MORRIS STATE BANCSHARES, INC., AND SUBSIDIARIES
DUBLIN, GEORGIA

CONSOLIDATED FINANCIAL STATEMENTS AS OF
DECEMBER 31, 2024 AND 2023 AND
INDEPENDENT AUDITOR'S REPORT

MORRIS STATE BANCSHARES, INC., AND SUBSIDIARIES

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Independent Auditor's Report

Board of Directors
Morris State Bancshares, Inc. and Subsidiaries
Dublin, Georgia 31021

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the consolidated financial statements of Morris State Bancshares, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years ended 2024, 2023, and 2022, 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 Morris State Bancshares, Inc. and its subsidiaries as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years ended 2024, 2023, and 2022 in accordance with accounting principles generally accepted in the United States of America.

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

Basis for Opinions

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

Responsibilities of Management for the Consolidated Financial Statements and Internal Control Over Financial Reporting

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of effective internal control over financial reporting relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting.

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 Morris State Bancshares, Inc.'s ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and about whether effective internal control over financial reporting was maintained in all material respects, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of consolidated financial statements or an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the 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 consolidated financial statement audits in order to design audit procedures that are appropriate in the circumstances.
- Obtain an understanding of internal control over financial reporting relevant to the audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Morris State Bancshares, Inc.'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 consolidated financial statement audit.

Definition and Inherent Limitations of Internal Control Over Financial Reporting

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

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

Nichols, Cauley + Associates, LLC

Dublin, Georgia
March 25, 2025

MORRIS STATE BANCSHARES, INC., AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31

ASSETS

	2024	2023
Cash and Cash Equivalents		
Cash and Due from Banks	**$ 52,797,778**	$ 32,305,873
Federal Funds Sold	**42,064,131**	17,268,446
	94,861,909	49,574,319
Interest-Bearing Time Deposits in Other Banks	**100,000**	100,000
Debt Securities Available for Sale, at Fair Value	**9,726,716**	7,875,780
Debt Securities Held to Maturity, at Cost, Net of Allowance for Credit Losses of $66,390 and $87,440 in 2024 and 2023, respectively	**215,836,502**	240,205,635
Federal Home Loan Bank Stock, Restricted, at Cost	**1,032,800**	1,029,600
Equity Investment, at Cost	**3,500,000**	3,500,000
Loans Held for Sale	**465,250**	-
Loans, Net of Unearned Income	**1,115,609,409**	1,063,772,222
Allowance for Credit Losses - Loans	**(14,488,525)**	(14,291,923)
Loans, Net	**1,101,586,134**	1,049,480,299
Other Assets		
Bank Premises and Equipment, Net	**12,780,014**	13,188,353
Right of Use Asset for Operating Lease	**776,979**	1,126,156
Goodwill	**9,361,704**	9,361,704
Intangible Assets, Net	**1,338,964**	1,679,990
Other Real Estate and Foreclosed Assets	**21,898**	3,611,235
Accrued Interest Receivable	**7,278,258**	6,424,087
Cash Surrender Value of Life Insurance	**15,653,587**	15,230,065
Investment in Tax Credits, Net	**7,906,077**	10,806,898
Other Assets	**10,375,569**	11,711,587
Total Other Assets	**65,493,050**	73,140,075
Total Assets	**$ 1,492,137,111**	$ 1,424,905,708

See accompanying notes which are an integral part of these consolidated financial statements.

MORRIS STATE BANCSHARES, INC., AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31

LIABILITIES AND SHAREHOLDERS' EQUITY

	2024	2023
Deposits		
Noninterest Bearing	**$ 324,991,598**	$ 297,373,659
Interest Bearing	**939,896,740**	910,959,803
Total Deposits	**1,264,888,338**	1,208,333,462
Other Liabilities		
Other Borrowed Funds	**19,019,371**	27,151,284
Lease Liability for Operating Lease	**776,979**	1,126,156
Accrued Interest Payable	**2,111,092**	1,016,318
Accrued Expenses and Other Liabilities	**9,738,172**	9,145,272
Total Liabilities	**1,296,533,952**	1,246,772,492
Shareholders' Equity		
Common Stock, $1 Par Value, Authorized 10,000,000 Shares, 10,688,723 Issued and 10,593,225 Outstanding in 2024 and 10,645,509 Issued and 10,582,219 Outstanding in 2023	**10,688,723**	10,645,509
Paid-In Capital Surplus	**33,841,059**	33,168,905
Retained Earnings	**153,010,395**	135,107,041
Accumulated Other Comprehensive Income	**1,422,711**	1,968,846
Treasury Stock, at Cost 95,498 Shares in 2024 and 63,290 Shares in 2023	**(3,359,729)**	(2,757,085)
Total Shareholders' Equity	**195,603,159**	178,133,216
Total Liabilities and Shareholders' Equity	**$ 1,492,137,111**	$ 1,424,905,708

See accompanying notes which are an integral part of these consolidated financial statements.

MORRIS STATE BANCSHARES, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31

	2024	2023	2022
Interest and Dividend Income			
Loans, Including Fees	**$ 72,415,765**	$ 62,022,894	$ 53,034,139
Interest on Debt Securities	**7,368,157**	8,196,152	7,294,294
Income on Federal Funds Sold	**851,717**	627,235	186,056
Income on Time Deposits Held in Other Banks	**16,524**	11,433	5,881
Other Interest and Dividend Income	**1,866,332**	1,502,077	1,012,196
Total Interest and Dividend Income	**82,518,495**	72,359,791	61,532,566
Interest Expense			
Deposits	**25,981,732**	18,599,665	4,530,637
Interest on Other Borrowed Money	**1,442,530**	2,148,020	1,745,537
Interest on Federal Funds Purchased	**296**	842	3,221
Total Interest Expense	**27,424,558**	20,748,527	6,279,395
Net Interest Income Before Provision for Credit Losses	**55,093,937**	51,611,264	55,253,171
Provision for Credit Losses - Debt Securities Held to Maturity	**(21,050)**	(8,561)	-
Provision for Credit Losses - Loans	**600,000**	800,000	5,100,000
Provision for Credit Losses - Off Balance Sheet Credit Exposures	**(33,492)**	(340,964)	-
Provision for Credit Losses	**545,458**	450,475	5,100,000
Net Interest Income After Provision for Credit Losses	**54,548,479**	51,160,789	50,153,171
Noninterest Income			
Service Charges on Deposit Accounts	**2,168,900**	2,143,963	2,417,800
Other Service Charges, Commissions and Fees	**1,489,018**	1,526,333	1,439,536
Increase in Cash Value of Life Insurance	**423,522**	384,867	355,593
Gain (Loss) on Sales and Calls of Securities	**182**	-	(326)
Gain (Loss) on Sales of Other Real Estate and Foreclosed Assets	**(9,681)**	(7,221)	608,935
Loss on Sales of Premises and Equipment	-	(54,269)	(201,009)
Other Income	**736,475**	753,550	379,926
Total Noninterest Income	**4,808,416**	4,747,223	5,000,455
Noninterest Expenses			
Salaries	**14,246,133**	13,494,877	14,351,568
Employee Benefits	**5,414,342**	4,347,422	4,674,727
Net Occupancy Expense	**2,777,024**	2,855,872	3,019,729
Equipment Rental and Depreciation of Equipment	**166,192**	138,050	94,992
Impairment Recognized on Other Real Estate Held for Sale	-	314,562	-
Other Expenses	**13,737,967**	13,276,107	10,893,040
Total Noninterest Expenses	**36,341,658**	34,426,890	33,034,056
Income Before Income Taxes	**23,015,237**	21,481,122	22,119,570
Provision for Income Taxes	**(1,210,893)**	(2,148,933)	(1,010,940)
Net Income	**$ 21,804,344**	$ 19,332,189	$ 21,108,630
Earnings Per Common Share			
Basic	$ 2.06	$ 1.83	$ 2.00
Diluted	$ 2.06	$ 1.83	$ 2.00

See accompanying notes which are an integral part of these consolidated financial statements.

MORRIS STATE BANCSHARES, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31

	2024	2023	2022
Net Income	**$ 21,804,344**	$ 19,332,189	$ 21,108,630
Other Comprehensive Income (Loss)			
Unrealized Holding Gains (Losses) on Available for Sale Debt Securities	**37,361**	(10,605)	(76,067)
Reclassification Adjustment for Amortization of Unrealized Holding Gains From the Transfer of Securities From Available for Sale to Held to Maturity	**(728,489)**	(798,560)	(932,206)
Reclassification Adjustment for (Gains) Losses Included in Net Income	**(182)**	-	(326)
Net Unrealized Gains (Losses)	**(691,310)**	(809,165)	(1,008,599)
Tax Effect	**145,175**	169,925	211,669
Total Other Comprehensive Loss	**(546,135)**	(639,240)	(796,930)
Total Comprehensive Income	**$ 21,258,209**	$ 18,692,949	$ 20,311,700

See accompanying notes which are an integral part of these consolidated financial statements.

MORRIS STATE BANCSHARES, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022

	Common Stock	Paid-In Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance - December 31, 2021	$ 2,159,148	$ 40,349,139	$ 104,039,835	$ 3,404,364	$ (1,693,544)	$ 148,258,942
Issuance of Common Stock	6,582	558,136	-	-	-	564,718
Issuance of Restricted Stock, Net	3,827	(95,230)	-	-	-	(91,403)
Stock Based Compensation Expense	-	116,686	-	-	-	116,686
Purchase of Treasury Stock	-	-	-	-	(502,672)	(502,672)
Net Income	-	-	21,108,630	-	-	21,108,630
Other Comprehensive Loss	-	-	-	(796,278)	-	(796,278)
Cash Dividends	-	-	(3,722,220)	-	-	(3,722,220)
Balance - December 31, 2022	2,169,557	40,928,731	121,426,245	2,608,086	(2,196,216)	164,936,403
Cumulative Change in Accounting Principle	-	-	(1,926,890)	-	-	(1,926,890)
Balance at January 1, 2023 (as adjusted for change in accounting principle)	2,169,557	40,928,731	119,499,355	2,608,086	(2,196,216)	163,009,513
Issuance of Common Stock	4,040	377,740	-	-	-	381,780
Issuance of Restricted Stock, Net	5,613	43,234	-	-	-	48,847
Stock Based Compensation Expense		285,499	-	-	-	285,499
Purchase of Treasury Stock	-	-	-	-	(560,869)	(560,869)
Net Income	-	-	19,332,189	-	-	19,332,189
Other Comprehensive Loss	-	-	-	(639,240)	-	(639,240)
Cash Dividends	-	-	(3,724,503)	-	-	(3,724,503)
Balance - December 31, 2023	2,179,210	41,635,204	135,107,041	1,968,846	(2,757,085)	178,133,216
Four for One Stock Split	8,466,299	(8,466,299)	-	-	-	-
Balance at December 31, 2023 (as adjusted for four for one stock split)	10,645,509	33,168,905	135,107,041	1,968,846	(2,757,085)	178,133,216
Issuance of Restricted Stock, Net	43,214	221,386	-	-	-	264,600
Stock Based Compensation Expense	-	450,768	-	-	-	450,768
Purchase of Treasury Stock	-	-	-	-	(602,644)	(602,644)
Net Income	-	-	21,804,344	-	-	21,804,344
Other Comprehensive Loss	-	-	-	(546,135)	-	(546,135)
Cash Dividends	-	-	(3,900,990)	-	-	(3,900,990)
Balance - December 31, 2024	**$ 10,688,723**	**$ 33,841,059**	**$ 153,010,395**	**$ 1,422,711**	**$ (3,359,729)**	**$ 195,603,159**

See accompanying notes which are an integral part of these consolidated financial statements.

MORRIS STATE BANCSHARES, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	2024	2023	2022
Cash Flows from Operating Activities			
Net Income	**$ 21,804,344**	$ 19,332,189	$ 21,108,630
Adjustments to Reconcile Net Income to			
Net Cash Provided (Used) by Operating Activities			
Provision for Credit Losses	**545,458**	450,475	5,100,000
Depreciation	**779,265**	844,810	915,340
Impairment Recognized on Other Real Estate Held for Sale	**-**	314,562	-
(Gain) Loss on Sales of Foreclosed Assets,			
Other Real Estate and Property, Net	**9,681**	61,490	(407,926)
Net Amortization on Debt Securities	**1,102,919**	1,283,723	1,015,422
(Gain) Loss on Sales/Calls of Debt Securities	**(182)**	-	326
Deferred Tax	**1,068,588**	(784,565)	(402,680)
Increase in CSV Life Insurance	**(423,522)**	(384,867)	(355,593)
Amortization of Intangible Assets	**341,026**	343,550	345,850
Amortization of Operating Lease Right-of-Use Assets	**349,177**	403,389	382,388
Amortization of Operating Lease Liabilities	**(349,177)**	(403,389)	(382,388)
Amortization of Investment in Tax Credit	**2,920,825**	2,733,248	405,126
Stock Based Compensation Expense	**450,768**	285,499	116,686
Changes in			
Loans Held for Sale	**(465,250)**	1,939,500	700,563
Accrued Income and Other Assets	**(461,568)**	(3,117,035)	(3,062,450)
Accrued Expenses and Other Liabilities	**1,839,253**	3,568,508	(2,927,681)
Net Cash Provided by Operating Activities	**29,511,605**	26,871,087	22,551,613
Cash Flows from Investing Activities			
Net Change in Loans to Customers	**(48,878,858)**	(14,533,888)	(128,521,540)
Net Change in Interest-Bearing Time Deposits in Other Banks	**-**	-	250,000
Purchase of Available Sale Securities	**(3,950,625)**	(7,866,369)	-
Proceeds from Maturities/ Calls/Paydowns of Avaliable for Sale Securities	**2,196,383**	-	-
Purchase of Held to Maturity Securities	**-**	-	(30,211,429)
Proceeds from Maturities/Calls/Paydowns of Held to Maturity Securities	**22,499,440**	17,284,259	24,611,602
Proceeds from Redemption of Federal Home Loan Bank Stock	**-**	548,800	-
Purchase of Federal Home Loan Bank Stock	**(3,200)**	-	(954,100)
Purchase of Investment Tax Credit	**-**	(8,806,764)	(3,147,349)
Purchase of CSV Life Insurance	**-**	(511,654)	-
Property and Equipment Expenditures	**(370,926)**	(221,490)	(413,672)
Proceeds from Sales of Property and Equipment	**-**	-	369,972
Proceeds from Sales of Other Real Estate and Foreclosed Assets	**217,929**	306,937	905,491
Net Cash Used by Investing Activities	**(28,289,857)**	(13,800,169)	(137,111,025)
Cash Flows from Financing Activities			
Net Change in Deposits	**56,554,876**	1,876,965	(17,747,949)
Proceeds from Other Borrowed Funds	**-**	-	20,000,000
Repayment of Other Borrowed Funds	**(8,250,000)**	(21,750,000)	-
Purchase of Treasury Stock	**(602,644)**	(560,869)	(502,672)
Proceeds from Issuance of Common Stock	**264,600**	381,780	564,718
Cash Dividends Paid	**(3,900,990)**	(3,724,503)	(3,722,220)
Net Cash Provided (Used) by Financing Activities	**44,065,842**	(23,776,627)	(1,408,123)
Net Increase (Decrease) in Cash and Cash Equivalents	**45,287,590**	(10,705,709)	(115,967,535)
Cash and Cash Equivalents, Beginning	**49,574,319**	60,280,028	176,247,563
Cash and Cash Equivalents, Ending	**$ 94,861,909**	$ 49,574,319	$ 60,280,028

See accompanying notes which are an integral part of these consolidated financial statements.

