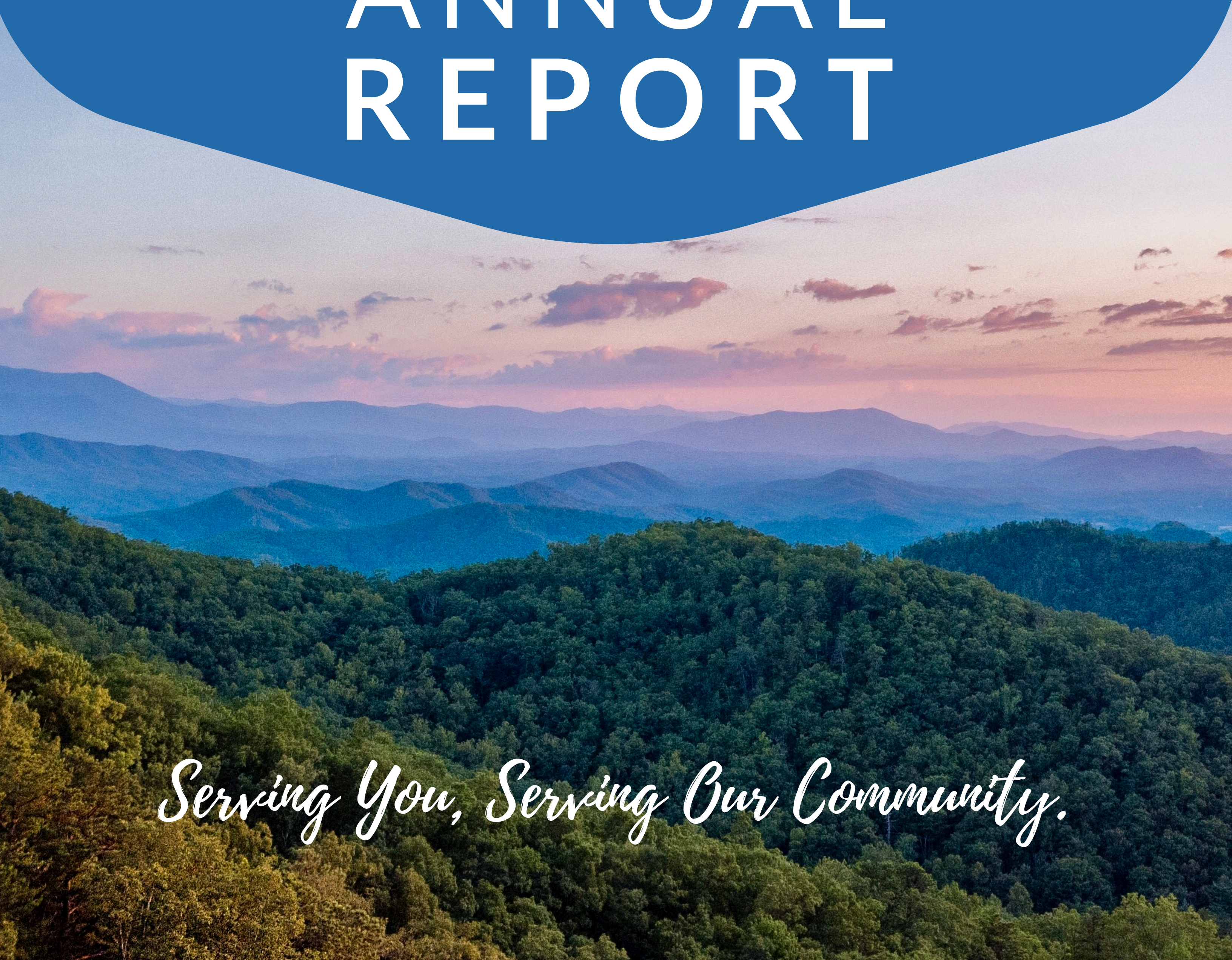
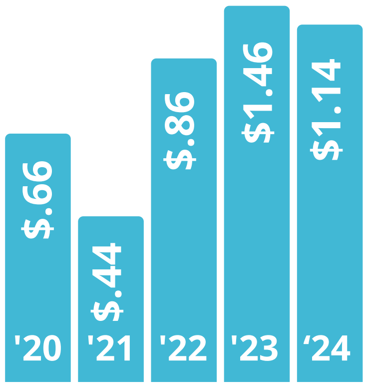
First Community Corporation

2024 ANNUAL REPORT

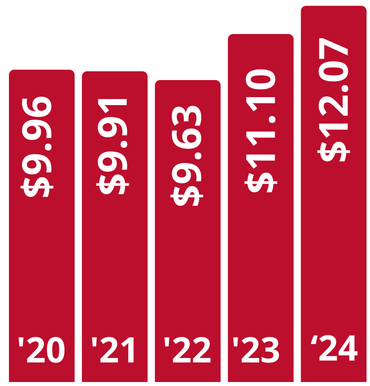


Serving You, Serving Our Community.

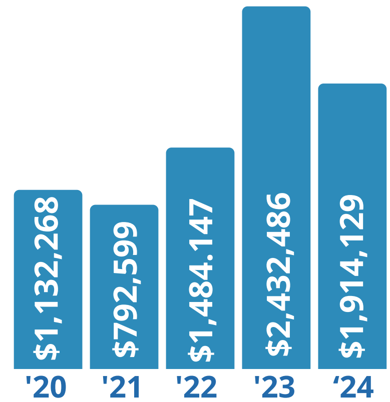
2024 FINANCIAL PERFORMANCE



EARNINGS
PER SHARE

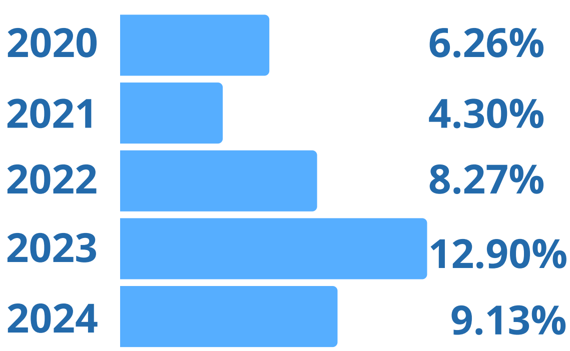


BOOK VALUE
PER SHARE

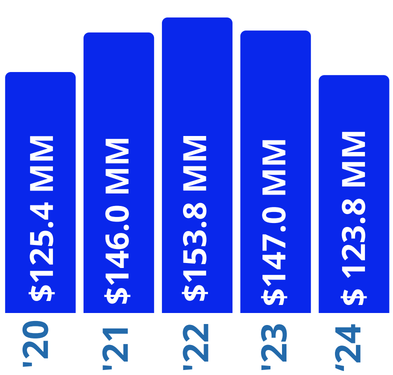


NET INCOME

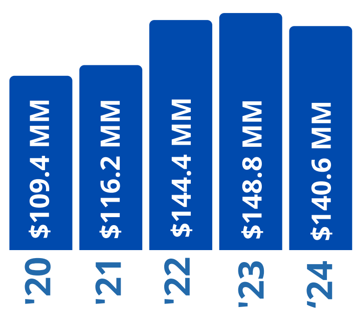
RETURN ON AVERAGE EQUITY (ROE)



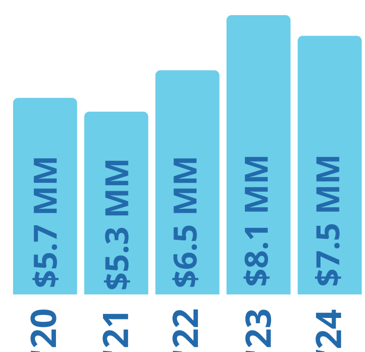
RETURN ON AVERAGE ASSETS (ROA)



CORE DEPOSIT
GROWTH



GROSS LOANS
GROWTH



NET INTEREST INCOME

Dear Valued Shareholders,

As we reflect on the past year, I am pleased to share with you an update on First Community Bank of East Tennessee's performance and our outlook for the future. 2024 was a year of resilience, adaptation, and continued commitment to serving our community while delivering value to you, our shareholders.

For the year ending December 31, 2024, First Community Bank achieved a net income of $1.914 million, reflecting a [22] % decrease from 2023's $2.432 million. This performance was influenced by a high-interest-rate environment and intensified competition for deposits, trends that have impacted the broader banking industry. Our earnings per share stood at $1.14, compared to $1.46 in the prior year, while our tangible book value per share grew to $12.07, up 8.7 % from $11.10 in 2023, driven by prudent management of our assets and a focus on long-term stability. Return on shareholders' equity (ROE) for 2024 was 9.13%. While this figure reflects a decline from 2023's 12.90%, we remain focused on balancing profitability with the reinvestment needed to ensure our long-term success.

As a community bank, our strength lies in the relationships we build. In 2024, we continued our support for local businesses, schools, and non-profits within the communities we serve. We deepened our community engagement through financial literacy programs at local senior centers and schools, academic and sports sponsorships for local schools, and various donations made to charitable organizations in our communities, like *Of One Accord Ministries*, *Heaven's Bell Diaper Pantry, Camp Hope, Project Serve Our Soldiers,* and many more, while reinforcing our role as a trusted partner in the region. These efforts align with our belief that a thriving community drives our success as a bank.

As we move into 2025, we are optimistic about the opportunities before us. We will continue to prioritize deposit growth, manage costs diligently, and invest in technology to enhance the banking experience for our customers.

On behalf of the board of directors and our dedicated employees, we extend our heartfelt thanks for your continued trust and investment in First Community Bank of East Tennessee. Your support enables us to pursue our dual goals of financial strength and community impact. Together, we are building a future that honors our roots and embraces new possibilities. We look forward to another year of shared success. **Serving you, serving our community.**

Matthew W. Cleek

Matthew Cleek
Chairman of
First Community Corporation

Tyler K. Clinch

Tyler K. Clinch
Chairman of First Community Bank,
CEO and President

first Community Corporation

Board of Directors

Matthew W. Cleek
Chairman
President & CEO
Intellithought, Inc.

Tyler K. Clinch
CEO & President
First Community Bank
of East Tennessee.

Steve L. Droke
Retired, Chief Lending
Officer
First Community Bank of
East Tennessee

Sidney K. Lawson
President & CEO of
Lawson Construction
Company, Inc.

Dr. David R. Johnson
Kingsport Veterinary
Hospital-Partner

Kathy M. Richards
CPA and Business Coach

Bobby Stoffle
Former CEO &
President Sevier
County Bank

Greg DePriest
President Strategic
Growth Logistics, LLC

PUGH & COMPANY, P.C.
315 NORTH CEDAR BLUFF ROAD, SUITE 200
KNOXVILLE, TENNESSEE 37923
Telephone: 865-769-0660
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Senior Management
First Community Corporation and
First Community Bank of East Tennessee
Rogersville, Tennessee

Opinion

We have audited the consolidated financial statements of First Community Corporation and First Community Bank of East Tennessee (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its 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 the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
March 17, 2025

FIRST COMMUNITY CORPORATION AND FIRST COMMUNITY BANK OF EAST TENNESSEE
CONSOLIDATED BALANCE SHEETS

As of December 31,		2024		2023
ASSETS				
Cash and Due from Banks	$	6,010,604	$	3,898,074
Interest-Bearing Deposits in Financial Institutions		22,501,841		26,959,750
Federal Funds Sold		0		590,489
Total Cash and Cash Equivalents		28,512,445		31,448,313
Securities Available for Sale, at Fair Value (Amortized Cost of $17,312,752 and $19,689,719, Respectively, Net of Allowance for Credit Losses of $0 and $0, Respectively)		15,908,707		18,117,324
Loans, Net of Allowance for Credit Losses of $1,684,250 and $1,829,659 as of December 31, 2024 and 2023, Respectively		138,903,474		146,994,883
Premises and Equipment, Net		2,738,268		2,912,314
Accrued Interest Receivable		459,712		420,525
Restricted Equity Investment, at Cost		243,300		253,500
Cash Surrender Value of Life Insurance		8,258,823		8,017,919
Foreclosed Real Estate		65,000		175,000
Other Real Estate Held for Sale		0		220,560
Deferred Income Tax Benefit		447,604		353,827
Other Assets		403,728		472,071
Total Assets	$	195,941,061	$	209,386,236
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits:				
Noninterest-Bearing	$	35,896,800	$	42,349,088
Interest-Bearing		128,037,489		136,469,572
Total Deposits		163,934,289		178,818,660
Securities Sold Under Agreements to Repurchase		4,987,092		4,228,686
Federal Home Loan Bank Advances		483,221		549,103
Subordinated Debentures		2,217,000		3,217,000
Accrued Interest Payable		540,992		471,332
Allowance for Credit Losses on Off-Balance Sheet Credit Exposures		176,994		78,857
Other Liabilities		2,131,355		2,151,201
Total Liabilities		174,470,943		189,514,839
SHAREHOLDERS' EQUITY				
Preferred Stock Class A, $8.05 Par Value. Authorized 400,000 Shares; Issued 220,080; Outstanding 211,672		1,776,474		1,776,474
Preferred Stock Class B, $8.05 Par Value. Authorized 200,000 Shares; Issued 30,071; Outstanding 29,846		242,072		242,072
Common Stock, No Par Value. Authorized 10,000,000 Shares; Issued 1,706,344; Outstanding 1,622,662 in 2024 (Issued 1,703,744 and 1,620,062 Outstanding in 2023)		5,866,298		5,836,612
Treasury Stock, at Cost		(946,998)		(946,998)
Retained Earnings		15,569,300		14,124,608
Accumulated Other Comprehensive Income (Loss)		(1,037,028)		(1,161,371)
Total Shareholders' Equity		21,470,118		19,871,397
Total Liabilities and Shareholders' Equity	$	195,941,061	$	209,386,236

