2024 ANNUAL REPORT

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PEOPLES TRUST *Company*

The bank with a *heart*

SINCE 1886

Photography by David Bruekner

2024
ANNUAL REPORT

Looking to the future.

PEOPLES TRUST *Company*
The bank with a *heart*

2024
BRANCH LOCATIONS

Main Office
25 Kingman Street
St. Albans, VT

Enosburg Falls
140 Main Street
Enosburg Falls, VT

Franklin Park West
1 Franklin Park West
St. Albans, VT

PEOPLES TRUST *Company*
The bank with a *heart*

Photography by David Bruekner

2024

BRANCH LOCATIONS

Georgia
1127 Ethan Allen Highway
Georgia, VT

Swanton
123 First Street
Swanton, VT

Customer Service
Local:
(802) 524-2196
Online Banking:
www.PTCVT.com
Telephone Banking:
(802) 524-5054
(800) 203-9575

PEOPLES TRUST *Company*
The bank with a *heart*

2024

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The bank with a *heart*

PEOPLES TRUST Company
The bank with a heart

March 1, 2025

Dear Peoples Trust Company Shareholder,

Enclosed please find the Peoples Trust Company 2024 Audited Financial Report. The results of this financial report reflect the execution of our strategic planning goals by the staff and Board of Directors. The strong results are also our confirmation that we remain relevant, the community appreciates our personal-touch-local banking model, and we are having a positive impact in our marketplace. Success for us, however, goes far beyond financial trends or ratios. Our team takes great pride in helping clients realize the dream of homeownership, starting their own business, or saving to send a loved one to college. I'm thankful to work alongside such a talented and dedicated group of employees. The success we have experienced is a direct result of their hard work and effort. Our focus continues to be on supporting the communities we serve and seeking responsible growth opportunities for the future.

You will notice the bank realized a significant increase in earnings this past year, along with growth in loans, deposits and overall assets. We have been able to effectively grow the loan portfolio while also growing our stable base of cost-effective deposits, which allows us to better serve our customers and support the bank's growth initiatives. Asset Quality is strong, and delinquencies are minimal and well controlled. Your bank continues to maintain a strong capital position, with ratios easily exceeding the FDIC definition of a *well-capitalized* financial institution. Below are a few of the financial highlights of the year ending December 31, 2024, compared to the year ending December 31, 2023. Please find additional information and detail in the accompanying pages of this report:

- ***Net income increased by $775,828, or 27.3%, to $3,617,160.***
- ***Total Assets increased by $11,697,831, or 3.3%, to $369,402,549.***
- ***Deposits increased by $8,334,340, or 2.6%, to $325,922,065.***
- ***Net Loans in the owned portfolio increased by $37,206,188, or 15.8%, to $272,596,029.***
- ***Earnings per share increased to $6.83 per share as of December 31, 2024.***

In November of 2024, Peoples Trust Company strategically repositioned its balance sheet with the sale of $11.2 million in securities from its investment portfolio for a pretax realized loss of $376,043. Proceeds from the sale of this loss-earn back strategy were reinvested in *higher yielding securities*. *The completion of this strategy will have a positive effect on future earnings, net interest margin and return on assets*. We are pleased to complete this repositioning in 2024 while still realizing record earnings for the company and a 27.3% increase over 2023 earnings. This action positions your bank well for the future.

Looking to the future includes our valued shareholder base. The Board continues to enhance shareholder value through share buyback/retirement, stock appreciation, community impact and increased dividend payouts. To that extent, at the February 2025 Board meeting, your Board of Directors voted to again increase the annual dividend payout to its shareholders from $1.15 per share to $1.20 per share. We appreciate all our shareholders. Your support, along with your willingness to be ambassadors for your community bank, is important to us.

I would encourage all of you to attend our Annual Shareholder meeting which will be held on Tuesday, April 15th, 2025, at 10:00am in the Boardroom of our Main Office at 25 Kingman Street in St. Albans. I look forward to seeing you all after a very cold winter!

On behalf of all of us at the Peoples Trust Company, I want to thank you for your investment and your support of the "Bank with a Heart".

Sincerely,

Thomas J. Gallagher

Thomas J. Gallagher
President/CEO
Peoples Trust Company

BerryDunn

Peoples Trust Company of St. Albans

FINANCIAL STATEMENTS

December 31, 2024 and 2023

With Independent Auditor's Report

BerryDunn
BDMP Assurance, LLP

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Peoples Trust Company of St. Albans

Opinion

We have audited the accompanying financial statements of Peoples Trust Company of St. Albans (the Bank), which comprise the balance sheet as of December 31, 2024, and the related statements of income, comprehensive income, changes in stockholders' equity and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the 2024 financial statements referred to above present fairly, in all material respects, the financial position of Peoples Trust Company of St. Albans as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Basis for Opinion

We conducted our audit in accordance with U.S. generally accepted auditing standards (U.S. 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 Bank 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.

Prior Period Financial Statements

The financial statements of the Bank as of December 31, 2023 were audited by Berry, Dunn, McNeil & Parker, LLC whose report dated February 21, 2024 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 Bank's ability to continue as a going concern within one year after the date that the financial statements are 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 U.S. 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 U.S. 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 Bank'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 Bank'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.