MORRIS STATE BANCSHARES, INC., AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION TO CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	2024	2023	2022
Cash Payments			
Interest on Deposits	**$ 24,884,367**	$ 17,729,107	$ 4,529,247
Interest on Borrowings	**$ 1,445,416**	$ 2,152,079	$ 1,740,641
Income Taxes	**$ -**	$ 600,000	$ -
Noncash Items			
Changes in Unrealized Loss on Securities Available for Sale	**$ (691,310)**	$ (809,165)	$ (1,007,947)
Transfer of Loans to Other Real Estate and Foreclosed Assets	**$ 192,582**	$ 531,508	$ 235,897
Transfer of Other Real Estate and Foreclosed Assets to Loans	**$ 3,554,309**	$ -	$ 1,556,235
Initial Recognition of Operating Lease Right-of-Use Assets	**$ -**	$ -	$ 672,107
Initial Recognition of Operating Lease Liabilities	**$ -**	$ -	$ (672,107)
Transfer of Securities from Available for Sale to Held to Maturity	**$ -**	$ -	$ 244,979,034
Issuance of Restricted Stock, Net of Forfeitures	**$ 264,600**	$ 48,847	$ (91,403)

See accompanying notes which are an integral part of these consolidated financial statements.

MORRIS STATE BANCSHARES, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

The accounting and reporting policies of Morris State Bancshares, Inc., and its Subsidiaries, collectively known as (the Company), conform with generally accepted accounting principles in the United States of America (GAAP) and with general practices within the banking industry. The following is a description of the more significant of those policies the Company follows in preparing and presenting its financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of Morris State Bancshares, Inc. and its wholly owned subsidiaries, Morris Bank (the Bank) and IMOR Properties LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

Reporting Entity

The Company was formed on July 1, 1989, as Morris State Bancshares, Inc., and operates as a bank holding company with one bank subsidiary. At December 31, 2024, the Company owned 100 percent of Morris Bank, Dublin, Georgia. The Bank provides a variety of financial services to individuals and small businesses through its offices in middle Georgia. The Bank offers a full range of commercial and personal loan products. The Bank makes loans to individuals for purposes such as home mortgage financing, personal vehicles and various consumer purchases and other personal and family needs. The Bank makes commercial loans to businesses for purposes such as providing equipment and machinery purchases, commercial real estate purchases and working capital. The Bank offers a full range of deposit services that are typically available from financial institutions, including Negotiable Order of Withdrawal (NOW) accounts, demand, savings, and other time deposits. In addition, retirement accounts such as Individual Retirement Accounts are available. All deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to the maximum amount currently permitted by law.

During 2015, the Company established IMOR Properties, LLC with 100 percent ownership. IMOR Properties, LLC was established by the Company as a subsidiary for holding real property.

Changes in Accounting Principles and Effects of New Accounting Pronouncements

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. 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). In addition, *ASC* 326 made changes to the accounting for available for sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available for sale debt securities management does not intend to sell or believes that it is more likely than not, they will be required to sell.

The Company adopted *ASC* 326 using the modified retrospective method for all financial assets measured at amortized costs and off-balance sheet credit exposures. Results for reporting periods beginning after January 1, 2023 are presented under *ASC* 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP.

(1) Summary of Significant Accounting Policies (Continued)

Changes in Accounting Principles and Effects of New Accounting Pronouncements (Continued)

The transition adjustment of the adoption of CECL included no net change in the allowance for credit losses on loans, and an increase in the allowance for credit losses on off-balance sheet exposure of $2,250,189, which is recorded within accrued expenses and other liabilities. The Company recorded an allowance for credit losses for held-to-maturity securities of $96,001, which is presented as a reduction to held-to-maturity securities outstanding. The Company recorded a net decrease to retained earnings of $1,926,890 as of January 1, 2023 for the cumulative effect of adopting CECL, which reflects the transition adjustments noted below, net of the applicable deferred tax assets recorded.

The following table illustrates the impact of *ASC* 326.

	January 1, 2023		
	As Reported Under *ASC* 326	Pre-*ASC* 326 Adoption	Impact of *ASC* 326 Adoption
Assets			
Allowance for Credit Losses on Debt Securities			
Held-to-Maturity			
Commercial Mortgage Backed Securities	$ 44,256	$ -	$ 44,256
State, County and Municipal Securities	41,412	-	41,412
Other Debt Securities	10,333	-	10,333
	96,001	-	96,001
Loans			
Allowance for Credit Losses on Loans			
Commercial	2,925,886	2,925,886	-
Commercial Real Estate	7,433,855	7,433,855	-
Consumer	376,394	376,394	-
Residential Real Estate	2,261,464	2,261,464	-
Agirculture	619,863	619,863	-
Other	11,793	11,793	-
	13,629,255	13,629,255	-
Deferred Tax Assets	4,065,126	3,645,826	419,300
Liabilities			
Allowance for Credit Losses on Off-Balance Sheet Exposure	2,250,189	-	2,250,189
Equity			
Retained Earnings	$ 119,499,355	$ 121,426,245	$ (1,926,890)

(1) Summary of Significant Accounting Policies (Continued)

Changes in Accounting Principles and Effects of New Accounting Pronouncements (Continued)

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructuring and Vintage Disclosure*, which eliminated the recognition and measurement guidance for Troubled Debt Restructurings (TDR) by creditors in *ASC* 310-40. The ASU also enhances disclosure requirements for certain loan restructurings by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying the recognition and measurement guidance for TDRs, an entity will apply the loan refinancing and restructuring guidance to determine whether a modification or other form of restructuring results in a new loan or a continuation of an existing loan. The amendments in the ASU are effective for fiscal years beginning after December 15, 2022. The Company adopted ASU 2022-02 using the prospective method. As a result, the Company will continue to apply legacy TDR guidance to the existing pool of TDR designated loans until those loans are settled. The adoption of this standard did not have a material effect on the Company's operating results or financial condition.

Acquisition Accounting

Acquisitions are accounted for under the purchase method of accounting. Purchased assets and assumed liabilities are recorded at their estimated fair values as of the purchase date. Any identifiable intangible assets are also recorded at fair value. When the fair value of the assets purchased exceeds the fair value of liabilities assumed, it results in a "bargain purchase gain." If the consideration given exceeds the fair value of the net assets received, goodwill is recognized. Fair values are subject to refinement for up to one year after the closing date of an acquisition as information relative to closing date fair values becomes available.

All identifiable intangible assets that are acquired in a business combination are recognized at fair value on the acquisition date. Identifiable intangible assets are recognized separately if they arise from contractual or other legal rights or if they are separable (i.e., capable of being sold, transferred, licensed, rented, or exchanged separately from the entity). Because deposit liabilities and the related customer relationship intangible assets may be exchanged in a sale or exchange transaction, the intangible asset associated with the depositor relationship is considered identifiable.

Purchased loans acquired in a business combination are recorded at estimated fair value on their purchase date and prohibit the carryover of the related allowance for credit losses. When the loans have evidence of credit deterioration since origination and it is probable at the date of acquisition that the Company will not collect all contractually required principal and interest payments, the difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the nonaccretable discount. The Company must estimate expected cash flows at each reporting date. Subsequent decreases to the expected cash flows will generally result in a provision for credit losses. Subsequent increases in cash flows result in a reversal of the provision for credit losses to the extent of prior provisions and adjust accretable discount if no prior provisions have been made. This increase in accretable discount will have a positive impact on interest income. In addition, purchased loans without evidence of credit deterioration are also handled under this method.

(1) Summary of Significant Accounting Policies (Continued)

Debt Securities

The classification of debt securities is determined at the date of purchase. Gains or losses on the sale of debt securities are recognized on a specific identification basis.

Debt securities available for sale, are recorded at fair value with unrealized gains or losses excluded from earnings and reported as a component of shareholders' equity. Debt securities available for sale will be used as a part of the Company's interest rate risk management strategy and may be sold in response to changes in interest rates, changes in prepayment risk, and other factors.

Held-to-maturity debt securities, are stated at cost, net of the amortization of premium and the accretion of discount and the allowance for credit losses. The Company intends and has the ability to hold such securities on a long-term basis or until maturity.

Mortgage-backed securities represent participating interests in pools of long-term first mortgage loans originated and serviced by issuers of the securities. Mortgage-backed securities are carried at unpaid principal balances, adjusted for unamortized premiums and unearned discounts.

The market value of debt securities is generally based on quoted market prices. If a quoted market price is not available, market value is estimated using quoted market prices for similar debt securities.

Premiums and discounts are recognized in interest income using the interest method over the period to maturity.

Allowance for Credit Losses - Available for Sale Debt Securities

For available for sale 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 debt securities Available for sale 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 the fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Changes in the allowance for credit losses are recorded as a provision for credit losses (or reversal). Losses are charged against the allowance when management believes the uncollectibility of an available for sale security has been confirmed or when either of the criteria regarding intent or requirement to sell is met. At December 31, 2024 and 2023, there was no allowance for credit loss related to the available for sale portfolio.

Accrued interest receivable on available for sale debt securities has been excluded from the estimate of credit losses.

(1) Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses – Held-to-Maturity Debt Securities

The Company measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type. The Company classifies the held-to-maturity portfolio into the following major security types: mortgage backed residential and commercial as well as nonmortgage backed US treasury securities, state, county, and municipal securities and other. Nearly all the mortgage backed are residential and commercial debt securities either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. The remaining mortgage-backed debt securities, all state, county and municipal securities and all corporate debt securities are evaluated for credit losses. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

Accrued interest receivable on held-to-maturity debt securities has been excluded from the estimate of credit losses.

Loans and Interest Income

Loans are stated at the amount of unpaid principal, reduced by net deferred loan fees, unearned discounts, and a valuation allowance for possible credit losses. Interest on simple interest installment loans and other loans is calculated by using the simple interest method on daily balances of the principal amount outstanding. Loans are generally placed on nonaccrual status when full payment of principal or interest is in doubt, or when they are past due 90 days as to either principal or interest. Senior management may grant a waiver from nonaccrual status if a past due loan is well secured and in process of collection. A nonaccrual loan may be restored to accrual status when all principal and interest amounts contractually due, including payments in arrears, are reasonably assured of repayment within a reasonable period, and there is a sustained period of performance by the borrower in accordance with the contractual terms of the loan. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received.

Allowance for Credit Losses - Loans

The allowance for credit losses (ACL) is available to absorb losses inherent in the credit extension process. The entire allowance is available to absorb losses related to the loan and lease portfolio. Credit exposures deemed to be uncollectible are charged against the allowance for credit losses. Recoveries of previously charged-off amounts are credited to the allowance for credit losses. Additions to the allowance for credit losses are made by charges to the provision for credit losses.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors.

The allowance for credit losses is measured on a collective pool basis when similar risk characteristics exist. For the collectively evaluated pools, the Company segments the loan portfolio by call report classification. The Company utilizes the remaining life method for estimating credit losses for each of the loan pools.

(1) Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses – Loans (Continued)

Loans that do not share risk characteristics are evaluated on an individual loan basis. Loans evaluated individually are excluded from the collectively evaluated pool. An ACL for an individually evaluated loan is recorded when the amortized cost basis of the loan exceeds the discounted estimated cash flows using the loan's initial effective interest rate or the fair value, less estimated costs to sell, of the collateral for certain collateral dependent loans.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless those options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

The Company maintains an allowance for off-balance sheet credit exposures, which would include any unadvanced amounts on lines of credit and any letters of credit provided to borrowers. The allowance is carried as a liability and is included in accrued expenses and other liabilities on the Company's consolidated balance sheet. The liability was $1,875,733 and $1,909,225 as of December 31, 2024 and 2023, respectively. Adjustments to the allowance for credit losses for off-balance sheet exposures is recorded through the provision for credit losses - off-balance sheet credit exposures.

The Company follows the same methodology as the allowance for credit losses for loans when calculating the allowance for off-balance sheet credit exposures, with the exception of estimating the likelihood that funding will occur. Using the weighted average remaining maturity method, a historical loss ratio and qualitative factor are combined to produce an adjusted loss ratio, which is multiplied by the amount at risk for each loan pool. The allocations are summed to arrive at the total allowance for off-balance sheet credit exposures.

Premises and Equipment

Land is carried at cost. Other premises and equipment are stated at cost, less accumulated depreciation. Depreciation is charged to operating expenses over the estimated useful lives of the assets and is computed on the straight-line method. In general, estimated lives for buildings are up to 40 years, furniture, and equipment (including vehicles) useful lives range from five to 20 years, and the lives of software and computer related equipment range from three to five years. Leasehold improvements are amortized over the life of the related lease, or the related assets, whichever is shorter. Expenditures for major improvements of the Company's premises and equipment are capitalized and depreciated over their estimated useful lives. Minor repairs, maintenance and improvements are charged to operations as incurred. When assets are sold or disposed of, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in earnings.

(1) Summary of Significant Accounting Policies (Continued)

Goodwill and Intangible Assets

Goodwill represents the excess of cost over the fair value of the net assets purchased in business combinations. Goodwill is required to be tested annually for impairment or whenever events occur that may indicate that the recoverability of the carrying amount is not probable. In the event of an impairment, the amount by which the carrying amount exceeds the fair value is charged to earnings. At December 31, 2024, the Company's annual testing identified no impairment; accordingly, no impairment was recorded for the year.

Intangible assets consist of core deposit premiums acquired in connection with business combinations and are based on the established value of acquired customer deposits. The core deposit premium is initially recognized based on a valuation performed as of the consummation date and is amortized over an estimated useful life of ten years. Amortization periods are reviewed annually in connection with the annual impairment testing of goodwill.

Other Real Estate

Real estate properties acquired through or in lieu of loan foreclosure are held-for-sale and are initially recorded at fair value less estimated selling costs at the date of foreclosure establishing a new cost basis. After acquisition, foreclosed real estate is carried at the lower of carrying amount or fair value less estimated selling costs. Fair value is estimated through current appraisals, where practical, or an inspection and a comparison of the property securing the loan with similar properties in the area by a licensed appraiser, a real estate broker or management. Subsequent provisions for losses, which may result from the ongoing periodic valuations of these properties, are charged to expense in the period in which they are identified. Carrying costs, such as maintenance and taxes, are charged to expense as incurred.

Cash Surrender Value of Life Insurance (BOLI)

The Bank has purchased life insurance on the lives of certain Bank officers. The beneficial aspects of these life insurance policies are tax-free earnings and a tax-free death benefit, which are realized by the Bank as the owner of the policies. The cash surrender value of these policies is included as an asset on the balance sheets, and any increases in cash surrender value are recorded as noninterest income in the consolidated statements of income.

Leases

Leases are classified as operating or finance leases at the lease commencement date. The Company leases certain locations and equipment. The Company records leases on the balance sheet in the form of a lease liability for the present value of the future minimum payments under the lease terms and a right-of-use asset equal to the lease liability adjusted for items such as deferred or prepaid rent, lease incentives, and any impairment on the right-of-use asset. The discount rate used in determining the lease liability is based upon incremental borrowing rates the Company could obtain for similar loans as of the date of commencement or renewal.

