Report of Independent Auditors
and Consolidated Financial Statements

RiverBank Holding Company and Subsidiaries

December 31, 2024 and 2023

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Report of Independent Auditors

Board of Directors and Stockholders
RiverBank Holding Company and Subsidiaries

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of RiverBank Holding Company and Subsidiaries, which comprise the consolidated statement of condition as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of RiverBank Holding Company and Subsidiaries as of December 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, in 2023, RiverBank Holding Company and Subsidiaries adopted new accounting guidance Accounting Standards Codification Topic 326 Financial Instruments – Credit Losses. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Moss Adams LLP

Spokane, Washington
March 7, 2025

Consolidated Financial Statements

RiverBank Holding Company and Subsidiaries
Consolidated Statements of Financial Condition
December 31, 2024 and 2023

	2024	2023
ASSETS		
Cash and due from banks	$ 4,012,652	$ 2,431,177
Interest-bearing deposits in other financial institutions	6,195,047	8,203,958
Federal funds sold	759,953	5,311,042
Cash and cash equivalents	10,967,652	15,946,177
Time deposits held at other financial institutions	3,486,000	7,469,000
Securities held to maturity, at amortized cost		
Securities available for sale, at fair value, amortized cost of $29,361,383 and $31,462,321 at December 31, 2024 and 2023, respectively	26,063,914	28,090,265
Pacific Coast Bankers' Bank (PCBB) stock, at cost	920,000	920,000
Federal Home Loan Bank (FHLB) of Des Moines stock, at cost	144,700	368,100
Loans receivable, net of allowance for credit losses of $2,633,171 and $2,225,672 at December 31, 2024 and 2023, respectively	217,357,159	184,619,607
Premises and equipment, net	141,741	203,917
Accrued interest receivable	916,782	700,729
Other assets	1,180,108	1,645,792
Deferred tax asset, net	1,195,028	1,132,782
Total assets	$ 262,373,083	$ 241,096,369
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	$ 236,227,198	$ 212,184,960
Borrowed funds	-	5,000,000
Other liabilities	1,670,627	1,759,472
Total liabilities	237,897,826	218,944,432
COMMITMENTS AND CONTINGENCIES (Note 7)		
STOCKHOLDERS' EQUITY		
Common stock, no par value; 2,500,000 shares authorized; 1,115,013 and 1,104,545 shares issued and outstanding at December 31, 2024 and 2023, respectively	28,653,591	28,791,296
Accumulated other comprehensive loss, net of tax	(2,605,000)	(2,663,924)
Accumulated deficit	(1,573,333)	(3,975,435)
Total stockholders' equity	24,475,258	22,151,937
Total liabilities and stockholders' equity	$ 262,373,083	$ 241,096,369

See accompanying notes.

RiverBank Holding Company and Subsidiaries
Consolidated Statements of Income
Years Ended December 31, 2024 and 2023

	2024	2023
INTEREST INCOME		
Loans, including fees	$ 13,422,961	$ 11,523,337
Securities	758,575	411,431
Other	1,080,551	808,232
Total interest income	15,262,088	12,743,000
INTEREST EXPENSE		
Deposits	4,965,729	3,260,392
Borrowings	98,352	360,307
Total interest expense	5,064,081	3,620,699
Net interest income	10,198,007	9,122,301
PROVISION FOR CREDIT LOSSES	406,648	585,852
Net interest income after provision for credit losses	9,791,359	8,536,449
NONINTEREST INCOME		
Service charges on deposits	43,812	33,745
Other income	338,032	329,082
Gain on sale of loans	165,941	-
	547,786	362,827
NONINTEREST EXPENSES		
Salaries and employee benefits	5,046,297	4,827,762
Occupancy	459,790	467,137
Information systems and communication	1,068,107	1,038,362
Professional services	181,216	181,786
Administrative and insurance	187,897	209,515
FDIC assessment	127,585	134,398
Marketing, advertising, and promotion	119,996	101,318
Transportation and travel	32,360	37,268
Business taxes	194,341	161,886
Collection and foreclosure	35,127	46,608
Other	275,666	161,280
	7,728,381	7,367,320
Income before provision for income taxes	2,610,764	1,531,956
Provision for income taxes	551,213	322,224
NET INCOME	$ 2,059,551	$ 1,209,732
EARNINGS PER COMMON SHARE		
Basic	$ 1.86	$ 1.11
Diluted	$ 1.85	$ 1.09
Basic weighted average common shares outstanding	1,105,003	1,093,906
Diluted weighted average common shares outstanding	1,113,939	1,114,776

See accompanying notes.

RiverBank Holding Company and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2024 and 2023

	2024	2023
NET INCOME	$ 2,059,551	$ 1,209,732
Other comprehensive income		
Unrealized gain on securities available for sale		
Unrealized holding gain	74,587	813,027
Tax expense on unrealized holding loss	(15,663)	(170,736)
Other comprehensive income	58,924	642,291
COMPREHENSIVE INCOME	$ 2,118,475	$ 1,852,023

See accompanying notes.

RiverBank Holding Company and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
Years Ended December 31, 2024 and 2023

	Shares	Total	Common Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)
BALANCE, December 31, 2022	1,093,418	$ 19,996,782	$ 28,577,670	$ (5,274,673)	$ (3,306,215)
Net income	-	1,209,732	-	1,209,732	-
Reclassification related to adoption of ASC 326, net of tax (Note 3)	-	89,506	-	89,506	-
Stock-based compensation expense	11,127	213,626	213,626	-	-
Other comprehensive loss, net of tax	-	642,291	-	-	642,291
BALANCE, December 31, 2023	1,104,545	22,151,937	28,791,296	(3,975,435)	(2,663,924)
Net income	-	2,059,551	-	2,059,551	-
Out-of-period adjustment (Note 1)	-	-	(342,551)	342,551	-
Common stock repurchased	(92)	(1,656)	(1,656)	-	-
Stock-based compensation expense	10,560	206,502	206,502	-	-
Other comprehensive income, net of tax	-	58,924	-	-	58,924
BALANCE, December 31, 2024	1,115,013	$ 24,475,258	$ 28,653,591	$ (1,573,333)	$ (2,605,000)

See accompanying notes.

RiverBank Holding Company and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,059,551	$ 1,209,732
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization of premises and equipment	77,529	95,260
Provision for credit losses	406,648	675,358
Provision for unfunded commitments	14,508	(21,248)
Net amortization of premiums/discounts on securities	301,629	230,174
Deferred tax provision	77,910	(124,395)
Stock based compensation	204,846	213,626
Gain on sale of loans	(165,941)	-
Gain on disposal of assets	-	263
Change in assets and liabilities		
Accrued interest receivable	(216,053)	5,708
Deferred tax asset	(83,424)	272,602
Other assets	393,288	43,945
Other liabilities	(103,353)	(132,938)
Net cash from operating activities	2,967,138	2,468,087
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of securities available for sale	(4,129,485)	(6,298,515)
Maturities, prepayments, and calls of securities available for sale	5,928,795	3,250,762
Proceeds from redemption of FHLB of Des Moines stock, net of purchases	223,400	(147,200)
Maturities of deposits with other financial institutions, net of purchases	3,983,000	1,241,000
Net increase in loans	(36,603,184)	(16,339,953)
Proceeds from sale of loans	3,624,925	-
Purchases of premises and equipment	(15,352)	(71,364)
Net cash from investing activities	(26,987,901)	(18,365,270)

See accompanying notes.

