banks	$ 9,932	$ 9,793
Federal funds sold	45,770	26,705
Interest-bearing demand deposits in banks	8,627	3,387
Cash and cash equivalents	64,329	39,885
Available-for-sale securities	65,594	61,924
Loans held for sale	1,222	576
Loans, net of allowance for credit losses of $6,776 and $6,962 at December 31, 2024 and 2023	471,398	476,534
Premises and equipment	6,016	6,341
Federal Home Loan Bank stock	2,517	2,517
Bank-owned life insurance	10,549	10,513
Accrued interest receivable	3,398	3,345
Foreclosed assets held for sale	49	49
Other	12,738	11,866
Total assets	$ 637,810	$ 613,550

Liabilities and Stockholders' Equity

	2024	2023
Liabilities		
Deposits		
Noninterest bearing	$ 88,021	$ 87,611
Interest-bearing	475,057	445,847
Total deposits	563,078	533,458
Accrued interest payable	2,789	2,335
Long-term debt	-	10,000
Other liabilities	7,129	7,477
Total liabilities	572,996	553,270
Stockholders' Equity		
Preferred stock; Series A shares; $.001 par value; authorized 100,000 shares; issued and outstanding 2024 and 2023 - 125 shares; liquidation preference $1,000 per share	125	125
Common stock, no par value; $0.125 stated value; authorized - 2024 and 2023 - 2,000,000 shares issued - 2024 and 2023 - 1,600,000 outstanding - 2024 - 1,095,956 and 2023 - 1,098,836 shares	200	200
Capital surplus	6,894	6,798
Retained earnings	72,464	67,249
Accumulated other comprehensive loss	(4,595)	(4,045)
Treasury stock, at cost		
Common; 2024 - 504,044 and 2023- 501,164 shares	(10,274)	(10,047)
Total stockholders' equity	64,814	60,280
Total liabilities and stockholders' equity	$ 637,810	$ 613,550

SVB & T Corporation

Consolidated Statements of Income and Comprehensive Income
Years Ended December 31, 2024 and 2023
(In Thousands, Except Share Data)

	2024	2023
Interest and Dividend Income		
Loans	$ 29,799	$ 26,561
Securities		
Taxable	691	686
Tax-exempt	1,519	1,313
Dividends on Federal Home Loan Bank stock	128	94
Other	1,514	994
Total interest and dividend income	33,651	29,648
Interest Expense		
Deposits	16,317	11,317
Long-term debt	375	700
Total interest expense	16,692	12,017
Net Interest Income	16,959	17,631
Provision for Credit Loss Expense		
Loans	129	593
Off-balance sheet credit exposures	(11)	(50)
Total provision for credit loss expense	118	543
Net Interest Income After Provision for Credit Losses	16,841	17,088
Noninterest Income		
Fiduciary activities	5,104	4,492
Customer service fees	980	871
Net gains on loan sales	1,257	900
Net realized losses on sales of available-for-sale securities	(7)	-
Other	3,043	2,133
Total noninterest income	10,377	8,396
Noninterest Expense		
Salaries and employee benefits	12,318	11,245
Premises and equipment	2,199	2,269
Deposit insurance premiums	277	263
Other	5,396	5,183
Total noninterest expense	20,190	18,960
Income Before Income Tax	7,028	6,524
Provision for Income Taxes	921	878
Net Income	$ 6,107	$ 5,646
Basic and Diluted Earnings Per Share	$ 5.55	$ 5.12
Net Income	$ 6,107	$ 5,646
Other Comprehensive Income (Loss)		
Unrealized appreciation (depreciation) on available-for-sale securities, net of tax benefit of $(148) and $(77) for 2024 and 2023, respectively	(556)	288
Less: reclassification adjustment for realized losses included in net income, net of tax benefit of $(1) and $0, respectively	(6)	-
	(550)	288
Comprehensive Income	$ 5,557	$ 5,934

SVB & T Corporation

Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2024 and 2023
(In Thousands, Except Shares Outstanding and Per Share Data)

	Common Stock		Preferred	Capital	Retained	Accumulated Other Comprehensive	Treasury	
	Shares	Amount	Stock	Surplus	Earnings	Income (Loss)	Stock	Total
Balance, December 31, 2022	1,097,144	200	125	6,731	62,534	(4,333)	(10,060)	55,197
Cumulative change for adoption of ASC 326 (see Note 1)	-	-	-	-	(124)	-	-	(124)
Balance, January 1, 2023	1,097,144	$ 200	$ 125	$ 6,731	$ 62,410	$ (4,333)	$ (10,060)	$ 55,073
Net income	-	-	-	-	5,646	-	-	5,646
Other comprehensive income	-	-	-	-	-	288	-	288
Issuance of stock related to Directors' Retention Incentive Plan	1,692	-	-	67	-	-	13	80
Dividends on common stock ($0.72 per share)	-	-	-	-	(791)	-	-	(791)
Dividends on preferred stock ($128 per share)	-	-	-	-	(16)	-	-	(16)
Balance, December 31, 2023	1,098,836	200	125	6,798	67,249	(4,045)	(10,047)	60,280
Net income	-	-	-	-	6,107	-	-	6,107
Other comprehensive loss	-	-	-	-	-	(550)	-	(550)
Repurchase of common stock	(5,952)	-	-	-	-	-	(250)	(250)
Issuance of stock related to Directors' Retention Incentive Plan	3,072	-	-	96	-	-	23	119
Dividends on common stock ($0.78 per share)	-	-	-	-	(876)	-	-	(876)
Dividends on preferred stock ($128 per share)	-	-	-	-	(16)	-	-	(16)
Balance, December 31, 2024	1,095,956	200	125	6,894	72,464	(4,595)	(10,274)	64,814

See Notes to Consolidated Financial Statements

SVB & T Corporation

Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023
(In Thousands)

	2024	2023
Operating Activities		
Net income	$ 6,107	$ 5,646
Items not requiring (providing) cash		
Depreciation and amortization	642	670
Provision for credit losses	118	543
Amortization and accretion, net	268	250
Deferred income taxes	(331)	(530)
Gain on sale of foreclosed assets	(314)	-
Increase in cash surrender value of bank-owned life insurance	(209)	(178)
Expense related to issuance of stock under Director's Retention Incentive Plan	119	80
Gain on disposal of premises and equipment	-	(5)
Loss on sale of available-for-sale securities	7	-
Changes in		
Loans held for sale	(646)	(532)
Accrued interest receivable	(53)	(364)
Other assets	(396)	9
Accrued interest payable	454	1,778
Other liabilities	(358)	486
Net cash provided by operating activities	5,408	7,853
Investing Activities		
Net change in interest-bearing time deposits	-	992
Purchases of available-for-sale securities	(13,099)	(5,486)
Proceeds from calls and maturities of available-for-sale securities	4,049	1,767
Proceeds from sale of available-for-sale securities	4,409	-
Purchase of bank owned life insurance	-	(1,000)
Proceeds from bank owned life insurance	173	-
Net change in loans	3,453	(30,984)
Purchase of premises and equipment	(317)	(335)
Proceeds from sale of premises and equipment	-	5
Proceeds from the sale of foreclosed assets	1,869	-
Net cash provided by (used in) investing activities	537	(35,041)
Financing Activities		
Net increase in demand deposits, money market, NOW and savings accounts	11,720	33,678
Net change in certificates of deposit	17,900	30,556
Proceeds from Federal Home Loan Bank advances	-	19,000
Repayment of Federal Home Loan Bank advances	(10,000)	(38,000)
Repurchase of common stock	(250)	-
Dividends paid	(871)	(785)
Net cash provided by financing activities	18,499	44,449
Change in Cash and Cash Equivalents	24,444	17,261
Cash and Cash Equivalents, Beginning of Year	39,885	22,624
Cash and Cash Equivalents, End of Year	$ 64,329	$ 39,885
Supplemental Cash Flows Information		
Interest paid	$ 16,238	$ 10,238
Income taxes paid	735	490
Dividends accrued but not paid	219	198
Real estate acquired in settlement of loans	1,555	-