(1) Summary of Significant Accounting Policies (Continued)

Income Taxes

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Investment tax credits are accounted for by the flow-through method whereby they reduce income taxes currently payable and the provision for income taxes in the period the assets giving rise to such credits are placed in service. To the extent such credits are not currently utilized on the Company's tax return, deferred tax assets, subject to considerations about the need for a valuation allowance, are recognized for the carryforward amount. During the years ended December 31, 2024, 2023 and 2022, the Bank recognized amortization expense of $2,920,825, $2,733,248, and $405,126, respectively, in noninterest expense on the consolidated statements of income.

The Company recognizes the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The amount of unrecognized tax benefits is adjusted as appropriate for changes in facts and circumstances, such as significant amendments to existing tax law, new regulations or interpretations by the taxing authorities, new information obtained during a tax examination, or resolution of an examination.

The Company recognizes interest and penalties related to income tax matters in income tax expense.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, highly liquid debt instruments purchased with an original maturity of three months or less, and federal funds sold. Generally, federal funds are purchased and sold for one-day periods.

Securities Sold Under Agreement to Repurchase

Securities sold under agreement to repurchase are secured borrowings from customers and are treated as financing activities which are carried at the amounts at which the securities will be subsequently reacquired as specified in the respective agreements. The Bank had no such items outstanding as of December 31, 2024 or 2023.

Use of Estimates

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

(1) Summary of Significant Accounting Policies (Continued)

Use of Estimates (Continued)

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

The Company's loans are generally secured by specific items of collateral including real property, consumer assets and business assets. Although the Company has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Company to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Advertising Costs

It is the policy of the Company to expense advertising costs as they are incurred. The Company does not engage in any direct-response advertising and accordingly has no advertising costs reported as assets on its consolidated balance sheets. Amounts charged to advertising expense for the years ended December 31, 2024, 2023 and 2022 were $883,743, $831,379, and $885,724, respectively.

Stock Compensation Plans

The Company has a 401(k) and employee stock ownership plan covering substantially all of its employees meeting age and length of service requirements. Contributions to the plan are made at the discretion of the Board of Directors. The Company also has a stock ownership plan which grants stocks to selected executives and other key employees. Stock grants under this plan vest over a period of three or five years. In 2018 the Company adopted an equity incentive plan. Under this plan, the Company has granted equity incentive units, stock appreciation rights, as well as restricted stock units.

Earnings Per Common Share

Basic earnings per share represents income available to common shareholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflect additional 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 conversion. Potentially dilutive common shares are limited to preferred shares outstanding that would be converted to common shares upon change in control of the Company. As such, the average number of common shares outstanding used to calculate diluted earnings per share equals the total number of common and preferred shares outstanding less any shares held in treasury.

Effective April 22, 2024, the Company recorded a stock split of four additional shares for every share issued and outstanding. Common stock, paid-in capital surplus and all stock related to employee benefit plans have been restated to reflect the stock split as of December 31, 2023. There was no impact to total shareholders' equity. The per share amounts as of December 31, 2023 and 2022 have been restated to reflect the April 22, 2024 stock split.

(1) Summary of Significant Accounting Policies (Continued)

Earnings Per Common Share

Earnings per common share have been computed based on the following for the years ended December 31:

	2024	2023	2022
Net Income Applicable to Common Shares	**$ 21,804,344**	$ 19,332,189	$ 21,108,630
Average Number of Common Shares Outstanding	**10,603,218**	10,582,377	10,575,160
Effect of Dilutive Options, Warrants, Etc.	**-**	-	-
Average Number of Common Shares Outstanding Used to Calculate Diluted Earnings Per Common Share	**10,603,218**	10,582,377	10,575,160

Comprehensive Income

GAAP generally requires that recognized revenues, expenses, gains, and losses be included in net earnings. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the consolidated balance sheets, such items along with net earnings, are components of comprehensive income. The adoption of Financial Accounting Standards Board (FASB) Accounting Standards Codification *(ASC) Topic 220, Comprehensive Income*, had no effect on the Company's net income or shareholders' equity. The Company presents comprehensive income in a separate consolidated statement of comprehensive income.

Reclassifications

Certain accounts in the 2023 consolidated financial statements have been reclassified to conform to the presentation of current-year consolidated financial statements.

Federal Home Loan Bank Stock

Investment in stock of a Federal Home Loan Bank (FHLB) is required for every federally insured institution that utilizes its services. FHLB stock is considered restricted, as defined in FASB *ASC Topic 320, Investments - Debt and Equity Securities*; accordingly, the provisions of *ASC Topic 320* are not applicable to this investment. The FHLB stock is reported in the consolidated financial statements at cost. Dividend income is recognized when earned.

Equity Investment

In December 2020, the Bank made a $3,500,000 perpetual investment in The Change Company. The Change Company is a Community Reinvestment Act (CRA) credit origination firm, that will assist the Bank in meeting its CRA requirements. The Bank's investment is less than 20 percent and has been recorded at cost.

(2) Debt Securities

The following tables summarize the amortized cost, fair value, and allowance for credit losses of securities available-for-sale and securities held-to-maturity at December 31, 2024 and 2023 and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) and gross unrecognized gains and losses:

	2024				
	Amortized Cost	**Unrealized Gains**	**Unrealized Losses**	**Allowance for Credit Losses**	**Estimated Market Value**
Nonmortgage Backed Debt Securites					
U.S. Treasury Securities	**$ 2,976,856**	**$ 8,494**	**$ -**	**$ -**	**$ 2,985,350**
Mortgage Backed Debt Securites					
Commercial Mortgage Backed Securities	**6,723,104**	**18,281**	**(19)**	**-**	**6,741,366**
	$ 9,699,960	**$ 26,775**	**$ (19)**	**$ -**	**$ 9,726,716**

	2023				
Nonmortgage Backed Debt Securites					
U.S. Treasury Securities	$ 3,911,434	$ -	$ (10,614)	$ -	$ 3,900,820
Mortgage Backed Debt Securites					
Commercial Mortgage Backed Securities	3,974,951	9	-	-	3,974,960
	$ 7,886,385	$ 9	$ (10,614)	$ -	$ 7,875,780

(2) Debt Securities (Continued)

The book and market values of securities held-to-maturity as of December 31 were as follows:

	2024				
	Amortized Cost	**Unrealized Gains**	**Unrealized Losses**	**Estimated Market Value**	**Allowance for Credit Losses**
Nonmortgage Backed Debt Securities					
U.S. Treasury Securities	**$ 14,765,232**	**$ -**	**$ (953,414)**	**$ 13,811,818**	**$ -**
State, County, and Municipal Securities	**123,672,092**	**18,129**	**(23,013,398)**	**100,676,823**	**46,223**
Other Debt Securities	**13,845,661**	**-**	**(594,704)**	**13,250,957**	**8,354**
Total Nonmortgage Backed Debt Securities	**152,282,985**	**18,129**	**(24,561,516)**	**127,739,598**	**54,577**
Mortgage Backed Debt Securities					
Residential Mortgage Backed Securities	**19,166,129**	**-**	**(2,051,560)**	**17,114,569**	**-**
Commercial Mortgage Backed Securities	**44,453,778**	**-**	**(6,336,552)**	**38,117,226**	**11,813**
Total Mortgage Backed Securities	**63,619,907**	**-**	**(8,388,112)**	**55,231,795**	**11,813**
	$ 215,902,892	**$ 18,129**	**$ (32,949,628)**	**$ 182,971,393**	**$ 66,390**
	2023				
Nonmortgage Backed Debt Securites					
U.S. Treasury Securities	$ 18,568,874	$ -	$ (1,514,440)	$ 17,054,434	$ -
State, County, and Municipal Securities	125,879,085	17,210	(26,748,689)	99,147,606	47,478
Other Debt Securities	15,169,014	-	(1,339,915)	13,829,099	9,223
Total Nonmortgage Backed Debt Securities	159,616,973	17,210	(29,603,044)	130,031,139	56,701
Mortgage Backed Debt Securities					
Residential Mortgage Backed Securities	21,454,758	-	(2,738,908)	18,715,850	-
Commercial Mortgage Backed Securities	59,221,344	-	(7,451,288)	51,770,056	30,739
Total Mortgage Backed Securities	80,676,102	-	(10,190,196)	70,485,906	30,739
	$ 240,293,075	$ 17,210	$ (39,793,240)	$ 200,517,045	$ 87,440

(2) Debt Securities (Continued)

Amortized costs presented above include $1,774,143 and $2,502,581 of unamortized gains related to the transfer from available for sale to held-to-maturity as of December 31, 2024 and 2023, respectively.

The book and market values of pledged securities were $70,155,510 and $60,894,662 at December 31, 2024, respectively and $77,944,342 and $66,589,388 at December 31, 2023, respectively.

The proceeds from sales/calls of securities and the associated gains and losses are as follows as of December 31:

	2024	2023	2022
Proceeds	**$ 3,431,786**	$ -	$ -
Gross Gains	**681**	-	-
Gross Losses	**499**	-	326

Taxable interest income on securities was $5,964,050, $6,362,885, and $5,267,862 for the years ended December 31, 2024, 2023 and 2022, respectively. Interest income exempt from Federal income tax was $1,404,107, $1,833,267, and $2,026,432 for the years ended December 31, 2024, 2023, and 2022, respectively.

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

	2024 Available for Sale	
	Amortized Cost	**Estimated Market Value**
Nonmortgage Backed Debt Securities		
Due In One Year or Less	$ 2,976,856	$ 2,985,350
Mortgage Backed Debt Securities		
Commercial Mortgage Backed Debt Securities	6,723,104	6,741,366
	$ 9,699,960	$ 9,726,716

	2024 Held to Maturity	
	Amortized Cost	**Estimated Market Value**
Nonmortgage Backed Debt Securities		
Due In One Year or Less	$ 11,050,351	$ 10,909,266
Due After One Year Through Five Years	32,975,696	30,591,368
Due After Five Years Through Ten Years	25,140,760	22,281,190
Due After Ten Years	83,116,178	63,957,774
Total Nonmortgage Backed Debt Securities	152,282,985	127,739,598
Mortgage Backed Debt Securities		
Residential Mortgage Backed Debt Securities	19,166,129	17,114,569
Commercial Mortgage Backed DebtSecurities	44,453,778	38,117,226
Total Mortgage Backed Debt Securities	63,619,907	55,231,795
	$ 215,902,892	$ 182,971,393

(2) Debt Securities (Continued)

As of December 31, 2024, the Company held one available for sale Commercial Mortgage-Backed Security with an unrealized loss of $19 for less than twelve months. As of December 31, 2023, the Company held three available for sale U.S Treasury Securities with an unrealized loss of $10,614 for less than twelve months.

The market value is established by an independent pricing service as of the approximate dates indicated. The differences between the book value and market value reflect current interest rates and represent the potential loss (or gain) had the portfolio been liquidated on that date. Security losses (or gains) are realized only in the event of dispositions prior to maturity.

At December 31, 2024 and 2023, the Company did not hold investment securities of any single issuer, other than obligations of the U. S. Treasury and other U. S. Government agencies, whose aggregate book value exceeded ten percent of shareholders' equity.

Information pertaining to securities with gross unrealized losses at December 31, 2024 and 2023, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	2024			
	Less Than Twelve Months		**Twelve Months Or More**	
Securities Held to Maturity	**Unrealized Losses**	**Estimated Market Value**	**Unrealized Losses**	**Estimated Market Value**
Nonmortgage Backed Debt Securities				
U.S. Treasury Securities	**$ -**	**$ -**	**$ 953,414**	**$ 13,811,818**
State, County and Municipal Securities	**13,400**	**3,189,509**	**22,999,998**	**96,432,437**
Other Debt Securities	**-**	**-**	**594,704**	**12,750,957**
Total Nonmortgage Backed Debt Securities	**13,400**	**3,189,509**	**24,548,116**	**122,995,212**
Mortgage Backed Debt Securities				
Residential Mortgage Backed Debt Securities	**-**	**-**	**2,067,732**	**16,631,420**
Commercial Mortgage Backed Debt Securities	**70,595**	**1,583,001**	**6,249,785**	**31,121,368**
Total Mortgage Backed Debt Securities	**70,595**	**1,583,001**	**8,317,517**	**47,752,788**
	$ 83,995	**$ 4,772,510**	**$ 32,865,633**	**$ 170,748,000**

	2023			
Nonmortgage Backed Debt Securities				
U.S. Treasury Securities	$ -	$ -	$ 1,514,440	$ 17,054,434
State, County and Municipal Securities	36,521	3,630,004	26,712,168	94,802,099
Other Debt Securities	373,740	3,376,260	966,175	8,952,840
Total Nonmortgage Backed Debt Securities	410,261	7,006,264	29,192,783	120,809,373
Mortgage Backed Debt Securities				
Residential Mortgage Backed Debt Securities	-	-	2,738,908	18,715,850
Commercial Mortgage Backed Debt Securities	1,637,042	20,498,955	5,814,246	23,451,098
	1,637,042	20,498,955	8,553,154	42,166,948
Total Mortgage Backed Debt Securities	$ 2,047,303	$ 27,505,219	$ 37,745,937	$ 162,976,321

(2) Debt Securities (Continued)

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

As of December 31, 2024, the Company held 204 debt securities that had unrealized losses with aggregate depreciation of 15.5 percent from the Company's amortized cost basis.

As of December 31, 2024, the Company held eight U.S. treasury security, thirty-five commercial mortgage-backed securities and twenty-eight residential mortgage-backed securities that were in an unrealized loss position, all of which were issued by U.S. government sponsored entities and agencies. Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, management does not consider these securities to be other-than-temporarily impaired at December 31, 2024.

As of December 31, 2024, the Company held one hundred and nineteen, state, county, and municipal securities that were in an unrealized loss position. Because the decline in fair value is attributable to changes in interest rates, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, management does not consider these securities to be other-than-temporarily impaired at December 31, 2024.

As of December 31, 2024, the Company held fourteen corporate bonds that were in an unrealized loss position. Because the decline in fair value is attributable to changes in interest rates, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, management does not consider these securities to be other-than-temporarily impaired at December 31, 2024.

As of December 31, 2024 and 2023, the allowance for credit losses on available for sale debt securities was $-0-.

The table below presents a roll forward for the years ended December 31, 2024 and 2023 of the allowance for credit losses on held-to-maturity debt securities:

	State, County, & Municipal	Other Debt Securities	Mortgage-Backed Commercial	Total
Beginning Balance, January 1, 2024	**$ 47,478**	**$ 9,223**	**$ 30,739**	**$ 87,440**
Provisions for Credit Losses	**(1,255)**	**(869)**	**(18,926)**	**(21,050)**
Ending Balance, December 31, 2024	**$ 46,223**	**$ 8,354**	**$ 11,813**	**$ 66,390**
Beginning Balance, January 1, 2023	$ -	$ -	$ -	$ -
Impact of Adopting *ASC* 326	41,412	10,333	44,256	96,001
Provisions for Credit Losses	6,066	(1,110)	(13,517)	(8,561)
Ending Balance, December 31, 2023	$ 47,478	$ 9,223	$ 30,739	$ 87,440

(2) Debt Securities (Continued)

The Company monitors the credit quality of the debt securities held-to-maturity through the use of credit ratings. The Company monitors the credit ratings on a quarterly basis. The following table summarizes the amortized cost of debt securities held-to-maturity at December 31, aggregated by credit quality indicators.