RiverBank Holding Company and Subsidiaries
Consolidated Statements of Cash Flows
December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease (increase) in deposits	24,042,238	(4,332,833)
Proceeds from FHLB advances and other debt	-	69,600,000
Repayments on FHLB advances and other debt	(5,000,000)	(64,600,000)
Net cash from financing activities	19,042,238	667,167
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,978,525)	(15,230,016)
CASH AND CASH EQUIVALENTS, beginning of year	15,946,177	31,176,193
CASH AND CASH EQUIVALENTS, end of year	$ 10,967,652	$ 15,946,177
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Income taxes paid	$ 310,000	$ 405,000
Cash paid during the year for interest	4,965,729	3,260,392
SUPPLEMENTAL NONCASH DISCLOSURES		
Lease liabilities arising from obtaining right-of-use assets	$ -	$ 161,922

See accompanying notes.

Note 1 – Summary of Significant Accounting Policies

Nature of operations – RiverBank Holding Company and Subsidiaries (the Company) is a Washington corporation. The Company was organized February 27, 2008, and commenced operations May 30, 2008. The Company is a single-bank holding company with RiverBank as its wholly owned subsidiary.

RiverBank (the Bank or RiverBank) is a state-chartered commercial bank incorporated under the laws of the state of Washington. The Bank provides a full range of banking services to its commercial and consumer customers serving Spokane, Washington, and the Inland Northwest. The Bank was organized April 19, 2006, and commenced operations May 22, 2006, with the opening of the traditional branch/administrative office in Spokane, Washington. The Mobile Tech Branch, also in Spokane, was opened November 6, 2006, and provides mobile banking services throughout the Spokane metropolitan area.

In January 2013, RB Disposition Co LLC was organized to facilitate the acquisition and sale of select nonperforming assets. RiverBank is the sole member.

The Bank and Company are also subject to the regulations of certain federal and state agencies and undergo periodic examinations by those regulatory agencies.

Basis of consolidation – The December 31, 2024 and 2023, consolidated financial statements include the Company and its wholly owned subsidiaries, RiverBank and RB Disposition Co LLC. All significant intercompany balances and transactions have been eliminated.

Basis of financial statement presentation and use of estimates – The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of certain assets and liabilities as of the date of the consolidated statement of financial condition and certain revenues and expenses for the period. Actual results could differ, either positively or negatively, from those estimates.

Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, including valuation of collateral-dependent loans, the valuation of deferred tax assets, and the determination of the fair value of financial instruments.

Management believes the allowance for credit losses is adequate. While management uses currently available information to recognize losses on loans and other real estate owned, future additions to the allowance or valuation adjustments to other real estate may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination processes, periodically review the Company's allowance for credit losses and other real estate owned. Such agencies may require the Company to recognize additions to the allowance or valuation adjustments based on their judgments of information available to them at the time of their examinations.

Cash and cash equivalents – For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, overnight funds at the Federal Reserve Bank, and federal funds sold. Generally, federal funds sold are for one-day periods.

Time deposits held at other financial institutions – Time deposits held at other financial institutions mature within a year and are carried at cost. These deposits are each under the federally insured limit of $250,000.

Pacific Coast Bankers' Bancshares (PCBB) stock – The PCBB stock is an optional investment; however, membership does provide some benefits through reduced fees for certain products. The common stock is carried at cost. Dividends of $5,000 were received in both years ended December 31, 2024 and 2023, and recorded as other interest income.

As of December 31, 2024 and 2023, the Company held 7,500 PCBB Series D 7.00% Fixed Rate Cumulative Perpetual Preferred shares. Dividends of $52,500 were received and recorded as other interest income in both years ended December 31, 2024 and 2023.

Federal Home Loan Bank of Des Moines (FHLB) stock – FHLB stock is a required investment for institutions that are members of the FHLB. The required investment in FHLB common stock is based on a predetermined formula and is carried at par value ($100 per share) on the consolidated statements of financial condition. The Company may request redemption at par value of any stock in excess of the amount the Company is required to hold. FHLB stock is restricted as to purchase, sale, and redemption. The Company views its investment in FHLB stock as a long-term investment. Accordingly, when evaluating for impairment, the value is determined based on the ultimate recovery of the par value rather than recognizing temporary declines in value. Dividends of $20,844 and $25,126 were received and recorded as other interest income during the years ended December 31, 2024 and 2023, respectively.

Securities available for sale – Debt securities classified as available for sale consist of U.S. government agency mortgage-backed securities and student loan–backed securities issued under the Federal Family Education Loan Program (FFELP). Debt securities available for sale are carried at fair value with unrealized holding gains and losses reported as a separate component of accumulated other comprehensive income (loss). Gains and losses on the sale of available for sale securities are determined using the specific-identification method and are included in earnings.

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

Nearly all of the securities held by the Company are issued by U.S. government entities and agencies. These securities are 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.

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 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. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Public depository – The Company is a public depository under the state of Washington Public Deposit Protection Commission (WPDPC). As a public depository, the Company must pledge eligible securities or a letter of credit equal to 50% of the uninsured public funds on deposit. At December 31, 2024 and 2023, the Company had no public funds on deposit.

At December 31, 2024 and 2023, there were no letters of credit from the FHLB pledged to secure public funds.

Loans receivable and allowances for credit losses – Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal, net of deferred loan origination fees and costs, charge-offs, and the allowance for credit losses. Interest on loans is calculated by using the simple interest method on daily balances of the principal amount outstanding and includes the amortization of net deferred loan origination fees. Interest income on loans is discontinued and placed on nonaccrual status at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Past-due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful. Thereafter, no interest is taken into income unless received in cash or until such time as the borrower demonstrates the ability to resume payments of principal and interest.