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

SVB & T Corporation (Company) is a financial holding company whose principal activity is the ownership and management of its wholly owned subsidiary, Springs Valley Bank & Trust Company (Bank). The Bank is primarily engaged in providing a full range of banking and financial services to individual and corporate customers in Orange, Dubois, Daviess, Gibson and surrounding counties in southern Indiana. The Bank is subject to competition from other financial institutions. The Bank is subject to the regulation of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

The Bank has five wholly owned subsidiaries: SVB & T Holdings, Inc., which is primarily engaged in managing the Bank's investment securities; SVB & T Investment I, II and III, LLC, which are primarily engaged in holding certain real estate acquired by the Bank in connection with the foreclosure of loans; and SVB & T Properties, Inc., which was formed during 2015. SVB & T Properties, Inc., a Delaware corporation, holds approximately $85.7 million and $86.7 million of loans at December 31, 2024 and 2023, respectively. As part of the formation, SVB & T Properties, Inc. issued 125 shares of 12.5% Series A cumulative preferred stock during 2015. The preferred stock is carried at $125,000 and is included in the consolidated balance sheets. On December 5, 2024, SVB & T Risk Management, Inc. was dissolved. SVB & T Risk Management, Inc., was a wholly owned subsidiary of the Company, that was formed on July 9, 2016 as a captive insurance company and was incorporated in Nevada.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, including the Bank and each of the Bank's wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for credit losses, valuation of real estate acquired in connection with foreclosures or satisfaction of loans, loan servicing rights, valuation of deferred tax assets and fair value of financial instruments.

Cash and Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents.

At December 31, 2024, the Company's cash accounts exceeded federally insured limits by approximately $49,023,000. At December 31, 2024, the Company held $7,925,000 at the Federal Home Loan Bank and Federal Reserve Bank, which are not subject to FDIC limits.

Interest-Bearing Deposits in Banks

Interest-bearing deposits in banks are carried at cost.

Debt Investments

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

Classified as	Description	Recorded at
Available for sale (AFS)	Securities not classified as held-to-maturity or trading	Fair value, with unrealized gains and losses (for those which no allowance for credit losses are recorded) excluded from earnings and reported in other comprehensive income (loss)

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

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

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

Loans Held for Sale

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

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balances adjusted for unearned income, charge-offs and the allowance for credit losses.

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

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

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

Allowance for Credit Losses - Loans

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

The Company utilizes the weighted average remaining maturity (WARM) method in determining future expected credit losses. The WARM method establishes an annual historical loss rate based upon pooled loans with similar risk characteristics and applies that loss rate prospectively based upon the weighted average remaining maturity of the loan pool. The Company's expected loss estimate is anchored in historical credit loss experience, with an emphasis on available portfolio data. The Company's historical look-back period includes January 2007 through the current period, on a monthly basis.

The Company adjusts its quantitative model, as necessary, to reflect conditions not already considered by the quantitative model. The Company estimated the allowance balance using relevant available information from both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience, paired with economic forecasts provide the basis for the quantitatively modeled estimates of expected credit losses. These adjustments are commonly known as qualitative factors. Qualitative factors include lending policies and procedures, economic conditions, nature and volume of portfolio, management experience, delinquency, loan review quality, collateral value, concentrations of credit, and external factors (competition, legal, regulatory).

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are excluded in the collective evaluation. When management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

Modifications to Borrowers Experiencing Financial Difficulty

From time to time, the Company may modify certain loans to borrowers who are experiencing financial difficulty. The Company's loan modifications for borrowers experiencing financial difficulties will typically include one or a combination of the following: a reduction of the stated interest rate of the loan, an extension of the maturity date at a stated rate lower than the current market rate for new debt with similar risk or a permanent reduction of the recorded investment in the loan.

Allowance for Credit Losses on Available-For-Sale (AFS) Securities

For AFS debt securities in an unrealized loss position, the Company 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 AFS debt securities that do not meet the aforementioned criteria, the Company 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 the 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 recorded in other comprehensive income. Changes in the allowance for credit losses are recorded as provision for, or reversal of, credit loss expense. The Company excludes accrued interest receivable on available-for-sale securities from the estimate of credit losses. Losses are charged against the allowance when management believes the uncollectibility of an AFS security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Prior to the adoption of ASU 2016-13, declines in the fair value of held-to-maturity and available-for-sale securities below their cost that were deemed to be other than temporary were reflected in earnings as realized losses. In estimating other-than-temporary impairment losses prior to January 1, 2023, the Company considered, among other things, (i) the length of time and the extent to which the fair value had been less than cost, (ii) the financial condition and near-term prospects of the issuer, and (iii) the intent and our ability to retain our investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet credit exposures is included with provision for credit loss expense on the consolidated income statement. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. Expected utilization rates are compared to the current funded portion of the total commitment amount as a practical expedient for funded exposure at default.

Premises and Equipment

Depreciable assets are stated at cost, less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on disposition are included in current operations.

Federal Home Loan Bank Stock

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

Bank-Owned Life Insurance

The Bank has purchased life insurance policies on certain key executives. Bank-owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Foreclosed Assets Held for Sale

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value, less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value, less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net income or expense from foreclosed assets.

Mortgage Servicing Rights

Mortgage servicing assets are recognized separately when rights are acquired through purchase or through sale of financial assets. Under the servicing assets and liabilities accounting guidance (ASC 860-50), servicing rights resulting from the sale or securitization of loans originated by the Company are initially measured at fair value at the date of transfer. The Company subsequently measures each class of servicing asset using either the fair value or the amortization method. The Company has elected to initially and subsequently measure the mortgage servicing rights for consumer mortgage loans using the fair value method. Under the fair value method, the servicing rights are carried on the balance sheet at fair value and the changes in fair value are reported in earnings in the period in which the changes occur.

Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. These variables change from quarter to quarter as market conditions and projected interest rates change and may have an adverse impact on the value of the mortgage servicing right and may result in a reduction to noninterest income.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income.

Operating Leases

The right-of use (ROU) asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received. For operating leases, the ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Lease payments included in the measurement of the lease liability are comprised of fixed payments owed over the lease term.

Treasury Stock

Common stock shares repurchased are recorded at cost. Cost of shares retired or re-issued is determined using the first-in, first-out method.

Transfers of Financial Assets

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

Revenue Recognition

Accounting Standards Codification 606, *Revenue from Contracts with Customers* (ASC 606) provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance enumerates five steps that entities should follow in achieving this core principle. Revenue generated from financial instruments, including loans and investment securities, are not included in the scope of ASC 606. Revenue-generating activities that are within the scope of ASC 606 and that are presented as noninterest income in the Company's consolidated statements of income include:

Fiduciary income - this includes periodic fees due from trust and investment services for managing the customers' financial assets. Fees are generally charged on a quarterly or annual basis and are recognized ratably throughout the period, as the services are provided on an ongoing basis.

Service charges and fees on deposit accounts - these include general service fees charged for deposit account maintenance and activity and transaction-based fees charged for certain services, such as debit card, wire transfer or overdraft activities. Revenue is recognized when the performance obligation is completed, which is generally after a transaction is completed or monthly for account maintenance services.

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance (ASC 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax basis of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

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

The Company recognizes interest and penalties on income taxes, if any, as a component of income tax expense.

The Company files consolidated income tax returns with its subsidiaries. The Company's tax years still subject to examination by taxing authorities are years subsequent to 2020 (federal and Indiana).

Earnings Per Share

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during each period. Diluted earnings per share reflects additional potential common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance.