	2024	2023
Aaa	**$ 89,767,185**	$ 98,578,958
Aa1/Aa2/Aa3	**76,566,752**	77,907,130
A1/A2/A3	**11,263,819**	12,114,043
Not Rated	**38,305,136**	51,692,944
Total	**$ 215,902,892**	$ 240,293,075

(3) Loans and Allowance for Credit Losses

The Company engages in a full complement of lending activities, including real estate-related loans, commercial and industrial loans, and consumer installment loans. The majority of its lending activities are concentrated in real estate loans. While risk of loss in the Company's portfolio is primarily tied to the credit quality of the various borrowers, risk of loss may increase due to factors beyond the Company's control, such as local, regional, and/or national economic downturns. General conditions in the real estate market may also impact the relative risk in the real estate portfolio.

Loans are stated at unpaid balances, net of unearned income and deferred loan fees. Balances within the major loans' receivable categories at December 31 are presented in the following table:

	2024	2023
Commercial	**$ 81,213,055**	$ 85,069,477
Commercial Real Estate	**734,216,165**	660,253,001
Consumer	**10,653,584**	15,816,539
Residential Real Estate	**245,438,826**	254,441,118
Agriculture	**43,898,640**	46,720,320
Other	**423,718**	1,741,142
Total Loans	**$ 1,115,843,988**	1,064,041,597
Other		
Loans Held for Sale	**465,250**	-
Overdraft, In-Process and Suspense Accounts	**(234,579)**	(269,375)
Total Other	**230,671**	(269,375)
Gross Loans	**1,116,074,659**	1,063,772,222
Allowance for Credit Losses	**(14,488,525)**	(14,291,923)
Net Loans	**$ 1,101,586,134**	$ 1,049,480,299

Overdrafts included in loans were $387,697 and $186,701 at December 31, 2024 and 2023, respectively.

(3) Loans and Allowance for Credit Losses (Continued)

Commercial Loans - Loans in this segment are generally made to businesses and are typically secured by business assets, equipment, inventory, and accounts receivable. Repayment is expected from the cash flows of the business entity. A weakened economy and decreased consumer spending will have a negative impact on the credit quality in this portfolio segment.

Commercial Real Estate Loans - Loans in this segment include all mortgages and other liens on commercial real estate. The underlying cash flows generated by the properties are adversely impacted by a downturn in the economy as evidenced by increased vacancy rates, which in turn will have an effect on the credit quality in this portfolio segment.

Consumer Loans - Loans in this segment include unsecured loans, cash value loans and auto loans. Loans in these categories are primarily dependent on the credit quality of the borrower. The overall health of the economy, including unemployment rates in the Company's market area will have an effect on the credit quality of this portfolio segment.

Residential Real Estate Loans - Loans in this segment include all mortgages and other liens on residential real estate, as well as vacant land designated as residential real estate. Loans in this segment are dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates will have an effect on the credit quality of this portfolio segment.

Agriculture Loans - Loans in this segment include loans to finance agricultural production and other loans to farmers. The overall health of the economy will have an effect on the credit quality of this portfolio segment.

Other Loans - Loans in this segment do not belong in the other categories previously described. Loans in this segment are dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates will have an effect on the credit quality of the segment.

Allowance for Credit Losses

The following table details activity in the allowance for credit losses by portfolio segment for the years ended December 31, 2024 and 2023, respectively. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

(3) Loans and Allowance for Credit Losses (Continued)

	2024						
	Commercial	**Commercial Real Estate**	**Consumer**	**Residential Real Estate**	**Agriculture**	**Other**	**Total**
Allowance for Credit Losses							
Beginning Balance as of January 1, 2024	**$ 2,625,967**	**$ 8,303,891**	**$ 308,914**	**$ 2,494,911**	**$ 545,246**	**$ 12,994**	**$ 14,291,923**
Chargeoffs	**(241,462)**	**-**	**(322,299)**	**-**	**-**	**-**	**(563,761)**
Recoveries	**70,761**	**-**	**70,898**	**18,704**	**-**	**-**	**160,363**
Provisons	**(284,902)**	**716,933**	**217,341**	**(17,405)**	**(22,308)**	**(9,659)**	**600,000**
Ending Balance as of December 31, 2024	**$ 2,170,364**	**$ 9,020,824**	**$ 274,854**	**$ 2,496,210**	**$ 522,938**	**$ 3,335**	**$ 14,488,525**

	2023						
Allowance for Credit Losses							
Beginning Balance as of January 1, 2023	$ 2,925,886	$ 7,433,855	$ 376,394	$ 2,261,464	$ 619,863	$ 11,793	$ 13,629,255
Chargeoffs	(278,568)	-	(329,708)	-	(629)	-	(608,905)
Recoveries	258,781	96,782	95,910	20,100	-	-	471,573
Provisons	(280,132)	773,254	166,318	213,347	(73,988)	1,201	800,000
Ending Balance as of December 31, 2023	$ 2,625,967	$ 8,303,891	$ 308,914	$ 2,494,911	$ 545,246	$ 12,994	$ 14,291,923

Nonaccrual and Past Due Loans

A loan is placed on nonaccrual status when, in management's judgment, the collection of the interest income appears doubtful. Interest receivable that has been accrued and is subsequently determined to have doubtful collectability is charged to interest income. Interest on loans that are classified as nonaccrual is recognized when received. Past due loans are loans, whose principal or interest is 30 days or more past due. In some cases, where borrowers are experiencing financial difficulties, loans may be restructured to provide terms significantly different from the original contractual terms.

(3) Loans and Allowance for Credit Losses (Continued)

The following tables present an analysis of past due loans and loans accounted for on a nonaccrual basis as of December 31:

2024

		Past Due and Still Accruing					
	Current and < 30 Days Past Due	**30-59 Days Past Due**	**60-89 Days Past Due**	**90 Days or More Past Due**	**Total Accruing Past Due**	**Nonaccrual**	**Total Loans**
Commercial	**$ 79,499,060**	**$ 537,652**	**$ 426,227**	**$ -**	**$ 963,879**	**$ 750,116**	**$ 81,213,055**
Commercial Real Estate	**730,376,349**	**1,081,144**	**-**	**-**	**1,081,144**	**2,758,672**	**734,216,165**
Consumer	**10,460,271**	**111,433**	**13,839**	**-**	**125,272**	**68,041**	**10,653,584**
Residential Real Estate	**243,162,735**	**1,043,827**	**288,680**	**-**	**1,332,507**	**943,584**	**245,438,826**
Agriculture	**43,858,402**	**-**	**-**	**-**	**-**	**40,238**	**43,898,640**
Other	**423,718**	**-**	**-**	**-**	**-**	**-**	**423,718**
Total	**$ 1,107,780,535**	**$ 2,774,056**	**$ 728,746**	**$ -**	**$ 3,502,802**	**$ 4,560,651**	**$ 1,115,843,988**
Loans Held for Sale							**465,250**
Overdraft, In-process and Suspense Accounts							**(234,579)**
							$ 1,116,074,659

2023

		Past Due and Still Accruing					
	Current and < 30 Days Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Accruing Past Due	Nonaccrual	Total Loans
Commercial	$ 84,517,487	$ 293,480	$ 19,081	$ -	$ 312,561	$ 239,429	$ 85,069,477
Commercial Real Estate	657,483,518	1,289,810	9,632	-	1,299,442	1,470,041	660,253,001
Consumer	15,427,516	263,857	26,642	-	290,499	98,524	15,816,539
Residential Real Estate	251,222,653	2,345,879	82,925	-	2,428,804	789,661	254,441,118
Agriculture	46,696,194	-	-	-	-	24,126	46,720,320
Other	1,741,142	-	-	-	-	-	1,741,142
Total	$ 1,057,088,510	$ 4,193,026	$ 138,280	$ -	$ 4,331,306	$ 2,621,781	$ 1,064,041,597
Loans Held for Sale							-
Overdraft, In-process and Suspense Accounts							(269,375)
							$ 1,063,772,222

(3) Loans and Allowance for Credit Losses (Continued)

Nonaccrual and Past Due Loans (Continued)

The following table presents the amortized cost basis of loans on non-accrual status:

December 31, 2024	Non-Accrual Loans with No Allowance	Non-Accrual Loans with an Allowance	Total Non-Accrual Loans
Commercial	**$ 260,963**	**$ 489,153**	**$ 750,116**
Commercial Real Estate	**1,959,378**	**799,294**	**2,758,672**
Consumer	**68,041**	**-**	**68,041**
Residential Real Estate	**943,584**	**-**	**943,584**
Agriculture	**40,238**	**-**	**40,238**
Other	**-**	**-**	**-**
	$ 3,272,204	**$ 1,288,447**	**$ 4,560,651**
December 31, 2023			
Commercial	$ 239,429	$ -	$ 239,429
Commercial Real Estate	1,397,470	72,571	1,470,041
Consumer	98,524	-	98,524
Residential Real Estate	789,661	-	789,661
Agriculture	24,126	-	24,126
	$ 2,549,210	$ 72,571	$ 2,621,781

Impaired Loans

Prior to the adoption of ASU 2016-13, loans were considered impaired when, based on current information and events, it was probable the Company would be unable to collect all amounts due in accordance with the original contractual terms of the loan agreements. When determining if the Company would be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement, the Company considered the borrower's capacity to pay, which included such factors as the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impaired loans were measured by either the present value of expected cash flows discounted at the loan's effective rate, the loan's obtainable market price, or the estimated fair value of the collateral if the loan was collateral dependent.

The following is a summary of information pertaining to interest income on impaired loans as of December 31, 2022:

	Average Investment in Impaired Loans	Interest Income Recognized on Impaired Loans	Interest Income Recognized on Cash Basis on Impaired Loans
Commercial	$ 188,783	$ 10,287	$ 9,075
Commercial Real Estate	5,542,724	212,481	216,148
Consumer	-	-	-
Residential Real Estate	911,722	61,298	54,973
Agriculture	204,930	11,941	-
Total	$ 6,848,159	$ 296,007	$ 280,196

(3) Loans and Allowance for Credit Losses (Continued)

Collateral Dependent Loans

The Company designates individually evaluated loans on nonaccrual status as collateral dependent loans, as well as other loans designated as having higher risk. Collateral-dependent loans are loans where repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulty. If the Company determines that foreclosure is probable, these loans are written down to the lower of cost or fair value of the collateral less estimated costs to sell. When repayment is expected to be from the operation of the collateral, the ACL is calculated as the amount by which the amortized cost basis of the financial asset exceeds the present value of expected cash flows from the operation of the collateral. The Company may, in the alternative, measure the ACL as the amount by which the amortized cost basis of the financial asset exceeds the estimated fair value of the collateral.

The following tables presents the Company's collateral dependent loans and related ACL as of December 31, 2024 and 2023, respectively.

	2024	
	Amortized Cost Basis Of Loans Determined To Be Collateral Dependent	Related Allowance for Credit Losses
Commercial	**$ 940,362**	**$ 895,438**
Commercial Real Estate	**2,186,134**	**169,294**
Residential Real Estate	**773,467**	**-**
Total	**$ 3,899,963**	**$ 1,064,732**

	2023	
Commercial Real Estate	$ 1,429,722	$ 171,649
Residential Real Estate	391,850	-
Total	$ 1,821,572	$ 171,649

(3) Loans and Allowance for Credit Losses (Continued)

Credit Quality Indicators

The Company uses a nine-category risk grading system to assign a risk grade to each loan in the portfolio. The following is a description of the general characteristics of the grades:

Grade 1 - Excellent Risk

Loans in this category are considered to have very little, if any, credit risk. The following characteristics are common for loans in this category:

- Loan is fully secured by cash or cash equivalents.
- Loan is secured by marketable securities with no less than a 25 percent margin.
- There are no material exceptions to the Company's loan policy.
- Alternative sources of cash exist, such as commercial paper market, capital market, internal liquidity, or other bank lines.
- Borrower is a national or regional company with excellent cash flow which covers all debt service requirements and a significant portion of capital expenditures.
- Balance sheet strength and liquidity are excellent and exceed industry norms.
- Financial trends are positive.
- Borrower is a market leader within the industry, and industry performance is excellent.
- Borrower is of unquestioned strength. Financial wherewithal is known.
- Borrower exhibits excellent liquidity, net worth, cash flow, and leverage.

Grade 2 - High Quality

Loans in this category are considered to be an excellent credit risk with minimal risk of loss. The following characteristics are common for loans in this category:

- Loan is secured by marketable securities with margin below 25 percent.
- There are no material exceptions to the Company's loan policy.
- Borrower has stable and reliable cash flow and above-average liquidity.
- Borrower exhibits moderate risk from exposure to contingent liabilities.
- Borrower has strong, stable financial trends.
- Borrower has strong cash flow which covers all debt service requirements and some portion of capital expenditures.
- Alternative sources of repayment are evident and financial ratios are comparable to or exceed the industry norms.
- Borrower holds a prominent position in the industry or local economy.
- Borrower's industry's performance is above average.
- Management is strong in most areas and with good back-up depth.

(3) Loans and Allowance for Credit Losses (Continued)

Credit Quality Indicators (Continued)

Grade 3 - Average Risk

Loans in this category are considered to be of normal risk and of average quality. The following characteristics are common for loans in this category:

- Borrower has reliable cash flow, but alternative sources of repayment would require sale of assets that may be considered illiquid.
- Borrower's financial position has been leveraged to an average degree or individual has an average net worth position considering income and debt.
- Cash flow is adequate to cover all debt service requirements but not capital expenditures.
- Balance sheet may be leveraged but still comparable to the industry.
- Financial trends are stable to mixed over long-term, but no significant concerns exist at this time.
- Borrower's industry has a generally stable outlook and may have some cyclical characteristics.
- Borrower holds an average position in the industry or local economy.
- Management is considered capable and stable.
- Start-up venture with experienced management, adequate capitalization, and favorable performance versus projections.

Grade 4 - Acceptable

Loans in this category are considered to be of above-average risk or of below-average quality. The following characteristics are common for loans in this category:

- Borrower's sources of income or cash flow have become unstable or limited.
- Borrower's income has declined due to current business or economic conditions.
- Borrower has a somewhat highly leveraged condition and limited capital.
- Moderate history of some degree of slow payment.
- Loan conditions require more frequent monitoring than the higher-graded loans.
- Stability is lacking in the primary repayment source, cash flow, credit history, or liquidity, however, the instability is manageable and considered temporary.
- Overall trends are not yet adverse.
- Loan involves speculative activity where the primary source for repayment is the activity itself and the borrower has limited ability to support the debt outside the successful completion of the activity.