BDMP Assurance, LLP

Manchester, New Hampshire
February 14, 2025
Vermont Registration No. 192-0134133

PEOPLES TRUST COMPANY OF ST. ALBANS

Balance Sheets

Years Ended December 31, 2024 and 2023

ASSETS

	2024	2023
Cash and due from banks	**$ 6,843,873**	$ 7,452,591
Federal funds sold	**1,484,000**	8,089,000
Total cash and cash equivalents	**8,327,873**	15,541,591
Interest bearing deposits with banks	**7,560,037**	16,666,552
Securities available-for-sale	**62,444,455**	72,743,687
Nonmarketable equity securities	**323,700**	323,700
Loans held for sale	**-**	291,367
Loans receivable, net of allowance for credit losses	**272,596,029**	235,098,474
Bank premises and equipment, net	**5,153,868**	5,145,865
Accrued interest receivable	**1,263,902**	1,230,313
Bank owned life insurance	**7,346,580**	7,143,043
Other assets	**4,386,105**	3,520,126
Total assets	**$ 369,402,549**	$ 357,704,718

LIABILITIES AND STOCKHOLDERS' EQUITY

	2024	2023
Liabilities		
Deposits		
Demand deposits	**$ 105,801,512**	$ 109,935,418
Savings, NOW, and money market deposits	**152,653,835**	150,005,677
Time deposits $250,000 and over	**14,647,200**	10,754,008
Other time deposits	**52,819,518**	46,892,622
Total deposits	**325,922,065**	317,587,725
Repurchase agreements	**3,250,000**	3,250,000
Accrued interest payable and other liabilities	**2,400,177**	1,565,637
Total liabilities	**331,572,242**	322,403,362
Stockholders' equity		
Common stock, $0.50 par value; 2,000,000 shares authorized, 545,626 and 552,176 shares issued and outstanding in 2024 and 2023, respectively	**271,219**	272,813
Additional paid-in capital	**8,381,685**	8,381,685
Retained earnings	**33,130,602**	30,316,639
Accumulated other comprehensive loss	**(3,953,199)**	(3,669,781)
Total stockholders' equity	**37,830,307**	35,301,356
Total liabilities and stockholders' equity	**$ 369,402,549**	$ 357,704,718

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

PEOPLES TRUST COMPANY OF ST. ALBANS

Statements of Income

Years Ended December 31, 2024 and 2023

	2024	2023
Interest and dividend income		
Loans	$ 13,762,911	$ 10,635,917
Investment securities	1,896,661	1,918,894
Federal funds sold and other interest bearing deposits	1,158,422	2,216,574
Total interest income	16,817,994	14,771,385
Interest expense		
Deposits	2,658,548	1,410,102
Repurchase agreements	11,363	11,356
Total interest expense	2,669,911	1,421,458
Net interest income	14,148,083	13,349,927
Credit loss (reversal) expense – loans	(128,026)	775,000
Credit loss expense – off-balance sheet credit exposures	308,026	9,300
Total net credit loss expense	180,000	784,300
Net interest income after credit net loss expense	13,968,083	12,565,627
Other income		
Service charges on deposit accounts	678,744	679,054
Other service charges and fees	316,517	337,447
Interchange fees	1,038,027	1,071,961
Gain on sale of loans	255,336	210,000
Loss on sale of securities available-for-sale	(375,709)	-
Other income	749,242	691,904
Total other income	2,662,157	2,990,366
Other expenses		
Salaries and employee benefits	7,302,973	7,132,619
Occupancy and equipment expense	1,079,208	1,132,490
Software maintenance	742,862	716,129
Interchange expense	534,893	573,684
State franchise tax	365,212	380,523
Other expense	2,263,742	2,344,216
Total other expenses	12,288,890	12,279,661
Income before income taxes	4,341,350	3,276,332
Income tax expense	724,190	435,000
Net income	$ 3,617,160	$ 2,841,332
Earnings per common share	$ 6.83	$ 5.19

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

PEOPLES TRUST COMPANY OF ST. ALBANS

Statements of Comprehensive Income

Years Ended December 31, 2024 and 2023

	2024	2023
Net income	$ 3,617,160	$ 2,841,332
Other comprehensive (loss) income, net of tax		
Unrealized (loss) gain on securities available-for-sale		
Unrealized holding (losses) gains arising during period	(734,466)	2,196,216
Less: reclassification adjustment for losses included in net income	375,709	-
Other comprehensive (loss) income, before tax effect	(358,757)	2,196,216
Tax effect	(75,339)	461,206
Other comprehensive (loss) income, net of tax	(283,418)	1,735,010
Total comprehensive income	$ 3,333,742	$ 4,576,342

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

PEOPLES TRUST COMPANY OF ST. ALBANS

Statements of Changes in Stockholders' Equity

Years Ended December 31, 2024 and 2023

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance, December 31, 2022	$276,088	$8,381,685	$28,577,530	$ (5,404,791)	$31,830,512
Net income	-	-	2,841,332	-	2,841,332
					-
Other comprehensive income	-	-	-	1,735,010	1,735,010
Impact of adoption of ASU No. 2016-13	-	-	(145,567)	-	(145,567)
Stock buyback	(3,275)	-	(395,570)	-	(398,845)
Cash dividends paid	-	-	(561,086)	-	(561,086)
Balance, December 31, 2023	$272,813	$8,381,685	$30,316,639	$ (3,669,781)	$35,301,356
Net income	**-**	**-**	**3,617,160**	**-**	**3,617,160**
Other comprehensive loss	**-**	**-**	**-**	**(283,418)**	**(283,418)**
Stock buyback	**(1,594)**	**-**	**(191,972)**	**-**	**(193,566)**
Cash dividends paid	**-**	**-**	**(611,225)**	**-**	**(611,225)**
Balance, December 31, 2024	**$271,219**	**$8,381,685**	**$33,130,602**	**$ (3,953,199)**	**$37,830,307**