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

FIRST COMMUNITY CORPORATION AND FIRST COMMUNITY BANK OF EAST TENNESSEE
CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31,	2024	2023
INTEREST INCOME		
Loans, Including Fees	$ 8,118,898	$ 7,588,410
Securities		
Taxable	402,874	444,162
Non-taxable	10,751	11,795
Other	1,564,055	1,859,526
Total Interest Income	10,096,578	9,903,893
INTEREST EXPENSE		
Deposits	2,285,028	1,398,074
Federal Home Loan Bank Advances	26,560	29,887
Subordinated Debentures	164,582	319,460
Other	82,785	46,126
Total Interest Expense	2,558,955	1,793,547
NET INTEREST INCOME	7,537,623	8,110,346
CREDIT LOSS EXPENSE		
Credit Loss Expense - Loans	124,939	13,520
Credit Loss Expense - Off-Balance Sheet Credit Exposures	98,137	(53,811)
Total Credit Loss Expense	223,076	(40,291)
NET INTEREST INCOME AFTER CREDIT LOSS EXPENSE	7,314,547	8,150,637
NONINTEREST INCOME		
Service Charges on Deposit Accounts	261,624	251,098
Net Gain (Loss) on Sales and Redemptions of Securities Available for Sale	3,555	0
Increase in Cash Surrender Value of Life Insurance	240,904	222,094
Other	360,901	318,080
Total Noninterest Income	866,984	791,272
NONINTEREST EXPENSE		
Salaries and Employee Benefits	3,511,710	3,345,104
Occupancy	455,695	432,754
Data Processing	361,006	348,639
Furniture and Equipment	140,556	134,847
Advertising and Public Relations	51,401	52,650
Professional Services	186,796	226,257
Foreclosed Real Estate, Net	(101,529)	9,229
Operating Supplies	56,421	54,430
Computer Software Depreciation and Maintenance	76,840	81,048
Telephone and Data Communications	86,087	104,363
Director and Committee Fees	129,521	125,735
FDIC and State Assessments	105,735	114,789
Cybersecurity	120,890	114,055
Loss on Sales and Writedowns of Premises and Equipment	0	29,157
Other	629,168	594,569
Total Noninterest Expense	5,810,297	5,767,626
INCOME BEFORE INCOME TAXES	2,371,234	3,174,283
INCOME TAX EXPENSE	(457,105)	(741,797)
NET INCOME	$ 1,914,129	$ 2,432,486
EARNINGS PER COMMON SHARE	$ 1.14	$ 1.46
EARNINGS PER COMMON SHARE, ASSUMING DILUTION	$ 1.02	$ 1.29

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

FIRST COMMUNITY CORPORATION AND FIRST COMMUNITY BANK OF EAST TENNESSEE
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31,	2024	2023
NET INCOME	$ 1,914,129	$ 2,432,486
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized Gains (Losses) on Investment Securities Available for Sale	171,905	424,577
Reclassification Adjustment for Realized Gains Included in Net Income (Loss) Above	(3,555)	0
Other Comprehensive Income (Loss) Before Income Taxes	168,350	424,577
Income Taxes Related to Items of Other Comprehensive Income	(44,007)	(110,984)
Other Comprehensive Income (Loss), Net of Income Taxes	124,343	313,593
COMPREHENSIVE INCOME (LOSS)	$ 2,038,472	$ 2,746,079

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

FIRST COMMUNITY CORPORATION AND FIRST COMMUNITY BANK OF EAST TENNESSEE
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Preferred Stock A	Preferred Stock B	Common Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
BALANCES, JANUARY 1, 2023	$ 1,776,474	$ 242,072	$ 5,772,593	$ (946,998)	$ 12,160,909	$ (1,474,964)	$ 17,530,086
Preferred Stock Dividends Paid	0	0	0	0	(63,772)	0	(63,772)
Common Stock Dividends Paid	0	0	0	0	(405,015)	0	(405,015)
Net Income	0	0	0	0	2,432,486	0	2,432,486
Other Comprehensive Income (Loss)	0	0	0	0	0	313,593	313,593
Stock Options Exercised	0	0	29,745	0	0	0	29,745
Stock-Based Compensation	0	0	34,274	0	0	0	34,274
BALANCES, DECEMBER 31, 2023	1,776,474	242,072	5,836,612	(946,998)	14,124,608	(1,161,371)	19,871,397
Preferred Stock Dividends Paid	0	0	0	0	(63,772)	0	(63,772)
Common Stock Dividends Paid	0	0	0	0	(405,665)	0	(405,665)
Net Income	0	0	0	0	1,914,129	0	1,914,129
Other Comprehensive Income (Loss)	0	0	0	0	0	124,343	124,343
Stock Options Exercised	0	0	17,186	0	0	0	17,186
Stock-Based Compensation	0	0	12,500	0	0	0	12,500
BALANCES, DECEMBER 31, 2024	$ 1,776,474	$ 242,072	$ 5,866,298	$ (946,998)	$ 15,569,300	$ (1,037,028)	$ 21,470,118

FIRST COMMUNITY CORPORATION AND FIRST COMMUNITY BANK OF EAST TENNESSEE
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31,	2024	2023
Cash Flows from Operating Activities:		
Net Income	$ 1,914,129	$ 2,432,486
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	183,351	200,820
Net Amortization/Accretion of Securities	(97,560)	(97,460)
Credit Loss Expense	223,076	(40,291)
Stock-Based Compensation	12,500	34,274
(Gain) Loss of Sales of Foreclosed Real Estate and Repossessed Assets	(107,187)	(7,830)
(Gain) Loss of Sales and Writedowns of Premises and Equipment	0	29,157
Deferred Income Taxes (Benefit)	(137,784)	505,694
Gain (Loss) on Sales and Redemptions of Securities Available for Sale	(3,555)	0
(Increase) Decrease in Cash Surrender Value of Company Owned Life Insurance	(240,904)	(222,094)
Change in Accrued Interest Receivable and Other Assets	29,156	57,806
Change in Accrued Interest Payable and Other Liabilities	49,814	418,491
Net Cash Provided by (Used in) Operating Activities	1,825,036	3,311,053
Cash Flows from Investing Activities:		
Purchases of Securities Available for Sale	(7,262,780)	(3,901,244)
Proceeds from Redemptions of Equity Investments	10,200	1,259,600
Proceeds from Maturities, Redemptions, and Paydowns of Securities Available for Sale	9,740,862	4,160,384
Net (Increase) Decrease in Loans	7,966,470	(4,554,887)
Proceeds from Sales of Foreclosed Real Estate and Repossessed Assets	217,187	77,830
Proceeds from Sales of Premises and Equipment	220,560	614,000
Purchases of Premises and Equipment	(9,305)	(99,290)
Net Cash Provided by (Used in) Investing Activities	10,883,194	(2,443,607)
Cash Flows from Financing Activities:		
Cash Dividends Paid on Preferred Stock	(63,772)	(63,772)
Cash Dividends Paid on Common Stock	(405,665)	(405,015)
Exercise of Stock Options	17,186	29,745
Repayments of FHLB and FRB Advances	(65,882)	(62,615)
Repayment of Subordinated Debentures	(1,000,000)	(2,000,000)
Change in Checking, Savings and Money Market Accounts	(24,612,168)	(11,102,718)
Increase (Decrease) in Time Deposits	9,727,797	11,877,501
Change in Securities Sold under Agreements to Repurchase	758,406	1,163,885
Net Cash Provided by (Used in) Financing Activities	(15,644,098)	(562,989)
Net Change in Cash and Cash Equivalents	(2,935,868)	304,457
Cash and Cash Equivalents at Beginning of Period	31,448,313	31,143,856
Cash and Cash Equivalents at End of Period	$ 28,512,445	$ 31,448,313
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for:		
Interest	$ 2,489,294	$ 1,372,015
Income Taxes	$ 521,399	$ 206,721
Supplemental Noncash Disclosures:		
Transfers from Loans to Foreclosed Real Estate	$ 0	$ 180,000
Change in Unrealized Gains/Losses on Securities Available for Sale	$ 168,350	$ 424,577
Change in Deferred Income Taxes Associated with Unrealized Gains/Losses on Securities Available for Sale	$ 44,007	$ 110,984
Change in Unrealized Gains/Losses on Securities Available for Sale, Net of Deferred Income Taxes	$ 124,343	$ 313,593

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: First Community Corporation (the Holding Company), through its wholly owned subsidiary, First Community Bank of East Tennessee (the Bank), provides a variety of banking services to individuals and businesses from its banking offices in Rogersville, Church Hill, and Kingsport, Tennessee. Its primary deposit products are demand and savings deposits and certificates of deposit, and its primary lending products are commercial, residential real estate and consumer loans. The accounting principles followed and the methods of applying those principles conform with accounting principles generally accepted in the United States of America (GAAP) and to general practices in the banking industry. The significant policies are summarized as follows:

Basis of Presentation: The accompanying consolidated financial statements include the accounts of First Community Corporation, a one-bank holding company and its wholly-owned subsidiary, First Community Bank of East Tennessee, together referred to as “the Company”. All material intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates: To prepare consolidated financial statements in conformity with GAAP, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the consolidated financial statements and the disclosures provided, and future results could differ. The allowance for credit losses, fair values of financial instruments, and the valuation of real estate acquired through foreclosures are particularly subject to change. Because of uncertainties associated with regional economic conditions, collateral values, and future cash flows on loans to borrowers experiencing financial difficulty, it is reasonably possible that management's estimate of credit losses inherent in the loan portfolio and the related allowance may change materially in the near term.

Cash Flows: Cash and cash equivalents include cash and due from banks, deposits with other financial institutions with maturities under 90 days, and federal funds sold. Net cash flows are reported for loan, deposit and securities sold under agreements to repurchase transactions.

Cash and Due from Banks and Interest-Bearing Deposits in Other Financial Institutions: The Bank maintains cash deposits with the Federal Reserve Bank, which totaled approximately $21,958,000 and $26,511,000 as of December 31, 2024 and 2023, respectively, and with the Federal Home Loan Bank of Cincinnati, which totaled approximately $284,000 and $339,000 as of December 31, 2024 and 2023, respectively. As of December 31, 2024 and 2023, balances in correspondent bank accounts in excess of FDIC insurance limits totaled approximately $3,007,000 and $1,000,000, respectively.

Investment Securities: The Company has classified all of its investment securities in the available for sale category. Securities classified as available for sale may be sold in response to changes in interest rates, liquidity needs, and for other purposes. These securities are carried at estimated fair value. Any unrealized gain or loss is reported in the consolidated statements of comprehensive income, net of any deferred tax effect.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Premiums on callable debt securities are amortized to their earliest call date. Realized gains or losses on the sales of investment securities available for sale are based on the net proceeds and amortized cost of the securities sold, using the specific identification method.

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

See Note 2 for additional information on investment securities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses - Available for Sale Securities: For available for sale debt securities in an unrealized loss position, 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 basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

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

Accrued interest receivable on available for sale debt securities totaled $51,481 and $56,231 at December 31, 2024 and 2023, respectively, and is included within accrued interest receivable on the consolidated balance sheets. Accrued interest is excluded from both the fair value and amortized costs basis of available for sale securities and is also excluded from the estimate of credit losses.

Restricted Equity Investment: The Company's restricted equity investment represents a required investment in the Federal Home Loan Bank (FHLB) of Cincinnati, which is pledged as collateral for FHLB advances (see Note 12). This investment is carried at cost and evaluated for impairment.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost, net of the allowance for credit losses. Amortized cost is the principal balance outstanding, net of deferred loan fees and costs. Accrued interest receivable totaled $408,231 and $364,294 at December 31, 2024 and 2023, respectively, and is reported in accrued interest receivable on the consolidated balance sheets. Accrued interest is excluded from the amortized costs basis of loans and the estimate of credit losses. Interest income is accrued on the unpaid principal balance. Fees on loans are recognized in income when the loans are made since fees approximate the estimated direct costs of making the loans. Interest on loans is calculated by using the simple interest method on the principal outstanding.

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. Loans are charged off to the extent principal or interest is deemed uncollectible. Past-due status is based on the contractual terms of the loan. Loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful. All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. 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. Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also 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 as appropriate.

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 either of the following applies: management has a reasonable expectation at the reporting date that a modification will be executed with an individual borrower experiencing financial difficulty or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

See Note 3 for more information.