(3) Loans and Allowance for Credit Losses (Continued)

Credit Quality Indicators (Continued)

<u>Grade 5 - Watch</u>

Loans in this category have potential financial weaknesses, the loan officer may not have properly supervised the credit, or material collateral exceptions exist. This category includes loans which do not presently expose the Company to a sufficient degree of risk to warrant adverse classification but do possess credit deficiencies deserving of management's close attention. Failure to correct deficiencies could result in greater credit risk in the future. The following characteristics are common for loans in this category:

- There is a material exception to the Company's loan policy.
- Management has potential weakness and back-up depth is weak.
- Principal and interest are currently protected through sufficient cash flows, collateral values, or secondary repayment sources, but downward trends in profitability and cash flow are evident.
- Financial leverage is excessive, and margins and financial ratios fall below industry averages.
- Adequate financial statements are not produced and/or provided timely, or the borrower exhibits an uncooperative attitude.
- Moderate delinquency may exist from time to time.
- A loss may not be readily apparent, but sufficient problems have arisen to cause the lender to go to abnormal lengths to protect its position.

<u>Grade 6 - Substandard</u>

Loans in this category display a well-defined weakness or weaknesses that may jeopardize collection of the debt. Assets do not appear to possess any loss but exhibit more than a normal degree of risk. Lack of continued close attention on the part of the Company could result in deterioration and potential loss. The following characteristics are common for loans in this category:

- Cash flows are not sufficient to meet scheduled obligations and/or the financial strengths of the guarantors are questionable.
- Losses have eroded the net worth so that survivability of the business is in question.
- Primary and secondary sources of repayment are believed to offer marginal protection to the credit.
- Repayment of debt is likely to come from the liquidation of collateral or payments from guarantors.
- Past due problems are apparent.
- The loan has been placed on nonaccrual status and/or is in bankruptcy with current repayment history for less than three months.
- The value of the collateral is questionable or has declined significantly.

(3) Loans and Allowance for Credit Losses (Continued)

Credit Quality Indicators (Continued)

Grade 7 - Impaired

Loans in this category have been classified as impaired. The classification of impaired is based upon the likelihood that the Company will not be able to collect all principal and interest under the original terms of the note. The following characteristics are common for loans in this category:

- Loan has been placed on nonaccrual.
- Repayment of the debt is dependent upon the sale of collateral.
- The value of the collateral has declined such that its liquidation would not be sufficient to retire the debt.
- Repayment is dependent upon cash flows, and the cash flows are no longer sufficient to cover principal and interest payments under the terms of the debt.

Grade 8 - Doubtful

Loans in this category have all the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions, and values, highly questionable and improbable. The following characteristics are common for loans in this category:

- Borrower is having financial difficulties, and the collateral does not cover the loan balance.
- Loan is unsecured and repayment is highly questionable.
- Company's access or rights to the collateral is unclear (e.g., because the lender's lien is subordinate to substantial other liens or there is a dispute over title to the collateral).
- Business is on the verge of closing, being sold, or liquidated.

Grade 9 - Loss

Loans in this category are considered not collectible and of such little value that their continuance as active assets are not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future.

(3) Loans and Allowance for Credit Losses (Continued)

Credit Quality Indicators (Continued)

The following tables present the loan portfolio by risk grade as of December 31:

2024

	Commercial	Commercial Real Estate	Consumer	Residential Real Estate	Agriculture	Other	Total
Grade 1 (Excellent Risk)	$ 3,307,879	$ -	$ 2,141,195	$ -	$ 35,145	$ -	$ 5,484,219
Grade 2 (High Quality)	37,436	-	198,041	-	-	-	235,477
Grade 3 (Average Risk)	197,753	2,131,293	59,355	661,724	1,198,842	423,718	4,672,685
Grade 4 (Acceptable)	76,107,078	713,862,264	7,989,335	241,430,446	42,384,338	-	1,081,773,461
Grade 5 (Watch)	195,033	12,518,189	113,318	1,383,789	223,223	-	14,433,552
Grade 6 (Substandard)	427,515	1,156,182	149,620	957,622	57,092	-	2,748,031
Grade 7 (Impaired)	940,361	4,524,868	-	1,005,245	-	-	6,470,474
Grade 8 (Doubtful)	-	23,369	2,720	-	-	-	26,089
Grade 9 (Loss)	-	-	-	-	-	-	-
	$ 81,213,055	$ 734,216,165	$ 10,653,584	$ 245,438,826	$ 43,898,640	$ 423,718	$ 1,115,843,988
Loans Held for Sale							465,250
Overdraft, In-Process, and Suspense Accounts							(234,579)
Total Loans							$ 1,116,074,659

2023

	Commercial	Commercial Real Estate	Consumer	Residential Real Estate	Agriculture	Other	Total
Grade 1 (Excellent Risk)	$ 4,518,300	$ -	$ 1,708,769	$ -	$ -	$ -	$ 6,227,069
Grade 2 (High Quality)	-	-	34,185	-	-	-	34,185
Grade 3 (Average Risk)	157,755	3,482,959	78,937	1,303,411	1,961,735	469,995	7,454,792
Grade 4 (Acceptable)	79,457,267	650,074,764	13,669,223	248,579,230	44,266,380	1,271,147	1,037,318,011
Grade 5 (Watch)	407,124	861,993	90,720	2,426,904	448,217	-	4,234,958
Grade 6 (Substandard)	325,624	265,925	229,312	1,237,423	43,988	-	2,102,272
Grade 7 (Impaired)	203,407	5,567,360	-	894,150	-	-	6,664,917
Grade 8 (Doubtful)	-	-	5,393	-	-	-	5,393
Grade 9 (Loss)	-	-	-	-	-	-	-
	$ 85,069,477	$ 660,253,001	$ 15,816,539	$ 254,441,118	$ 46,720,320	$ 1,741,142	$ 1,064,041,597
Loans Held for Sale							-
Overdraft, In-Process and Suspense Accounts							(261,375)
Total Loans							$ 1,063,780,222

(3) Loans and Allowance for Credit Losses (Continued)

Credit Quality Indicators (Continued)

The following table presents the loan portfolio's amortized cost by class, risk grade and year of origination. Generally, current period renewals of credit are underwritten again at the point of renewal and considered current period originations for purpose of the table below. The Company had immaterial amounts of revolving loans which converted to term loans and the amortized cost basis of those loans are included in the applicable origination year.

	As of December 31, 2024						
	Term Loans By Year of Origination						
	2024	2023	2022	2021	Prior	Revolving	Total
Commercial							
Grade 1	$ 1,925,394	$ 306,637	$ 229,443	$ 79,129	$ 767,276	$ -	$ 3,307,879
Grade 2	37,436	-	-	-	-		37,436
Grade 3	81,795	-	-	-	115,958	-	197,753
Grade 4	29,472,292	12,655,556	18,590,643	8,759,728	6,628,859	-	76,107,078
Grade 5	44,450	19,497	60,752	63,008	7,326	-	195,033
Grade 6	73,346	87,583	80,506	158,137	27,943	-	427,515
Grade 7	383,829	-	66,188	82,842	407,502	-	940,361
Total	32,018,542	13,069,273	19,027,532	9,142,844	7,954,864	-	81,213,055
Gross Charge-offs	-	(164,767)	(33,206)	(28,848)	(14,641)	-	(241,462)
Commercial Real Estate							
Grade 3	-	-	-	-	2,131,293	-	2,131,293
Grade 4	178,828,619	126,204,472	185,148,295	122,003,714	101,677,164	-	713,862,264
Grade 5	508,147	1,527,607	1,564,074	119,860	8,798,501	-	12,518,189
Grade 6	13,475	551,777	180,846	41,609	368,475	-	1,156,182
Grade 7	-	785,555	601,285	66,627	3,071,401	-	4,524,868
Grade 8	-	-	-	23,369	-	-	23,369
Total	179,350,241	129,069,411	187,494,500	122,255,179	116,046,834	-	734,216,165
Gross Charge-offs	-	-	-	-	-	-	-
Consumer							
Grade 1	1,681,749	378,161	33,668	27,819	19,798	-	2,141,195
Grade 2	177,156	11,088	9,797	-	-	-	198,041
Grade 3	-	30,540	2,696	10,057	16,062	-	59,355
Grade 4	2,647,685	2,140,637	2,181,994	821,556	197,463	-	7,989,335
Grade 5	57,248	655	25,958	8,086	21,371	-	113,318
Grade 6	-	45,249	35,644	40,545	28,182	-	149,620
Grade 8	-	2,512	187	21	-	-	2,720
Total	4,563,838	2,608,842	2,289,944	908,084	282,876	-	10,653,584
Gross Charge-offs	-	(62,419)	(38,533)	(32,483)	(188,864)	-	(322,299)
Residential Real Estate							
Grade 3	-	-	-	-	661,724	-	661,724
Grade 4	64,626,548	37,850,356	55,993,175	46,626,852	36,333,515	-	241,430,446
Grade 5	92,938	416,754	144,236	149,854	580,007	-	1,383,789
Grade 6	-	-	285,012	203,342	469,268	-	957,622
Grade 7	-	372,890	-	-	632,355	-	1,005,245
Total	64,719,486	38,640,000	56,422,423	46,980,048	38,676,869	-	245,438,826
Gross Charge-offs	-	-	-	-	-	-	-
Agriculture							
Grade 1	35,145	-	-	-	-	-	35,145
Grade 3	-	1,198,842	-	-	-	-	1,198,842
Grade 4	10,799,805	6,933,422	2,613,360	9,860,865	12,176,886	-	42,384,338
Grade 5	-	223,223	-	-	-	-	223,223
Grade 6	8,045	40,238	-	-	8,809	-	57,092
Total	10,842,995	8,395,725	2,613,360	9,860,865	12,185,695	-	43,898,640
Gross Charge-offs	-	-	-	-	-	-	-
Other							
Grade 3	-	-	-	-	423,718	-	423,718
Grade 4	-	-	-	-	-	-	-
Total	-	-	-	-	423,718	-	423,718
Gross Charge-offs	-	-	-	-	-	-	-
Total	$ 291,495,102	$ 191,783,251	$ 267,847,759	$ 189,147,020	$ 175,570,856	$ -	$ 1,115,843,988
Gross Charge-offs	$ -	$ (227,186)	$ (71,739)	$ (61,331)	$ (203,505)	$ -	(563,761)

(3) Loans and Allowance for Credit Losses (Continued)

Credit Quality Indicators (Continued)

	As of December 31, 2023					
	Term Loans By Year of Origination					
	2023	2022	2021	Prior	Revolving	Total
Commercial						
Grade 1	$ 2,881,008	$ 416,189	$ 128,440	$ 1,092,663	$ -	$ 4,518,300
Grade 2	-					-
Grade 3	-	11,489	-	146,266	-	157,755
Grade 4	26,583,842	27,797,397	13,644,633	11,431,395	-	79,457,267
Grade 5	93,098	158,897	120,008	35,121	-	407,124
Grade 6	57,946	110,917	138,280	18,481	-	325,624
Grade 7	-	94,873	108,534	-	-	203,407
Total	29,615,894	28,589,762	14,139,895	12,723,926	-	85,069,477
Gross Charge-offs	-	(144,307)	(43,612)	(90,649)	-	(278,568)
Commercial Real Estate						
Grade 3	-	100,000	-	3,382,959	-	3,482,959
Grade 4	146,401,156	217,295,927	153,030,656	133,347,025	-	650,074,764
Grade 5	608,315	-	-	253,678	-	861,993
Grade 6	9,632	167,642	46,725	41,926	-	265,925
Grade 7	195,499	160,208	462,434	4,749,219	-	5,567,360
Total	147,214,602	217,723,777	153,539,815	141,774,807	-	660,253,001
Gross Charge-offs	-	-	-	-	-	-
Consumer						
Grade 1	1,336,463	151,037	143,558	77,711	-	1,708,769
Grade 2	18,127	16,058	-	-	-	34,185
Grade 3	38,434	6,401	12,735	21,367	-	78,937
Grade 4	5,389,723	5,064,039	2,149,144	1,066,317	-	13,669,223
Grade 5	-	32,185	3,379	55,156	-	90,720
Grade 6	41,006	61,079	57,612	69,615	-	229,312
Grade 8	3,200	2,193	-	-	-	5,393
Total	6,826,953	5,332,992	2,366,428	1,290,166	-	15,816,539
Gross Charge-offs	-	(120,830)	(24,766)	(184,112)	-	(329,708)
Residential Real Estate						
Grade 3	-	-	-	1,303,411	-	1,303,411
Grade 4	70,256,839	74,624,912	56,988,215	46,709,264	-	248,579,230
Grade 5	1,528,761	175,392	260,641	462,110	-	2,426,904
Grade 6	124,517	148,195	223,307	741,404	-	1,237,423
Grade 7	391,850	-	-	502,300	-	894,150
Total	72,301,967	74,948,499	57,472,163	49,718,489	-	254,441,118
Gross Charge-offs	-	-	-	-	-	-
Agriculture						
Grade 1	-	-	-	-	-	-
Grade 3	1,252,054	-	-	709,681	-	1,961,735
Grade 4	10,341,996	5,805,420	13,174,964	14,944,000	-	44,266,380
Grade 5	351,333	-	9,102	87,782	-	448,217
Grade 6	-	-	-	43,988	-	43,988
Total	11,945,383	5,805,420	13,184,066	15,785,451	-	46,720,320
Gross Charge-offs	-	(629)	-	-	-	(629)
Other						
Grade 3	-	-	-	469,995	-	469,995
Grade 4	-	-	-	1,271,147	-	1,271,147
Total	-	-	-	1,741,142	-	1,741,142
Gross Charge-offs	-	-	-	-	-	-
Total	$ 267,904,799	$ 332,400,450	$ 240,702,367	$ 223,033,981	$ -	$ 1,064,041,597
Gross Charge-offs	$ -	$ (265,766)	$ (68,378)	$ (274,761)	$ -	$ (608,905)

(3) Loans and Allowance for Credit Losses (Continued)

Borrowers Experiencing Financial Difficulties

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

The following tables present the amortized cost basis of loans modified to borrowers experiencing financial difficulty by portfolio type and by type of modification during the years ended December 31, 2024 and 2023. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress to the amortized cost basis of each class of financing receivables is also presented below.

December 31, 2024	Combined Payment Delay and Deferred Interest	Total Modified	Total % Modified
Commercial	$ 214,993	$ 214,993	0.26%
Commercial Real Estate	24,848,077	24,848,077	3.38%
Residential Real Estate	523,311	523,311	0.21%
	$ 25,586,381	$ 25,586,381	

December 31, 2023	Payment Delay	Combined Term Extension and Interest Rate Reduction	Total Modified	Total % Modified
Commercial Real Estate	$ 1,496,789	$ -	$ 1,496,789	0.23%
Consumer	-	18,401	18,401	0.12%
	$ 1,496,789	$ 18,401	$ 1,515,190	

The Company does not have any commitments to lend additional funds to borrowers experiencing financial difficulty for which the Company has modified their loans.