The allowance for credit losses on loans is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the loan to be uncollectible. Management estimates the allowance for credit losses using relevant information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The allowance for credit losses is maintained at a level sufficient to provide for expected credit losses over the life of the loan based on evaluating historical credit loss experience and making adjustments to historical loss information for differences in the specific risk characteristics in the current loan portfolio. These factors include, among others, differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term, as well as 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. Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are also not included in the collective evaluation. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs, in accordance with the collateral dependent current expected credit loss (CECL) practical expedient elected by the Company. Generally, collectively assessed loans are grouped by call report code. The Company has elected a weighted average remaining maturity (WARM) methodology for calculating the allowance for credit losses for the call report code pools utilized. Historical loan loss information for the Company and a peer group are compiled and future expected losses are calculated based upon average loss rates of the Company and the peer group. The lookback period in the analysis includes historical data from 2006 to the present. Weighted average remaining maturities of each pool, less prepayments, indicate the remaining useful life of the loan pool over which credit losses are calculated. Prepayments are calculated based upon historical prepayments of the loan pool for the entire lookback period. Expected losses over the remainder of the life of the loan pool are adjusted for the reasonable and supportable forecast period based upon a regression analysis of the correlation between historical loan loss rates and historical national unemployment rates for each loan pool. After the reasonable and supportable forecast period, loss rates revert on a straight-line basis back to long-term historical average rates over the remainder of the loan pool life. The Company recognizes that all significant factors that affect the collectability of the loan portfolio must be considered to determine the estimated credit losses as of the evaluation date. Furthermore, the methodology, in and of itself and even when selectively adjusted by comparison to market and peer data, does not provide a sufficient basis to determine the estimated credit losses. The Company adjusts the modeled historical losses by qualitative and environmental adjustments to incorporate all significant risks, which forms a sufficient basis to estimate the credit losses.

Modifications due to borrower financial difficulty – Occasionally, the Company may modify loans to borrowers in financial distress by providing principal forgiveness, term extension, an other-than-insignificant payment delay, or interest reduction. When principal forgiveness is provided, the amount of forgiveness is charged off against the allowance for credit losses. In some cases, the Company may provide multiple types of concessions on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted.

Other real estate owned – Other real estate owned is acquired through foreclosure, or deeds in lieu of foreclosure, and is stated at the lower of cost or fair value less costs to sell. When the property is acquired, any excess of the loan balance over the estimated net realizable value is charged to the allowance for credit losses. Holding costs, subsequent write-downs to net realizable value, if any, or any disposition gains or losses are included in noninterest income and expenses. Costs of development and improvement of the property are capitalized.

Premises and equipment – Premises and equipment are stated at cost less accumulated depreciation over their estimated useful lives, which range from 1 to 15 years. Depreciation and amortization expense is computed using the straight-line method for financial statement purposes. Normal costs of maintenance and repairs are charged to expense as incurred.

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 consolidated statements of financial condition in the form of a lease liability for the present value of future minimum payments under the lease terms and a right-of-use (ROU) asset equal to the lease liability adjusted for items such as deferred or prepaid rent, lease incentives, and any impairment of the ROU 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. The Company does not record leases on the consolidated statements of financial condition that are classified as short-term (less than one year). At lease inception, the Company determines the lease term by considering the minimum lease term and all optional renewal periods that the Company is reasonably certain to renew.

Operating lease expense consists of a single lease cost allocated over the remaining lease term on a straight-line basis, variable lease payments not included in the lease liability, and any impairment of the ROU asset. Rent expense and variable lease expense are included in occupancy and equipment expense on the consolidated statements of income.

Valuation of long-lived assets – The Company, using its best estimates based on reasonable and supportable assumptions and projections, reviews assets for impairment whenever events or changes in circumstances have indicated the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At December 31, 2024 and 2023, no long-lived assets had been impaired.

Income taxes – The Company files a consolidated federal income tax return. Deferred taxes are provided on an asset and 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.

Accounting Standards Codification (ASC) 740-10, *Income Taxes*, requires recognition and measurement of uncertain tax positions using a “more-likely-than-not” approach. The Company’s approach to ASC 740-10 consisted of an examination of its consolidated financial statements, its income tax provision, and its federal and state income tax returns. The Company analyzed its tax positions including permanent and temporary differences, as well as the major components of income and expense. As of December 31, 2024, the Company did not believe it had any uncertain tax positions that would rise to the level of having a material effect on its consolidated financial statements. In addition, the Company had no accrued interest or penalties as of December 31, 2024. It is the Company’s policy to record interest and penalties as a component of income tax expense.

Equity and earnings per share – Basic earnings per share are net income divided by the weighted average number of common shares outstanding during the period. Diluted earnings per common share includes the dilutive effect of additional potential common shares issuable related to restricted stock agreements as calculated using the treasury stock method. There were no anti-dilutive shares for the years ended December 31, 2024 and 2023.

Stock-based compensation – The Bank has a stock-based compensation plan for employees that includes restricted stock awards, which are recognized as stock-based compensation expense in the consolidated statements of income based on the grant-date fair value of the award with a corresponding increase in common stock. The fair value is amortized over the requisite service period, which is generally the vesting period.

Revenue from contracts with customers – The Company's services that fall within the scope of ASC Topic 606, *Revenue from Contracts with Customers* (Topic 606), include custodial deposit fee income, service charges on deposits, debit/ATM interchange income, merchant fee income, credit card and interchange income, and remaining other income. Management analyzes each of these noninterest income sources in accordance with Topic 606.

Custodial deposit fee income – The Company earns fee income on deposits with custodians that facilitate placement of customer deposits at other financial institutions for Federal Deposit Insurance Corporation (FDIC) insurance purposes. The Company earns income from placing customer deposits in the program, which is recorded as other noninterest income when received. The performance obligation is satisfied, and the fees are recognized monthly as the service period is completed.

Service charges on deposits – The Company earns fees from its deposit customers for account maintenance, transaction-based activity, and overdraft services. Account maintenance fees consist primarily of account fees charged on deposit accounts on a monthly basis. The performance obligation is satisfied, and the fees are recognized, on a monthly basis as the service period is completed.

Debit and ATM interchange fee income and expenses – Debit and ATM interchange income represent fees earned when a debit card issued by the Company is used. The performance obligation is satisfied, and the fees are earned, when the cost of the transaction is charged to the cardholder's debit card. Certain expenses directly associated with the credit and debit card are recorded on a net basis with the interchange income.

Merchant fee income – Merchant fee income represents fees earned by the Company for card payment services provided to its merchant customers. The Company has a contract with a third party to provide card payment services to merchants that contract for those services. Income is primarily earned based on the dollar volume and number of transactions processed. The performance obligation is satisfied, and the related fee is earned, when each payment is accepted by the processing network.

Credit card and interchange income and expenses – Credit card interchange income represents fees earned when a credit card issued by the Company is used. The performance obligation is satisfied, and the fees are earned, when the cost of the transaction is charged to the cardholder's credit card. Certain expenses and rebates directly related to the credit card interchange contract are recorded net of interchange income.

Other real estate owned – The Company records a gain or loss on recoveries of already charged-off loans when funds are received, and on the sale of other real estate owned when control of the property transfers to the buyer, which generally occurs at the time of an executed deed of trust. In determining the gain or loss on a sale, the Company adjusts the transaction price and related gain or loss on a sale if a significant financing component is present.