Treasury stock shares are not deemed outstanding for earnings per share calculations.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income and other comprehensive income (loss), net of applicable income taxes. Other comprehensive income (loss) includes unrealized appreciation (depreciation) on available-for-sale securities.

Adoption of New Accounting Standards

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280), Improvements to Reportable Segment Disclosures.* The amendments in ASU 2023-07 provide for new disclosures which: (1) require that a public entity disclose on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss; (2) require that a public entity disclose, on an annual and interim basis, an amount for other segment items by reportable segment and a description of its composition; (3) require that a public entity provide all annual disclosures about a reportable segment's profit or loss and assets currently required by Topic 280 in interim periods; (4) allows more than one measure of segment profit or loss used by the CODM when assessing segment performance and deciding how to allocate resources to be disclosed; (5) require disclosure of title and position of CODM and explain how the CODM uses the disclosed reported measures to assess segment performance; and (6) require that a public entity that has a single reportable segment provide all the disclosures required by the amended Topic 280. The amendments in this update are effective for the Company for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The amendments in this update are required to be applied retrospectively to all prior periods presented in the financial statements. Upon transition, the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories and the amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. The Company adopted this accounting standard effective January 1, 2024, and the Company's financial condition, results of operations and cash flows were not impacted by this guidance. The Company has provided the required disclosures for its single reportable segment.

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

(Tables in Thousands, Except Share Data)

There was a cumulative effect adjustment recorded for adopting ASC 326. The cumulative adjustment was recorded at the date of adoption of January 1, 2023. The adjustment of $124,000 was adjusted through retained earnings net of tax.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet (OBS) credit exposures. Results for reporting periods beginning after January 1, 2023 are presented under ASC 326. The following table illustrates the impact of ASC 326.

	As Reported Under ASC 326	Pre-ASC 326 Adoption	Impact of ASC 326 Adoption
Assets:			
Allowance for Credit Losses on Loans			
Nonreal estate commercial	$ 1,796	$ 1,790	$ 6
Commercial real estate	4,084	4,283	(199)
Nonreal estate consumer	113	73	40
Consumer mortgage	814	682	132
Home equity line of credit	72	71	1
Credit cards and other	19	133	(114)
Allowance for Credit Losses on Loans	$ 6,898	$ 7,032	$ (134)
Liabilities:			
Allowance for credit losses on off-balance sheet commitments: (Refelcted on January 1, 2023)	$ 291	$ -	$ 291
Equity:			
Total pre-tax impact			$ 157
Tax effect			(33)
Decrease to retained earnings			$ 124

Effective January 1, 2023, the Company prospectively adopted ASU 2022-02, which eliminates the accounting for troubled debt restructurings while establishing a new standard for the treatment of modifications made to borrowers experiencing financial difficulty. As such, with the adoption of the new standard, the Company will now include, prospectively, financial difficulty modifications in its presentation of nonperforming loans, nonperforming assets or classified assets. Prior period data, which included troubled debt restructurings, has not been adjusted. The modification of terms of such loans included one or a combination of the following: an extension of maturity at a stated rate lower than the current market rate for new debt with similar risk, a reduction of the stated interest rate or a permanent reduction of the recorded investment in the loan.

(Tables in Thousands, Except Share Data)

The Company had no modified loans made to borrowers experiencing financial difficulty for the year ended December 31, 2024. There were no modified loans that had a payment default during the year ended December 31, 2024 and were modified in the twelve months prior to that default to borrowers experiencing financial difficulty.

A loan is considered to be in default when it is 90 days past due or transferred to nonaccrual.

Revisions

Certain immaterial revisions have been made to the 2023 disclosures in Note 13 for loans and deposits outstanding to executive officers, directors, significant shareholders and affiliates. These revisions did not have a significant impact on the disclosures and had no impact on the consolidated financial statements.

Note 2: Restriction on Cash and Due From Banks

The Company is required to maintain reserve funds in cash and/or on deposit with the Federal Reserve Bank. There was no reserve required at December 31, 2024.

Note 3: Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
Available-for-Sale Securities				
December 31, 2024				
U.S. Government and federal agency	$ -	$ -	$ -	$ -
Mortgage-backed GSE residential	7,128	3	(1,026)	6,105
State and political subdivisions	64,282	156	(4,949)	59,489
	$ 71,410	$ 159	$ (5,975)	$ 65,594

(Tables in Thousands, Except Share Data)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
Available-for-Sale Securities				
December 31, 2023				
U.S. Government and federal agency	$ 1,112	$ 17	$ (8)	$ 1,121
Mortgage-backed GSE residential	6,917	-	(1,040)	5,877
State and political subdivisions	59,015	381	(4,470)	54,926
	$ 67,044	$ 398	$ (5,518)	$ 61,924

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

	Amortized Cost	Fair Value
Within one year	$ 425	$ 425
One to five years	7,014	7,010
Five to ten years	7,389	7,125
After ten years	49,454	44,929
	64,282	59,489
Mortgage-backed GSE residential	7,128	6,105
Totals	$ 71,410	$ 65,594

The Company had no securities pledged as collateral at December 31, 2024 and 2023, respectively.

Gross gains of approximately $22,000 and $0 and gross losses of approximately $15,000 and $0 resulting from sales of available-for-sale debt securities were realized during the years ended December 31, 2024 and 2023, respectively.

Certain investments in debt securities are reported in the consolidated financial statements at an amount less than their historical cost. Total fair value of these investments at December 31, 2024 and 2023, was approximately $49,154,000 and $39,118,000, respectively, which is approximately 75 percent and 63 percent, respectively, of the Company’s available-for-sale investment portfolio. These declines primarily resulted from changes in market interest rates since the investments were purchased.

The following tables show the Company’s investments’ gross unrealized losses and fair value of the Company’s investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment class and length of time that individual securities have been in a continuous unrealized loss position at December 31:

(Tables in Thousands, Except Share Data)

	2024					
	Less Than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-Sale Securities						
U.S. Government and federal agency	$ -	$ -	$ -	$ -	$ -	$ -
Mortgage-backed GSE residential	-	-	5,704	1,026	5,704	1,026
State and political subdivisions	16,669	332	26,781	4,617	43,450	4,949
Total temporarily impaired securities	$ 16,669	$ 332	$ 32,485	$ 5,643	$ 49,154	$ 5,975

	2023					
	Less Than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-Sale Securities						
U.S. Government and federal agency	$ -	$ -	$ 520	$ 8	$ 520	$ 8
Mortgage-backed GSE residential	-	-	5,877	1,040	5,877	1,040
State and political subdivisions	6,200	132	26,521	4,338	32,721	4,470
Total temporarily impaired securities	$ 6,200	$ 132	$ 32,918	$ 5,386	$ 39,118	$ 5,518

Mortgage-Backed GSE Securities

The unrealized losses on the Company's investment in residential mortgage-backed securities were caused by changes in interest rates and illiquidity. The Company expects to recover the amortized cost basis over the term of the securities. Because the decline in market value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity, the Company does not have an allowance for credit losses attributable to these securities at December 31, 2024.

State and Political Subdivisions

The unrealized losses on the Company's investments in securities of state and political subdivisions were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost basis of the investments. Because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of its amortized cost basis, which may be maturity, the Company does not have an allowance for credit losses attributable to these securities at December 31, 2024.