(3) Loans and Allowance for Credit Losses (Continued)

Borrowers Experiencing Financial Difficulties (Continued)

The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following tables present the performance of such loans that were modified during the 12-month periods ended December 31:

December 31, 2024	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Nonaccrual	Total
Commercial	$ 214,993	$ -	$ -	$ -	$ -	$ 214,993
Commercial Real Estate	24,848,077	-	-	-	-	24,848,077
Residential Real Estate	523,311	-	-	-	-	523,311
	$ 25,586,381	$ -	$ -	$ -	$ -	$ 25,586,381

December 31, 2023	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Nonaccrual	Total
Commercial Real Estate	$ 1,496,789	$ -	$ -	$ -	$ -	$ 1,496,789
Consumer	-	-	-	-	18,401	18,401
	$ 1,496,789	$ -	$ -	$ -	$ 18,401	$ 1,515,190

The following tables present the financial effect by type of modifications made to borrowers experiencing financial difficulties as of December 31, 2024 and 2023:

December 31, 2024

Combined Payment Delay and Deferred Interest

	Financial Effect
Commercial	3 month payment forbearance period; $8,396 deferred interest
Commercial Real Estate	2 to 3 month payment forbearance period; $316,435 deferred interest
Residential Real Estate	1 to 3 month payment forbearance period; $8,089 deferred interest

December 31, 2023

Payment Delay

	Financial Effect
Commercial Real Estate	6 month payment forbearance period

Combined Term Extension and Interest Rate Reduction

	Financial Effect
Consumer	Added a weighted average of 3 years to the life of the loan; Reduced weighted average contractual interest from 8.95% to 5.00%
Consumer	Added a weighted average of 3 years to the life of the loan; Reduced weighted average contractual interest from 8.95% to 7.50%
Consumer	Added a weighted average of 3 years to the life of the loan; Reduced weighted average contractual interest from 10.75% to 8.00%

(3) Loans and Allowance for Credit Losses (Continued)

Borrowers Experiencing Financial Difficulties (Continued)

As of December 31, 2024, and 2023, the Company had a recorded investment in TDRs of $2,629,884, and $3,216,479, respectively. The Company had no previous charge offs on such loans as of December 31, 2024 and 2023. The Company's allowance for credit losses included an allocation of $8,714 and $19,492 of specific allowance for those loans as of December 31, 2024, and 2023, respectively. The Company had no unfunded commitments to lend to customers with loans modified as TDRs as of December 31, 2024.

(4) Allowance for Off-Balance Sheet Credit Exposure

The following tables present the balance in the allowance for off-balance sheet credit exposure based on portfolio segment as of December 31, 2024 and 2023, and activity for the years ended December 31, 2024 and 2023.

	2024						
	Commercial	**Commercial Real Estate**	**Consumer**	**Residential Real Estate**	**Agriculture**	**Other**	**Total**
Beginning Balance	**$ 248,773**	**$ 1,129,068**	**$ 4,981**	**$ 412,540**	**$ 113,863**	**$ -**	**$ 1,909,225**
Provisions	**(4,074)**	**(19,498)**	**(59)**	**(8,208)**	**(1,653)**	**-**	**(33,492)**
Ending Balance	**$ 244,699**	**$ 1,109,570**	**$ 4,922**	**$ 404,332**	**$ 112,210**	**$ -**	**$ 1,875,733**

	2023						
	Commercial	Commercial Real Estate	Consumer	Residential Real Estate	Agriculture	Other	Total
Beginning Balance, prior to Adoption of *ASC* 326	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Impact of adopting *ASC* 326	293,201	1,330,706	5,871	486,215	134,196	-	2,250,189
Provisions	(44,428)	(201,638)	(890)	(73,675)	(20,333)	-	(340,964)
Ending Balance	$ 248,773	$ 1,129,068	$ 4,981	$ 412,540	$ 113,863	$ -	$ 1,909,225

(5) Bank Premises and Equipment

Premises and equipment as of December 31 are summarized as follows:

	2024	2023
Land	**$ 3,408,936**	$ 3,408,936
Buildings and Improvements	**12,931,717**	12,867,135
Leasehold Improvements	**617,508**	617,509
Equipment, Furniture and Fixtures	**5,793,857**	5,513,512
Vehicles	**195,839**	169,839
Total	**22,947,857**	22,576,931
Less: Accumulated Depreciation	**(10,167,843)**	(9,388,578)
Bank Premises and Equipment, Net	**$ 12,780,014**	$ 13,188,353

Depreciation included in operating expenses amounted to $779,265, $844,810, and $915,340 for the years ended December 31, 2024, 2023 and 2022, respectively.

(6) Leases

The Company has entered into operating leases for branch locations, storage, and equipment with terms extending through July 2027. These leases have initial terms of one to five years. The exercise of lease renewal options is at the sole discretion of the Company, which does not consider exercise of any lease renewal options reasonably certain. The lease agreements do not contain early termination options. No renewal options or early termination options have been included in the calculation of the operating right-of-use asset or operating lease liability.

At the commencement date of the lease, the Company recognizes a lease liability of the lease payments not yet paid. The Company also recognizes a right-of-use asset measured at the initial measurement of the lease liability. Lease expense is recognized on a straight-line basis over the lease term. At December 31, 2024, the Company had no leases classified as finance leases. The Company's right-of-use lease asset and lease liability also include leases for storage space and small equipment. Estimated minimum lease payments as of December 31, 2024 are as follows:

2025	$ 351,738
2026	327,214
2027	98,027
	$ 776,979

The weighted average remaining lease term was 27 months and 39 months as of December 31, 2024 and 2023, respectively. The Company recognized lease expenses of $397,542, $491,587, and $427,656 for the years ended December 31, 2024, 2023, and 2022, respectively.

(7) Goodwill and Intangible Assets

The Company recorded $7,123,814 of goodwill on the acquisition of FMB Equibanc, Inc. (FMB) during 2019. Previously, the Company reported goodwill in the amount of $2,237,890, primarily resulting from the acquisition of the CertusBank Warner Robins, Georgia branch, which resulted in total reported goodwill of $9,361,704 for the years ended December 31, 2024 and 2023. Impairment exists when a reporting unit's carrying value of goodwill exceeds its fair value. At December 31, 2024, the Company's management determined the reporting unit had positive equity, and the Company elected to perform a qualitative assessment to determine if it was more likely than not that the fair value of the reporting unit exceeded its carrying value, including goodwill. The qualitative assessment indicated that it was more likely than not that the fair value of the reporting unit exceeded its carrying value, resulting in no impairment.

The Bank recorded a core deposit intangible asset of $3,028,582 associated with the acquisition of FMB during 2019. The amortization period used for the core deposit intangible is 10 years. The intangible asset's carrying amount, accumulated amortization, and amortization expense for December 31, 2024, and the five succeeding years are as follows:

	2024	2025	2026	2027	2028	2029
Amortizing Intangible Assets						
Core Deposit Premium						
Gross Carrying Amount	**$ 3,028,582**	$ 3,028,582	$ 3,028,582	$ 3,028,582	$ 3,028,582	$ 3,028,582
Accumulated Amortization	**(1,716,184)**	(2,019,040)	(2,321,896)	(2,624,752)	(2,927,608)	(3,028,582)
Net Carrying Value	**$ 1,312,398**	$ 1,009,542	$ 706,686	$ 403,830	$ 100,974	$ -
Amortizing Expense	**$ 302,856**	$ 302,856	$ 302,856	$ 302,856	$ 302,856	$ 100,974

(7) Goodwill and Intangible Assets (Continued)

The Bank recorded a core deposit intangible asset of $455,782 associated with the branch purchase from CertusBank during 2015. The amortization period used for the core deposit intangible is 10 years. The intangible asset's carrying amount, accumulated amortization, and amortization expense for December 31, 2024 and the five succeeding years are as follows:

-	**2024**	2025	2026	2027	2028	2029
Amortizing Intangible Assets						
Core Deposit Premium						
Gross Carrying Amount	**$ 455,782**	$ 455,782	$ 455,782	$ 455,782	$ 455,782	$ 455,782
Accumulated Amortization	**(429,216)**	(455,782)	(455,782)	(455,782)	(455,782)	(455,782)
Net Carrying Value	**$ 26,566**	$ -	$ -	$ -	$ -	$ -
Amortizing Expense	**$ 38,170**	$ 26,566	$ -	$ -	$ -	$ -

(8) Other Real Estate and Foreclosed Assets

Other real estate and foreclosed assets activity was as follows:

	2024	**2023**
Balances, Beginning	**$ 3,611,235**	$ 3,715,202
Loans transferred to Other Real Estate and Foreclosed Assets	**192,582**	531,508
Sale of Other Real Estate and Foreclosed Assets	**(3,781,919)**	(635,475)
Balances, Ending	**$ 21,898**	$ 3,611,235

As of December 31, 2024 and 2023, there is no valuation allowance recorded against other real estate and foreclosed assets. At December 31, 2023, foreclosed residential real estate properties included $13,676 recorded as a result of obtaining physical possession of the property. At December 31, 2024, the Bank had no residential real estate properties or consumer mortgage loans secured by residential real estate for which formal foreclosure procedures were in process.

Expenses related to other real estate and foreclosed assets include:

	2024	2023	2022
Net Loss (Gain) on Sales	**$ 9,681**	$ 7,221	$ (608,935)
Provisions Charged to Expense	**-**	314,562	-
Operating Expenses, Net of Rental Income	**212,238**	174,142	288,537
Total	**$ 221,919**	$ 495,925	$ (320,398)

(9) Cash Surrender Value of Life Insurance

The Bank has established a BOLI program under which single-premium, split-dollar, whole-life insurance contracts are purchased on certain eligible officers. Initial investments in the policies are nondeductible for income tax purposes and the related investment income and death benefits are nontaxable when received. Death benefits are divided among the Bank and beneficiaries designated by the insured officer. The cash surrender value of these policies was $15,653,587 and $15,230,065 at December 31, 2024 and 2023, respectively. Income earned on the cash surrender value of these policies was $423,522, $384,867, and $355,593 for the years ended December 31, 2024, 2023 and 2022, respectively.

(10) Deposits

The aggregate amount of time deposits that meet or exceed $250,000 at December 31, 2024 and 2023 was $108,447,799 and $84,377,550, respectively. At December 31, 2024, the scheduled maturities of time deposits are as follows:

2025	$ 244,061,700
2026	11,354,518
2027	2,354,879
2028	2,568,111
2029	894,888
Total Time Deposits	$ 261,234,096

The Bank held brokered deposits totaling $11,141,959 and $47,316,213 as of December 31, 2024 and 2023, respectively.

(11) Short-Term Borrowings

The Bank had five lines of credit for federal funds purchased totaling $53,000,000 and $40,000,000 with correspondent institutions as of December 31, 2024 and 2023, respectively. At December 31, 2024 and 2023, there were no outstanding balances on these lines of credit.

(12) Subordinated Debentures

On April 30, 2019, the Company acquired FMB by merger. In connection with such transaction, the Company assumed the obligations of FMB related to its prior issuance of trust preferred securities. In 2005, FMB's statutory trust subsidiary, FMB 2005 Capital Trust I, issued $4,000,000 in principal amount of trust preferred securities at a rate per annum equal to the 3-month LIBOR plus 1.57 percent through a pool sponsored by a national brokerage firm. These trust preferred securities have a maturity of 30 years and are redeemable at the Company's option on any quarterly interest payment date.

(12) Subordinated Debentures (Continued)

On April 15, 2019, the Company completed the sale of $10,000,000 in aggregate principal amount of its 6.25 percent Fixed-To-Floating Rate Subordinated Notes due 2029 (the 2029 subordinated notes). The 2029 subordinated notes will mature on April 15, 2029, and through April 14, 2024, will bear a fixed rate of interest of 6.25 percent per annum, payable quarterly in arrears on March 31, June 30, September 30, and December 31 of each year. Beginning December 15, 2024, the interest rate on the 2029 subordinated notes resets quarterly to a floating rate per annum equal to the then-current 3-month LIBOR plus 4.08 percent, payable quarterly in arrears on March 31, June 30, September 30, and December 31 of each year to the maturity date or earlier redemption. On any scheduled interest payment date beginning April 15, 2024, the Company may, at its option, redeem the 2029 subordinated notes, in whole or in part, at a redemption price equal to 100 percent of the principal amount plus accrued and unpaid interest. The Company paid off the note in 2024.

On July 22, 2020, the Company completed the sale of $15,000,000 in aggregate principal amount of its 5.25 percent Fixed-To-Floating Rate Subordinated Notes due 2030 (the 2030 subordinated notes). The 2030 subordinated notes will mature on July 22, 2030, and through July 22, 2025 will bear a fixed rate of interest of 5.25 percent per annum, payable semiannually in arrears on June 30 and December 31 of each year. Beginning July 22, 2025, the interest rate on the 2030 subordinated notes resets quarterly to a floating rate per annum equal to the then-current LIBOR plus 4.92 percent, payable quarterly in arrears on March 31, June 30, September 30, and December 31 of each year to the maturity date or earlier redemption. On any scheduled interest payment date beginning July 22, 2025, the Company may, at its option, redeem the 2030 subordinated notes, in whole or in part, at a redemption price equal to 100 percent of the principal amount plus accrued and unpaid interest.

As of December 31, 2024 and 2023, the outstanding balance on subordinated debentures was $19,124,000 and $27,374,000, respectively. Unamortized debt placement costs were $104,629 and $222,716 as of December 31, 2024 and 2023, respectively.

(13) Long-Term Borrowings

The Bank became a member of the Federal Home Loan Bank (FHLB) of Atlanta during 1998 establishing a Credit Availability of $15,000,000. This agreement was modified in 2008 to increase credit availability to 20 percent of total assets. There were no amounts advanced against this line of credit at December 31, 2024 and 2023. In the event the Bank requests future advances, the Bank has pledged loans with a carrying value of $294,345,875 and $168,227,598 at December 31, 2024 and 2023, respectively.

As of December 31, 2024 and 2023, letters of credit issued by the FHLB totaling $36,000,000 and $31,000,000, respectively, were used to guarantee the Bank’s performance related to a portion of its public fund deposit balances. The collateral discussed above is also pledged to secure the letters of credit.

Based on the pledged collateral and the Bank’s holdings of FHLB stock, the Bank is eligible to borrow up to a total of $322,694,250 and $351,498,250 as of December 31, 2024 and 2023, respectively.

(14) Income Taxes

The provision for income taxes for the years ended December 31 are as follows:

	2024	2023	2022
Current Tax Expense	**$ 3,648,071**	$ 437,735	$ 1,309,199
Deferred Tax Expense (Benefit)	**1,068,588**	(784,565)	(402,680)
Change in Valuation Allowance	**(3,505,766)**	2,495,763	104,421
Net Provision for Income Taxes	**$ 1,210,893**	$ 2,148,933	$ 1,010,940

Deferred income taxes are reflected for certain timing differences between book and taxable income and will be reduced in future years as these timing differences reverse. The reasons for the difference between the actual tax expense and tax computed at the federal income tax rate are as follows as of December 31:

	2024	2023	2022
Tax on Pretax Income at Statutory Rate	**$ 4,830,794**	$ 4,511,036	$ 4,645,110
Change Resulting from			
Tax Exempt Interest Income	**(308,307)**	(326,134)	(360,656)
State Income Taxes, Net of Federal Tax Benefit	**452,083**	183,899	203,631
Tax Credits	**(3,720,744)**	(2,172,223)	(3,405,909)
Life Insurance Income	**(87,599)**	(79,397)	(74,675)
Other	**44,666**	31,752	3,439
Total	**$ 1,210,893**	$ 2,148,933	$ 1,010,940
Net Effective Tax Rate	**5.26%**	10.00%	4.57%

(14) Income Taxes (Continued)

The sources and tax effects of temporary differences that give rise to significant portions of deferred income tax assets and liabilities are as follows as of December 31:

	2024	2023
Deferred Income Tax Assets		
Net Operating Loss Carryover	**$ 2,272,120**	$ 2,495,240
Provision for Credit Losses	**4,318,528**	4,357,197
Deferred Compensation	**306,547**	261,990
Deferred Loan Fees	**91,561**	93,883
Core Deposit	**190,063**	163,568
Tax Credit Carryover	**-**	1,829,175
Other	**23,544**	4,343
Total Deferred Tax Assets	**7,202,363**	9,205,396
Less: Valuation Allowance	**(1,667,025)**	(5,172,790)
Net Deferred Tax Assets	**5,535,338**	4,032,606
Deferred Income Tax Liabilities		
Unrealized Losses on Securities	**(378,189)**	(523,364)
Other Real Estate	**-**	(940,258)
Tax Credit Carryover	**(250,000)**	-
Depreciation	**(420,476)**	(664,663)
Total Deferred Tax Liabilities	**(1,048,665)**	(2,128,285)
Net Deferred Tax Asset	**$ 4,486,673**	$ 1,904,321

Realization of deferred tax assets associated with net operating loss carryforwards and tax credit carryovers is dependent upon generating sufficient taxable income prior to their expiration. A valuation allowance to reflect management's estimate of the temporary deductible differences that may expire prior to their utilization has been recorded at year-end 2024.