Premises and Equipment: Premises and equipment are stated at cost, less accumulated depreciation and amortization. The provision for depreciation is computed principally on the straight-line method over the estimated useful lives of the assets, which range as follows: building-40 years, equipment-3 to 15 years. Computer software is amortized using the straight-line method over the useful life of the asset and ranges from 3 to 10 years.

Foreclosed Real Estate: Real estate acquired through or instead of loan foreclosure is initially recorded at fair value when acquired, establishing a new cost basis. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Costs after acquisition that do not increase the property's value are expensed. The Company's current average holding period for such properties is approximately 50 months.

Cash Surrender Value of Life Insurance: The Company has purchased life insurance policies on certain key executives and bank officers. Company owned life insurance is recorded at its net cash surrender value, or the amount that can be realized if surrendered.

Securities Sold Under Agreements to Repurchase: Repurchase agreements are treated as financing transactions and are carried at the amounts at which the securities will be subsequently reacquired, as specified in the respective agreements. Securities are pledged to cover these liabilities, which are not covered by federal deposit insurance.

Stock-Based Compensation: Compensation cost is recognized for stock options and stock appreciation rights issued to employees and directors. Compensation cost is measured as the fair value of these awards on their date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options and stock appreciation rights at the date of grant. Compensation cost is recognized over the required service period, generally defined as the vesting period for stock option awards. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award.

Earnings Per Common Share: Basic earnings per common share is net income less preferred stock dividends divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share includes the effect of all dilutive potential common shares that were outstanding during the period. Earnings and dividends per share are restated for all stock splits and dividends through the date of issue of the consolidated financial statements. See Note 16.

Advertising and Public Relations: Advertising and public relations costs are expensed as incurred.

NOTE 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 tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates.

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 consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being recognized 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.

Employee Benefits: The Company maintains a 401(k) profit-sharing plan that covers substantially all employees. The Company matches a portion of the employee’s contribution and records the expense in the period the employee contribution is withheld. The Company has a non-qualified deferred compensation arrangement with certain current and former officers. A contribution may be made or accrued each year based on future benefits to be paid under the arrangement, at the discretion of the Board of Directors if certain financial goals are met.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes net unrealized gains and losses on investment securities available for sale, net of any related tax effects, which is also recognized as a separate component of equity.

Off-Balance Sheet Financial Instruments: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and standby letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures: The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet credit exposures is adjusted through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The allowance is calculated for all unadvanced lines of credit and outstanding letters of credit and utilizes the same loan segments and life of loan loss rates used to compute the allowance for credit losses for loans.

Leases: All of the Company’s leases are classified as operating leases. Right-of-use assets and lease liabilities are recorded based on the present value of future lease payments, and lease expense is recognized on a straight-line basis over the lives of the leases. Rental expense was $11,258 and $9,844 for the years ended December 31, 2024 and 2023, respectively.

Operating Segments: While the chief decision-makers monitor the revenue streams of the various products and services, operations are managed, and financial performance is evaluated on a Company-wide basis. Operating segments are aggregated into one, as operating results from all segments are similar. Accordingly, all of the banking operations are considered by management to be aggregated in one reportable operating segment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards: In November 2023, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures.* The ASU was issued to improve disclosures about an entity's reportable segments and provide additional information about a segment's expenses. The ASU is effective for all public entities for fiscal years beginning after December 15, 2023. The Company adopted ASU 2023-07 for the year ended December 31, 2024, and have applied the disclosure requirements retrospectively for all periods presented. See Note 22.

Evaluation of Subsequent Events: The Company's management has evaluated subsequent events through March 17, 2025, which is the date the financial statements were available to be issued, and has determined that there are no subsequent events that require disclosure.

NOTE 2 - SECURITIES

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

2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
U.S. Treasury Securities	$ 4,963,853	$ 0	$ (228,733)	$ 0	$ 4,735,120
Small Business Admin. Securities	525,460	749	(39,966)	0	486,243
U.S. Government Agency Securities	5,933,950	16,503	(473,224)	0	5,477,229
Residential Mortgage-Backed Securities	3,837,528	6,466	(443,201)	0	3,400,793
Taxable Municipal Securities	967,498	0	(158,265)	0	809,233
Tax-Exempt Municipal Securities	1,084,463	0	(84,374)	0	1,000,089
Total	$ 17,312,752	$ 23,718	$ (1,427,763)	$ 0	$ 15,908,707

2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
U.S. Treasury Securities	$ 7,951,473	$ 813	$ (309,486)	$ 0	$ 7,642,800
Small Business Admin. Securities	634,934	1,550	(44,110)	0	592,374
U.S. Government Agency Securities	4,551,236	0	(507,516)	0	4,043,720
Residential Mortgage-Backed Securities	4,476,365	4,358	(456,270)	0	4,024,453
Taxable Municipal Securities	967,047	0	(172,811)	0	794,236
Tax-Exempt Municipal Securities	1,108,664	0	(88,923)	0	1,019,741
Total	$ 19,689,719	$ 6,721	$ (1,579,116)	$ 0	$ 18,117,324

NOTE 2 - SECURITIES (Continued)

The amortized cost and fair value of securities at December 31, 2024, by contractual maturity, is shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations.

	Amortized Cost	Fair Value
Due through One Year	$ 998,406	$ 994,960
Due after One through Five Years	8,099,805	7,810,449
Due after Five through Ten Years	3,851,553	3,216,262
Residential Mortgage-backed and SBA Securities	4,362,988	3,887,036
Total	$ 17,312,752	$ 15,908,707

For purposes of the above maturity table, mortgage-backed securities and Small Business Administration securities, which are not due at a single maturity date, are presented on a separate line item.

There were no proceeds from sales during the years ended December 31, 2024 and 2023. The Company recognized no gross gains or losses from the sales of investment securities in either year.

Securities pledged to secure public deposits and repurchase agreements at December 31, 2024 and 2023 had a carrying amount of approximately $15,909,000 and $18,117,000, respectively.

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

	Less than 12 Months		12 Months or More		Total	
2024	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Treasury Securities	$ 1,978,440	$ (1,528)	$ 2,756,680	$ (227,205)	$ 4,735,120	$ (228,733)
Small Business Admin. Securities	0	0	389,712	(39,966)	389,712	(39,966)
U.S. Government Agency Securities	0	0	3,101,209	(473,224)	3,101,209	(473,224)
Residential Mortgage-backed Securities	0	0	3,124,602	(443,201)	3,124,602	(443,201)
Taxable Municipal Securities	0	0	809,232	(158,265)	809,232	(158,265)
Tax-Exempt Municipal Securities	0	0	1,000,090	(84,374)	1,000,090	(84,374)
Total	$ 1,978,440	$ (1,528)	$ 11,181,525	$ (1,426,235)	$ 13,159,965	$ (1,427,763)
2023						
U.S. Treasury Securities	$ 0	$ 0	$ 5,653,640	$ (309,486)	$ 5,653,640	$ (309,486)
Small Business Admin. Securities	0	0	451,868	(44,110)	451,868	(44,110)
U.S. Government Agency Securities	0	0	4,043,720	(507,516)	4,043,720	(507,516)
Residential Mortgage-backed Securities	0	0	3,775,095	(456,270)	3,775,095	(456,270)
Taxable Municipal Securities	0	0	794,236	(172,811)	794,236	(172,811)
Tax-Exempt Municipal Securities	0	0	1,019,741	(88,923)	1,019,741	(88,923)
Total	$ 0	$ 0	$ 15,738,300	$ (1,579,116)	$ 15,738,300	$ (1,579,116)

NOTE 2 - SECURITIES (Continued)

As of December 31, 2024 and 2023, the Company's security portfolio consisted of 34 and 35 securities, 26 and 31 of which were in an unrealized loss position, respectively. These securities have depreciated 10% and 9% from the Company’s amortized cost basis, respectively. The majority of unrealized losses are primarily related to the Company's investments in U.S. Treasury and government agencies, mortgage-backed securities and municipal securities, as discussed below:

U.S. Treasury and Agency Securities

The unrealized losses on the Company’s investments in U.S. Treasury obligations and direct obligations of U.S. government agencies were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. The Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases.

Mortgage-Backed Securities

At December 31, 2024 and 2023, all of the mortgage-backed securities held by the Company were issued by U.S. government-sponsored entities and agencies. These contractual cash flows are guaranteed by an agency of the U.S. government. The issuers continue to make timely principal and interest payments on the bonds. The unrealized losses on mortgage-backed securities are attributed to interest rate increases. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost bases of the Company’s investments. The Company does not intend to sell the investments, and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized costs bases.

Municipal Securities

As of December 31, 2024 and 2023, the unrealized losses on the Company’s investments in municipal securities is attributed to interest rate increases and other market conditions. The issuers’ bonds are of high credit quality (rated Aa2 or higher) and the issuers continue to make timely principal and interest payments on the bonds. The Company expects to recover the entire amortized cost bases of the securities. The Company does not intend to sell the investments, and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized costs bases.

The Company did not record an allowance for credit losses on investments available for sale as of December 31, 2024 and 2023, and had no activity related to the allowance for the years then ended.

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES

A summary of loans outstanding by category at December 31, 2024 and 2023 follows:

	2024	2023
Secured by Real Estate:		
Construction, Land Development and Vacant Land	$ 8,385,321	$ 9,825,364
Residential Properties	71,698,733	72,115,858
Commercial Properties	41,374,390	46,433,100
Commercial and Other	16,190,198	16,904,604
Consumer	2,939,082	3,545,616
	140,587,724	148,824,542
Less: Allowance for Credit Losses	(1,684,250)	(1,829,659)
Loans, Net	$ 138,903,474	$ 146,994,883

Management performs a quarterly evaluation of the adequacy of the allowance for credit losses consistent with guidance set forth in ASC 326 and the Interagency Policy Statement on Allowances for Credit Losses. Consideration is given to a variety of factors in establishing this estimate including, but not limited to, current economic conditions, diversification of the loan portfolio, delinquency statistics, results of internal loan reviews, borrowers' actual or perceived financial and managerial strengths, the adequacy of the underlying collateral (if collateral dependent) and other relevant factors.

Certain factors involved in the evaluation are inherently subjective, as they require material estimates that may be susceptible to significant change, including the amounts and timing of future cash flows expected to be received on loans to borrowers experiencing financial difficulty.

For the purposes of calculating the allowance for credit losses, the Company segregates its loan portfolio into the following segments based primarily on the type of supporting collateral: construction, residential real estate, commercial real estate, commercial and other, and consumer loans. The construction and land development segment contains loans to individuals to construct their own homes as well as loans to contractors and developers to construct homes or buildings for resale or develop residential or commercial real estate. This segment has its own unique risk characteristics including the need to periodically inspect the property during construction to ensure the funds disbursed are used properly and the real estate held for collateral maintains its value in relation to the amount owed on it. The construction and land development segment also has risk characteristics related to the probability of eventual sale of the finished project or the ability to generate sufficient rental income to service the debt. The residential real estate segment is segregated from the commercial real estate segment due to the obvious differences in inherent risks in each of these types of properties and borrower types. Consumer loans have risk characteristics including the volatility of the collateral’s value and the inherent risk of loaning on collateral that is mobile and subject to damage without proper insurance coverage.

For all loan segments, the Company measures the allowance for credit losses based on the “Scaled CECL Allowance for Losses Estimator (SCALE)” method developed by the Federal Reserve Bank. This tool uses publicly available peer data derived from Call Reports to derive proxy lifetime loss rates. The Company then applies additional qualitative factors to reflect bank-specific facts and circumstances to arrive at an estimate for the allowance for credit losses that reflects the Company’s loss history and the credit risk in the Company’s loan portfolio.

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Company applies life of loan loss rates specific to each loan segment to determine the estimated credit losses. These cumulative loss rates are comprised of the SCALE method proxy lifetime loss rates plus qualitative adjustments to reflect the Company's level of past-due and nonaccrual loans compared to its peers, as well as the Company's historical loan loss rate compared to its peers. The SCALE method proxy expected lifetime loss rates for the December 31, 2024 and 2023 calculations of the allowance for credit losses were based on publicly available Schedule RI-C filings from all filers with assets between $1 and $10 billion as of September 30, 2024 and 2023, respectively. As of December 31, 2024 and 2023, management adjusted the proxy loss rates for to adjust for its expectations of its level of delinquencies and nonaccrual loans for the next two years. No reversion adjustments were necessary, as the starting point for the Company's estimate was a cumulative loss rate covering the expected contractual term of the portfolio.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are excluded from the collective evaluation. For these evaluations, the Company assesses all loans that are rated substandard. These loans are considered to be collateral-dependent assets, whereby estimated credit losses are based on the fair value of the collateral, less costs to sell. It is management's general practice to obtain a new appraisal or asset valuation for any loan that it has rated as substandard or lower, including loans on nonaccrual of interest. Management, at its discretion, may determine that additional adjustments to the appraisal or valuation are required. Valuation adjustments will be made as necessary based on other factors including, but not limited to, the economy, maintenance and general condition of the collateral, industry, type of property/equipment/vehicle, and the knowledge management has about a particular situation. In addition, the cost to sell or liquidate the collateral is also estimated when determining the realizable value to the Company.