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

PEOPLES TRUST COMPANY OF ST. ALBANS

Statements of Cash Flows

Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Net income	**$ 3,617,160**	$ 2,841,332
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**432,391**	495,810
Net credit loss expense	**180,000**	784,300
Deferred income taxes	**(221,457)**	(282,890)
Gain on sale of loans	**(255,336)**	(210,000)
Loss on sale of securities available-for-sale	**375,709**	-
Net amortization of premiums and discounts on securities	**430,614**	392,112
Decrease in loans held for sale	**546,703**	143,424
Net increase in deferred loan origination costs	**(10,915)**	(71,105)
Increase in accrued interest receivable	**(33,589)**	(231,886)
Increase in cash surrender value of life insurance	**(203,537)**	(183,795)
Increase in other assets	**(33,589)**	(231,886)
Increase (decrease) in accrued expenses and other liabilities	**526,514**	(5,851)
Net cash provided by operating activities	**5,350,668**	3,439,565
Cash flows from investing activities		
Decrease in interest bearing deposits with banks	**9,106,515.00**	42,499,274
Proceeds from sales, calls and maturities of securities available-for-sale	**21,941,409**	25,545,871
Proceeds from maturities on certificates of deposit	**-**	750,000
Purchase of securities available-for-sale	**(12,807,258)**	(17,321,686)
Net change in loans	**(37,358,614)**	(30,267,435)
Additions to premises and equipment	**(440,394)**	(240,567)
Purchase of nonmarketable equity securities	**-**	(100,000)
Net cash (used) provided by investing activities	**(19,558,342)**	20,865,457
Cash flows from financing activities		
Net change in deposits	**8,334,340**	(14,559,396)
Repurchase of common stock	**(193,566)**	(398,845)
Dividends paid	**(611,225)**	(561,086)
Net cash provided (used) by financing activities	**7,529,549**	(15,519,327)
Net (decrease) increase in cash	**(6,678,125)**	8,785,695
Cash and cash equivalents, beginning of year	**$ 15,541,591**	$ 6,260,862
Cash and cash equivalents, end of year	**$ 8,327,873**	$ 15,541,591
Supplementary cash flow information:		
Cash payment for interest	**$ 1,501,419**	$ 1,421,458
Cash payment for income taxes	**$ 602,000**	$ 783,400
Non-cash transactions:		
Impact of adoption of ASU No. 2016-13	**$ -**	$ 184,262

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

1. **Significant Accounting Policies**

The accounting policies of Peoples Trust Company of St. Albans (the Bank) are in conformity with U.S. generally accepted accounting principles (U.S. GAAP). The following is a description of the more significant policies.

Nature of Operations

The Bank provides a variety of financial services to individuals, municipalities, commercial, and non-profit customers through its branches in northwestern Vermont, which is primarily a small business and agricultural area. The Bank's primary deposit products are checking and savings accounts and certificates of deposit. Its primary lending products are commercial, real estate, agricultural, agricultural real estate, equity, municipal and consumer loans.

Concentration of Risk

The Bank's operations are affected by various risk factors, including interest-rate risk, credit risk, and risk from geographic concentration of lending activities. Management attempts to manage interest rate risk through various asset/liability management techniques designed to match maturities of assets and liabilities. Loan policies and administration are designed to provide assurance that loans will only be granted to credit-worthy borrowers, although credit losses are expected to occur because of subjective factors and factors beyond the control of the Bank. In addition, the Bank is a community bank and, as such, is mandated by the Community Reinvestment Act and other regulations to conduct most of its lending activities within the geographic area where it is located. Although the Bank has a diversified loan portfolio, a substantial portion of its loan portfolio is secured by real estate and most of its lending activities are conducted in northern Vermont. As a result, the Bank and its borrowers may be especially vulnerable to the consequences of changes in the local economy and real estate market conditions. Note 3 discusses the types of investments the Bank invests in, and Note 5 discusses the type of lending the Bank engages in.

Use of Estimates

In preparing financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, accumulated depreciation based on estimated useful lives of assets, the valuation of foreclosed real estate, and deferred tax assets. In connection with the determination of the allowance for loan losses and the carrying value of other real estate owned, management obtains independent appraisals for significant properties.

Presentation of Cash Flows

For purposes of presentation in the statements of cash flows, cash and cash equivalents includes cash on hand and amounts due from banks, including cash items in process of clearing.

Investment Securities

Debt securities are classified as available-for-sale and recorded at fair value with unrealized gains and losses excluded from earnings and reported in other comprehensive income net of tax. Purchase premiums and discounts are recognized in interest income using methods approximating the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Allowance for Credit Losses – Available-For-Sale Debt Securities

For available-for-sale debt securities in an unrealized loss position, the Bank first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For available-for-sale debt securities that do not meet the aforementioned criteria, the Bank 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 loss (ACL) 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 ACL is recognized in other comprehensive income.

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

Accrued interest receivable on available-for-sale debt securities totaled $413,735 and $532,000 at December 31, 2024 and 2023, respectively, and was reported in accrued interest receivable on the balance sheets and is excluded from the estimate of credit losses.

Nonmarketable Equity Securities

As a member of the Federal Home Loan Bank (FHLB), the Bank is required to invest in $100 par value stock of FHLB. The carrying amount of the investment, at cost, was $223,700 at December 31, 2024 and 2023. The stock is nonmarketable and, when redeemed, the Bank will receive from the FHLB an amount equal to the par value of the stock.

As a member of Atlantic Community Banker's Bank (ACBB), the Bank is required to invest in $250 par value stock of ACBB. The carrying amount of the investment, at cost, was $100,000 at December 31, 2024 and 2023. The stock is nonmarketable and, when redeemed, the Bank will receive from ACBB an amount equal to the par value of the stock.