(Tables in Thousands, Except Share Data)

Note 4: Loans and Allowance for Credit Losses

Classes of loans at December 31 include:

	2024	2023
Commercial		
Nonreal estate commercial	$ 88,914	$ 96,141
Commercial real estate	257,150	258,271
Consumer		
Nonreal estate consumer	15,579	14,697
Consumer mortgage	89,911	91,524
Home equity line of credit	24,906	20,659
Credit cards and other	1,260	1,312
Gross loans	477,720	482,604
In-process accounts	454	892
Allowance for credit losses	(6,776)	(6,962)
	$ 471,398	$ 476,534

The following tables present the balance in the allowance for credit losses and the recorded investment in loans based on portfolio segment and impairment method as of December 31:

	2024						
	Nonreal Estate Commercial	Commercial Real Estate	Nonreal Estate Retail Consumer	Consumer Mortgage	Home Equity Line of Credit	Credit Cards and Other	Total
Allowance for Credit Losses							
Balance, beginning of year prior to adoption of ASC 326	$ 1,632	$ 4,227	$ 119	$ 865	$ 96	$ 23	$ 6,962
Provision (credit) charged to expense	(545)	414	48	93	19	100	129
Losses charged off	(3)	(190)	(98)	(90)	-	(128)	(509)
Recoveries	92	19	47	9	1	26	194
Balance, end of year	$ 1,176	$ 4,470	$ 116	$ 877	$ 116	$ 21	$ 6,776
Ending balance Individually evaluated for impairment	$ 189	$ 353	$ -	$ -	$ -	$ -	$ 542
Ending balance Collectively evaluated for impairment	$ 987	$ 4,117	$ 116	$ 877	$ 116	$ 21	$ 6,234
Loans							
Ending balance Individually evaluated for impairment	$ 736	$ 5,884	$ -	$ -	$ -	$ -	$ 6,620
Ending balance Collectively evaluated for impairment	$ 88,178	$ 251,266	$ 15,579	$ 89,911	$ 24,906	$ 1,260	$ 471,100

(Tables in Thousands, Except Share Data)

	2023						
	Nonreal Estate Commercial	Commercial Real Estate	Nonreal Estate Retail Consumer	Consumer Mortgage	Home Equity Line of Credit	Credit Cards and Other	Total
Allowance for Credit Losses							
Balance, beginning of year prior to adoption of ASC 326	$ 1,790	$ 4,283	$ 73	$ 682	$ 71	$ 133	$ 7,032
Impact of adoption of ASC 326	6	(199)	40	132	1	(114)	(134)
Provision (credit) charged to expense	(82)	314	55	196	16	94	593
Losses charged off	(88)	(200)	(64)	(165)	-	(112)	(629)
Recoveries	6	29	15	20	8	22	100
Balance, end of year	$ 1,632	$ 4,227	$ 119	$ 865	$ 96	$ 23	$ 6,962
Ending balance Individually evaluated for impairment	$ 596	$ 519	$ -	$ -	$ -	$ -	$ 1,115
Ending balance Collectively evaluated for impairment	$ 1,036	$ 3,708	$ 119	$ 865	$ 96	$ 23	$ 5,847
Loans							
Ending balance Individually evaluated for impairment	$ 2,276	$ 9,002	$ -	$ 95	$ -	$ -	$ 11,373
Ending balance Collectively evaluated for impairment	$ 93,865	$ 249,269	$ 14,697	$ 91,429	$ 20,659	$ 1,312	$ 471,231

Internal Risk Categories

Loan grades for commercial loans are numbered 1 through 8. Grades 1 through 4 are considered satisfactory grades. The grade of 5, special mention or O.A.E.M., represents loans of lower quality and is considered criticized. The grades of 6, or substandard, and 7, or doubtful, refer to assets that are classified. The use and application of these grades by the Bank will be uniform and shall conform to the Bank's policy.

Minimal Risk, Pass (1): All of the risks associated with this credit (based on each of the Bank's creditworthiness criteria) are minimal or the loan is supported by pledged deposits, U.S. Government securities, etc.

Low Risk, Pass (2): Most of the risks associated with this credit (based on each of the Bank's creditworthiness criteria) are minimal.

Moderately Low Risk, Pass (3): Some of the risk associated with this credit (based on each of the Bank's creditworthiness criteria) is acceptable.

Moderate Risk, Pass (4): The weighted overall risk associated with this credit (based on each of the Bank's creditworthiness criteria) is acceptable.

Special Mention, O.A.E.M. (5): The weighted overall risk associated with this credit is considered higher than normal (but still acceptable) or the loan possesses deficiencies which corrective action by the Bank would remedy, thereby reducing risk.

Substandard (6): The weighted overall risk associated with this credit (based on each of the Bank's creditworthiness criteria) is considered undesirable, or the Bank is inadequately protected and there exists the distinct possibility of sustaining some loss if not corrected.

Doubtful (7): Weakness makes collection or liquidation in full (based on currently existing facts) improbable.

Loss (8): This credit is of little value and not warranted as a bankable asset.

Risk characteristics applicable to significant segments of the loan portfolio are described as follows.

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

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

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

Consumer Mortgage: The consumer mortgage portfolio is generally secured by owner-occupied 1-4 family residences. Repayment of these loans is primarily dependent on the personal income and credit rating of the borrowers. Credit risk in these loans can be impacted by economic conditions within the Bank's market areas that might impact either property values or a borrower's personal income. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

Home Equity Line of Credit: The home equity line of credit portfolio is secured by 1-to-4 family residential properties. These lines of credit are typically secured by a junior lien.

Credit Cards and Other: The credit cards and other portfolio primarily consists of extensions of credit to individuals for household, family and other personal expenditures arising from credit cards. Also included in this portfolio are extensions under prearranged overdraft plans.

(Tables in Thousands, Except Share Data)

The following tables present the credit risk profile of the Company's commercial loan portfolio based on rating category, payment activity and origination year as of December 31:

	2024							
	2024	2023	2022	2021	2020	Before	Revolving Loans Amortized Cost Basis	Total
Nonreal Estate Commercial								
Grade								
Pass (1-4)	$ 7,629	$ 7,968	$ 16,714	$ 4,275	$ 625	$ 4,966	$ 40,246	$ 82,423
Special mention, O.A.E.M. (5)	271	254	574	142	-	159	4,442	5,842
Substandard (6)	-	13	-	336	-	-	300	649
Doubtful (7)	-	-	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-	-	-
Total	$ 7,900	$ 8,235	$ 17,288	$ 4,753	$ 625	$ 5,125	$ 44,988	$ 88,914
Gross Charge-Offs	$ -	$ 3	$ -	$ -	$ -	$ -	$ -	$ 3
Commercial Real Estate								
Grade								
Pass (1-4)	$ 30,884	$ 32,038	$ 63,531	$ 42,524	$ 16,719	$ 51,041	$ 314	$ 237,051
Special mention, O.A.E.M. (5)	338	167	2,874	2,570	2,316	4,690	291	13,246
Substandard (6)	-	-	2,400	2,906	-	831	716	6,853
Doubtful (7)	-	-	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-	-	-
Total	$ 31,222	$ 32,205	$ 68,805	$ 48,000	$ 19,035	$ 56,562	$ 1,321	$ 257,150
Gross Charge-Offs	$ -	$ -	$ -	$ -	$ -	$ 190	$ -	$ 190

	2023							
	2023	2022	2021	2020	2019	Before	Revolving Loans Amortized Cost Basis	Total
Nonreal Estate Commercial								
Grade								
Pass (1-4)	$ 11,800	$ 20,204	$ 5,644	$ 1,431	$ 800	$ 4,824	$ 47,665	$ 92,368
Special mention, O.A.E.M. (5)	8	-	186	7	24	142	1,122	1,489
Substandard (6)	-	-	400	-	941	641	302	2,284
Doubtful (7)	-	-	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-	-	-
Total	$ 11,808	$ 20,204	$ 6,230	$ 1,438	$ 1,765	$ 5,607	$ 49,089	$ 96,141
Gross Charge-Offs	$ -	$ 30	$ -	$ 58	$ -	$ -	$ -	$ 88
Commercial Real Estate								
Grade								
Pass (1-4)	$ 33,792	$ 67,793	$ 50,328	$ 25,122	$ 18,465	$ 48,070	$ 262	$ 243,832
Special mention, O.A.E.M. (5)	110	1,537	446	-	17	824	1,029	3,963
Substandard (6)	-	2,017	2,958	-	2,118	3,383	-	10,476
Doubtful (7)	-	-	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-	-	-
Total	$ 33,902	$ 71,347	$ 53,732	$ 25,122	$ 20,600	$ 52,277	$ 1,291	$ 258,271
Gross Charge-Offs	$ -	$ -	$ -	$ -	$ -	$ 200	$ -	$ 200

The Bank evaluates the loan risk grading system definitions and allowance for credit loss methodology on an ongoing basis. No significant changes were made to either during the past year.