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

	Construction	Residential Real Estate	Commercial Real Estate	Commercial and Other	Consumer	Unallocated	Total
Allowance at December 31, 2022	$ 136,925	$ 699,050	$ 576,582	$ 215,197	$ 51,062	$ 14,367	$ 1,693,183
Impact of Adopting ASC 326	68,706	(49,783)	141,266	859	(32,691)	(14,367)	113,990
Credit Loss Expense	(35,608)	125,935	(106,245)	(77,912)	(8,015)	115,365	13,520
Charge-offs	0	0	0	(2,700)	(4,232)	0	(6,932)
Recoveries	0	624	11,850	2,700	724	0	15,898
Allowance at December 31, 2023	170,023	775,826	623,453	138,144	6,848	115,365	1,829,659
Credit Loss Expense	(18,298)	18,647	(100,543)	333,734	6,764	(115,365)	124,939
Charge-offs	0	0	0	(287,292)	0	0	(287,292)
Recoveries	0	0	11,572	5,372	0	0	16,944
Allowance at December 31, 2024	$ 151,725	$ 794,473	$ 534,482	$ 189,958	$ 13,612	$ 0	$ 1,684,250

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table presents the amortized cost basis of loans on nonaccrual as of December 31, 2024, 2023 and 2022:

	December 31, 2024			December 31, 2023			
	Nonaccrual	Nonaccrual With No Allowance for Credit Losses	Interest Income Recognized During Year	Nonaccrual	Nonaccrual With No Allowance for Credit Losses	Interest Income Recognized During Year	December 31, 2022 Nonaccrual
Construction:							
Other and Land Loans	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 42,536
Residential Real Estate:							
First Liens	98,819	98,819	0	176,561	176,561	0	454,389
Commercial and Other:							
Commercial and Industrial	207,359	131,680	0	0	0	0	0
Consumer:							
Other	7,827	3,914	0	0	0	0	0
Total	$ 314,005	$ 234,413	$ 0	$ 176,561	$ 176,561	$ 0	$ 496,925

The following table presents the amortized cost basis of collateral-dependent loans by class of loans as of December 31, 2024 and 2023:

	Residential Properties	Commercial Properties	Other	Allowance for Credit Losses
December 31, 2024				
Residential Real Estate:				
First Liens	$ 240,117	$ 0	$ 0	$ 0
Commercial Real Estate:				
Owner Occupied	0	982,026	0	0
Commercial and Other:				
Commercial and Industrial	0	0	207,359	75,680
Consumer:				
Other	0	0	7,827	3,913
Total	$ 240,117	$ 982,026	$ 215,186	$ 79,593
December 31, 2023				
Residential Real Estate:				
First Liens	$ 322,179	$ 0	$ 0	$ 0
Total	$ 322,179	$ 0	$ 0	$ 0

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following tables present the aging of the amortized cost basis in past-due loans as of December 31, 2024 and 2023 by class of loans:

		Loans Past Due			
	Current	30-89 Days	90+ Days and Still Accruing	Nonaccrual	Total Loans
December 31, 2024					
Construction:					
1 - 4 Family Residential	$ 5,749,724	$ 0	$ 0	$ 0	$ 5,749,724
Other and Land Loans	2,635,597	0	0	0	2,635,597
Total	8,385,321	0	0	0	8,385,321
Residential Real Estate:					
Lines of Credit	1,761,109	0	0	0	1,761,109
First Liens	68,649,744	497,607	0	98,819	69,246,170
Junior Liens	691,454	0	0	0	691,454
Total	71,102,307	497,607	0	98,819	71,698,733
Commercial Real Estate:					
Farmland	1,799,114	0	0	0	1,799,114
Multifamily Properties	3,479,395	0	0	0	3,479,395
Owner Occupied	10,284,775	982,025	0	0	11,266,800
Other	24,211,991	0	0	0	24,211,991
Political Subdivisions	617,090	0	0	0	617,090
Total	40,392,365	982,025	0	0	41,374,390
Commercial and Other:					
Commercial and Industrial	9,485,703	0	0	207,359	9,693,062
Financial	6,497,136	0	0	0	6,497,136
Total	15,982,839	0	0	207,359	16,190,198
Consumer:					
Vehicles	508,881	0	0	0	508,881
Other	2,422,374	0	0	7,827	2,430,201
Total	2,931,255	0	0	7,827	2,939,082
Total	$ 138,794,087	$ 1,479,632	$ 0	$ 314,005	$ 140,587,724

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

		Loans Past Due			
	Current	30-89 Days	90+ Days and Still Accruing	Nonaccrual	Total Loans
December 31, 2023					
Construction:					
1 - 4 Family Residential	$ 3,165,465	$ 0	$ 0	$ 0	$ 3,165,465
Other and Land Loans	6,659,899	0	0	0	6,659,899
Total	9,825,364	0	0	0	9,825,364
Residential Real Estate:					
Lines of Credit	2,271,221	0	0	0	2,271,221
First Liens	68,769,900	286,429	0	176,561	69,232,890
Junior Liens	611,747	0	0	0	611,747
Total	71,652,868	286,429	0	176,561	72,115,858
Commercial Real Estate:					
Farmland	1,875,473	0	0	0	1,875,473
Multifamily Properties	4,781,164	0	0	0	4,781,164
Owner Occupied	11,800,701	0	0	0	11,800,701
Other	27,301,877	0	0	0	27,301,877
Political Subdivisions	673,885	0	0	0	673,885
Total	46,433,100	0	0	0	46,433,100
Commercial and Other:					
Commercial and Industrial	10,529,833	0	0	0	10,529,833
Financial	6,374,771	0	0	0	6,374,771
Total	16,904,604	0	0	0	16,904,604
Consumer:					
Vehicles	260,900	0	0	0	260,900
Other	3,284,716	0	0	0	3,284,716
Total	3,545,616	0	0	0	3,545,616
Total	$ 148,361,552	$ 286,429	$ 0	$ 176,561	$ 148,824,542

In addition to monitoring the performance status of the loan portfolio, 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 Company analyzes loans individually by classifying the loans as to credit risk. Loans classified as substandard or management watch are reviewed regularly by the Company to determine if appropriately classified or to determine if the loan is impaired. The Company’s loan portfolio is reviewed for credit quality with samples being selected based on loan size, credit grades, etc., to ensure that the Company’s management is properly applying credit risk management processes.

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Loans excluded from the scope of the annual review process are generally classified as pass credit until: (a) they become past due; (b) management becomes aware of deterioration in the credit worthiness of the borrower; or (c) the customer contacts the Company for a modification. In these circumstances, the customer relationship is specifically evaluated for potential classification as to special mention, substandard or doubtful, or could even be considered for charge-off. The Company uses the following definitions for risk ratings:

Pass – Strong credit with no existing or known potential weaknesses deserving management's close attention.

Management Watch – Loans included in this category are currently protected but are potentially weak. These loans constitute an undue and unwarranted credit risk but do not presently expose the Company to a sufficient degree of risk to warrant adverse classification. As a general rule, for the purpose of calculating a loan loss reserve, loans in this category will have the historical loss reserve percentage applied and will remain in a pool with loans that are considered acceptable or better when determining the general valuation reserves. Loans classified as management watch have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard – Substandard loans are inadequately protected by the current net worth and financial capacity of the borrower or of the collateral pledged, if any. The borrower or guarantor is unwilling or unable to meet loan terms or loan covenants for the foreseeable future.

Doubtful – Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full highly questionable or improbable, based on currently existing facts, condition, and values.

Loss – Loans classified as losses are uncollectible or no longer a bankable asset. This classification does not mean that the asset has absolutely no recoverable value. Certain salvage value is inherent in these loans. Nevertheless, it is not practical or desirable to defer writing off a portion or whole of a perceived asset even though partial recovery may be collected in the future.

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Based on the most recent analysis performed, the risk category of loans by class is as follows as of December 31, 2024:

	Term Loans Amortized by Origination Year					Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	
	2024	2023	2022	2021	Prior			Total
As of December 31, 2024								
Residential Construction								
Risk Rating								
Pass	$ 1,927,659	$ 2,148,420	$ 673,645	$ 0	$ 0	$ 1,000,000	$ 0	$ 5,749,724
Total Residential Construction	$ 1,927,659	$ 2,148,420	$ 673,645	$ 0	$ 0	$ 1,000,000	$ 0	$ 5,749,724
Residential Construction								
Current Period Gross Writeoffs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Other Construction and Land								
Risk Rating								
Pass	$ 985,841	$ 79,156	$ 0	$ 1,570,600	$ 0	$ 0	$ 0	$ 2,635,597
Total Other Construction and Land	$ 985,841	$ 79,156	$ 0	$ 1,570,600	$ 0	$ 0	$ 0	$ 2,635,597
Other Construction and Land								
Current Period Gross Writeoffs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Residential - Lines of Credit								
Risk Rating								
Pass	$ 0	$ 0	$ 0	$ 0	$ 0	$ 1,620,829	$ 140,280	$ 1,761,109
Total Residential - Lines of Credit	$ 0	$ 0	$ 0	$ 0	$ 0	$ 1,620,829	$ 140,280	$ 1,761,109
Residential - Lines of Credit								
Current Period Gross Writeoffs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Residential - First Liens								
Risk Rating								
Pass	$ 6,194,066	$ 15,430,567	$ 21,390,048	$ 9,660,514	$ 15,815,350	$ 0	$ 0	$ 68,490,545
Management Watch	242,751	0	0	0	272,755	0	0	515,506
Substandard	0	0	0	0	240,119	0	0	240,119
Total Residential - First Liens	$ 6,436,817	$ 15,430,567	$ 21,390,048	$ 9,660,514	$ 16,328,224	$ 0	$ 0	$ 69,246,170
Residential - First Liens								
Current Period Gross Writeoffs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Residential - Junior Liens								
Risk Rating								
Pass	$ 96,063	$ 21,893	$ 395,866	$ 113,095	$ 52,846	$ 11,691	$ 0	$ 691,454
Total Residential - Junior Liens	$ 96,063	$ 21,893	$ 395,866	$ 113,095	$ 52,846	$ 11,691	$ 0	$ 691,454
Residential - Junior Liens								
Current Period Gross Writeoffs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

	Term Loans Amortized by Origination Year					Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	
	2024	2023	2022	2021	Prior			Total
As of December 31, 2024								
Farmland								
Risk Rating								
Pass	$ 0	$ 1,517,364	$ 0	$ 0	$ 281,750	$ 0	$ 0	$ 1,799,114
Total Farmland	$ 0	$ 1,517,364	$ 0	$ 0	$ 281,750	$ 0	$ 0	$ 1,799,114
Farmland								
Current Period Gross Writeoffs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Multifamily Properties								
Risk Rating								
Pass	$ 161,500	$ 0	$ 2,386,009	$ 270,920	$ 660,966	$ 0	$ 0	$ 3,479,395
Total Multifamily Properties	$ 161,500	$ 0	$ 2,386,009	$ 270,920	$ 660,966	$ 0	$ 0	$ 3,479,395
Multifamily Properties								
Current Period Gross Writeoffs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Commercial - Owner Occupied								
Risk Rating								
Pass	$ 1,056,903	$ 47,930	$ 1,310,378	$ 3,264,455	$ 4,356,771	$ 248,338	$ 0	$ 10,284,775
Substandard	0	982,025	0	0	0	0	0	982,025
Total Commercial - Owner Occupied	$ 1,056,903	$ 1,029,955	$ 1,310,378	$ 3,264,455	$ 4,356,771	$ 248,338	$ 0	$ 11,266,800
Commercial - Owner Occupied								
Current Period Gross Writeoffs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Commercial - Other								
Risk Rating								
Pass	$ 1,251,418	$ 3,157,704	$ 2,855,484	$ 7,284,267	$ 8,565,776	$ 1,097,342	$ 0	$ 24,211,991
Total Commercial - Other	$ 1,251,418	$ 3,157,704	$ 2,855,484	$ 7,284,267	$ 8,565,776	$ 1,097,342	$ 0	$ 24,211,991
Commercial - Other								
Current Period Gross Writeoffs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Political Subdivisions								
Risk Rating								
Pass	$ 0	$ 0	$ 0	$ 0	$ 617,090	$ 0	$ 0	$ 617,090
Total Political Subdivisions	$ 0	$ 0	$ 0	$ 0	$ 617,090	$ 0	$ 0	$ 617,090
Political Subdivisions								
Current Period Gross Writeoffs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