Bank Owned Life Insurance

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

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at amortized cost, net of the ACL. Amortized cost is the principal balance outstanding, net of deferred loan fees and costs. Accrued interest receivable on loans totaled $850,167 and $698,313 at December 31, 2024 and 2023, respectively and was reported in accrued interest receivable on the balance sheets and is excluded from the estimate of credit losses. Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate.

Loan interest income is accrued daily on the unpaid principal balance. Accrual of interest is discontinued when a loan is delinquent 90 days and management believes that, after considering collection efforts and other factors, the borrower's financial condition is such that collection of interest is doubtful. Any unpaid interest previously accrued on those loans is reversed from income. Interest income generally is not recognized on non-accrual loans unless the likelihood of further loss is remote. Interest payments received on such loans are generally applied as a reduction of the loan principal balance. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Loans are charged off when collection of principal is considered doubtful. Past due status is determined on a contractual basis.

Loan origination and commitment fees and certain direct loan origination costs are deferred and amortized as an adjustment of the related loan's yield using methods that approximate the interest method. The Bank amortizes these amounts over the contractual life.

Allowance for Credit Losses - Loans

The ACL 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. Management evaluates the appropriateness of the ACL on loans quarterly. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant change from period-to-period.

Management estimates the ACL balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. A reversion methodology is applied beyond the reasonable and supportable forecasts. Qualitative adjustments are then considered 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, that may include, but are not limited to, results of internal loan reviews, examinations by bank regulatory agencies, or other such events such as a natural disaster.

The ACL on loans represents the Bank's estimated credit losses within its loan portfolio as of the reporting date. To estimate expected credit losses, management disaggregates the loan portfolio into pools of similar risk characteristics. The Bank's loan portfolio is segmented as follows based on the various risk profiles of the Bank's loans:

- The commercial loan portfolio is segmented into two categories: (i) commercial, which is typically utilized for general business purposes and (ii) commercial real estate, which is collateralized by real estate.
- Retail loans are a homogenous group, generally consisting of standardized products that are smaller in amount and distributed over a larger number of individual borrowers. Retail loans are segmented into eight categories: (i) agricultural real estate, (ii) agricultural other, (iii) residential real estate, (iv) home equity, (v) municipal, (vi) Small Business Association (SBA) non real estate secured, (vii) SBA real estate secured, and (viii) consumer.

The Bank uses the weighted average remaining maturity (WARM) method to estimate expected credit losses for all but two portfolio segments, which use the vintage and static pool analysis. Under the WARM method, the Bank establishes a historical loss rate for each portfolio segment, utilizing either its own historical loss data, peer loss data, or a combination of the two data sources. This historical loss rate is then adjusted for management's reasonable and supportable forecast. For all portfolio segments utilizing the WARM method, management utilizes and forecasts national unemployment as a loss driver. Management monitors and assesses its macroeconomic driver regularly to determine if or that it continues to be the most predictive indicator of losses within the Bank's loan portfolio, and this macroeconomic driver may change from time to time.

Management has determined that 14 quarters represents a reasonable and supportable forecast period and reverts back to its historical loss rate over eight quarters on a straight-line basis. This determination is based on the facts and circumstances of the current state of the economy, portfolio segment, and management's judgement of what can be reasonably supported. Management leverages economic projections from a reputable and independent third party to inform its loss driver forecasts over the 14-quarter forecast period. Management monitors and assesses the forecast and reversion techniques regularly.

The resulting loss rate is then applied to the portfolio segment over its estimated remaining life. A portfolio segment's estimated remaining life is determined by calculating an annual attrition rate on a quarterly basis using the Bank's loan-level data. The estimated remaining life is then calculated as the average of the quarterly annual attrition rates. The principal balance of the portfolio segment is then paid down on a straight-line basis over the estimated remaining life. Any qualitative adjustments, as described above, are then applied to the portfolio segment, to derive the Bank's expected credit losses for the portfolio segment.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. In general, loans individually evaluated for estimated credit losses include those (i) greater than $100,000 that are classified as substandard or doubtful, (ii) greater than $50,000 that are on non-accrual or (iii) have other unique characteristics. Specific reserves are established when appropriate for such loans based on the present value of expected future cash flows of the loan. However, 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.

Management may also adjust its assumptions to account for differences between expected and actual losses from period-to-period. The variability of management's assumptions could alter the ACL on loans materially and impact future results of operations and financial condition. The loss estimation models and methods used to determine the ACL are continually refined and enhanced.

In the ordinary course of business, the Bank enters into commitments to extend credit, including commercial letters of credit and standby letters of credit. Such financial instruments are recorded as loans when they are funded.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

The Bank estimates expected credit losses over the contractual period in which the Bank is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Bank. The ACL on off-balance sheet credit exposures is adjusted through credit loss expense. To appropriately measure expected credit losses, management disaggregates the off-balance sheet credit exposures into similar risk characteristics, identical to those determined for the loan portfolio. Once the expected funded amount for each portfolio segment is determined, the loss rate, which is the calculated expected loan loss as a percent of the amortized cost basis for each portfolio segment, is applied to calculate the ACL on off-balance sheet credit exposures as of the reporting date. As of December 31, 2024 and 2023, the Bank had recognized an ACL on off-balance sheet credit exposures of $361,631 and $53,605, respectively, which is recorded in accrued expenses and other liabilities on the balance sheets.

Bank Premises and Equipment

Bank premises and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. The cost of assets sold or otherwise disposed of and the related allowance for depreciation is eliminated from the accounts and the resulting gains or losses are reflected in the income statement. Maintenance and repairs are charged to current expense as incurred and the cost of major renewals and betterments are capitalized.