Comprehensive income (loss) – Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available for sale, which are also recognized as separate components of equity.

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

Advertising – Advertising costs are charged to noninterest expense as incurred. Advertising and promotional costs were $119,996 and $101,318 for the years ended December 31, 2024 and 2023, respectively.

Operating segments – The Company has no operating activity apart from acting as parent company of the Bank. The Bank's operations are commercial banking services. As such, it provides multiple services to a group of customers that may include lending, deposits, and cash management. The services are interrelated, and profitability is achieved by balancing the component services with the Bank emphasizing full-relationship customers. The Chief Operating Decision Makers (CODM) are the Senior Management Team. CODM uses pre-tax, pre-provision profitability as the primary measure since variations in tax status and credit loss provision make net income more variable. Complete performance is only available on an overall basis. Consequently, the company operates as a single reporting segment, with all financial data being aggregated and presented on an overall basis.

Recently adopted accounting pronouncements – In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. The updated accounting guidance requires expanded reportable segment disclosures, primarily related to significant segment expenses which are regularly provided to the company's chief operating decision maker. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within annual periods beginning after December 15, 2024. Retrospective application is required. The Company adopted the updated guidance during the year ended December 31, 2024 and it did not have a significant impact on the Company's financial statement disclosures as the Company has a single reportable segment.

Out-of-period adjustment – The consolidated statements of changes in stockholders' equity include an out-of-period adjustment reflecting the correction of amounts previously reported as part of accumulated deficit but have been reclassified to common stock. The amounts are related to distributions to shareholders in a previous year during the Company's time under Subchapter S income tax status that were a return of capital, rather than distribution of earnings, as previously reported. As a result of the out-of-period adjustment, common stock and accumulated deficit were both reduced by $342,251. Total shareholders' equity was unchanged. The Company evaluated the impact of the out-of-period adjustment and concluded it was not material to any previously issued annual consolidated financial statements.

Subsequent events – Subsequent events are events or transactions that occur after the date of the consolidated statements of financial condition, but before the consolidated financial statements are available to be issued. The Company recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statements of financial condition, including the estimates inherent in the process of preparing the consolidated financial statements. The Company's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statements of financial condition, but arose after the date of the consolidated statements of financial condition and before the consolidated financial statements are available to be issued.

The Company has evaluated subsequent events through March 7, 2025, which is the date the consolidated financial statements were available to be issued.

Note 2 – Securities

The following table summarizes the amortized cost and fair value of securities available for sale at December 31, 2024 and 2023, and the corresponding amount of gross unrealized gains and losses.

	December 31, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
SECURITIES AVAILABLE FOR SALE					
Mortgage-backed securities	$ 20,963,828	$ 1,821	$ (3,346,052)	$ -	$ 17,619,597
Collateralized debt obligations	8,397,555	46,761	-	-	8,444,316
	$ 29,361,383	$ 48,582	$ (3,346,052)	$ -	$ 26,063,913

	December 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
SECURITIES AVAILABLE FOR SALE					
Mortgage-backed securities	$ 25,488,472	$ 2,125	$ (3,314,671)	$ -	$ 22,175,926
Collateralized debt obligations	5,973,849	-	(59,510)	-	5,914,339
	$ 31,462,321	$ 2,125	$ (3,374,181)	$ -	$ 28,090,265

Gross unrealized losses and fair value by length of time the individual securities have been in a continuous unrealized loss position at December 31 are as follows:

	Less Than 12 Months		12 Months or More		Total	
December 31, 2024	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-backed securities	$ 1,674,461	$ (2,170)	$ 16,865,758	$ (3,343,881)	$ 18,540,219	$ (3,346,052)
Collateralized debt obligations	-	-	-	-	-	-
Total available for sale	$ 1,674,461	$ (2,170)	$ 16,865,758	$ (3,343,881)	$ 18,540,219	$ (3,346,052)

	Less Than 12 Months		12 Months or More		Total	
December 31, 2023	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-backed securities	$ -	$ -	$ 21,411,573	$ (3,314,671)	$ 21,411,573	$ (3,314,671)
Collateralized debt obligations	5,914,339	(59,510)	-	-	5,914,339	(59,510)
Total available for sale	$ 5,914,339	$ (59,510)	$ 21,411,573	$ (3,314,671)	$ 27,325,912	$ (3,374,181)

At December 31, 2024 and 2023, the mortgage-backed securities held by the Company were issued by U.S. government-sponsored entities and agencies. At December 31, 2024 and 2023, 11 and 15 securities were in an unrealized loss position, with 10 and 12 of those investments in a loss position of more than 12 months, respectively. The Company has evaluated these securities and has determined that the decline in value is temporary and is related to the change in market interest rates since purchase. The decline in value is not related to any Company or industry-specific event. The Company anticipates full recovery of amortized cost with respect to these securities at maturity or sooner in the event of a more favorable market interest rate environment. Because management does not intend to sell and does not anticipate being required to sell these securities in the near term, the Company did not record expected credit loss during the years ended December 31, 2024 and 2023.

Due to the nature of mortgage-backed securities, they are not due at a single maturity date and, therefore, disclosure of future maturities of securities is not required to be made. There were no sales of securities for the years ended December 31, 2024 or 2023.

There were no recorded allowances for credit losses against available for sale securities for the year ended December 31, 2024 or 2023.

Note 3 – Loans Receivable and Allowance for Credit Losses

The Company has defined its loan portfolio into six segments that reflect the structure of the lending function, loans with similar characteristics, and similar in the way management monitors performance and credit quality. These segments are outlined as follows as of December 31:

	2024	2023
Residential real estate	$ 52,598,142	$ 46,874,628
Commercial real estate	133,764,678	116,039,552
Agricultural loans	2,987,732	3,296,356
Commercial and industrial	30,811,826	20,609,185
Consumer	480,712	510,507
Other	325,416	260,021
Total loans	220,968,506	187,590,249
Deferred loan fees and costs	(978,176)	(744,970)
Allowance for credit losses	(2,633,171)	(2,225,672)
Loans receivable, net	$ 217,357,159	$ 184,619,607

While these segments outline major classifications of loans in the portfolio, it is beneficial to understand further disaggregation of some of the segments, specifically the largest segment, commercial real estate. That segment can be further disaggregated as the following:

	2024	2023
Owner-occupied commercial real estate	$ 56,586,426	$ 44,460,950
Nonowner-occupied commercial real estate	77,178,252	71,578,602
Total commercial real estate	$ 133,764,678	$ 116,039,552

The following table summarizes the activity in the allowance for credit losses by portfolio segment:

	Year Ended December 31, 2024				
	Balance, Beginning of Year	Provision for (Recapture of) Loan Losses	Charge-offs	Recoveries	Balance, End of Year
Residential real estate	$ 434,132	$ 1,728	$ -	$ -	$ 435,860
Commercial real estate	1,392,021	130,327	-	-	1,522,348
Agricultural loans	56,289	(5,602)	-	-	50,687
Commercial and industrial	334,131	276,664	-	-	610,795
Consumer	4,409	(367)	-	-	4,042
Other	4,690	4,749	-	-	9,439
	$ 2,225,672	$ 407,499	$ -	$ -	$ 2,633,171

	Year Ended December 31, 2023					
	Balance, Beginning of Year	Impact of Adoption of ASC 326	Provision for (Recapture of) Loan Losses	Charge-offs	Recoveries	Balance, End of Year
Residential real estate	$ 355,694	$ (15,734)	$ 94,172	$ -	$ -	$ 434,132
Commercial real estate	1,288,847	(147,287)	250,461	-	-	1,392,021
Agricultural loans	123,419	(60,726)	(6,404)	-	-	56,289
Commercial and industrial	477,744	180,157	349,685	673,455	-	334,131
Consumer	5,721	(1,473)	161	-	-	4,409
Other	39,358	68,406	(103,074)	-	-	4,690
Unallocated	136,643	(136,643)	-	-	-	-
	$ 2,427,426	$ (113,300)	$ 585,001	$ 673,455	$ -	$ 2,225,672

Credit quality indicators – The Company utilizes internal risk ratings for its credit quality indicators. The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, such as current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The internal risk ratings (1) provide a basis for evaluating, monitoring, and reporting the overall quality of the loan portfolio; (2) promptly identify deterioration of loan quality and the need for remedial action; and (3) assist in identifying areas requiring upgrading of policies, procedures, or documentation. Loans are monitored on an ongoing basis for appropriate risk rating, with term loans completed annually.

Loans graded 1 through 6 are considered “Pass,” loans graded 7 are considered “Criticized,” and loans graded 8 through 10 are considered “Classified” loans. The internal risk ratings are as follows:

Substantially Risk-Free – Grade 1 – These loans are generally to major national companies with excellent financial condition. Also included in this category are loans that are cash-secured with deposits at the Company.

Minimal Risk – Grade 2 – These loans have very strong earnings, as well as continuing substantial excess operating cash flows and interest coverage. There is minimal identifiable risk of collection. They conform in all respects to Company policy and federal regulations. Probability of serious financial deterioration is unlikely. The portions of loans guaranteed by government agencies, such as the Small Business Administration (SBA) programs, are classified as minimal risk. Financial statements and tax returns are acquired on a timely annual basis.

Modest Risk – Grade 3 – These loans have consistent earnings and generate consistent excess operating cash flows and interest coverage. Performance ratios are consistently better than peers and have modest capital intensiveness and operating leverage. Financial statements and tax returns are acquired on a timely annual basis and the loans conform to Company policy and federal regulations.

Better-than-Average Risk – Grade 4 – Loans in this category have consistent earnings with modest growth and will generate excess operating cash flows and interest coverage with minor temporary declines. Performance ratios are generally better than their peers and are generally a leader in their local market. The quality of their assets is above average and conservatively valued. Financial statements and tax returns are acquired on a timely annual basis and the loans conform to Company policy and federal regulations.

Average Risk – Grade 5 – These loans have good sources of repayment and have adequate earnings, cash flow, and debt service coverage. Their trends are generally positive but may not be consistently stable. There is confidence they will meet debt repayment schedules over medium terms. Borrower management has good character with demonstrated ability to deal with adversity. Financial statements and tax returns are acquired on a timely annual basis and the loans conform to Company policy and federal regulations.

Watch – Grade 6 – The Grade 6 loans are similar to Grade 5; however, there may be signs of weakness in one or more areas. Operating earnings, cash flow, or debt service exhibit signs of strain or are subject to volatility. The borrower's position within their industry may be deteriorating or their asset quality may be below average. This may also include borrowers with limited industry experience, or their leverage is above-average relative to the industry. Loans in this category are given a higher level of servicing attention by management until the weaknesses are resolved. Financial statements and tax returns are acquired on a timely annual basis; however, these loans may be experiencing a delay in obtaining them. These loans generally conform to Company policy and federal regulations but may have exceptions because of the decline in the borrower's ratios. The Company's practice is generally not to originate a Grade 6 loan.

Special Mention – Grade 7 – Loans in this category receive additional attention by management since they are showing increased weaknesses. Borrowers in this category may be experiencing financial or operational difficulties. This may include strained earnings and cash flow, above-average leverage, noncompliance with loan covenants, declining trends, lack of current financial information, or management issues. This classification is generally transitory in nature. The weaknesses to be corrected should be identified and corrected based on a specified action plan (generally no longer than a year), after which the loan would return to an acceptable pass grade. If the correction does not take place within the framework of the plan, further downgrade may be warranted. All Special Mention loans are monitored for improvement or deterioration of the borrower's financial condition.

Substandard – Grade 8 – Loans graded Substandard may be inadequately protected by current net worth, paying capacity, or pledged collateral. These loans typically have one or more well-defined and uncorrected weaknesses indicating inability for repayment of the debt, or the borrower's financial information indicates an unacceptable level of risk. These loans are characterized by the distinct possibility the Company may sustain some loss if the deficiencies are not corrected. A potential loss does not have to be recognizable in an individual credit for that credit to be rated substandard; therefore, a loan can be fully and adequately secured and still be considered a substandard credit. Substandard graded loans require increased attention by management and are monitored monthly as to their progress toward collection.

Situations that suggest a Substandard classification include the following:

- Cash flow deficiencies exist that jeopardize future loan payments.
- Principal or interest payments are past due.
- The sale of noncollateral assets has become a primary source of repayment for the loan.
- The relationship has deteriorated to the point the sale of collateral is now the Company's primary source of repayment (unless it was the original source of repayment).

Doubtful – Grade 9 – Loans classified Doubtful are also classified nonaccrual, and a partial loss is probable. These are loans where there is excessive risk and full collection is highly improbable due to inadequate cash flow or collateral to repay the loan. If identifiable and measurable, the amount of probable loss is charged off, or a specific allowance for loan loss reserve is established. Loans in this category receive increased servicing attention by management until either they are collected or a portion of the loan is returned to a pass credit classification.

Loss – Grade 10 – The Loss rating is assigned to loans that are considered uncollectible and for which a loss is probable. While, for financial reporting purposes, loans in this category will be charged off, legal and collection actions may continue in an effort to recover some or all of the loss. Management and the Company's legal counsel are generally involved with the collection actions associated with these borrowers.

The following tables summarize the internal risk rating by loan class as of December 31, 2024 and 2023. Loan balances are presented at principal balance, rather than amortized cost. Principal balance presentation versus amortized cost presentation does not significantly differ. Revolving loans that are converted to term loans are treated as new originations in the table below and are presented by year of origination. Term loans that are renewed or extended for periods longer than 90 days are presented as a new origination in the year of the most recent renewal or extension.