	Term Loans Amortized by Origination Year					Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	
	2024	2023	2022	2021	Prior			Total
As of December 31, 2024								
Commercial and Industrial								
Risk Rating								
Pass	$ 4,376,932	$ 731,950	$ 914,944	$ 1,497,270	$ 430,498	$ 1,534,109	$ 0	$ 9,485,703
Substandard	0	0	125,519	81,840	0	0	0	207,359
Total Commercial and Industrial	$ 4,376,932	$ 731,950	$ 1,040,463	$ 1,579,110	$ 430,498	$ 1,534,109	$ 0	$ 9,693,062
Commercial and Industrial								
Current Period Gross Writeoffs	$ 0	$ 10,890	$ 207,548	$ 68,854	$ 0	$ 0	$ 0	$ 287,292
Financial								
Risk Rating								
Pass	$ 1,473,299	$ 1,356,872	$ 1,578,304	$ 799,205	$ 1,289,456	$ 0	$ 0	$ 6,497,136
Total Financial	$ 1,473,299	$ 1,356,872	$ 1,578,304	$ 799,205	$ 1,289,456	$ 0	$ 0	$ 6,497,136
Financial								
Current Period Gross Writeoffs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Consumer - Vehicles								
Risk Rating								
Pass	$ 398,232	$ 69,413	$ 6,501	$ 31,937	$ 2,798	$ 0	$ 0	$ 508,881
Total Consumer - Vehicles	$ 398,232	$ 69,413	$ 6,501	$ 31,937	$ 2,798	$ 0	$ 0	$ 508,881
Consumer - Vehicles								
Current Period Gross Writeoffs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Consumer - Other								
Risk Rating								
Pass	$ 290,135	$ 154,266	$ 1,523,838	$ 46,341	$ 359,486	$ 48,308	$ 0	$ 2,422,374
Substandard	7,827	0	0	0	0	0	0	7,827
Total Consumer - Other	$ 297,962	$ 154,266	$ 1,523,838	$ 46,341	$ 359,486	$ 48,308	$ 0	$ 2,430,201
Consumer - Other								
Current Period Gross Writeoffs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Total Loan Portfolio								
Risk Rating								
Pass	$ 18,212,048	$ 24,715,535	$ 33,035,017	$ 24,538,604	$ 32,432,787	$ 5,560,617	$ 140,280	$ 138,634,888
Management Watch	242,751	0	0	0	272,755	0	0	515,506
Substandard	7,827	982,025	125,519	81,840	240,119	0	0	1,437,330
Total Total Loan Portfolio	$ 18,462,626	$ 25,697,560	$ 33,160,536	$ 24,620,444	$ 32,945,661	$ 5,560,617	$ 140,280	$ 140,587,724
Total Loan Portfolio								
Current Period Gross Writeoffs	$ 0	$ 10,890	$ 207,548	$ 68,854	$ 0	$ 0	$ 0	$ 287,292

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Based on the most recent analysis performed, the risk category of loans by class is as follows as of December 31, 2023:

	Term Loans Amortized by Origination Year				Revolving Loans Amortized	Revolving Loans Converted	
	2023	2022	2021	Prior	Cost Basis	to Term	Total
As of December 31, 2023							
Residential Construction							
Risk Rating							
Pass	$ 1,157,076	$ 2,008,389	$ 0	$ 0	$ 0	$ 0	$ 3,165,465
Total Residential Construction	$ 1,157,076	$ 2,008,389	$ 0	$ 0	$ 0	$ 0	$ 3,165,465
Residential Construction							
Current Period Gross Writeoffs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Other Construction and Land							
Risk Rating							
Pass	$ 89,334	$ 0	$ 6,570,565	$ 0	$ 0	$ 0	$ 6,659,899
Total Other Construction and Land	$ 89,334	$ 0	$ 6,570,565	$ 0	$ 0	$ 0	$ 6,659,899
Other Construction and Land							
Current Period Gross Writeoffs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Residential - Lines of Credit							
Risk Rating							
Pass	$ 0	$ 0	$ 0	$ 0	$ 2,130,941	$ 140,280	$ 2,271,221
Total Residential - Lines of Credit	$ 0	$ 0	$ 0	$ 0	$ 2,130,941	$ 140,280	$ 2,271,221
Residential - Lines of Credit							
Current Period Gross Writeoffs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Residential - First Liens							
Risk Rating							
Pass	$ 17,982,060	$ 22,258,581	$ 10,151,898	$ 17,951,791	$ 0	$ 0	$ 68,344,330
Management Watch	0	0	0	566,381	0	0	566,381
Substandard	0	0	0	322,179	0	0	322,179
Total Residential - First Liens	$ 17,982,060	$ 22,258,581	$ 10,151,898	$ 18,840,351	$ 0	$ 0	$ 69,232,890
Residential - First Liens							
Current Period Gross Writeoffs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Residential - Junior Liens							
Risk Rating							
Pass	$ 22,425	$ 411,294	$ 118,209	$ 59,819	$ 0	$ 0	$ 611,747
Total Residential - Junior Liens	$ 22,425	$ 411,294	$ 118,209	$ 59,819	$ 0	$ 0	$ 611,747
Residential - Junior Liens							
Current Period Gross Writeoffs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

	Term Loans Amortized by Origination Year				Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	
	2023	2022	2021	Prior			Total
As of December 31, 2023							
Farmland							
Risk Rating							
Pass	$ 1,546,082	$ 0	$ 29,175	$ 300,216	$ 0	$ 0	$ 1,875,473
Total Farmland	$ 1,546,082	$ 0	$ 29,175	$ 300,216	$ 0	$ 0	$ 1,875,473
Farmland							
Current Period Gross Writeoffs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Multifamily Properties							
Risk Rating							
Pass	$ 0	$ 2,511,930	$ 1,493,256	$ 775,978	$ 0	$ 0	$ 4,781,164
Total Multifamily Properties	$ 0	$ 2,511,930	$ 1,493,256	$ 775,978	$ 0	$ 0	$ 4,781,164
Multifamily Properties							
Current Period Gross Writeoffs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Commercial - Owner Occupied							
Risk Rating							
Pass	$ 1,176,526	$ 1,389,838	$ 3,388,559	$ 5,464,841	$ 380,937	$ 0	$ 11,800,701
	$ 1,176,526	$ 1,389,838	$ 3,388,559	$ 5,464,841	$ 380,937	$ 0	$ 11,800,701
Commercial - Owner Occupied							
Current Period Gross Writeoffs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Commercial - Other							
Risk Rating							
Pass	$ 3,321,672	$ 4,089,310	$ 7,638,901	$ 11,257,590	$ 994,404	$ 0	$ 27,301,877
Total Commercial - Other	$ 3,321,672	$ 4,089,310	$ 7,638,901	$ 11,257,590	$ 994,404	$ 0	$ 27,301,877
Commercial - Other							
Current Period Gross Writeoffs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Political Subdivisions							
Risk Rating							
Pass	$ 0	$ 0	$ 0	$ 673,885	$ 0	$ 0	$ 673,885
Total Political Subdivisions	$ 0	$ 0	$ 0	$ 673,885	$ 0	$ 0	$ 673,885
Political Subdivisions							
Current Period Gross Writeoffs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

	Term Loans Amortized by Origination Year 2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
As of December 31, 2023							
Commercial and Industrial							
Risk Rating							
Pass	$ 1,188,136	$ 1,935,997	$ 2,366,866	$ 781,498	$ 4,257,336	$ 0	$ 10,529,833
Total Commercial and Industrial	$ 1,188,136	$ 1,935,997	$ 2,366,866	$ 781,498	$ 4,257,336	$ 0	$ 10,529,833
Commercial and Industrial							
Current Period Gross Writeoffs	$ 0	$ 0	$ 0	$ 2,700	$ 0	$ 0	$ 2,700
Financial							
Risk Rating							
Pass	$ 1,572,710	$ 1,845,290	$ 939,782	$ 2,016,989	$ 0	$ 0	$ 6,374,771
Total Financial	$ 1,572,710	$ 1,845,290	$ 939,782	$ 2,016,989	$ 0	$ 0	$ 6,374,771
Financial							
Current Period Gross Writeoffs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Consumer - Vehicles							
Risk Rating							
Pass	$ 175,426	$ 11,279	$ 44,693	$ 29,502	$ 0	$ 0	$ 260,900
Total Consumer - Vehicles	$ 175,426	$ 11,279	$ 44,693	$ 29,502	$ 0	$ 0	$ 260,900
Consumer - Vehicles							
Current Period Gross Writeoffs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Consumer - Other							
Risk Rating							
Pass	$ 495,189	$ 2,044,398	$ 59,568	$ 645,429	$ 40,132	$ 0	$ 3,284,716
Total Consumer - Other	$ 495,189	$ 2,044,398	$ 59,568	$ 645,429	$ 40,132	$ 0	$ 3,284,716
Consumer - Other							
Current Period Gross Writeoffs	$ 0	$ 4,232	$ 0	$ 0	$ 0	$ 0	$ 4,232
Total Loan Portfolio							
Risk Rating							
Pass	$ 28,726,636	$ 38,506,306	$ 32,801,472	$ 39,957,538	$ 7,803,750	$ 140,280	$ 147,935,982
Management Watch	0	0	0	566,381	0	0	566,381
Substandard	0	0	0	322,179	0	0	322,179
Doubtful	0	0	0	0	0	0	0
Loss	0	0	0	0	0	0	0
Total Total Loan Portfolio	$ 28,726,636	$ 38,506,306	$ 32,801,472	$ 40,846,098	$ 7,803,750	$ 140,280	$ 148,824,542
Total Loan Portfolio							
Current Period Gross Writeoffs	$ 0	$ 4,232	$ 0	$ 2,700	$ 0	$ 0	$ 6,932

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Occasionally, the Company modifies loans to borrowers in financial distress by providing principal forgiveness, term extension, an other-than-significant payment delay or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

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

	Combination Term Extension & Rate Reduction	Total Class of Financing Receivable
December 31, 2024		
Residential Real Estate:		
First Liens	$ 67,909	0.1%
Total	$ 67,909	0.0%

As of December 31, 2024, the Company did not have any commitments to lend additional amounts to borrowers included in the previous table.

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 table presents the performance of such loans that have been modified in the last 12 months:

		Loans Past Due		
	Current	30-89 Days	90+ Days and Still Accruing	Nonaccrual
December 31, 2024				
Residential Real Estate:				
First Liens	$ 0	$ 0	$ 0	$ 67,909
Total	$ 0	$ 0	$ 0	$ 67,909

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

	Weighted Average Interest Rate Reduction	Weighted Average Term Extension (Years)
December 31, 2024		
Residential Real Estate:		
First Liens	1.90%	5
Total	1.90%	5

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

No loans to borrowers in financial distress were modified for the year ended December 31, 2023. There were no loans that had a payment default during the years ended December 31, 2024 and 2023 that were modified in the twelve months prior to that default to borrowers experiencing financial difficulty.

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

NOTE 4 - PREMISES AND EQUIPMENT

Following is a summary of premises and equipment at December 31:

	2024	2023
Land	$ 740,667	$ 740,667
Building	5,878,645	5,928,245
Furniture and Equipment	1,411,957	1,411,957
Computer Software	1,108,428	1,108,428
	9,139,697	9,189,297
Less: Accumulated Depreciation and Amortization	(6,401,429)	(6,276,983)
	$ 2,738,268	$ 2,912,314

Depreciation and amortization expense totaled $183,351 and $200,820 for 2024 and 2023.

In 2023, the Company closed their Surgoinsville branch and listed the property for sale. The property was written down by approximately $28,000 to estimated market value during 2023 and carried as other real estate held for sale. In January 2024, the property was sold for the estimated market value of $220,560. In 2022, the Company closed their Colonial Heights branch and listed the property for sale. The property was written down by approximately $264,000 to estimated market value during 2022 and carried as other real estate held for sale. In February 2023, the property was sold for the estimated market value of $614,000.

NOTE 5 - FORECLOSED REAL ESTATE

Foreclosed real estate is carried at estimated fair value less costs to sell the property. An analysis of foreclosed real estate for the years ended December 31, 2024 and 2023 follows:

	2024	2023
Balance at Beginning of Year	$ 175,000	$ 65,000
Additions to Foreclosed Real Estate	0	180,000
Foreclosed Real Estate Sold	(110,000)	(70,000)
Balance at End of Year	$ 65,000	$ 175,000

NOTE 5 - FORECLOSED REAL ESTATE (Continued)

Net expenses (income) applicable to foreclosed real estate for the years ended December 31, 2024 and 2023 include the following:

	2024	2023
Net (Gain) Loss on Sales of Foreclosed Real Estate	$ (107,187)	$ 0
Net (Gain) Loss on Repossessions	0	(7,830)
Operating Expenses	5,658	17,059
Total	$ (101,529)	$ 9,229

NOTE 6 - DEPOSITS

A summary of deposits at December 31 follows:

	2024	2023
Noninterest-Bearing	$ 35,896,800	$ 42,349,088
NOW & MMDA	56,449,123	72,182,774
Savings	28,230,028	30,656,257
Certificates of Deposit of $250,000 or More	15,901,651	9,443,016
Other Time Deposits	27,456,687	24,187,525
	$ 163,934,289	$ 178,818,660

Scheduled maturities of time deposits for the next five years are as follows at December 31, 2024:

2025	$ 40,787,512
2026	1,519,819
2027	455,564
2028	148,698
2029	446,745
	$ 43,358,338

The aggregate amounts of overdrafts reclassified as loans receivable were $19,511 and $13,959 at December 31, 2024 and 2023, respectively.