At December 31, 2024, the Company had federal net operating loss carryforwards of approximately $7,873,000 which expire at various dates from 2031 to 2039. The Company also had state operating loss carryforwards of approximately $11,481,000 which expire at various dates from 2030 to 2039. A valuation allowance has been recorded against the deferred tax assets recognized for net operating losses because the recognition of the benefit is uncertain.

The Company and its subsidiaries are subject to U.S. federal income tax as well as tax of the state of Georgia. The Company is subject to examination by taxing authorities for years ended December 31, 2021, and thereafter.

(15) Employee Benefit Plans

401(k) and Employee Stock Ownership Plan

The Company adopted a 401(k) plan in 1996. Effective January 1, 2012, the 401(k) Plan was converted into a profit-sharing plan with a cash deferral feature of an employee stock ownership plan to form the KSOP. The Company made matching contributions to the plan totaling $434,384, $432,321, and $446,133 for the years ended December 31, 2024, 2023, and 2022, respectively.

The Plan covers substantially all of its full-time employees meeting length of service requirements. Under the Plan, shares of stock in the Company are purchased on behalf of eligible employees. Contributions are made to the plan at management's discretion and allocated based on a percentage of salary. Dividend income is accrued on the ex-dividend date and allocated based on the individual ownership percentage of the participants. The fair value of shares under the Plan are valued based upon an independent appraisal. As of December 31, 2024, the Plan owned 853,715 shares of stock. The amount of pension expense charged to operations for the years ended December 31, 2024, 2023 and 2022 were $258,608, $255,505, and $272,232, respectively.

Shares held by the Plan were as follows as of December 31:

	2024	2023
Shares Held by the Plan were as Follows		
Allocated to Participants	**853,715**	872,735
Unearned	**-**	-
Total KSOP Shares	**853,715**	872,735
Fair Value of Unearned Shares	$ -	$ -

Stock Grant Plans

The Company initiated a Stock Grant Plan (Plan 2) on September 25, 2019, in which 134,550 shares of granted stock has a three-year vesting period. The fair value of each grant under Plan 2 was estimated on the date of grant using the same valuation model used for shares granted under the Plan. The term for shares granted under Plan 2 expired as of December 31, 2023. Under Plan 2, there were no stock grants outstanding as of December 31, 2024. Dividend income is accrued on the ex-dividend date and allocated based on the individual ownership percentage of the participants. The Company recognized $-0-, $-0-, and $292,025 in expense for the portion of the stock value vested in 2024, 2023 and 2022, respectively. As of December 31, 2024, there was no unrecognized cost related to nonvested shares granted under Plan 2.

(15) Employee Benefit Plans (Continued)

Stock Grant Plans (Continued)

The Company initiated a Stock Grant Plan (Plan 3) on September 25, 2019, in which 81,820 shares of granted stock has a 5.22-year vesting period. The fair value of each grant under Plan 3 was estimated on the date of grant using the same valuation model used for shares granted under the Plan. The term for shares granted under Plan 3 expired as of December 31, 2023. Under Plan 3, there were no stock grants outstanding as of December 31, 2024. Dividend income is accrued on the ex-dividend date and allocated based on the individual ownership percentage of the participants. The Company recognized $118,595, $67,281, and $118,665 in expense for the portion of the stock value vested in 2024, 2023, and 2022, respectively. As of December 31, 2024, there was no unrecognized cost related to nonvested shares granted under Plan 3.

Deferred Compensation Plan

In 2014, the Company commenced a salary continuation plan covering seven executive officers through individual contracts. Under this plan, the Company is committed to pay the individuals an annual benefit as defined in each individual contract. The officers vest zero percent during the first five years of service and 100 percent after five years of service. The benefit will be paid over a period of 15 years beginning at age 60 for one officer and 65 for the other officers.

In 2019, the Company commenced another salary continuation plan covering four executive officers. Under this plan, the Company is committed to pay the individuals an annual benefit as defined in the individual contract over a period of 15 years beginning at age 60 for two officers and age 65 for the other two officers. The officers vest zero percent during the first year of service and 100 percent after the first year of service.

In 2023, the Company commenced a third salary continuation plan covering one executive officer. Under this plan, the Company is committed to pay the individual an annual benefit defined in the individual contract over a period of five years beginning at age 65.

The liability accrued under these plans totaled $1,161,604 and $979,400 as of December 31, 2024 and 2023, respectively. Expense charged to operations totaled $182,204, $93,354, and $172,710 for the years ended December 31, 2024, 2023 and 2022, respectively. No benefits were paid as of December 31, 2024 and 2023.

Equity Incentive Plans

In September 2018, the Bank granted 112,750 equity incentive units (EIUs) to certain employees under the Morris Bank 2018 Equity Incentive Unit Plan (the 2018 EIU Plan). The 2018 EIU Plan permits the grant of equity incentive units to employees of the Bank to promote the long-term financial interests of the Bank including its growth and performance. A EIU granted under the 2018 EIU Plan entitles the recipient to receive cash in an amount equal to the excess of the per unit book value on the payment date, which shall be determined by the compensation committee of the board of directors, over the base value of the EIU. The payment date is defined as the earlier of (a) the last day of the third fiscal year of the Bank following the fiscal year in which the grant date occurred; (b) the last day of the fiscal year following the employee's death; or (c) the effective date of a change in control.

(15) Employee Benefit Plans (Continued)

Equity Incentive Plans (Continued)

In October 2019, the Company granted 90,000 stock appreciation rights (SARs) to certain individuals under the Morris State Bancshares, Inc. 2019 Equity Incentive Plan. The SARs granted vest over six years. Once vested, the portion of the SARs that became vested may be exercised and will be converted to the right to receive a cash payment from the Company in an amount equal to the positive difference between the fair market value of the Company's common stock as of the exercise date and the initial value of the SAR.

The following table details activity in the equity incentive plans for the years ended December 31:

	2024	2023	2022
Shares Outstanding at January 1	**65,000**	75,000	202,750
Forfeited	**-**	(5,000)	-
Exercised	**(45,000)**	(5,000)	(127,750)
Shares Outstanding at December 31	**20,000**	65,000	75,000
Liability at December 31	**$ 276,600**	$ 353,737	$ 466,523
Compensation Expense for the Years Ended December 31	**$ 593,713**	$ (67,887)	$ 257,648

The initial value for the stock appreciation rights granted in 2019 was $8.67 per SAR. The base value for the equity incentive units granted in 2018 was $7.53.

Restricted Stock Units

The Company grants restricted stock units (RSUs) to select senior officers across the Company under the Morris State Bancshares, Inc. 2019 Equity Incentive Plan. Forty percent of the RSUs vest over a three-year time period. The remaining sixty percent of the RSUs are performance vested awards that vest based on a combination of continued service and corporate performance results.

	Number of Shares	Weighted-Average Measurement Date Fair Value
Shares Outstanding at December 31, 2022	53,940	$ 16.20
Granted	29,340	18.00
Vested	(16,277)	15.95
Canceled	(8,380)	16.19
Shares Outstanding at December 31, 2023	58,623	17.17
Granted	43,214	15.69
Vested	(15,339)	16.51
Canceled	(3,882)	16.34
Shares Outstanding at December 31, 2024	**82,616**	**$ 16.57**

(15) Employee Benefit Plans (Continued)

Restricted Stock Units (Continued)

The Company recognized $450,768, $492,634, and $250,116 of compensation expense related to the RSUs at December 31, 2024, 2023 and 2022, respectively. As of December 31, 2024, there was $710,388 of total unrecognized cost related to nonvested RSUs. The unrecognized cost is expected to be recognized through 2026.

Endorsement Split Dollar Arrangement

On February 3, 2021, the Bank entered into an endorsement split dollar arrangement with six of its officers. This plan is intended to be an employee welfare benefit plan as defined in the Employee Retirement Income Security Act of 1974 (ERISA), which is intended to provide death benefits solely to a select group of management. The Bank is the owner of the life insurance contracts. The officers are not entitled to any of the cash value and have no rights except to name a beneficiary for a portion of the death proceeds. Death benefits for five of the officers are $75,000 each. The death benefit for one of the officers is $425,000.

(16) Limitation on Dividends

The board of directors of any state-chartered bank in Georgia may declare and pay cash dividends on its outstanding capital stock without any request for approval of the Bank's regulatory agency if the following conditions are met:

- Total adversely classified assets at the most recent examination of the Bank do not exceed 80 percent of Tier 1 Capital plus the allowance for credit losses as reflected at such examination,
- The aggregate amount of dividends declared or anticipated to be declared in the calendar year does not exceed 50 percent of the net income that is attributable to the Bank, for the previous calendar year; and
- The ratio of Tier 1 Capital to Average Total Assets shall not be less than six percent.

As of December 31, 2024, the amount available for distribution as dividends in the subsequent year without regulatory consent was $12,067,021.

(17) Commitments and Contingencies

Credit-Related Financial Instruments

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

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

(17) Commitments and Contingencies (Continued)

Credit-Related Financial Instruments (Continued)

The Bank does require collateral or other security to support financial instruments with credit risk as follows as of December 31:

	2024	2023
Financial Instruments Whose Contract Amount Represent Credit Risk		
Commitments to Extend Credit	**$ 204,832,116**	$ 184,450,850
Standby Letters of Credit	**2,485,803**	2,765,367
Total	**$ 207,317,919**	$ 187,216,217

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

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. All letters of credit are due within one year of the original commitment date. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

In the normal course of business, the Company enters into various contracts for data processing services, Internet banking, ATM/debit card processing and related network monitoring and support. These generally expire after a term of 36 to 84 months and are cancelable by either party with a written notice subject to certain penalties.

The Company's nature of business is such that it ordinarily results in a certain amount of litigation. In the opinion of management for the Bank, there is no litigation in which the outcome will have a material effect on the consolidated financial statements.

(18) Related Party Transactions

In the ordinary course of business, the Company, through the Bank, has direct and indirect loans outstanding to or for the benefit of certain executive officers and directors. These loans were made on substantially the same terms as those prevailing, at the time made, for comparable loans to other persons and did not involve more than the normal risk of collectability or present other unfavorable features. The following is a summary of activity during the years ended December 31with respect to such loans to these individuals:

	2024	2023
Balances, Beginning	**$ 17,599,406**	$ 19,025,699
New Loans	**7,597,600**	2,579,322
Effect of Change in Composition of Related Party	**-**	(128,000)
Repayments	**(12,289,045)**	(3,877,615)
Balances, Ending	**$ 12,907,961**	$ 17,599,406

The Bank also had deposits from these related parties of approximately $34,429,042 and $49,225,391 at December 31, 2024 and 2023, respectively.

The Bank leases office space for its Warner Robins branch from Red Thunder Properties, LLC, of which a member of the Bank's Board of Directors is the managing member. On December 19, 2016, the organizers of Morris Bank entered into a lease agreement for office space located in Warner Robins, Georgia. This lease agreement includes a period of five years beginning December 16, 2016 and ending December 31, 2021. The Bank will have a total of three, five-year options to extend the original lease term for an aggregate term of 20 years. On January 1, 2022, the Bank elected to renew the lease for another five-year period. Monthly lease payments for the second five-year period were established at $9,535, after which time, monthly lease payments may increase by no more than 10 percent of the price of the previous lease term.

(19) Fair Values of Financial Instruments

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

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company used the following methods and significant assumptions to estimate fair value.

(19) Fair Values of Financial Instruments (Continued)

Following is a description of valuation methodologies used for assets and liabilities which are either recorded or disclosed at fair value:

Debt Securities Available for Sale

The fair value of securities available for sale is determined by various valuation methodologies. Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Level 2 securities include mortgage-backed securities issued by government sponsored enterprises and municipal bonds. The Level 2 fair value pricing is provided by an independent third-party and is based upon similar securities in an active market. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include certain residual municipal securities and other less liquid securities.

Collateral-Dependent Loans

The fair value for collateral-dependent loans is estimated based on discounted cash flows or underlying collateral values, where applicable. Fair value is measured based on the value of the collateral securing these loans and is classified at a Level 3 in the fair value hierarchy. Collateral may include real estate, or business assets including equipment, inventory, and accounts receivable. The value of real estate collateral is determined based on an appraisal by qualified licensed appraisers hired by the Company. The value of business equipment is based on an appraisal by qualified licensed appraisers hired by the Company if significant, or the equipment's net book value on the business' financial statements. Inventory and accounts receivable collateral are valued based on independent field examiner review or aging reports. Appraised and reported values may be discounted based on management's expertise and knowledge of the client and the client's business, which would result in classification as Level 3.

Other Real Estate and Foreclosed Assets

Other real estate and foreclosed assets are adjusted to fair value, less cost to sell, upon transfer of the loans to other real estate and foreclosed assets. Subsequently, foreclosed assets are carried at the lower of carrying value or fair value. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company records the other real estate and foreclosed asset as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the other real estate and foreclosed asset as nonrecurring Level 3.

Loans Held-for-Sale

Loans held-for-sale are carried at the lower of cost or fair value, which is evaluated on a pool-level basis. The fair value of loans held-for-sale is determined using quoted prices for similar assets, adjusted for specific attributes of that loan or other observable market data, such as outstanding commitments for third party investors, which would result in classification as Level 2.

(19) Fair Values of Financial Instruments (Continued)

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The tables below present the recorded amount of assets and liabilities measured at fair value on a recurring basis as of December 31, 2024 and 2023 aggregated by the level in the fair value hierarchy within which those measurements fall.

	2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Debt Securities Available for Sale				
U.S. Treasury Securities	**$ -**	**$ 2,985,350**	**$ -**	**$ 2,985,350**
Commercial Mortgage Backed Securities	**3,950,625**	**2,790,741**	**-**	**6,741,366**
Total Debt Securities	**$ 3,950,625**	**$ 5,776,091**	**$ -**	**$ 9,726,716**
Loans Held for Sale	**$ -**	**$ 465,250**	**$ -**	**$ 465,250**

	2023			
Assets				
Debt Securities Available for Sale				
U.S. Treasury Securities	$ -	$ 3,900,820	$ -	$ 3,900,820
Commercial Mortgage Backed Securities	3,974,960	-	-	3,974,960
Total Debt Securities	$ 3,974,960	$ 3,900,820	$ -	$ 7,875,780

There were no liabilities measured at fair value on a recurring basis as of December 31, 2024 and 2023.