Other Real Estate Owned

Real estate properties acquired through or in lieu of loan foreclosure are initially recorded at the lower of the Bank's carrying amount or fair value less estimated selling costs at the date of foreclosure. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for credit losses. After foreclosure, these assets are carried at the lower of their new cost basis or fair value less cost to sell. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its costs or fair value less cost to sell.

Mortgage Servicing

Servicing assets are recognized as separate assets when rights are acquired through purchase or sale of financial assets. When the Bank acquires mortgage servicing rights through either the purchase or origination of mortgage loans (originated mortgage servicing rights) and sells or securitizes those loans with servicing rights retained, it allocates the total cost of the mortgage loans to the mortgage servicing rights and the loans (without the mortgage servicing rights) based on their relative fair values. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. The cost of mortgage servicing rights is amortized in proportion to, and over the period of, estimated net servicing revenues. Impairment of mortgage servicing rights is assessed annually based on the fair value of those rights. Fair values are estimated using discounted cash flows based on a current market interest rate and are included in other assets on the balance sheets.

Pension Plan

Pension costs relating to the Bank's defined contribution plan are charged to employee benefits expense and are funded as accrued.

Advertising Costs

The Bank expenses advertising costs as incurred.

Income Taxes

The Bank recognizes income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are established for the temporary differences between the accounting basis and the tax basis of the Bank's assets and liabilities at enacted tax rates expected to be in effect when the amounts related to such temporary differences are realized or settled. Adjustments to the Bank's deferred tax assets are recognized as deferred income tax expense or benefit based on management's judgments relating to the realizability of such assets. Historic rehabilitation, low income housing, and new markets tax credits are recognized as a reduction of income tax expense in the years they are earned.

U.S. GAAP prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Management reviews the inventory of tax positions taken at each reporting period to assess the more-likely-than-not recognition threshold. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold are derecognized in the first subsequent financial reporting period in which that threshold is no longer met.

Off-Balance-Sheet Financial Instruments

In the ordinary course of business, the Bank is party to off-balance-sheet financial instruments consisting of commitments to extend credit, unused lines of credit, commercial letters of credit and standby letters of credit. Such financial instruments are recorded in the financial statements when they become payable.

Earnings Per Common Share

Earnings per common share are computed based on the weighted average number of shares of common stock outstanding during the period, retroactively adjusted for stock splits. The weighted average shares outstanding were $543,387 and $547,473 for the years ended December 31, 2024 and 2023, respectively.

Transfer and Servicing of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Revenue Recognition

The Bank recognizes revenue from contracts with customers when it satisfies its performance obligations. The Bank's performance obligations are generally satisfied as services are rendered and can either be satisfied at a point in time or over time. The majority of the Bank's revenue-generating transactions are not subject to Accounting Standards Codification (ASC) 606, including revenue generated from financial instruments, such as loans, derivatives and investment securities, and revenue related to mortgage servicing activities.

Revenues for the Bank subject to ASC 606 include customer service fees in the statements of income. These fees are made up of service charges and fees on deposit accounts that are recognized at a point in time, including non-sufficient funds fees, overdraft charge fees and stop-payment fees. Such revenue is derived from transactional information and is recognized as revenue immediately as the transactions occur or upon providing the service to complete the customer's transaction. Payment is generally received at the time the performance obligations are satisfied.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

2. Restrictions on Cash and Cash Equivalents

The Bank is required to maintain reserve and clearing balances in cash with ACBB. The totals of the reserve balances were approximately $500,000 at December 31, 2024 and 2023.

The nature of the Bank's business requires that it maintain amounts due from banks, which, at times, may exceed federally insured limits.

3. Investment Securities

Securities available-for-sale (AFS) consists of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2024				
U.S. Government and Federal Agencies	**$ 10,199,854**	**$ 4,906**	**$ (545,794)**	**$ 9,658,966**
Mortgage-backed securities	**26,461,475**	**11,258**	**(1,674,605)**	**24,798,128**
State and municipal securities	**30,787,176**	**33,889**	**(2,833,704)**	**27,987,361**
	$ 67,448,505	**$ 50,053**	**$ (5,054,103)**	**$ 62,444,455**
December 31, 2023				
U.S. Government and Federal Agencies	$ 21,702,134	$ 73,743	$ (798,346)	$ 20,977,531
Mortgage-backed securities	24,422,548	85,829	(1,674,883)	22,833,494
State and municipal securities	31,264,297	94,290	(2,425,925)	28,932,662
	$ 77,388,979	$ 253,862	$ (4,899,154)	$ 72,743,687

There were 49 sales of securities available-for-sale in 2024 for a loss of $375,709. There were no proceeds from the sale of securities available-for-sale in 2023. Gross realized losses on sales of investments available-for-sale were $0 in 2023.

The scheduled maturities of securities available-for-sale at December 31, 2024 were as follows:

	Amortized Cost	Fair Value
Due within one year	$ 1,498,999	$ 1,491,235
Due from one to five years	10,048,422	9,329,037
Due from five to ten years	4,360,099	3,868,253
Due in greater than ten years	25,079,510	22,957,802
Mortgage-backed securities	26,461,475	24,798,128
	$ 67,448,505	$ 62,444,455

Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

Assets, principally securities, with amortized cost of $4,283,679 and $5,471,237 and with fair values of $4,094,279 and $5,144,092 at December 31, 2024 and 2023, respectively, were pledged to secure public deposits and for other purposes required or permitted by law.