NOTE 7 - SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Securities sold under agreements to repurchase are financing arrangements that do not have a stated maturity but may be cancelled by either party with a five-day written notice. Information concerning securities sold under agreements to repurchase is summarized as follows:

	2024	2023
Average Daily Balance during the Year	$ 4,645,887	$ 3,586,128
Average Interest Rate during the Year	1.75%	1.29%
Maximum Month-End Balance during the Year	$ 4,987,092	$ 4,228,686
Weighted Average Interest Rate at Year-End	1.75%	1.75%

NOTE 8 - REVENUE FROM CONTRACTS WITH CUSTOMERS

All of the Company's revenue from contracts with customers in the scope of ASC 606 is recognized within noninterest income except for gains/losses on sales of foreclosed real estate, which are recorded within net foreclosed real estate expense. A description of the Company's revenue streams accounted for under ASC 606 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.

Interchange Income - Interchange income represents fees for standing ready to authorize and providing settlement on credit card and debit card transactions processed through the Visa© interchange network. The levels of service and structure of interchange rates are set by Visa© and can vary based on cardholder purchase volume. The Company recognizes interchange income upon settlement with the interchange network. Based on the Company's underlying contracts, ASC 606 requires reporting network costs associated with debit card and credit card transactions netted against the related fees from such transactions. Interchange network costs reduced interchange income by $88,223 and $159,555 for the years ended December 31, 2024 and 2023, respectively. Net interchange fees totaled $191,354 and $138,722 for the years ended December 31, 2024 and 2023, respectively, and are reported within other income.

Investment Brokerage Fees - The Company earns fees from investment brokerage services provided to its customers by a third-party service provider. The Company receives commissions from the third-party service provider on a monthly basis based upon customer activity for the month. The fees are recognized and paid monthly. Because the Company (i) acts as an agent in arranging the relationship between the customer and the third-party service provider and (ii) does not control the services rendered to the customers, investment brokerage fees are presented net of related costs. Net brokerage commissions totaled $37,520 and $33,063 for the years ended December 31, 2024 and 2023, respectively, and are reported within other income.

Gains/Losses on Sales of Foreclosed Real Estate - The Company records a gain or loss from the sale of foreclosed real estate 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 foreclosed real estate 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 foreclosed real estate 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.

NOTE 9 - INCOME TAX EXPENSE (BENEFIT)

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. With few exceptions, the Company is no longer subject to tax examinations by tax authorities for the years before 2021. The Company has not accrued or expensed any amounts for interest or penalties associated with income taxes for the years ended December 31, 2024 and 2023.

Income tax expense (benefit) as shown in the consolidated statements of operations differs from the amount computed using the statutory federal income tax rate follows:

	2024		2023	
	Amount	Percent of Pretax Income	Amount	Percent of Pretax Income
Federal Income Tax at Statutory Rate	$ 497,959	21.0 %	$ 666,599	21.0 %
State Income Tax, Net	118,619	5.0	155,155	4.9
Tax Exempt Interest	(10,500)	-0.4	(11,398)	-0.4
Other Nontaxable Income	(50,558)	-2.1	(46,634)	-1.5
Nondeductible Expenses	5,039	0.2	3,273	0.1
Credits and Other, Net	(103,454)	-4.4	(25,198)	-0.8
	$ 457,105	19.3 %	$ 741,797	23.4 %

	2024	2023
Income Taxes (Benefit) Consist of:		
Current (Benefit)	$ 594,889	$ 236,103
Deferred (Benefit)	(137,784)	505,694
	$ 457,105	$ 741,797

The deferred tax assets shown below relate primarily to unrealized losses on foreclosed real estate, deferred compensation, and net operating loss carryforwards. The deferred tax liabilities relate primarily to the provision for loan losses, depreciation of fixed assets, FHLB stock dividends and certain prepaid expenses.

	2024	2023
Deferred Tax Assets	$ 873,627	$ 1,007,784
Deferred Tax Liabilities	(426,023)	(653,957)
Net Deferred Tax Assets (Liabilities)	$ 447,604	$ 353,827

Included in the 2024 deferred tax assets above is $367,017 of deferred tax effect on the net unrealized loss on securities available for sale ($411,024 in deferred tax assets on the net unrealized loss in 2023).

NOTE 10 - RELATED PARTY TRANSACTIONS

Loans to principal officers, directors, or their affiliates at December 31, 2024 and 2023 were approximately $165,000 and $167,000, respectively.

Deposit account balances owned by principal officers, directors, and their affiliates at December 31, 2024 and 2023 were approximately $839,000 and $1,573,000, respectively.

NOTE 11 - FEDERAL HOME LOAN BANK ADVANCES

The following table is a maturity schedule of advances from the Federal Home Loan Bank as of December 31, 2024:

Date of Advance	Interest Rate	Final Maturity Date	Amount Outstanding at 12/31/24
12/21/05	5.17%	01/01/31	$ 483,221

Interest expense associated with the advances from the FHLB totaled $26,560 for the year ended December 31, 2024 ($29,887 in 2023). Pursuant to collateral agreements with the FHLB, the advances are secured by the Company's FHLB stock and certain qualifying residential first mortgage loans totaling approximately $59,864,000 as of December 31, 2024 ($60,143,000 in 2023), and commercial real estate loans totaling approximately $13,713,000 as of December 31, 2024 ($14,826,000 in 2023). All of the fixed rate advances have a prepayment penalty. The prepayment penalty would be based on the market rates and the length of time remaining until maturity at the time of payoff.

Additionally, the Company maintains a line of credit advance agreement with the FHLB which allows borrowings up to $45,000,000 ($40,000,000 in 2023). This line was undrawn as of December 31, 2024 and 2023. The Company also maintains a letter of credit line for the collateralization of public unit deposits up to $45,000,000 ($40,000,000 in 2023), for which balances outstanding as of December 31, 2024 and 2023 were $21,900,000 and $24,400,000, respectively.

NOTE 12 - SUBORDINATED DEBENTURES AND OTHER DEBT

On September 20, 2004, the Company borrowed $3,000,000 of floating rate mandatory redeemable securities through a special purpose entity, Rogersville Statutory Trust II, as part of a private offering. The rate, which varies quarterly with SOFR, was 6.90% at December 31, 2024. The securities mature on September 20, 2034; however, the maturity may be shortened on a quarterly basis, subject to approval of a repayment or refinancing plan by the Federal Reserve. Outstanding securities as of December 31, 2024 and 2023 were $500,000 and $1,000,000, respectively.

On December 14, 2006, the Company borrowed $4,000,000 of floating rate mandatory redeemable securities through a special purpose entity, Rogersville Statutory Trust III, as part of a private offering. The rate, which varies quarterly with SOFR, was 6.31% at December 31, 2024. The securities mature on December 14, 2036; the maturity may be shortened on a quarterly basis, subject to approval of a repayment or refinancing plan by the Federal Reserve. Outstanding securities as of December 31, 2024 and 2023 were $1,500,000 and $2,000,000, respectively.

The Company has provided a full, irrevocable, and unconditional guarantee on a subordinated basis of the obligations of the Trusts under the preferred securities in the event of a default, as defined in such guarantees. These subordinated debentures allow the Company to defer the payment of quarterly interest payments for up to 20 consecutive quarters without creating an event of default. Pursuant to the debentures, the Company and its affiliates cannot declare or pay any dividends or distributions on their capital stock (other than the payment of dividends or distributions from the Bank to the Holding Company), or repurchase, redeem, or acquire their capital stock during an interest deferred period until the unpaid interest payments have been paid. Accrued but unpaid interest totaled $5,920 at December 31, 2024 ($10,244 at December 31, 2023).

These securities are presented as liabilities on the Company’s balance sheet and count as Tier 1 and Tier 2 capital for regulatory capital purposes. In accordance with GAAP, the Trusts are not consolidated with the Company. Accordingly, the Company reports as liabilities the subordinated debentures issued by the Company and held by the Trusts. The Company’s equity investment in the Trusts ($217,000) is included in other assets at year-end 2024 and 2023.

NOTE 12 - SUBORDINATED DEBENTURES AND OTHER DEBT (Continued)

The Company also has available federal funds lines (or equivalent thereof) with correspondent banks totaling $16,100,000 as of December 31, 2024 ($18,100,000 as of December 31, 2023). None of these lines had balances outstanding as of December 31, 2024 and 2023. No collateral was pledged related to these lines as of December 31, 2024 and 2023.

NOTE 13 - SHAREHOLDERS' EQUITY

As of December 31, 2024 and 2023, the Company's charter authorized the issuance of up to 10,000,000 shares of common stock, no par value, 1,000,000 shares of preferred stock, no par value, and 400,000 shares of Series A and 200,000 shares of Series B Preferred Stock, at a par value of $8.05.

The Series A and Series B preferred stock are noncumulative, have no voting rights, have a dividend and liquidation preference to the common stock, and participate equally with the common stock in a sale or change in control of the Company. Preferred Series A shareholders are entitled to receive a dividend that is 105% of the dividend paid on the common stock. Preferred Series B shareholders are entitled to receive a dividend that is 110% of the dividend paid on the common stock. In the event of a change of control of the corporation, each share of Series A and Series B preferred stock is convertible into one share of common stock. Series A and Series B preferred stock have no redemption rights.

Treasury stock includes 83,682 shares of common stock at a cost of $809,687; 8,408 shares of Series A preferred stock at a cost of $133,742; and 225 shares of Series B preferred stock at a cost of $3,569 at December 31, 2024 and 2023.

NOTE 14 - REGULATORY CAPITAL REQUIREMENTS

The Bank and Holding Company are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet the minimum regulatory 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 and Holding Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank and Holding Company 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 and Holding Company’s capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank and Holding Company to maintain minimum amounts and ratios. Management believes, as of December 31, 2024 and 2023, that the Bank and Holding Company meet all capital adequacy requirements to which they are subject.

As of December 31, 2024 and 2023, the Bank is categorized as *well capitalized* under the regulatory framework for prompt corrective action. There are no conditions or events since that date that management believes have changed the Bank’s category.

In November 2019, the Office of the Comptroller, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (collectively, the agencies) jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio (CBLR) framework, for qualifying community banking organizations, consistent with section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act. The final rule became effective on January 1, 2020 and was elected by the Bank and Holding Company for the year ending December 31, 2020.

NOTE 14 - REGULATORY CAPITAL REQUIREMENTS (Continued)

The community bank leverage ratio removes the requirement for qualifying banking organizations to calculate and report risk-based capital but rather only requires a leverage ratio (equal to tier 1 capital divided by average total assets). Qualifying banking organizations that elect to use the CBLR framework and that maintain a leverage ratio of greater than required minimums will be considered to have satisfied the risk-based and leverage capital requirements in the agencies' generally applicable capital rule and will be considered to have met the well-capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act. Under the final rules, the community bank leverage ratio minimum requirement is 9%. The rule allows for a two-quarter grace period to correct a ratio that falls below the required amount, provided that the banking organization maintains a leverage ratio of 8%.

Under the final rule, an eligible banking organization can opt out of the CBLR framework and revert back to the risk-weighting framework without restriction. As of December 31, 2024 and 2023, both the Bank and Holding Company were qualifying community banking organizations as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

The Holding Company's and Bank's actual capital amounts and ratios as of December 31, 2024 and 2023 are presented in the following table. All dollar amounts are in thousands of dollars.

			To Be Well Capitalized Under Prompt Corrective Action Provisions (CBLR Framework)	
	Amount	Ratio	Amount	Ratio
<u>As of December 31, 2024</u>				
Tier I Capital (to Average Assets):				
Holding Company (Consolidated)	$ 24,631	12.41%	$ 17,861	9.00%
Bank	$ 21,177	10.68%	$ 17,838	9.00%
<u>As of December 31, 2023</u>				
Tier I Capital (to Average Assets):				
Holding Company (Consolidated)	$ 24,303	11.59%	$ 18,868	9.00%
Bank	$ 22,228	10.61%	$ 18,853	9.00%

The Bank and Holding Company are also subject to federal and state regulations restricting the amount of dividends paid.

NOTE 15 - STOCK COMPENSATION PLANS

The Company has two stock-based compensation plans, the 2022 Employee Stock Incentive Plan (the Employee Plan), and the 1994 Outside Directors' Stock Option Plan (the Directors' Plan), which are described below.

2022 Employee Stock Incentive Plan - This plan provides for the granting of stock options to purchase up to 250,000 shares of common stock by key employees of the Company. This plan also provides for the granting of stock appreciation rights. No new awards under this plan can be granted after March 30, 2032. No options were granted during the years ended December 31, 2024 and 2023. Options may be granted under this plan subject to such terms and conditions as decided by the Company, subject to the terms and provisions of the plan. The exercise price may be less than the market price of the Company's stock at the date of grant. These option awards vest based on a period of continuous service as decided by the Company and have ten-year contractual terms. As of December 31, 2024, there are 225,000 options remaining to be granted under this plan. Stock appreciation rights granted under this plan vest based on a period of continuous service as decided by the Company and have ten-year contractual terms. In no event shall the appreciation base of the shares of common stock subject to the stock appreciation rights be less than the market price of the Company's stock at the date of grant.