	Term Loans by Origination Year							
December 31, 2024	2024	2023	2022	2021	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Residential real estate								
Pass	$ 10,257,719	$ 5,754,787	$ 12,456,155	$ 10,116,389	$ 5,808,091	$ 8,205,001	$ -	$ 52,598,142
Commercial real estate								
Pass	26,255,875	14,481,889	25,746,858	25,678,156	31,098,362	8,784,284		132,045,424
Special mention	-	-	991,572	-	727,683	-	-	1,719,254
Total commercial real estate	26,255,875	14,481,889	26,738,430	25,678,156	31,826,044	8,784,284	-	133,764,678
Agricultural								
Pass	58,178	-	-	-	30,545	590,229	-	678,952
Special mention	-	-	47,853	2,249,971	10,955	-	-	2,308,779
Total agricultural	58,178	-	47,853	2,249,971	41,500	590,229	-	2,987,732
Commercial and industrial								
Pass	10,129,664	1,168,066	1,313,944	2,773,835	215,392	15,210,925	-	30,811,826
Consumer								
Pass	-	29,012	156,407	-	3,257	292,037	-	480,712
Other								
Pass	-	-	-	-	105,532	219,884	-	325,416
Total loans								
Pass	46,701,437	21,433,754	39,673,365	38,568,380	37,261,178	33,302,359	-	216,940,472
Special mention	-	-	1,039,425	2,249,971	738,638	-	-	4,028,033
Total loans	$ 46,701,437	$ 21,433,754	$ 40,712,790	$ 40,818,350	$ 37,999,816	$ 33,302,359	$ -	220,968,506

	Term Loans by Origination Year						
December 31, 2023	2023	2022	2021	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Residential Real Estate							
Pass	$ 6,950,047	$ 14,665,183	$ 10,574,945	$ 7,614,671	$ 7,069,782	$ -	$ 46,874,628
Commercial Real Estate							
Pass	16,201,066	27,096,686	24,340,095	35,286,230	7,433,838	4,945,254	115,303,169
Special mention	-	-	-	736,383	-	-	736,383
Total commercial real estate	16,201,066	27,096,686	24,340,095	36,022,613	7,433,838	4,945,254	116,039,552
Agricultural							
Pass	-	-	15,188	62,055	201,255	-	278,498
Special mention	-	61,819	2,327,583	-	628,456	-	3,017,858
Total agricultural	-	61,819	2,342,771	62,055	829,711	-	3,296,356
Commercial and Industrial							
Pass	1,263,027	1,592,359	4,286,931	602,164	12,864,704	-	20,609,185
Consumer							
Pass	35,365	198,551	-	8,833	267,758	-	510,507
Other							
Pass	-	-	-	244,213	15,808	-	260,021
Total loans							
Pass	24,449,505	43,552,779	39,217,159	43,818,166	27,853,145	4,945,254	183,836,008
Special mention	-	61,819	2,327,583	736,383	628,456	-	3,754,241
Total loans	$ 24,449,505	$ 43,614,598	$ 41,544,742	$ 44,554,549	$ 28,481,601	$ 4,945,254	$ 187,590,249

The following tables present an aging of loans as of December 31, 2024 and 2023:

December 31, 2024	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loan Receivables	Recorded Investment > 90 Days and Accruing
Residential real estate	$ -	$ -	$ -	$ -	$ 52,598,142	$ 52,598,142	$ -
Commercial real estate	-	-	991,572	991,572	132,773,107	133,764,678	-
Agricultural loans	-	-	-	-	2,987,732	2,987,732	-
Commercial and industrial	-	199,995		199,995	30,611,831	30,811,826	-
Consumer	-	-	156,407	156,407	324,305	480,712	-
Other	-	-	-	-	325,416	325,416	-
Total	$ -	$ 199,995	$ 1,147,979	$ 1,347,974	$ 219,295,116	$ 220,968,506	$ -

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loan Receivables	Recorded Investment > 90 Days and Accruing
Residential real estate	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial real estate	-	-	-	-	46,874,628	46,874,628	-
Agricultural loans	-	-	-	-	116,039,552	116,039,552	-
Commercial and industrial	-	-	-	-	3,296,356	3,296,356	-
Consumer	-	-	-	-	20,609,185	20,609,185	-
Other	-	-	-	-	510,507	510,507	-
Total	$ -	$ -	$ -	$ -	$ 187,330,228	$ 187,330,228	$ -

Additionally, the Company categorizes loans as performing or nonperforming based on payment activity. Loans that are 90 days past due and nonaccrual loans are considered nonperforming.

There were no charge-offs for the year ended December 31, 2024. The following table presents current-period gross charge-offs by year of origination for the year ended December 31, 2023:

	Term Loans by Origination Year					Revolving Loans	
December 31, 2023	2023	2022	2021	Prior	Revolving Loans	Converted to Term	Total
Commercial and industrial	$ -	$ 437,646	$ -	$ 235,809	$ -	$ -	$ 673,455
Total loans	$ -	$ 437,646	$ -	$ 236	$ -	$ -	$ 673,455

There were no loans classified as nonaccrual at December 31, 2023.

The following summarizes nonaccrual loans by loan class as of December 31, 2024:

	2024			
	Nonaccrual with no Allowance for Credit Losses	Nonaccrual with Allowance for Credit Losses	Total Nonaccrual	Loans Past Due Over 89 Days Still Accruing
Residential real estate	$ -	$ -	$ -	$ -
Commercial real estate	991,572	-	991,572	-
Agricultural loans	-	-	-	-
Commercial and industrial	-	-	-	-
Consumer	156,407	-	156,407	-
Other	-	-	-	-
Total	$ 1,147,979	$ -	$ 1,147,979	$ -

Note 4 – Premises and Equipment

Major classifications of premises and equipment at December 31 are summarized as follows:

	2024	2023
Leasehold improvements	$ 686,419	$ 686,419
Furniture and equipment	1,155,916	1,146,924
Vehicles	133,031	133,031
Total cost	1,975,367	1,966,374
Less accumulated depreciation and amortization	(1,833,626)	(1,762,457)
Premises and equipment, net	$ 141,741	$ 203,917

Depreciation and amortization expense for the years ended December 31, 2024 and 2023, was $77,529 and $92,260, respectively.

The Company enters into leases in the normal course of business primarily for operations locations and office equipment. The Company’s leases have remaining terms ranging from 1.25 years to 3.25 years.