The following tables summarize AFS debt securities in an unrealized loss position for which an ACL 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 Greater			Total
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Total Fair Value	Total Gross Unrealized Losses
December 31, 2024						
U.S. Government and Federal Agencies	**$ 501,216**	**$ (7,322)**	**$ 8,189,201**	**$ (538,472)**	**$ 8,690,417**	**$ (545,794)**
Mortgage-backed securities	**12,337,874**	**(118,860)**	**10,996,297**	**(1,555,745)**	**23,334,171**	**(1,674,605)**
State and municipal securities	**6,506,540**	**(139,337)**	**20,190,203**	**(2,694,367)**	**26,696,743**	**(2,833,704)**
Total	**$ 19,345,630**	**$ (265,519)**	**$ 39,375,701**	**$ (4,788,584)**	**$ 58,721,331**	**$ (5,054,103)**

	Less Than 12 Months		12 Months or Greater			Total
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Total Fair Value	Total Gross Unrealized Losses
December 31, 2023						
U.S. Government and Federal Agencies	$ 493,650	$ (1,269)	$ 12,597,111	$ (797,077)	$ 13,090,761	$ (798,346)
Mortgage-backed securities	1,923,074	(1,107)	15,470,819	(1,673,776)	17,393,893	(1,674,883)
State and municipal securities	-	-	23,720,799	(2,425,925)	23,720,799	(2,425,925)
Total	$ 2,416,724	$ (2,376)	$ 51,788,729	$ (4,896,778)	$ 54,205,453	$ (4,899,154)

The unrealized losses on the available-for-sale debt securities at December 31, 2024 and 2023 have not been recognized into income because management does not intend to sell and it is not more-likely-than-not it will be required to sell any of the available-for-sale debt securities before recovery of its amortized cost basis. Furthermore, the unrealized losses were due to changes in interest rates and other market conditions, were not reflective of credit events and the issuers continue to make timely principal and interest payments on the bonds. Agency-backed and government-sponsored enterprise securities have a long history with no credit losses, including during times of severe stress. The principal and interest payments on agency-guaranteed debt is backed by the U.S. government. Government-sponsored enterprises similarly guarantee principal and interest payments and carry an implicit guarantee from the U.S. Department of the Treasury. Additionally, government-sponsored enterprise securities are exceptionally liquid, readily marketable, and provide a substantial amount of price transparency and price parity, indicating a perception of zero credit losses.

4. Loan Servicing

Mortgage loans serviced for others are not included in the accompanying balance sheets. The unpaid principal balances of mortgage loans serviced for others were $136,609,789 and $137,695,808 at December 31, 2024 and 2023, respectively. The carrying value of mortgage servicing rights was $509,862 and $590,130, at December 31, 2024 and 2023, respectively. Mortgage service rights of $88,908 and $61,602 were capitalized in 2024 and 2023, respectively. Amortization of capitalized mortgage servicing rights was $168,984 and $177,986 in 2024 and 2023, respectively.

5. Loans

The composition of net loans at December 31 is as follows:

	2024	2023
Residential real estate	**$ 68,731,377**	$ 57,403,612
Commercial real estate	**118,902,410**	106,140,987
Commercial	**10,936,318**	10,482,324
Agricultural real estate	**19,776,775**	17,354,246
Agricultural	**824,580**	1,992,728
Equity	**23,659,004**	17,775,413
Consumer	**10,755,384**	10,138,186
Municipal	**20,013,117**	14,827,061
SBA non-real estate secured	**214,454**	435,880
SBA real estate secured	**2,512,152**	2,502,309
Gross loans	**276,325,571**	239,052,746
Net deferred loan costs	**56,397**	45,483
Allowance for credit losses	**(3,785,939)**	(3,999,755)
Net loans	**$ 272,596,029**	$235,098,474

For purposes of determining the ACL on loans, the Bank disaggregates its loans into portfolio segments. Each portfolio segment possesses unique risk characteristics that are considered when determining the appropriate level of allowance. As of December 31, 2024, the Bank's loan portfolio segments, as determined based on the unique risk characteristics of each, included the following:

Agricultural Real Estate - Loans in this segment are collateralized by land owned by an income producing agricultural business. The underlining cash flows generated by the business are impacted by the price of the product (milk or syrup) produced by the business.

Agricultural – Loans in this segment are made to agricultural businesses, primarily dairy farm and maple operations, and are generally secured by assets of the entity. For these loans, repayment is expected from the cash flows of the business.

Commercial - Loans in this segment are made to businesses and are generally secured by assets of the entity. For loans made to businesses, repayment is expected from the cash flows of the business. A weakened economy, and resultant decreased consumer spending, will have an effect on the credit quality of these loans.

Commercial Real Estate – Loans in this segment are primarily income-producing properties or properties occupied by businesses. The underlying cash flows generated by the properties are adversely impacted by a downturn in the economy as evidence by increased vacancy rates or a general slowdown in business which, in, turn will have an effect on the credit quality of this segment.

Equity - Equity loans and lines of credit are made to qualified individuals and are secured by senior or junior mortgage liens on owner-occupied and non-owner-occupied one-to-four family homes, condominiums, or vacation homes. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality of this segment.

Consumer – Consumer loan products include amortizing loans made to qualified individuals for various purposes such as auto loans, debt consolidation, personal expenses, or overdraft protection. Repayment of loans in this segment is generally dependent on the credit quality of the individual borrower.

Municipal - Loans in this segment are made to local cities, towns, villages, school districts and other small government entities such as water districts, sewer districts and volunteer fire departments. These loans are made to primarily cover operating and capital expenses of the municipality. For these loans, repayment is primarily dependent on taxes or other funds collected by the municipalities. Management considers there to be minimal risk surrounding the credit quality of these loans.

Residential Real Estate – Loans in this segment are collateralized by owner-occupied and non-owner-occupied residential real estate and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality of this segment.