NOTE 15 - STOCK COMPENSATION PLANS (Continued)

1994 Outside Directors' Stock Option Plan – This plan provides for the granting of options to purchase up to 225,000 shares of common stock by non-employee directors of the Company. This Plan has been amended to extend through June 30, 2026. No options were granted under this plan during the year ended December 31, 2024 or 2023. Under this plan, option awards are granted with an exercise price equal to the market price of the Company's stock at the date of grant. These option awards vest based on five years of continuous service and have ten-year contractual terms. As of December 31, 2024, there are 85,500 options remaining to be granted under this plan.

A summary of stock option activity under the Company's stock-based compensation plans as of December 31, 2024 and changes during the year then ended is presented below:

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2024	58,000	$ 6.61		
Granted	0			
Exercised	(2,600)	6.61		
Forfeited	0			
Expired	(15,000)	6.61		
Outstanding at December 31, 2024	40,400	$ 6.61	5.22	$ 90,496
Exercisable at December 31, 2024	40,400	$ 6.61	5.22	$ 90,496

A summary of the status of the Company's nonvested stock option shares as of December 31, 2024 and changes during the year then ended is presented below:

Options	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2024	11,600	$ 2.39
Granted	0	
Vested	(11,600)	2.39
Forfeited	0	
Nonvested at December 31, 2024	0	

During the year ended December 31, 2024, 2,600 options were exercised from the Directors' Plan for a cash value of $17,186 and an intrinsic value of $6,002 (4,500 options for a cash value of $29,745 and an intrinsic value of $14,130 in 2023). The total fair value of stock option shares vested during the year ended December 31, 2024, was $12,500 ($34,274 in 2023).

The fair value of each option award is estimated on the date of grant using a Black-Scholes valuation model. Expected volatility is based on historical volatility of the Company's stock over similar terms. The expected term of options granted is based on the contractual terms and estimates of the period that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

The Company has granted stock appreciation rights under the Employee Plan. The stock appreciation rights are to be settled in cash and are therefore classified as liabilities. The liability is remeasured at fair value at the end of each year until exercise or expiration, with any adjustments recorded through stock-based compensation cost. Holders of stock appreciation rights are entitled to the right to receive a cash payment from the Company equal to the amount by which the market price of the Company's stock at the exercise date exceeds the award price.

NOTE 15 - STOCK COMPENSATION PLANS (Continued)

A summary of stock appreciation rights activity under the Company's stock-based compensation plans as of December 31, 2024 and changes during the year then ended is presented below:

Stock Appreciation Rights	Shares	Weighted-Average Award Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2024	15,000	$ 9.00		
Granted	0			
Exercised	(5,000)	9.00		
Forfeited	0			
Expired	0			
Outstanding at December 31, 2024	10,000	$ 9.00	7.42	$ (1,500)
Exercisable at December 31, 2024	10,000	$ 9.00	7.42	$ (1,500)

A summary of the status of the Company's nonvested stock appreciation rights as of December 31, 2024 and changes during the year then ended is presented below:

Stock Appreciation Rights	Shares	Weighted-Average Fair Value
Nonvested at January 1, 2024	15,000	$ 3.33
Granted	0	
Vested	(15,000)	2.53
Forfeited	0	
Nonvested at December 31, 2024	0	

No stock appreciation rights were granted during the years ended December 31, 2024 or 2023. The accrued liability for stock appreciation rights is $25,338 and $39,546 as of December 31, 2024, and 2023, respectively.

The fair value of each stock appreciation right award is estimated on the date of grant and on every reporting date thereafter using a Black-Scholes valuation model. Expected volatility is based on historical volatility of the Company's stock over similar terms. The expected term of stock appreciation rights granted is based on the contractual terms and estimates of the period that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of the respective reporting dates. The significant assumptions used to estimate the fair-value of stock appreciation right awards are as follows:

	2024	2023
Expected Volatility	30.00%	30.00%
Expected Dividend Rate	2.83%	2.50%
Expected Term (in Years)	7.42	8.42
Risk-free Rate	4.48%	3.88%

Stock-based compensation cost charged against income was $(507) and $58,909 for the years ending December 31, 2024 and 2023, respectively. The total related income tax benefit (expense) recognized was $(8,529) and $13,332 for 2024 and 2023, respectively. As of December 31, 2024, there was no unrecognized compensation cost related to nonvested stock-based compensation arrangements granted under the Company's plans.

NOTE 16 - EARNINGS PER SHARE

The following table illustrates the computation of basic and diluted earnings per share of common stock for the years ended December 31, 2024 and 2023:

	2024			2023		
	Income	Weighted Average Shares	Per Share Amount	Income	Weighted Average Shares	Per Share Amount
Net Income	$ 1,914,129			$ 2,432,486		
Less: Dividends Paid to Preferred Shareholders	(63,772)			(63,772)		
Basic Earnings Per Share						
Net Income Available to Common Shareholders	1,850,357	1,621,397	$ 1.14	2,368,714	1,623,124	$ 1.46
Effect of Dilutive Securities						
Incremental Shares - Exercise of Stock Options		10,054			19,431	
Convertible Preferred Stock	63,772	241,518		63,772	241,518	
Diluted Earnings per Share						
Net Income Available to Common Shareholders Plus Assumed Conversions	$ 1,914,129	1,872,969	$ 1.02	$ 2,432,486	1,884,073	$ 1.29

NOTE 17 - EMPLOYEE BENEFITS

The Company maintains a 401(k) plan for all employees who have attained the age of 18 and have at least three months of service. The plan provides for a discretionary employer matching contribution, in which the employee is 100% vested. The Company may also make additional discretionary contributions (qualified non-elective or profit-sharing contributions) as determined by the Board of Directors. For these contributions, employees begin to vest in the second year and are fully vested after six years. The Company's employer matching contribution to the 401(k) plan amounted to $47,048 in 2024 and $47,181 in 2023.

The Company is providing post-retirement pension benefits to a former employee. A present value-based charge, which is included in non-interest expense, is made each year based on the future benefits to be paid to the employee (or beneficiary) under the plan. Total amounts paid or accrued during the year under such arrangements amounted to $23,595 and $22,496 in 2024 and 2023, respectively.

The Company has a Supplemental Executive Retirement Plan which provides retirement benefits to several retired officers. In addition, the Company also has an Executive Deferred Compensation Plan which provides deferred compensation benefits for certain key officers. The accrued retirement liability for these plans was $1,430,296 at December 31, 2024 ($1,517,154 at December 31, 2023). Expense related to these plans was $132,006 in 2024 and $124,660 in 2023, and is included in salaries and employee benefits expense.

The Company also provides life insurance benefits to certain employees under split-dollar insurance contracts. The accrued liability was $284,107 at December 31, 2024 and $271,908 at December 31, 2023). Expense related to this plan was $12,199 in 2024 and $6,156 in 2023, and is included in salaries and employee benefits expense.

NOTE 18 - OFF-BALANCE SHEET ACTIVITIES

Certain financial instruments, such as loan commitments, credit lines, letters of credit, and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance-sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

The approximate contractual amounts of financial instruments with off-balance sheet risk were as follows at December 31:

	2024		2023	
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Commitments to Make Loans	$ 6,251,628	$ 13,315,281	$ 6,437,045	$ 8,037,057
Unused Letters of Credit	63,017	0	62,159	0

Commitments to make loans are generally made for periods of 1 year or less. The fixed rate loan commitments have interest rates ranging from 3.25% to 10.00% and maturities ranging from 1 year to 30 years. Approximately $12,821,000 of the commitments to make loans were collateralized, primarily by real estate, at December 31, 2024 ($7,120,000 at December 31, 2023).

NOTE 19 - FAIR VALUE DISCLOSURES

GAAP establishes a framework for using fair value. It also defines fair value rules as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP generally permits the measurement of selected eligible financial instruments at fair value at specified election dates. The Company did not elect to adopt the fair value option for any financial instruments. However, other accounting pronouncements require the Company to measure certain financial instruments at fair value as described below.

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

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. An active market for the asset and liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs reflect the reporting entity’s own assumptions about the assumptions that market participants would use in pricing the asset or liability.

NOTE 19 - FAIR VALUE DISCLOSURES (Continued)

A description of valuation methodologies used for assets and liabilities recorded at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is shown below. The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Investment Securities Available for Sale - Investment securities available for sale are recorded at fair value in accordance with GAAP on a recurring basis. Fair value measurement for these securities is based upon quoted prices of like or similar securities, utilizing Level 2 inputs. These measurements are obtained from a service provider who considers observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the securities' terms and conditions, among other things.

Collateral Dependent Loans - The Company's loans individually assessed for an allowance for credit losses are considered to be collateral-dependent and are primarily valued using third-party appraisals or other valuations based on sales of similar assets. Collateral is primarily real estate but may sometimes include other business assets, including equipment, inventory, or accounts receivable. The appraisals or other valuations are sometimes further discounted based on management's historical knowledge, changes in market conditions from the date of the most recent appraisal, and management's expertise and knowledge of the customer and the customer's business. Such discounts by management are subjective and are typically significant unobservable inputs for determining fair value.

Foreclosed Real Estate - Foreclosed real estate is carried at the lower of the outstanding loan amount at time of foreclosure or estimated fair value less estimated selling costs. Estimated fair value is determined using third-party appraisals based on sales of comparable properties and is classified with Level 3 of the valuation hierarchy. The appraisals are sometimes further discounted based on management's historical knowledge, changes in market conditions from the date of the most recent appraisal, and management's expertise and knowledge of the customer and the customer's business. Such discounts are typically unobservable inputs for determining fair value.

NOTE 19 - FAIR VALUE DISCLOSURES (Continued)

Assets Recorded at Fair Value on a Recurring Basis

Below is a table that presents information about certain assets measured at fair value:

	Carrying Amount in the Balance Sheet	Fair Value Measurements Using: Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2024				
U.S. Treasury Securities	$ 4,735,120	$ 4,735,120	$ 0	$ 0
Small Business Admin. Securities	486,243	0	486,243	0
U.S. Government Agency Securities	5,477,229	0	5,477,229	0
Residential Mortgage-Backed Securities	3,400,793	0	3,400,793	0
Taxable Municipal Securities	809,233	0	809,233	0
Tax Exempt Municipal Securities	1,000,089	0	1,000,089	0
Investment Securities Available for Sale	$ 15,908,707	$ 4,735,120	$ 11,173,587	$ 0
As of December 31, 2023				
U.S. Treasury Securities	$ 7,642,800	$ 7,642,800	$ 0	$ 0
Small Business Admin. Securities	592,374	0	592,374	0
U.S. Government Agency Securities	4,043,720	0	4,043,720	0
Residential Mortgage-Backed Securities	4,024,453	0	4,024,453	0
Taxable Municipal Securities	794,236	0	794,236	0
Tax Exempt Municipal Securities	1,019,741	0	1,019,741	0
Investment Securities Available for Sale	$ 18,117,324	$ 7,642,800	$ 10,474,524	$ 0

Assets measured at fair value on a nonrecurring basis are included in the table below.

	Carrying Amount in the Balance Sheet	Fair Value Measurements Using: Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2024				
Collateral Dependent Loans, Net of Allowance for Credit Losses	$ 1,357,736	$ 0	$ 0	$ 1,357,736
Foreclosed Real Estate	65,000	0	0	65,000
	$ 1,422,736	$ 0	$ 0	$ 1,422,736
As of December 31, 2023				
Collateral Dependent Loans, Net of Allowance for Credit Losses	$ 322,179	$ 0	$ 0	$ 322,179
Foreclosed Real Estate	175,000	0	0	175,000
	$ 497,179	$ 0	$ 0	$ 497,179

NOTE 19 - FAIR VALUE DISCLOSURES (Continued)

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

The following table presents quantitative information about Level 3 fair value measurements for assets measured at fair value on a non-recurring basis:

	Fair Value	Valuation Technique	Unobservable Inputs	Range	Weighted Average*
As of December 31, 2024					
Collateral Dependent Loans, Net of Allowance for Credit Losses	$ 1,357,736	Appraisal	Appraisal discounts	0%	0%
Foreclosed Real Estate	$ 65,000	Appraisal	Appraisal discounts	0	0%
As of December 31, 2023					
Collateral Dependent Loans, Net of Allowance for Credit Losses	$ 322,179	Appraisal	Appraisal discounts	0%	0%
Foreclosed Real Estate	$ 175,000	Appraisal	Appraisal discounts	0% - 100%	0%

* The weighted averages were calculated based on the relative fair value of the assets.