ROU assets and lease liabilities by lease type and the associated balance sheet classifications are as follows:

	Balance Sheet Classification	2024	2023
ROU assets			
Operating leases	Other assets	$ 615,836	$ 932,115
Lease liabilities			
Operating leases	Other liabilities	$ 628,894	$ 950,802

Lease commitments and contracts – The Company has entered into operating lease agreements for its branch and office space. The future minimum annual rental payments under the branch and office leases at December 31, 2024, exclusive of taxes and other charges, are summarized as follows:

Years ending December 31,	
2025	$ 341,256
2026	297,105
2027	4,148
Thereafter	-
	642,509
Less effect of discounts	(13,615)
Future net minimum rental payments	$ 628,894

	2024	2023
Operating lease weighted average remaining lease term (years)	1.93	2.92
Operating lease weighted average discount rate	2.27%	2.27%
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 5,629	$ 945
ROU assets obtained in exchange for new operating lease liabilities	$ -	$ 161,922

Total rental expense for 2024 and 2023 amounted to $326,819 and $331,953, respectively.

Note 5 – Deposits

Major classifications of deposits at December 31 were as follows:

	2024	2023
Demand deposit	$ 103,039,413	$ 94,204,116
NOW and money market	76,309,243	75,543,724
Savings	3,609,248	907,474
Certificates of deposit	53,269,294	41,529,646
	$ 236,227,198	$ 212,184,960

There were $15,547 and $14,710 of overdrawn deposit accounts reclassified as loans as of December 31, 2024 and 2023, respectively.

The aggregate amount of jumbo certificates of deposit, each with a minimum denomination of $250,000 or greater, was approximately $7,337,810 and $16,449,313 as of December 31, 2024 and 2023, respectively. There were $13,239,000 and $14,380,000 of brokered deposits included in certificates of deposit as of December 31, 2024 and 2023, respectively.

The following is a schedule by year of maturities for certificates of deposit at December 31, 2024:

2025	$ 39,662,156
2026	2,562,138
2027	1,963,000
2028	5,020,000
2029	4,062,000
	$ 53,269,294

Note 6 – Other Borrowed Funds

At December 31, 2024 and 2023, the Company had unsecured operating lines of credit with PCBB and United Bankers Bank for $6,000,000 and $5,000,000, respectively. Interest varies based on the federal funds market rates daily. There was no outstanding balance for either operating line at December 31, 2024 and 2023.

The Company is a member of the FHLB of Des Moines. As a member, the Company is eligible for a credit line of up to 45% of total assets, subject to certain collateral requirements. At December 31, 2024 and 2023, loans pledged as collateral to the FHLB equated to a borrowing capacity of $47,689,345 and $47,711,700, respectively, when fully collateralized. The Company had no outstanding indebtedness through the FHLB at December 31, 2024 and 2023.

The Bank can also borrow from the Federal Reserve Bank of San Francisco Discount Window. The Bank has not pledged collateral or borrowed under the historical Discount Window programs.

Note 7 – Commitments and Contingencies

In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities that are not presented in the accompanying consolidated financial statements. The commitments and contingent liabilities include various guarantees and commitments to extend credit. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the commitment letter. 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 Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if it is deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include securities, accounts receivable, inventory, fixed assets, and/or real estate properties. The distribution of commitments to extend credit approximates the distribution of loans outstanding.

At December 31, 2024 and 2023, the Company had $56,081,528 and $41,281,533, respectively, in commitments to extend credit. The Company also had standby letters of credit totaling $86,862 and $20,000 at December 31, 2024 and 2023, respectively.

The Company does not anticipate any material losses as a result of these commitments. At December 31, 2024 and 2023, a reserve of $97,527 and $82,749, respectively, had been established for unfunded commitments.

The Company is party to various legal actions normally associated with collections of loans and other business activities of financial institutions, the aggregate of which, in management's opinion, would not have a material adverse effect on the financial condition or results of operations of the Company.

Note 8 – Related Party Transactions

Loans to related parties – In the normal course of business, the Company makes loans to its executive officers, directors, and companies affiliated with these individuals. It is management's opinion that loans to the Company's and Bank's officers and directors are on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and do not involve more than normal risk of collectability. The following is a schedule of related party loans as of December 31:

	2024	2023
Beginning of year balance	$ 15,889,810	$ 11,844,387
Additions	13,738,202	8,794,896
Payments	(14,371,817)	(4,749,473)
Year end balance	$ 15,256,195	$ 15,889,810

The Company also accepts deposits from its executive officers, directors, major stockholders, and affiliated companies on substantially the same terms as unrelated persons. The aggregate dollar amount of these deposits was approximately $61,004,533 and $57,885,163 at December 31, 2024 and 2023, respectively.

Operating leases – The Company has entered into operating lease agreements (see Note 4) with a corporation controlled by a director of the Company who directly and indirectly owns more than 10% of the outstanding common stock of the Company. The lease payments amounted to $297,570 and $291,771 in 2024 and 2023, respectively.

Note 9 – Income Taxes

Income taxes consist of the following for the years ended December 31:

	2024	2023
Current tax expense	$ 473,303	$ 449,657
Deferred tax expense (benefit)	77,910	(124,395)
Provision for income taxes	$ 551,213	$ 325,262

The effective tax rate differs from the statutory federal rate for the years presented as follows:

	2024	2023
Federal income tax expense at statutory rates	$ 548,260	$ 324,749
Other	2,953	(2,525)
Provision for income taxes	$ 551,213	$ 322,224

The nature and components of the Company's net deferred tax asset at December 31, 2024 and 2023, are as follows:

	2024	2023
Deferred tax assets		
Allowance for credit losses	$ 573,390	$ 484,947
Fixed assets	33,901	32,835
Equity compensation	16,585	12,719
Net unrealized loss on securities available for sale	692,468	708,132
Lease liabilities	132,068	199,668
Total deferred tax assets	1,448,412	1,438,301
Deferred tax liabilities		
Deferred loan fees	(40,597)	(39,309)
ROU assets	(129,326)	(195,744)
Other	(83,461)	(70,466)
Total deferred tax liabilities	(253,384)	(305,519)
Net deferred tax asset	$ 1,195,028	$ 1,132,782

A valuation allowance is required for deferred tax assets if, based on available evidence, it is more likely than not that all or some portion of the asset will not be realized due to the inability to generate sufficient taxable income to use the benefit of the deferred tax asset. After evaluating the positive and negative evidence associated with the deferred tax asset, including the consideration of the Company's earnings history and projections, the Company determined that the deferred tax asset could be supported at December 31, 2024.

Note 10 – Concentrations of Credit Risk

Most of the Company's loans, commitments, and standby letters of credit have been granted to customers in the Company's market area, which is the Inland Northwest (Spokane County, Washington, the surrounding areas in eastern Washington, and northern Idaho). As such, significant changes in economic conditions in the Inland Northwest or to its primary industries could adversely affect the Company's ability to collect loans. Substantially all such customers are depositors of the Company. The concentrations of credit by type of loan are set forth in Note 3. The distribution of commitments to extend credit approximates the distribution of loans outstanding. The Company, as a matter of policy, does not extend credit to any single borrower or group of related borrowers in excess of approximately $4.5 million.