SVB & T Corporation

Notes to Consolidated Financial Statements
December 31, 2024 and 2023
(Tables in Thousands, Except Share Data)

Management grades all loans except commercial loans as performing or nonperforming. Nonperforming loans are defined as those that are more than 90 days past due or on nonaccrual. The following tables present the consumer loan portfolio by performing status, payment activity and origination year.

	2024							
	2024	2023	2022	2021	2020	Before	Revolving Loans Amortized Cost Basis	Total
Nonreal Estate Consumer								
Payment Performance								
Performing	$ 6,442	$ 3,310	$ 3,204	$ 1,266	$ 567	$ 242	$ 398	$ 15,429
Nonperforming	59	39	12	32	-	8	-	150
Total	$ 6,501	$ 3,349	$ 3,216	$ 1,298	$ 567	$ 250	$ 398	$ 15,579
Gross Charge-Offs	$ 7	$ 40	$ 20	$ 31	$ -	$ -	$ -	$ 98
Consumer Mortgage								
Payment Performance								
Performing	$ 15,204	$ 13,617	$ 17,286	$ 9,969	$ 9,576	$ 22,292	$ -	$ 87,943
Nonperforming	636	413	421	-	267	230	-	1,968
Total	$ 15,840	$ 14,030	$ 17,707	$ 9,969	$ 9,843	$ 22,522	$ -	$ 89,911
Gross Charge-Offs	$ -	$ -	$ 90	$ -	$ -	$ -	$ -	$ 90
Home Equity Line of Credit								
Payment Performance								
Performing	$ -	$ -	$ -	$ -	$ -	$ -	$ 24,722	$ 24,722
Nonperforming	-	-	-	-	-	-	184	184
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ 24,906	$ 24,906
Gross Charge-Offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	2023							
	2023	2022	2021	2020	2019	Before	Revolving Loans Amortized Cost Basis	Total
Nonreal Estate Consumer								
Payment Performance								
Performing	$ 5,268	$ 4,806	$ 2,744	$ 1,031	$ 287	$ 321	$ 239	$ 14,697
Nonperforming	-	-	-	-	-	-	-	-
Total	$ 5,268	$ 4,806	$ 2,744	$ 1,031	$ 287	$ 321	$ 239	$ 14,697
Gross Charge-Offs	$ 23	$ 1	$ 38	$ -	$ 2	$ -	$ -	$ 64
Consumer Mortgage								
Payment Performance								
Performing	$ 24,502	$ 19,782	$ 10,468	$ 11,040	$ 3,483	$ 22,111	$ -	$ 91,386
Nonperforming	-	-	1	-	-	137	-	138
Total	$ 24,502	$ 19,782	$ 10,469	$ 11,040	$ 3,483	$ 22,248	$ -	$ 91,524
Gross Charge-Offs	$ -	$ -	$ -	$ -	$ -	$ 165	$ -	$ 165
Home Equity Line of Credit								
Payment Performance								
Performing	$ 55	$ -	$ 126	$ -	$ -	$ 50	$ 20,361	$ 20,591
Nonperforming	-	-	-	-	68	-	-	68
Total	$ 55	$ -	$ 126	$ -	$ 68	$ 50	$ 20,361	$ 20,659
Gross Charge-Offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

(Tables in Thousands, Except Share Data)

	2024	2023
Credit Cards		
Payment Performance		
Performing	$ 1,260	$ 1,309
Nonperforming	-	3
Total	$ 1,260	$ 1,312

The following tables present the Company's loan portfolio aging analysis as of December 31:

	2024					
	30-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans	Total Loans > than 90 Days and Accruing
Commercial						
Nonreal estate commercial	$ 28	$ -	$ 28	$ 88,886	$ 88,914	$ -
Commercial real estate	363	122	485	256,665	257,150	-
Consumer						
Nonreal estate consumer	63	-	63	15,516	15,579	-
Consumer mortgage	1,021	268	1,289	88,622	89,911	-
Home equity line of credit	100	-	100	24,806	24,906	-
Credit cards	26	-	26	1,234	1,260	-
Total loans	$ 1,601	$ 390	$ 1,991	$ 475,729	$ 477,720	$ -

	2023					
	30-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans	Total Loans > than 90 Days and Accruing
Commercial						
Nonreal estate commercial	$ 797	$ 641	$ 1,438	$ 94,703	$ 96,141	$ 610
Commercial real estate	369	1,865	2,234	256,037	258,271	81
Consumer						
Nonreal estate consumer	52	-	52	14,645	14,697	-
Consumer mortgage	646	138	784	90,740	91,524	1
Home equity line of credit	93	68	161	20,498	20,659	-
Credit cards	141	3	144	1,168	1,312	3
Total loans	$ 2,098	$ 2,715	$ 4,813	$ 477,791	$ 482,604	$ 695

(Tables in Thousands, Except Share Data)

Subsequent to adoption of ASU 2022-02 and elimination of TDRs, new vintage disclosures were required along with evaluation of loan to collateral dependency. The following tables present the amortized cost basis of collateral dependent loans, by the primary collateral type, which are individually evaluated to determine expected credit losses, and the related ACL allocated to these loans as of December 31:

	Primary Type of Collateral				
2024	Real Estate	Equipment	Other	Total	ACL Allocation
Commercial					
Nonreal estate commercial	$ 336	$ 400	$ -	$ 736	$ 189
Commercial real estate	5,450	434	-	5,884	353
Consumer				-	
Nonreal estate consumer	-	-	-	-	-
Consumer mortgage	-	-	-	-	-
Home equity line of credit	-	-	-	-	-
Credit cards and other	-	-	-	-	-
Total loans	$ 5,786	$ 834	$ -	$ 6,620	$ 542

	Primary Type of Collateral				
2023	Real Estate	Equipment	Other	Total	ACL Allocation
Commercial					
Nonreal estate commercial	$ 1,093	$ 564	$ 619	$ 2,276	$ 596
Commercial real estate	7,981	1,011	11	9,003	519
Consumer				-	
Nonreal estate consumer	-	-	-	-	-
Consumer mortgage	94	-	-	94	-
Home equity line of credit	-	-	-	-	-
Credit cards and other	-	-	-	-	-
Total loans	$ 9,168	$ 1,575	$ 630	$ 11,373	$ 1,115

(Tables in Thousands, Except Share Data)

The following table presents the Company's nonaccrual loans at December 31:

	2024		
	Nonaccrual with No ACL	Nonaccrual	Loans Past Due Over 89 Days and Still Accruing
Commercial			
Nonreal estate commercial	$ 13	$ 13	$ -
Commercial real estate	70	832	-
Consumer			
Nonreal estate consumer	4	4	-
Consumer mortgage	450	450	-
Home equity line of credit	-	-	-
Credit cards and other	-	-	-
	$ 537	$ 1,299	$ -

	2023		
	Nonaccrual with No ACL	Nonaccrual	Loans Past Due Over 89 Days and Still Accruing
Commercial			
Nonreal estate commercial	$ 31	$ 31	$ 610
Commercial real estate	99	2,547	81
Consumer			
Nonreal estate consumer	12	12	-
Consumer mortgage	255	255	1
Home equity line of credit	68	68	-
Credit cards and other	-	-	3
	$ 465	$ 2,913	$ 695

(Tables in Thousands, Except Share Data)

Note 5: Premises and Equipment

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

	2024	2023
Land	$ 1,161	$ 1,161
Buildings and improvements	8,205	8,199
Equipment	4,705	4,531
Construction in progress	48	-
	14,119	13,891
Less accumulated depreciation	8,103	7,550
Net premises and equipment	$ 6,016	$ 6,341

Note 6: Loan Servicing

Loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage and other loans serviced for others were approximately $215,451,000 and $195,155,000 at December 31, 2024 and 2023, respectively.