SBA Non-Real Estate Secured - Loans in this segment are made to small businesses and are generally secured by assets of the entity. Repayment is expected from the cash flows of the business. Loans in this segment carry a government guarantee from the SBA at generally no less than 50% of the outstanding principal balance.

SBA Real Estate Secured - Loans in this segment are primarily income-producing properties or properties occupied by businesses. Repayment is expected from the cash flows of the business. Loans in this segment carry a government guarantee from the SBA at generally no less than 50% of the outstanding principal balance.

6. Allowance for Credit Losses

The following table summarizes changes in the ACL, by portfolio segment, for the year ended December 31 2024:

	Residential Real Estate	Commercial Real Estate	Commercial	Agricultural Real Estate	Agricultural	Equity	Consumer	Municipal	SBA Non Real Estate Secured	SBA Real Estate Secured	Unallocated	Total
Allowance for credit losses												
Balance, December 31, 2023	**$ 755,981**	**$ 1,330,616**	**$ 235,002**	**$ 528,968**	**$ 80,705**	**$ 495,227**	**$ 300,055**	**$ 140,857**	**$ 15,482**	**$ 65,393**	**$ 51,469**	**$ 3,999,755**
Credit loss expense (reversal)	**208,736**	**37,647**	**21,515**	**(185,135)**	**(55,442)**	**(10,617)**	**(114,443)**	**31,456**	**(7,984)**	**(10,017)**	**(43,742)**	**(128,026)**
Loans charged off	**(26,972)**	**(29,516)**	**(64,254)**	**-**	**-**	**-**	**(45,605)**	**-**	**-**	**-**	**-**	**(166,347)**
Recoveries	**29,516**	**20,433**	**856**	**-**	**1,956**	**15,254**	**12,542**	**-**	**-**	**-**	**-**	**80,557**
Balance, December 31, 2024	**$ 967,261**	**$ 1,359,180**	**$ 193,119**	**$ 343,833**	**$ 27,219**	**$ 499,864**	**$ 152,549**	**$ 172,313**	**$ 7,498**	**$ 55,376**	**$ 7,727**	**$ 3,785,939**

The following table summarizes changes in the ACL, by portfolio segment, for the year ended December 31 2023:

	Residential Real Estate	Commercial Real Estate	Commercial	Agricultural Real Estate	Agricultural	Equity	Consumer	Municipal	SBA Non Real Estate Secured	SBA Real Estate Secured	Unallocated	Total
Allowance for credit losses												
Beginning balance prior to adoption of ASU 2016-13	$ 754,615	$ 1,029,950	$ 196,535	$ 489,717	$ 72,781	$ -	$ 261,463	$ 142,430	$ -	$ -	$ 33,413	$2,980,904
Impact of adopting ASU 2016-13	(144,401)	59,359	(813)	814	-	259,876	8,373	-	1,717	32,750	(33,413)	184,262
Credit loss expense	145,767	226,652	39,280	36,481	7,924	196,777	59,212	(1,573)	13,765	(754)	51,469	775,000
Loans charged off	-	-	-	-	-	-	(37,561)	-	-	-	-	(37,561)
Recoveries	-	14,655	-	1,956	-	38,574	8,568	-	-	33,397	-	97,150
Balance, December 31, 2023	$ 755,981	$ 1,330,616	$ 235,002	$ 528,968	$ 80,705	$ 495,227	$ 300,055	$ 140,857	$ 15,482	$ 65,393	$ 51,469	$ 3,999,755

Credit Quality Indicators

To further identify loans with similar risk profiles, the Bank categorizes each portfolio segment into classes by credit risk characteristic and applies a credit quality indicator to each portfolio segment. In general, risk ratings are adjusted periodically throughout the year as updated analysis and review warrants. This process may include, but is not limited to, annual credit and loan reviews, periodic reviews of loan performance metrics, such as delinquency rates, and quarterly reviews of adversely risk rated loans. The Bank uses the following definitions when assessing grades for the purpose of evaluating the risk and adequacy of the ACL on loans:

1-3 Rating - Satisfactory

Risk-rating grades "1" through "3" comprise those loans ranging from lower than average credit risk which indicates borrowers with high liquidity, excellent financial condition, strong management, favorable industry trends or loans secured by highly liquid assets through marginal credit risk, which while credit worthy, exhibit some characteristics which require special attention by the account officer.

4 Rating - Watch

These loans are characterized by adequate collateral but recent declining financial, reporting or management trends such as marginal cash flow, marginal profitability, etc.

5 Rating - Other Assets Especially Mentioned (OAEM)

Special mention assets have potential weaknesses that deserve management's close attention and monitoring until resolved. OAEMs are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification currently but might warrant adverse classification if correction of the weakness does not take place in the short term.

6 Rating - Substandard

Loans rated substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged. Assets have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if deficiencies are not corrected.

7 Rating - Doubtful

An asset classified doubtful has all the weaknesses inherent in one classified substandard, with the added characteristic that weaknesses make collection or liquidation in full, on the basis of existing facts, conditions and values, highly questionable and improbable.