The Company places its cash with high-credit-quality institutions. The amount on deposit fluctuates and, at times, exceeds the insured limit by the FDIC, and this potentially subjects the Company to credit risk.

Note 11 – Regulatory Matters

Banks and bank holding companies are 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 Company's consolidated financial statements. Under capital adequacy guidelines of the regulatory framework for prompt corrective action, the Bank must meet specific capital adequacy 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 classification is also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of Tier 1 capital to total average assets and minimum ratios of Tier 1 and total capital to risk-weighted assets.

As of December 31, 2023, the most recent notification from the Bank's regulator categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action.

The federal banking agencies jointly issued the Community Banking Leverage Ratio (CBLR) final rule effective January 1, 2020. The Bank elected to use the CBLR framework effective January 1, 2020, which allows qualifying community banking organizations to calculate a leverage ratio to measure capital adequacy. A CBLR bank is deemed to have met the well-capitalized ratio requirements and complies with the general applicable capital rule. A qualifying community banking organization is defined as having less than $10 billion in total consolidated assets, a leverage ratio greater than 9%, off-balance sheet exposures of 25% or less of total consolidated assets, and trading assets and liabilities of 5% or less of total consolidated assets.

The Bank meets all CBLR requirements as of December 31, 2024.

Actual and required capital amounts (in millions) and ratios are presented below at December 31, 2024 and 2023, under the regulations then in effect:

	Actual		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio
December 31, 2024				
Tier 1 leverage capital (to average assets)	$ 26,983	10.12%	$ 24,000	9.00%
December 31, 2023				
Tier 1 leverage capital (to average assets)	$ 24,698	10.32%	$ 21,541	9.00%

The Company's consolidated capital amounts and ratios do not differ materially from the Bank's information presented above and are therefore not presented separately.

Dividend restrictions – The Company's principal source of funds for dividend payments is dividends received from the Bank. Banking regulations limit the number of dividends that may be paid without prior approval of regulatory agencies. The Bank has an accumulated deficit, so all dividends require prior approval of regulatory agencies.

Note 12 – Employee Benefit Plan

The Company maintains the RiverBank 401(k) Plan. Employee deferrals may begin after three consecutive months of employment. The Company's contribution is at the discretion of the Board of Directors. The Company contributed $109,741 and $116,274 in safe harbor match in 2024 and 2023, respectively. Participants' interests vest immediately and may be withdrawn upon termination or upon attainment of normal retirement age. In addition, the Company may make profit sharing contributions that become fully vested after six years or attainment of normal retirement age.

Note 13 – Stockholders' Equity and Stock Based Compensation

Shareholders approved the 2020 Equity Incentive Plan at the May 28, 2020, Annual Shareholders' Meeting, and the plan was last amended in April 2023 to increase the maximum number of shares for issuance under this plan to 107,500. The plan provides for grants of restricted stock units to employees, directors, and consultants. The restricted stock units vest over various terms, generally six months to five years, as determined by the Compensation of the Committee Board of Directors. At vesting, common stock shares are issued. Compensation expense is recognized over the vesting period of the awards based on the fair value of stock at issue date. The book value of the shares at date of grant approximated fair value. In 2024 and 2023, 0 and 4,500 shares, respectively, were granted. Remaining shares available to issue under the plan were 58,124 as of December 31, 2024.

A summary of changes in the Company's nonvested shares for the year follows:

Nonvested Shares	Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2024	20,870	19.53
Granted	-	
Vested	(10,560)	19.56
Forfeited	(1,374)	19.45
Nonvested at December 31, 2024	8,936	19.52

As of December 31, 2024, there was $174,420 of total unrecognized compensation cost related to nonvested shares granted under the plan. The cost is expected to be recognized over approximately three years. The total fair value of shares vested during the years ended December 31, 2024 and 2023, was $204,846 and $213,626, respectively.

Note 14 – Obligations Under Guarantees

The Company has guaranteed credit cards with other institutions for certain customers. These credit cards have varying terms. If the customers were to default on these credit cards, the Company would be required to pay for the credit card. The maximum potential amount of future payments the Company would be required to make was $0 and $118,000 as of the years ended December 31, 2024 and 2023.

Note 15 – Fair Value of Financial Instruments

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in 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 value.

Valuation adjustments, such as those pertaining to counterparties and the Company's own credit quality and liquidity, may be necessary to ensure that assets and liabilities are recorded at fair value. Credit valuation adjustments are made when market pricing is not indicative of the counterparty's credit quality.

These three types of inputs create the following fair value hierarchy:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following table summarizes the Company's financial instruments that were measured at fair value on a recurring basis:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2024				
Mortgage-backed securities	$ 17,621,767	$ -	$ 17,621,767	$ -
Collateralized debt obligations	8,442,146	-	8,442,146	-
December 31, 2023				
Mortgage-backed securities	$ 22,175,926	$ -	$ 22,175,926	$ -
Collateralized debt obligations	5,914,339	-	5,914,339	-

The following table presents quantitative information about Level 3 fair value instruments measured at fair value on a nonrecurring basis at December 31, 2024. No Level 3 fair value instruments measured at fair value on a nonrecurring basis were held at December 31, 2023.

	December 31, 2024			
	Fair Value	Valuation Techniques	Unobservable Inputs	Range of Inputs
Collateral dependent loans, net of ACL	$ 1,147,979	Market approach	Adjusted for differences between comparable sales	10%–25%

The carrying amounts and estimated fair values of financial instruments not carried at fair value are as follows:

	Carrying Amount	Fair Value Measurements at December 31, 2024		
		Level 1	Level 2	Level 3
Financial assets				
Cash and cash equivalents	$ 10,967,652	$ 10,967,652	$ -	$ -
Deposits held at other financial institutions	3,486,000	3,486,000	-	-
Securities available for sale, at fair value	26,063,914	26,063,914	-	-
Pacific Coast Bankers' Bank stock, at cost	920,000	920,000	-	-
FHLB stock, at cost	144,700	144,700	-	-
Loans receivable, net	217,357,159	-	-	212,387,270
Financial liabilities				
Deposits	236,227,198	-	220,923,810	-
Borrowed funds	$ -	$ -	$ -	$ -

	Carrying Amount	Fair Value Measurements at December 31, 2023		
		Level 1	Level 2	Level 3
Financial assets				
Cash and cash equivalents	$ 15,946,177	$ 15,946,177	$ -	$ -
Deposits held at other financial institutions	7,469,000	7,469,000	-	-
Securities available for sale, at fair value	28,090,265	28,090,265	-	-
Pacific Coast Bankers' Bank stock, at cost	920,000	920,000	-	-
Loans receivable, net	184,619,607	-	-	176,618,993
Financial liabilities				
Deposits	212,184,960	-	188,137,244	-
Borrowed funds	$ 5,000,000	$ 5,000,000	$ -	$ -