Mortgage loan contractual servicing fees were $615 and $612 for 2024 and 2023, respectively. Mortgage loan contractual servicing fees are included in Other income on the Consolidated Statements of Income.

The loans serviced for others result from loan sales transactions with the FHLB of Indianapolis that provide for establishment of a Lender Risk Account (LRA), which represents a recourse obligation for absorbing potential losses on loans sold and an asset to the Bank. The funds withheld to settle recourse obligations was approximately $3,537,000 at December 31, 2024; however, these receivables are recorded at their fair value at the time of the establishment of the LRA. The fair value is estimated by discounting the cash flows over the life of each master commitment contract. The carrying value of the LRA is equal to the initial fair value plus an interest component, less any cash receipts and was approximately $1,666,000 and $1,637,000 at December 31, 2024 and 2023, respectively.

The following summarizes the activity in mortgage servicing rights measured using the fair value method for the years ended December 31, 2024 and 2023:

	2024	2023
Fair value as of the beginning of the year	$ 2,005	$ 2,049
Recognition of mortgage servicing rights on the sale of loans	329	177
Change in fair value due to changes in valuation inputs or assumptions used in the valuation model	155	(221)
Fair value at the end of the year	$ 2,489	$ 2,005

(Tables in Thousands, Except Share Data)

Note 7: Deposits

	2024	2023
Demand deposits	$ 216,670	$ 212,877
Savings deposits	180,488	172,561
Certificates and other time deposits of $250,000 or more	61,280	62,977
Other certificates and time deposits	104,640	85,043
Total	$ 563,078	$ 533,458

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

2025	$ 156,531
2026	4,122
2027	2,120
2028	2,369
2029	778
Thereafter	-
	$ 165,920

Included in certificates of deposits at December 31, 2024 and 2023 were approximately $0 and $7,478,000 of brokered certificates, respectively.

Included in time deposits at December 31, 2024 were approximately $9.1 million of deposits which were obtained through reciprocal deposit placement with the Certificate of Deposit Account Registry Service (CDARS). This service allows deposit customers to maintain fully insured balances in excess of the $250,000 FDIC insurance limit without the inconvenience of having multi-banking relationships. The Company uses the reciprocal program which allows the Company to place their deposits with other participating banks in the CDARS program in insurable amounts under $250,000. In exchange, other banks in the program agree to place their deposits with the Company also in insurable amounts under $250,000.

Note 8: Short-Term Borrowings

At December 31, 2024, the Company had total discretionary federal fund lines of $16,000,000 available with three financial institutions. No amounts were outstanding against the lines as of December 31, 2024 and 2023.

(Tables in Thousands, Except Share Data)

Note 9: Long-Term Debt

Long-term debt consisted of the following components:

	2024	2023
Federal Home Loan Bank Advances	$ -	$ 5,000
Subordinated Debentures	-	5,000
Total	$ -	$ 10,000

At December 31, 2024 and 2023, advances from the FHLB totaled $0 and $5,000,000, respectively.

As a member of the FHLB system at year-end 2024, the Company had the ability to obtain up to $58,587,000 in additional borrowings based on collateral pledged to the FHLB at December 31, 2024. The FHLB advances are secured by mortgage and CRE loans totaling approximately $35,292,000 and $56,231,000, respectively, at December 31, 2024.

On July 31, 2018, the Company issued $5,000,000 of subordinated debentures at an initial fixed interest rate of 6.45%, which is payable quarterly. Beginning July 31, 2023, the interest rate converted to a variable rate equal to the three-month term SOFR plus 3.54%. The subordinated debentures were called by the Company on July 1, 2024.

Note 10: Operating Leases

The Company is a lessee in several noncancellable operating lease arrangements, primarily for retail branches and equipment. Certain of these leases contain renewal options for periods ranging from one year to five years. Payments due under the lease contracts include fixed payments plus, for many of the Company's real estate leases, variable payments such as the Company's proportionate share of property taxes, insurance and common area maintenance.

Management determines if an arrangement is or contains a lease at contract inception. If an arrangement is determined to be or contain a lease, the Company recognizes a ROU asset and a lease liability at the lease commencement date. Leases are classified as operating or finance leases at the lease commencement date. At December 31, 2024 and 2023, all of the Company's leases were classified as operating leases. The Company's lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date. Key estimates and judgments related to the lease liability include how management determines (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) the lease term and (3) lease payments.

ASC 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. Generally, management cannot determine the interest rate implicit in the lease because it does not have access to the lessor's estimated residual value or the amount of the lessor's deferred initial direct costs. Therefore, the Company utilizes its incremental borrowing rate as the discount rate for leases. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay for the respective property being leased.

(Tables in Thousands, Except Share Data)

The lease term for all of the Company's leases includes the noncancellable period of the lease plus any additional periods covered by either the Company's option to extend (or not to terminate) the lease that the Company is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor. If a lease contract contains multiple renewal options, management generally models lease cash flows through the first renewal option period unless the contract contains economic incentives or other conditions that increase or decrease the likelihood that additional renewals are reasonably certain to be exercised.

The Company's operating lease ROU asset and lease liability are presented in "Other Assets" and "Other Liabilities," respectively, on the Company's consolidated balance sheets. The carrying amount of the Company's ROU asset and offsetting lease liability at December 31, 2024 and 2023 were $180,000 and $220,000, respectively. The Company's operating lease expense is recorded in "Premises and equipment" expense on the Company's consolidated statements of income and comprehensive income.

For the year ended December 31, 2024, total operating lease cost equaled $51,000 and the cash paid for amounts included in measurement of lease liabilities equaled $40,000.

For the year ended December 31, 2023, total operating lease cost equaled $47,000 and the cash paid for amounts included in measurement of lease liabilities equaled $47,000.

At December 31, 2024, the Company's operating leases had a weighted-average remaining term of 5.0 years and a weighted-average discount rate of 5.59%.

At December 31, 2023, the Company's operating leases had a weighted-average remaining term of 5.8 years and a weighted-average discount rate of 5.59%.

Undiscounted cash flows included in lease liabilities have expected contractual payments as follows:

2025	$ 51
2026	51
2027	51
2028	47
2029	-
Thereafter	-
	200
Less effects of discounting	(20)
Operating lease liabilities recognized	$ 180

(Tables in Thousands, Except Share Data)

Note 11: Income Taxes

The provision for income taxes includes these components:

	2024	2023
Taxes currently payable	$ 1,252	$ 1,408
Deferred income taxes	(331)	(530)
Income tax expense	$ 921	$ 878

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

	2024	2023
Computed at the statutory rate (21%)	$ 1,476	$ 1,368
Increase (decrease) resulting from		
Tax-exempt interest	(365)	(324)
Tax-exempt life insurance income	(44)	(37)
Tax credits	(466)	(426)
Amortization of low income housing tax credit	307	285
Nontaxable captive insurance income	(115)	(104)
Other	128	116
Actual tax expense	$ 921	$ 878

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

	2024	2023
Deferred tax assets		
Allowance for credit losses	$ 1,761	$ 1,835
Deferred compensation	851	779
Accrual to cash basis adjustments	341	158
Unrealized losses on available-for-sale securities	1,221	1,075
	4,174	3,847
Deferred tax liabilities		
Depreciation	(738)	(769)
Federal Home Loan Bank Lender Risk Account	(430)	(422)
Prepaids	(52)	(187)
Other	(125)	(117)
	(1,345)	(1,495)
Net deferred asset	$ 2,829	$ 2,352

The net deferred tax asset is included within other assets in the consolidated balance sheets.