Assets Recorded at Fair Value on a Nonrecurring Basis

The Company may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with U.S. generally accepted accounting principles. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. The table below presents the Company's assets and liabilities measured at fair value on a nonrecurring basis as of December 31, aggregated by the level in the fair value hierarchy within which those measurements fall.

	2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Collateral-Dependent Loans	**$ -**	**$ -**	**$ 1,087,859**	**$ 1,087,859**
Other Real Estate and Foreclosed Assets	**-**	**-**	**21,898**	**21,898**
	$ -	**$ -**	**$ 1,109,757**	**$ 1,109,757**

	2023			
Collateral-Dependent Loans	$ -	$ -	$ 1,096,934	$ 1,096,934
Other Real Estate and Foreclosed Assets	-	-	3,611,235	3,611,235
	$ -	$ -	$ 4,708,169	$ 4,708,169

(19) Fair Values of Financial Instruments (Continued)

Assets Recorded at Fair Value on a Nonrecurring Basis (Continued)

The following table shows significant unobservable inputs used in the fair value measurement of Level 3 assets and liabilities as of December 31:

Measurements		**Fair Value at 2024**	**Valuation Technique**	**Unobservable Inputs**	**Range**
Nonrecurring					
	Collateral-Dependent Loans	**$ 1,087,859**	Third party appraisals and loan pricing	Collateral discounts, estimated selling expenses, and discount rates	**0.00 -100**
	Other Real Estate and Foreclosed Assets	**21,898**	Third party appraisals	Collateral discounts, estimated selling expenses, and discount rates	**10.00 -39.09**

Measurements		Fair Value at 2023	Valuation Technique	Unobservable Inputs	Range
Nonrecurring					
	Collateral-Dependent Loans	$ 1,096,934	Third party appraisals and loan pricing	Collateral discounts, estimated selling expenses, and discount rates	0.00 -100
	Other Real Estate and Foreclosed Assets	3,611,235	Third party appraisals	Collateral discounts, estimated selling expenses, and discount rates	10.00 -39.09

(20) Credit Risk Concentration

The Bank grants agribusiness, commercial and residential loans to customers. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on the area's economic stability. The primary trade area for the Bank is generally that area within fifty miles in each direction.

The distribution of commitments to extend credit approximates the distribution of loans outstanding. Commercial and standby letters of credit were granted primarily to commercial borrowers. The Bank, as a matter of policy, does not extend credit in excess of the legal lending limit to any single borrower or group of related borrowers.

The Company's bank subsidiary maintains its cash at several financial institutions located in the Southeast. On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law and permanently raised the FDIC coverage limit to $250,000. The Company had uninsured balances of $10,262,741 as of December 31, 2024.

The Company maintains a cash balance in an account held with the Federal Home Loan Bank (FHLB). The FHLB is not a financial institution, and as a result, funds held are not subject to FDIC coverage. As of December 31, 2024, the Company had an outstanding balance of $6,028,807 with the FHLB, which is entirely uninsured.

(20) Credit Risk Concentration (Continued)

The Company also maintains an account with the Federal Reserve Bank of Atlanta. Although funds held by this institution are not insured with the FDIC, funds are backed by the full faith and credit of the United States Government. As of December 31, 2024, the Company had an outstanding balance of $29,793,347 with the Federal Reserve Bank, which is backed by the full faith and credit of the United States Government.

Pandemics, natural disasters such as extreme weather conditions, hurricanes, floods, and other acts of nature, and geopolitical events involving civil unrest, changes in government regimes, terrorism, or military conflict could adversely affect our business operations and those of our customers and have significant negative impacts upon economic conditions and cause substantial damage and loss to real and personal property. These pandemics, natural disasters and geopolitical events could impair our borrowers' ability to service their loans, decrease the level and duration of deposits by customers, erode the value of loan collateral, and result in an increase in the amount of our nonperforming loans and a higher level of nonperforming assets (including real estate owned), net charge-offs, and provision for loan losses, and could materially and adversely affect our business, financial condition, results of operations, and the value of our common stock.

(21) Operating Income and Expenses

Components of other operating expenses greater than one percent of total interest income and other income for the years ended December 31, are as follows:

	2024	2023	2022
Data Processing	**$ 4,009,289**	$ 3,803,567	$ 3,640,803
Legal and Accounting Fees	**873,485**	1,052,494	995,245
Business Development	**693,404**	671,172	838,834
Advertising	**883,743**	831,379	885,724

There were no components of other operating income greater than one percent of total interest income and other income for the years ended December 31, 2024, 2023 and 2022.

(22) Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amount and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Company on January 1, 2015, with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in as of January 1, 2019. Under the Basel III rules, the Bank must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios. The capital conservation buffer was phased in at a rate of 0.625 percent per year from 0.0 percent in 2015 to 2.50 percent on January 1, 2019. The Company and its bank subsidiaries have elected to exclude the net unrealized gain or loss on available for sale securities, if any, in computing regulatory capital.

(22) Regulatory Matters (Continued)

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total risk-based, Tier I capital and Common Equity Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2024, the Bank meets all capital adequacy requirements to which it is subject. As of December 31, 2024, the most recent notification from regulatory agencies 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, Tier I risk-based, Common Equity Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

Actual and required capital amounts and ratios are presented below at year-end.

	Actual		For Capital Adequacy		To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(In Thousands)			
As of December 31, 2024						
Total Capital to Risk-Weighted Assets	**$ 195,513**	**15.78 %**	**$ 99,091**	**8.00 %**	**$ 123,864**	**10.00 %**
Tier I Capital to Risk-Weighted Assets	**180,018**	**14.53**	**74,318**	**6.00**	**99,091**	**8.00**
Common Equity Tier I Capital to Risk-Weighted Assets	**180,018**	**14.53**	**55,739**	**4.50**	**80,511**	**6.50**
Tier I Capital to Average Assets	**180,018**	**12.43**	**57,910**	**4.00**	**72,387**	**5.00**
As of December 31, 2023						
Total Capital to Risk-Weighted Assets	$ 189,831	14.55 %	$ 104,372	8.00 %	$ 130,465	10.00 %
Tier I Capital to Risk-Weighted Assets	173,543	13.30	78,279	6.00	104,372	8.00
Common Equity Tier I Capital to Risk-Weighted Assets	173,543	13.30	58,709	4.50	84,802	6.50
Tier I Capital to Average Assets	173,543	12.41	55,946	4.00	69,933	5.00

(23) Segment Reporting

Reportable segments are strategic business units that offer different products and services. Reportable segments are managed separately because each segment appeals to different markets and, accordingly, requires different technology and marketing strategies.

The Company and its subsidiaries do not have any separately reportable operating segments. The entire operations of the Company are managed as one operation.

(24) Subsequent Events

The Company performed an evaluation of subsequent events through March 25, 2025, the date upon which the Company's consolidated financial statements were available to be issued.

(25) Condensed Financial Statements (Parent Company Only)

Condensed parent company financial information on Morris State Bancshares, Inc. at December 31, is as follows:

Balance Sheets

	2024	2023
Assets		
Cash in Subsidiary	**$ 21,700,447**	$ 17,867,617
Investment in Subsidiaries, at Equity in Underlying Net Assets	**192,448,123**	186,860,407
Goodwill	**388,816**	388,816
Other Assets	**143,576**	209,514
Total Assets	**$ 214,680,962**	$ 205,326,354
Liabilities		
Notes Payable or Other Borrowed Funds	**$ 19,019,372**	$ 27,151,284
Accrued Expenses	**58,431**	41,854
Total Liabilities	**19,077,803**	27,193,138
Shareholders' Equity		
Common Stock, $1 Par Value, Authorized 10,000,000 Shares, 10,688,723 Issued and 10,593,225 Outstanding in 2024 and 10,645,509 Issued and 10,582,219 Outstanding in 2023	**10,688,723**	10,645,509
Paid-in Capital Surplus	**33,841,059**	33,168,905
Retained Earnings	**153,010,395**	135,107,041
Accumulated Other Comprehensive Income	**1,422,711**	1,968,846
Treasury Stock, at Cost 95,498 Shares in 2024 and and 63,290 Shares in 2023	**(3,359,729)**	(2,757,085)
Total Shareholders' Equity	**195,603,159**	178,133,216
Total Liabilities and Shareholders' Equity	**$ 214,680,962**	$ 205,326,354

(25) Condensed Financial Statements (Parent Company Only) (Continued)

Statements of Income and Retained Earnings

	Years Ended December 31,		
	2024	2023	2022
Revenues			
Dividend Income	**$ 18,000,000**	$ 16,000,000	$ 6,500,000
Interest Income	**11,222**	49,712	4,137
Total Revenues	**18,011,222**	16,049,712	6,504,137
Expenses			
Interest Expense	**1,349,705**	1,708,164	1,629,759
Other	**990,822**	749,278	887,605
Total Expenses	**2,340,527**	2,457,442	2,517,364
Income Before Equity Income of Subsidiary	**15,670,695**	13,592,270	3,986,773
Equity in Undistributed Income of Subsidiaries	**6,133,649**	5,739,919	17,121,857
Net Income	**21,804,344**	19,332,189	21,108,630
Retained Earnings, Beginning	**135,107,041**	121,426,245	104,039,835
Cumulative Change in Accounting Principle	**-**	(1,926,890)	-
Balance at January 1, 2023 (as adjusted for change in accounting principle)	**135,107,041**	119,499,355	104,039,835
Stock and Cash Dividends	**(3,900,990)**	(3,724,503)	(3,722,220)
Retained Earnings, Ending	**$ 153,010,395**	$ 135,107,041	$ 121,426,245

(25) Condensed Financial Statements (Parent Company Only) (Continued)

Statements of Cash Flows

The following additional information is related to the Holding Company's cash flows during the periods reported.

	Years Ended December 31,		
	2024	2023	2022
Cash Flows from Operating Activities			
Net Income	**$ 21,804,344**	$ 19,332,189	$ 21,108,630
Adjustments to Reconcile Net Income to			
Net Cash Provided (Used) by Operating Activities			
Equity in Undistributed Income of Subsidiary	**(6,133,649)**	(5,739,919)	(17,121,857)
Stock Based Compensation Expense	**450,768**	285,499	116,686
Net Change in Operating Assets and Liabilities			
Accrued Income and Other Assets	**65,736**	311,022	675,616
Changes in Accrued Expenses and Other Liabilities	**134,665**	122,590	63,050
Net Cash Provided by Operating Activities	**16,321,864**	14,311,381	4,842,125
Cash Flows from Financing Activities			
Repayment of Other Borrowed Funds	**(8,250,000)**	(1,750,000)	-
Purchase of Treasury Stock	**(602,644)**	(560,869)	(502,672)
Proceeds from Issuance of Common Stock	**264,600**	381,780	564,718
Cash Dividends Paid	**(3,900,990)**	(3,724,503)	(3,722,220)
Net Cash Used in Financing Activities	**(12,489,034)**	(5,653,592)	(3,660,174)
Net Increase in Cash and Cash Equivalents	**3,832,830**	8,657,789	1,181,951
Cash and Cash Equivalents - Beginning of Year	**17,867,617**	9,209,828	8,027,877
Cash and Cash Equivalents - End of Year	**$ 21,700,447**	$ 17,867,617	$ 9,209,828

	Years Ended December 31,		
	2024	2023	2022
Cash Paid for Interest			
Interest on Borrowings	**$ 1,231,618**	$ 1,706,303	$ 1,621,642
Noncash Items			
Changes in Unrealized Loss on Investments	**$ (691,310)**	$ (809,165)	$ (1,007,947)
Stock Grant Forfeitures	**$ 264,600**	$ 48,847	$ (91,403)

(26) Other Comprehensive Income (Loss)

The tax effects allocated to each component of other comprehensive income (loss) for the years ended December 31 are as follows:

	2024		
	Before Tax Amount	**Tax Expense (Benefit)**	**Net of Tax Amount**
Securities Available for Sale			
Change in Net Unrealized Gain During the Period	**$ 37,361**	**$ 7,846**	**$ 29,515**
Reclassification Adjustment for Net Gain Included in Net Income	**(182)**	**(38)**	**(144)**
Net Change in Unamortized Gains on Available for Sale Transferred into Held to Maturity	**(728,489)**	**(152,983)**	**(575,506)**
	$ (691,310)	**$ (145,175)**	**$ (546,135)**

	2023		
Securities Available for Sale			
Change in Net Unrealized Gain During the Period	$ (10,605)	$ (2,239)	$ (8,366)
Net Change in Unamortized Gains on Available for Sale Transferred into Held to Maturity	(793,883)	(167,686)	(626,197)
	$ (804,488)	$ (169,925)	$ (634,563)

	2022		
Securities Available for Sale			
Change in Net Unrealized Gain During the Period	$ (76,067)	$ (15,974)	$ (60,093)
Reclassification Adjustment for Net Loss Included in Net Income	326	7	319
Net Change in Unamortized Gains on Available for Sale Transferred into Held to Maturity	(932,206)	(195,702)	(736,504)
	$ (1,007,947)	$ (211,669)	$ (796,278)

(27) Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) by component, net of tax, for the years ended December 31 are as follows:

	2024	2023	2022
Beginning Balance	**$ 1,968,846**	$ 2,608,086	$ 3,404,364
Other Comprehensive Income (Loss) Before Reclassification	**29,515**	(8,424)	(60,093)
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	**(144)**	-	319
Net Change in Unamortized Gains on Available for Sale Transferred into Held to Maturity	**(575,506)**	(630,816)	(736,504)
Net Current Period Other Comprehensive Loss	**(546,135)**	(639,240)	(796,278)
Ending Balance	**$ 1,422,711**	$ 1,968,846	$ 2,608,086

(28) Revenues from Contracts with Customers

The Company's revenue from contracts with customers within the scope of ASU 2014-09 included in noninterest income (expense) in the consolidated income statement is comprised of the following for the years ended December 31:

	2024	2023	2022
Noninterest Income (Expense)			
Service Charges on Deposits	**$ 2,168,900**	$ 2,143,963	$ 2,417,800
ATM Interchange Fees	**2,371,561**	2,259,696	2,115,529
Net Gains (Losses) on Sales of Other Real Estate and Foreclosed Assets	**(9,681)**	(321,783)	608,935
	$ 4,530,780	$ 4,081,876	$ 5,142,264

A description of the Company's revenue streams accounted for under ASU 2014-09 is as follows:

- *Service Charges on Deposit Accounts:* The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

(28) Revenues from Contracts with Customers (Continued)

- *ATM Interchange Fees:* The Company earns interchange fees from cardholder transactions conducted through the Visa/MasterCard or other payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.

- *Gains/(Losses) on Sales of Other Real Estate Owned (OREO) and Foreclosed Assets:* The Company records a gain or loss from the sale of OREO or foreclosed assets when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Company finances the sale of OREO or foreclosed assets to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the OREO asset or foreclosed asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Company adjusts the transaction price and related gain (loss) on sale if a significant financing component is present.