The following table presents the carrying amounts, estimated fair value and placement in the fair value hierarchy of the Company's financial instruments that are not carried at fair value at December 31, 2024 and 2023:

	Carrying Amount in the Balance Sheet	Estimated Fair Value	Fair Value Measurements Using: Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2024					
Financial Assets:					
Cash and Cash Equivalents	$ 28,512,445	$ 28,512,445	$ 28,512,445	$ 0	$ 0
Loans, Net	138,903,474	131,733,521	0	0	131,733,521
Cash Surrender Value of Life Insurance	8,258,823	8,258,823	0	0	8,258,823
Financial Liabilities:					
Deposits	163,934,289	163,747,289	0	0	163,747,289
Securities Sold Under Agreements to Repurchase	4,987,092	4,987,092	0	0	4,987,092
Federal Home Loan Bank Advances	483,221	481,221	0	0	481,221
Subordinated Debentures	2,217,000	2,217,000	0	0	2,217,000
As of December 31, 2023					
Financial Assets:					
Cash and Cash Equivalents	$ 31,448,313	$ 31,448,313	$ 31,448,313	$ 0	$ 0
Loans, Net	146,994,883	134,077,469	0	0	134,077,469
Cash Surrender Value of Life Insurance	8,017,919	8,017,919	0	0	8,017,919
Financial Liabilities:					
Deposits	178,818,660	178,489,660	0	0	178,489,660
Securities Sold Under Agreements to Repurchase	4,228,686	4,228,686	0	0	4,228,686
Federal Home Loan Bank Advances	549,103	541,103	0	0	541,103
Subordinated Debentures	3,217,000	3,217,000	0	0	3,217,000

NOTE 19 - FAIR VALUE DISCLOSURES (Continued)

The methods and assumptions used to estimate fair value are described as follows.

The carrying amount approximates the estimated fair value for cash and cash equivalents, short-term borrowings, demand deposits and securities sold under agreements to repurchase. The fair value of loans is estimated with a discounted cash flow approach using market rates and incorporates a credit risk factor to determine the exit price. For time deposits fair value is based on discounted cash flows using current market rates. Recorded book value of cash surrender value of life insurance is a reasonable estimate of fair value. Fair value of FHLB advances, Federal Reserve Bank and subordinated debentures is based on current rates for similar financing. The fair value of off-balance sheet loan commitments is considered nominal and not disclosed above. Management does not consider it practicable to estimate the fair value of equity investments carried at cost. Therefore, no estimate of fair value for these investments is disclosed.

Much of the information as well as the amounts disclosed above are highly subjective and judgmental in nature. The subjective factors include estimates of cash flows, risk characteristics, credit quality, and interest rates, all of which are subject to change. Because the fair value is estimated as of December 31, 2024 and 2023, the amounts which will actually be realized or paid upon settlement or maturity of the various financial instruments could be significantly different.

NOTE 20 - SIGNIFICANT GROUP CONCENTRATIONS OF CREDIT RISK

Most of the Company's business activity is with customers located within East Tennessee. As of December 31, 2024 and 2023, the Company had concentrations of loans in residential real estate, commercial real estate and commercial lending. Generally, these loans are secured by the underlying real estate or commercial assets. The usual risks associated with such concentrations are generally mitigated by being spread over numerous borrowers and by adequate loan to collateral value ratios. The Company has concentrations in U.S. Government agency and residential mortgage-backed securities that are guaranteed by the Federal National Mortgage Association, the Federal Home Loan Mortgage Association, the Federal Farm Credit Company and the Federal Home Loan Bank. The Company also has a concentration in municipal bonds, which are issued by instrumentalities across the State of Tennessee.

NOTE 21 - COMMITMENTS AND CONTINGENCIES

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

NOTE 22 - SEGMENT INFORMATION

The Company's reportable segment is determined by the Chief Executive Officer and the Chief Financial Officer, who are the designated chief operating decision makers, based upon information provided about the Company's products and services offered, primarily banking operations. The segment is also distinguished by the level of information provided to the chief operating decision makers, who use such information to review performance of various components of the business, such as branches and subsidiary banks, which are then aggregated if operating performance, products/services, and customers are similar. The chief operating decision maker will evaluate the financial performance of the Company's business components such as by evaluating revenue streams, significant expenses, and budget to actual results in assessing the Company's segment and in the determination of allocating resources. The chief operating decision makers use revenue streams to evaluate product pricing and significant expenses to assess performance and evaluate return on assets. The chief operating decision makers use consolidated net income to benchmark the Company against its competitors. The benchmarking analysis, coupled with monitoring of budget to actual results, are used in assessment of performance and in establishing compensation. Loans, investments, and deposits provide the revenues in the banking operation. Interest expense, provisions for credit losses, and payroll provide the significant expenses in the banking operation. All operations are domestic.

NOTE 22 - SEGMENT INFORMATION (Continued)

Accounting policies for segments are the same as those described in Note 1. Segment performance is evaluated using consolidated net income. The measure of segment assets is reported on the balance sheet as total consolidated assets. Information reported internally for performance assessment by the chief operating decision makers follows, inclusive of reconciliations of significant segment totals to the financial statements.

	2024	2023
Segment Revenues		
Interest Income	$ 10,096,578	$ 9,903,893
Other Revenues	866,984	791,272
Total Segment / Consolidated Revenues	10,963,562	10,695,165
Less:		
Interest Expense	2,558,955	1,793,547
Segment Net Interest Income and Noninterest Income	8,404,607	8,901,618
Less:		
Credit Loss Expense	223,076	(40,291)
Salaries and Employee Benefits	3,511,710	3,345,104
Data Processing, Software, Communications and Cybersecurity	644,823	648,105
Occupancy and Fixed Assets	596,251	596,758
Professional Services	186,796	226,257
Foreclosed Real Estate, Net	(101,529)	9,229
Other Expenses	972,246	942,173
Income Tax Expense	457,105	741,797
Segment / Consolidated Net Income	$ 1,914,129	$ 2,432,486
Other Segment Disclosures		
Interest Income	$ 10,096,578	$ 9,903,893
Interest Expense	2,558,955	1,793,547
Depreciation and Amortization [(a)]	183,351	200,820
Other Significant Noncash Expenses		
Credit Loss Expense	223,076	(40,291)
Stock-Based Compensation	12,500	34,274
Total Segment / Consolidated Assets	195,941,061	209,386,236
Expenditures for Long-Lived Assets	9,305	99,290

(a) The amounts of depreciation and amortization disclosed are included within the other segment expense captions, such as occupancy or software.

Shareholder Information

www.fcbanktn.bank

423-272-5800

(Ask for Matt Cradic for Shareholder Support)

Stock Transfer Agent

Pacific Stock Transfer Company (PSTC)

If you have any questions regarding address changes, transfers, receiving duplicate 1099s, direct deposit set up, etc., please contact PSTC at:

Contact: **Mr. William Saeger**
PH: **540-216-3011**
EMAIL: **bsaeger@pacificstocktransfer.com**

MAIL:
Pacific Stock Transfer Company
Global Operations
6725 Via Austi Pkwy, Suite 300
Las Vegas, Nevada 89119

PH: 800-785-7782
10:00 a.m. to 8:00 p.m. EST

EMAIL: info@pacificstocktransfer.com

WEB: www.pacificstocktransfer.com

Raymond James

Market Maker for First Community Corporation stock:

Raymond James and Associates, Inc.
Lou C. Coines
Financial Institutions Sales & Trading
222 South Riverside Plaza, 7th Floor
Chicago, Illinois 60606
(800) 800-4693
Lou.Coines@raymondjames.com

OTCMarkets

OTCMarkets contains information about First Community Corporation stock (Profile, Prices, etc.)

http://www.otcmarkets.com/home

Stock Symbols

FCCT	First Community Corporation (Common)
FCCTP	First Community Corporation (Preferred A)
FCCTO	First Community Corporation (Preferred B)

FIRST COMMUNITY CORPORATION
COMMON STOCK AND DIVIDEND INFORMATION
Years Ended December 31, 2024 and 2023

First Community Corporation (the "Corporation") has only one class of common stock authorized, issued and outstanding. In December 2006, the Corporation listed its stock on the Over-The-Counter Bulletin Board (OTCBB) quotation service. This company transitioned to the OTC Markets Group quotation service in early 2012. The Corporation has appointed Raymond James & Associates, Inc., as the principal market maker for the stock. Information about the stock may be obtained at the OTC Markets Group website at www.otcmarkets.com, under the symbol FCCT. In addition, anyone wishing to buy or sell shares of Corporation stock may contact Raymond James & Associates at 1-800-800-4693. However, there can be no assurance that, at any given time, any persons will be interested in acquiring shares of the Corporation's common stock.

On February 23, 2007, the Shareholders of the Corporation approved a reclassification transaction whereby holders of fewer than 1,500 shares of common stock had their shares exchanged for either Series A Preferred or Series B Preferred stock. An amendment to the Corporation's Charter was also filed on February 23, 2007, creating these two new classes of stock.

On February 22, 2023, First Community Corporation purchased 35,250 shares of FCCT common stock from its wholly owned subsidiary, First Community Bank of East Tennessee. These shares are now held as treasury stock by First Community Corporation. This transaction reduced the number of common shares outstanding to 1,620,062.

The Corporation pays dividends from time to time on the outstanding shares of our stock as determined by the Board of Directors at its discretion based on the Corporation's financial performance and condition. Future dividends will depend upon earnings, financial position, cash requirements and such other factors as the Board of Directors may deem relevant. The following table sets forth the cash dividends declared per share of the Corporation's common stock and the highest and lowest per share prices at which the Corporation's common stock has actually traded in private transactions during the periods indicated. To the best of management's knowledge, such prices do not include any retail mark-up, mark-down or commission. Shares may have been sold in transactions, the price and terms of which are not known to the Corporation. Therefore, the per share prices at which the Corporation's common stock has previously traded may not necessarily be indicative of the true market value of the shares.

2024	High	Low	Dividends per share
First quarter	$ 9.50	8.80	.00
Second quarter	8.95	8.00	.00
Third quarter	9.25	8.32	.00
Fourth quarter	9.24	8.80	.25

2023	High	Low	Dividends per share
First quarter	$ 12.00	9.81	.00
Second quarter	10.00	9.61	.00
Third quarter	10.00	9.50	.00
Fourth quarter	10.24	9.65	.25

The authorized common stock of the Corporation consists of 10,000,000 shares of common stock, no par value per share, of which 1,622,662 were outstanding as of December 31, 2024. There were 40,400 shares of the Corporation's common stock that are subject to outstanding options, warrants or securities convertible into common stock. The Corporation had approximately 225 common shareholders of record as of December 31, 2024.

First Community Bank of East Tennessee

Board of Directors, Officers & Staff

As of April 01, 2025

Executive Officers

Tyler K. Clinch
Chief Executive Officer and President

Dana Parkinson
Senior Vice President and Chief Lending Officer

Matthew R. Cradic
Senior Vice President and Chief Financial Officer

Board of Directors

Tyler K. Clinch, Chairman, CEO and President
Matthew Cleek
Sidney K. Lawson
Kathy Richards
Steve Droke
Dr. David Johnson
Bobby Stoffle
Greg DePriest

Officers

Paul G. Penland
Senior Vice President and Chief Credit Officer

Stephanie Iane
Vice President and Retail Lending Manager

Cathy Trent
Vice President and Controller

B. Evelyn Anderson
Vice President and
Human Resources Director

Jordan Key
Vice President and IT & Security Officer

Allison Ball
Assistant Vice President and BSA/Compliance Officer

Miles Snider
Vice President and Senior Credit Analyst

Jennifer Starnes
Vice President and Market Area President

Lauren D'Ambrosio
Assistant Vice President and Loan Operations Manager

Candace Freeman
Assistant Vice President and Commercial Loan
Portfolio Specialist

Tammy F. Hobbs
Vice President and Commercial Loan Portfolio
Specialist and Assistant to Chief Lending Officer

Debbie Price
Vice President and Branch Manager/Lender
East Main Office, Rogersville

Ashley Lawson
Assistant Vice President and Branch Manager/Lender
West Main Office, Rogersville

Jamie Ward
Assistant Vice President and Branch Manager/Lender
Church Hill Office

Tina Dunn
Banking Office and Loan Servicing Post Closing
Specialist

Stacci Baker
Banking Officer and Customer Information File (CIF)
Specialist and CSR

Mollie Carr
Banking Officer and Financial Analyst

Kayla Blevins
Banking Officer and Compliance Specialist

Elizabeth Craft
Banking Officer and Technology Operations Manager

STAFF

Mary Alice Beck
Christopher Bowman
Mahala Brooks
Leeah Buttry
Jordan Cunningham
Cody Ferrell
Megan Harrell
Karen Horton
Yvette Knight
Elizabeth Lawson
Darla LeBlanc
Mauricia Moore
Hunter Mowell
Kassidy Parvin
Joanna Phillips
Marsha Powell
Hannah Sexton
Tia Trent
Karrie Walker
Audrey Walls

Legal Counsel

Marcy Walker, Attorney at Hunter, Smith, & Davis

first Community Corporation

LENDERS *You Know and Trust*

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SVP, Chief Lending Officer

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first Community Corporation

LENDERS *You Know and Trust*

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JAMIE WARD
AVP, Br. Mgr., Loan Officer

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NMLS# 1852053

first Community Corporation

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(423) 272-1962 fax

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(423) 272-6607 fax

Church Hill Office
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Church Hill, TN 37642
(423) 357-5800
(423) 256-3088 fax

Downtown Kingsport Office
P.O. Box 1384
444 East Center Street
Kingsport, TN 37662
(423) 392-5800
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