Note 12: Regulatory Matters

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

Quantitative measures established by regulatory reporting standards to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined) to risk-weighted assets (as defined), common equity Tier I capital (as defined) to total risk-weighted assets (as defined) and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2024 and 2023, that the Bank meets all capital adequacy requirements to which they are subject.

As of December 31, 2024, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based capital, Tier I risk-based capital, common equity Tier I risk-based capital 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 Bank's category.

(Tables in Thousands, Except Share Data)

The Bank's actual capital amounts and ratios are also presented in the table.

	Actual		Minimum Capital Requirement		Minimum to be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2024						
Total capital						
(to risk-weighted assets)	$ 74,678	13.7%	$ 43,518	8.0%	$ 54,397	10.0%
Tier I capital						
(to risk-weighted assets)	67,751	12.5%	32,638	6.0%	43,518	8.0%
Common equity Tier I capital						
(to risk-weighted assets)	67,751	12.5%	24,479	4.5%	35,358	6.5%
Tier I capital						
(to average assets)	67,751	10.7%	25,304	4.0%	31,630	5.0%
As of December 31, 2023						
Total capital						
(to risk-weighted assets)	$ 74,957	13.7%	$ 43,623	8.0%	$ 54,528	10.0%
Tier I capital						
(to risk-weighted assets)	68,012	12.5%	32,717	6.0%	43,623	8.0%
Common equity Tier I capital						
(to risk-weighted assets)	68,012	12.5%	24,538	4.5%	35,443	6.5%
Tier I capital						
(to average assets)	68,012	11.3%	24,097	4.0%	30,121	5.0%

The above minimum capital requirements exclude the capital conservation buffer required to avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers. The capital conservation buffer is 2.50% for 2024. The net unrealized gain or loss on available-for-sale securities is not included in computing regulatory capital.

The Bank is subject to certain restrictions on the amount of dividends that it may declare without prior regulatory approval. Generally, the Bank's payment of dividends is limited to net income for the current year plus the two preceding calendar years, less capital distributions paid over the comparable time period.

Basel III Capital Rules

In July 2013, the three federal bank regulatory agencies jointly published final rules (the Basel III Capital Rules) establishing a new comprehensive capital framework for U.S. banking organizations. The rules implement the Basel Committee's December 2010 framework known as "Basel III" for strengthening international capital standards as well as certain provisions of the Dodd-Frank Act. These rules substantially revise the risk-based capital requirements applicable to bank holding companies and depository institutions, compared to the current U.S. risk-based capital rules. The Basel III Capital Rules define the components of capital and address other issues affecting the numerator in banking institutions' regulatory capital ratios. These rules also address risk weights and other issues affecting the denominator in banking institutions' regulatory capital ratios and replace the existing risk-weighting approach with a more risk-sensitive approach. The Basel III Capital Rules were effective for the Bank on January 1, 2015 (subject to a four-year phase-in period).

The Basel III Capital Rules, among other things, (i) introduce a new capital measure called "Common Equity Tier 1" (CET1), (ii) specify that Tier 1 capital consist of CET1 and "Additional Tier 1 Capital" instruments meeting specified requirements, (iii) define CET1 narrowly by requiring that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital and (iv) expand the scope of the deductions/adjustments as compared to existing regulations.

Note 13: Related-Party Transactions

At December 31, 2024 and 2023, the Company had loans outstanding to executive officers, directors, significant shareholders and affiliates (related parties) in the amount of approximately $4,350,000 and $3,526,000, respectively.

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

Deposits from related parties held by the Company at December 31, 2024 and 2023, totaled approximately $2,106,000 and $3,502,000, respectively.

Certain officers and directors of a related party own 16 percent of the outstanding capital stock of the Company.

Note 14: Employee Benefits

The Company has a retirement savings 401(k) profit-sharing plan covering substantially all employees. Employees may contribute up to 100 percent of their compensation. The Company may also make contributions to the plan at the discretion of the board of directors. During 2018, the Company amended the plan. The plan provides for a 100% Company match up to a maximum of 3% and a 50% match up to a maximum of 4% and 5% of each participant's annual compensation. Employer contributions charged to expense for 2024 and 2023 were approximately $618,000 and $573,000, respectively.

(Tables in Thousands, Except Share Data)

The Company has an employee benefit plan, which covers most employees. Benefits include a self-insured medical plan, a wholly owned term-life insurance plan and a long-term disability plan. The self-insured medical plan carries an insurance override to protect the Company against major increases in claims. The Company's contributions to the plan for the years ended December 31, 2024 and 2023, were approximately $1,469,000 and $973,000, respectively.

The Company added supplemental retirement plan arrangements for the benefit of certain officers during 2014 in lieu of the Death Benefit Only (DBO) plan previously in place. Certain officers continue under the DBO plan. These arrangements are funded by life insurance contracts that have been purchased by the Company and a portion of death benefit has been endorsed to the employee. The Company has recorded income from the life insurance policies of approximately $209,000 and $178,000 in 2024 and 2023, respectively. The Company's expense for the plan during 2024 and 2023 was approximately $95,000 and $96,000, respectively. The Company has a liability recorded of approximately $1,479,000 and $1,421,000 at December 31, 2024 and 2023, respectively, for the post-retirement liability related to the future premiums for these policies. The Company's recorded assets in the policies are approximately $10,549,000 and $10,513,000 at December 31, 2024 and 2023, respectively.

Note 15: Earnings Per Share

Earnings per share were computed as follows:

	Year Ended December 31, 2024		
	Income	Weighted-Average Shares	Per Share Amount
Net income	$ 6,107		
Less preferred stock dividends	(16)		
Net income available to common stockholders	$ 6,091		
Basic and diluted earnings per share			
Weighted average common shares outstanding		1,096,572	
Basic and diluted earnings per share			$ 5.55

(Tables in Thousands, Except Share Data)

	Year Ended December 31, 2023		
	Income	Weighted-Average Shares	Per Share Amount
Net income	$ 5,646		
Less preferred stock dividends	(16)		
Net income available to common stockholders	$ 5,630		
Basic and diluted earnings per share			
Weighted average common shares outstanding		1,098,683	
Basic and diluted earnings per share			$ 5.12

There were no options to purchase shares of common stock or other dilutive securities as of December 31, 2024 and 2023.

Note 16: Disclosures About Fair Value of Assets and Liabilities

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

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

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

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

Cash Equivalents and Available-for-Sale Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market mutual funds. If quoted market prices are not available, then fair values are estimated by a third-party pricing service using pricing models, quoted market prices of securities with similar characteristics or discounted cash flows. The inputs used by the pricing service to determine fair value may include one, or a combination of, observable inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data market research publications and are classified within Level 2 of the valuation hierarchy. These Level 2 securities include state and political subdivisions, mortgage-backed GSE residential and U.S. Government and federal agency securities.

Mortgage Servicing Rights

Mortgage servicing rights do not trade in an active, open market with readily observable prices. Accordingly, fair value is estimated using discounted cash flow models having significant inputs of discount rate, prepayment speed and default rate. Due to the nature of the valuation inputs, mortgage servicing rights are classified within Level 3 of the hierarchy.

Mortgage servicing rights are tested for impairment on a quarterly basis. The Controller's office measures mortgage servicing rights through the completion of a proprietary model. Inputs to the model are developed by staff that work in mortgage servicing and are reviewed by the Controller. The model is tested quarterly using baseline data to check its accuracy.

(Tables in Thousands, Except Share Data)

The following tables present the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31:

	2024			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Equivalents				
Money market mutual fund	$ 656	$ 656	$ -	$ -
Available-for-Sale Securities				
U.S. Government and federal agency	-	-	-	-
Mortgage-backed GSE residential	6,105	-	6,105	-
State and political subdivisions	59,489	-	59,489	-
Other assets				
Mortgage servicing rights	2,489	-	-	2,489

	2023			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Equivalents				
Money market mutual fund	$ 902	$ 902	$ -	$ -
Available-for-Sale Securities				
U.S. Government and federal agency	1,121	-	1,121	-
Mortgage-backed GSE residential	5,877	-	5,877	-
State and political subdivisions	54,926	-	54,926	-
Other assets				
Mortgage servicing rights	2,005	-	-	2,005

(Tables in Thousands, Except Share Data)

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. The Company has no liabilities measured at fair value on a nonrecurring basis. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Impaired Loans (Collateral Dependent)

Loans for which it is probable that the Company will not collect all principal and interest due according to contractual terms are measured for impairment. Allowable methods for determining the amount of impairment include estimating fair value using the fair value of the collateral for collateral-dependent loans.

Impaired loans that are collateral dependent are classified within Level 3 of the fair value hierarchy when impairment is determined using the fair value method.

The Company considers the appraisal or evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals of the collateral underlying collateral-dependent loans are obtained when the loan is determined to be collateral-dependent and subsequently as deemed necessary by management. Appraisals are reviewed for accuracy and consistency by management. Appraisers are selected from the list of approved appraisers maintained by management. The appraised values are reduced by discounts to consider lack of marketability and estimated cost to sell if repayment or satisfaction of the loan is dependent on the sale of the collateral. These discounts and estimates are developed by management by comparison to historical results.

The following table presents the fair value measurement of assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2024 and 2023:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2024				
Collateral-dependent impaired loans	$ 1,605	$ -	$ -	$ 1,605
December 31, 2023				
Collateral-dependent impaired loans	$ 1,473	$ -	$ -	$ 1,473

(Tables in Thousands, Except Share Data)

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements at December 31, 2024 and 2023.

		Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted - Average)
December 31, 2024					
Collateral-dependent impaired loans	$	1,605	Market comparable properties	Marketability discount	27%-76% (52%)
Mortgage servicing rights		2,489	Discounted cash flow	Discount rate PSA	10.5%
December 31, 2023					
Collateral-dependent impaired loans	$	1,473	Market comparable properties	Marketability discount	15%-97% (33%)
Mortgage servicing rights		2,005	Discounted cash flow	Discount rate PSA	10.5%

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated balance sheets at amounts other than fair value.

Uncertainty of Fair Value Measurements

The following is a description of the uncertainty of the fair value measurement at the reporting date from the use of significant unobservable inputs, if those inputs reasonably could not have been different at the reporting date, the interrelationships between those inputs and other unobservable inputs used in recurring fair value measurement and how those inputs might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

Collateral-Dependent Impaired Loans

The significant unobservable input used in the fair value measurement of the Company's collateral-dependent impaired loans is a marketability discount. Significant increases (decreases) in this input in isolation would result in a significantly lower (higher) fair value measurement. In general, a change in the assumption would not affect any other inputs.

Mortgage Servicing Rights

The significant unobservable input used in the fair value measurement of the Company's mortgage servicing rights is a discount rate. Significant increases (decreases) in this input in isolation would result in a significantly lower (higher) fair value measurement. In general, a change in the assumption would not affect any other inputs.

(Tables in Thousands, Except Share Data)

Fair Value of Financial Instruments

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

	2024			
		Fair Value Measurements Using		
	Carrying Amount	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets				
Cash and cash equivalents	$ 64,329	$ 64,329	$ -	$ -
Available-for-sale securities	65,594	-	65,594	-
Loans held for sale	1,222	-	1,222	-
Loans, net of allowance for credit losses	471,398	-	-	456,745
Federal Home Loan Bank stock	2,517	-	2,517	-
Interest receivable	3,398	-	3,398	-
Financial Liabilities				
Deposits	563,078	-	533,419	-
Long-term debt	-	-	-	-
Interest payable	2,789	-	2,789	-

	2023			
		Fair Value Measurements Using		
	Carrying Amount	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets				
Cash and cash equivalents	$ 39,885	$ 39,885	$ -	$ -
Available-for-sale securities	61,924	-	61,924	-
Loans held for sale	576	-	576	-
Loans, net of allowance for loan losses	476,534	-	-	451,514
Federal Home Loan Bank stock	2,517	-	2,517	-
Interest receivable	3,345	-	3,345	-
Financial Liabilities				
Deposits	533,458	-	446,703	-
Long-term debt	10,000	-	8,272	-
Interest payable	2,335	-	2,335	-

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated balance sheets at amounts other than fair value:

Cash and Cash Equivalents

The carrying amount approximates fair value.

Available-for-Sale Securities

Fair value is based on quoted market prices, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Loans Held For Sale

The carrying amount approximates fair value due to the insignificant time between origination and date of sale. The carrying amount is the amount funded and accrued interest.

Loans, Net of Allowance for Losses

Fair value is estimated by discounting the future cash flows using market rates for similar loans to similar borrowers. The market rates reflect a market participant assumption about risks associated with nonperformance, illiquidity, and the structure and term of the loans along with local economic and market conditions.

Federal Home Loan Bank Stock

Fair value is estimated at book value due to restrictions that limit the sale or transfer of such securities.

Accrued Interest Receivable and Payable

The carrying amount approximates fair value. The carrying amount is determined using the interest rate, balance and last payment date.

Deposits

Fair value of term deposits is estimated by discounting the future cash flows using rates of similar deposits with similar maturities.

The estimated fair value of demand, NOW, savings and money market deposits is the book value since rates are regularly adjusted to market rates and amounts are payable on demand at the reporting date.

Federal Home Loan Bank Advances

Fair value is estimated by discounting the future cash flows using rates of similar advances with similar maturities. These rates were obtained from current rates offered by FHLB.

Subordinated Debentures

Fair value of the subordinated debt is estimated by discounting the estimated future cash flows using current estimated market rates. The market rates used were averages of currently traded trust preferred securities with similar characteristics to the Company's issuances and obtained from an independent third party.

Commitments to Originate Loans, Forward Sale Commitments, Letters of Credit and Lines of Credit

The fair value of commitments to originate loans is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates.

The fair value of commitments to sell securities is estimated based on current market prices for securities of similar terms and credit quality.

The fair values of letters of credit and lines of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate or otherwise settle the obligations with the counterparties at the reporting date.

Note 17: Significant Estimates and Concentrations

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

Investments

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

Note 18: Commitments and Credit Risk

Commitments to Originate Loans

Commitments to originate 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 a portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate.

At December 31, 2024 and 2023, the Company had outstanding commitments to originate loans aggregating approximately $110,453,000 and $121,432,000, respectively.

Standby Letters of Credit

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

The Company had total outstanding standby letters of credit amounting to $595,000 and $466,000 at December 31, 2024 and 2023, respectively, with terms ranging from one year to five years.

Note 19: Operating Segments

While the Company's Chief Operating Decision Maker ("CODM"), which consists of the executive team including the Chief Executive Officer, Chief Financial Officer, Chief Lending Officer and Chief Operating Officer, monitors the revenue streams of the various products and services, operations are managed and financial performance is evaluated on a Company-wide basis, and operating divisions are aggregated into one operating segment. Accounting policies for segments are the same as those described in the Footnotes above. Segment performance is evaluated using net income. Refer to the primary consolidated financial statements for segment information.

Note 20: Subsequent Events

Subsequent events have been evaluated through March 19, 2025, which is the date the consolidated financial statements were available to be issued.