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

	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2024	2023	2022	2021	Prior			
December 31, 2024								
Agricultural real estate:								
Satisfactory	$ 2,397,182	$ 1,635,958	$ 1,934,016	$ 1,032,181	$11,340,635	$ 614,437	$ -	$ 18,954,409
Watch	-	-	-	-	648,340	-	-	648,340
OAEM	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	174,026	-	-	174,026
Doubtful	-	-	-	-	-	-	-	-
Total	$ 2,397,182	$ 1,635,958	$ 1,934,016	$ 1,032,181	$ 12,163,001	$ 614,437	$ -	$ 19,776,775
Agricultural real estate: Current period gross write offs	$ -	$ -	$ -	-	$ -	$ -	$ -	$ -
Agricultural:								
Satisfactory	$ -	$ 342,835	$ 175,110	$ 176,742	$ 87,870	$ 10,500	$ -	$ 793,057
Watch	-	-	-	-	31,523	-	-	31,523
OAEM	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total	$ -	$ 342,835	$ 175,110	$ 176,742	$ 119,393	$ 10,500	$ -	$ 824,580
Agricultural: Current period gross write offs	$ -	$ -	$ -	-	$ -	$ -	$ -	$ -

	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2024	2023	2022	2021	Prior			
December 31, 2024 (cont.)								
Commercial:								
Satisfactory	$ 2,932,326	$ 2,414,974	$ 1,914,720	$ 1,711,048	$ 840,926	$ 988,708	$ -	$ 10,802,702
Watch	-	25,134	-	54,084	54,398	-	-	133,616
OAEM	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total	$ 2,932,326	$ 2,440,108	$ 1,914,720	$ 1,765,132	$ 895,324	$ 988,708	$ -	$ 10,936,318
Commercial: Current period gross write offs	$ -	$ -	$ 49,000	-	$ 15,254	$ -	$ -	$ 64,254
Commercial real estate:								
Satisfactory	$ 15,644,877	$ 21,130,856	$ 26,177,162	$ 16,606,447	$ 32,448,567	$ 3,547,541	$ -	$115,550,449
Watch	-	-	-	172,572	3,156,911	13,657	-	3,343,140
OAEM	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	3,821	-	-	3,821
Doubtful	-	-	-	-	-	-	-	-
Total	$ 15,644,877	$ 21,130,856	$ 26,177,162	$ 16,779,019	$ 35,609,299	$ 3,561,198	$ -	$118,902,410
Commercial real estate: Current period gross write offs	$ -	$ -	$ -	$ -	$ 29,516	$ -	$ -	$ 29,516

	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2024	2023	2022	2021	Prior			
December 31, 2024 (cont.)								
Residential real estate:								
Satisfactory	$ 17,477,949	$ 14,092,325	$ 12,542,096	$ 8,060,206	$ 15,993,031	$ -	$ -	$68,165,607
Watch	-	-	-	-	324,557	-	-	324,557
OAEM	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	241,213	-	-	241,213
Doubtful	-	-	-	-	-	-	-	-
Total	$ 17,477,949	$ 14,092,325	$ 12,542,096	$ 8,060,206	$ 16,558,801	$ -	$ -	$68,731,377
Residential real estate: Current period gross write offs	$ -	$ -	$ -	$ -	$ 26,972	$ -	$ -	$ 26,972
Equity:								
Satisfactory	$ -	$ -	$ -	$ -	$ -	$23,642,007	$ -	$23,642,007
Watch	-	-	-	-	-	-	-	-
OAEM	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	15,997	-	15,997
Doubtful	-	-	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$23,659,004	$ -	$23,659,004
Equity: Current period gross write offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2024	2023	2022	2021	Prior			
December 31, 2024 (cont.)								
Consumer:								
Satisfactory	$ 2,010,351	$ 1,150,403	$ 280,124	$ 129,166	$ 7,185,340	$ -	$ -	$ 10,755,384
Substandard	-	-	-	-	-	-	-	-
Total	$ 2,010,351	$ 1,150,403	$ 280,124	$ 129,166	$ 7,185,340	$ -	$ -	$ 10,755,384
Consumer: Current period gross write offs	$ -	$ 11,729	$ -	$ -	$ 33,876	$ -	$ -	$ 44,963
Municipal:								
Satisfactory	$ 1,149,833	$ 1,953,230	$ 3,378,641	$ 4,372,495	$ 1,430,321	$ 7,728,597	$ -	$ 20,013,117
Substandard	-	-	-		-	-	-	-
Total	$ 1,149,833	$ 1,953,230	$ 3,378,641	$ 4,372,495	$ 1,430,321	$ 7,728,597	$ -	$ 20,013,117
Municipal: Current period gross write offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SBA non-real estate secured:								
Satisfactory	$ -	$ 7,108	$ 60,877	$ 14,498	$ 94,006	$ 37,965	$ -	$ 214,454
Substandard	-	-	-		-	-	-	-
Total	$ -	$ 7,108	$ 60,877	$ 14,498	$ 94,006	$ 37,965	$ -	$ 214,454
SBA non-real estate secured: Current period gross write offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2024	2023	2022	2021	Prior			
December 31, 2024 (cont.)								
SBA real estate secured:								
Satisfactory	$ 257,555	$ 84,862	$ 541,363	$ 138,218	$ 1,220,010	$ 209,102	$ -	$ 2,451,110
OAEM	-	-	-	-	61,042	-	-	61,042
Total	$ 257,555	$ 84,862	$ 541,363	$ 138,218	$ 1,281,052	$ 209,102	$ -	$ 2,512,152
SBA real estate secured: Current period gross write offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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Notes to Financial Statements

December 31, 2024 and 2023

	Term Loans Amortized Cost Basis by Origination Year				Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2023	2022	2021	Prior			
December 31, 2023							
Agricultural real estate:							
Satisfactory	$ 959,957	$ 2,085,191	$ 1,539,323	$ 11,893,037	$ -	$ -	$ 16,477,508
Watch	-	-	-	597,296	-	-	597,296
OAEM	-	-	-	-	-	-	-
Substandard	-	-	-	279,442	-	-	279,442
Doubtful	-	-	-	-	-	-	-
Total	$ 959,957	$ 2,085,191	$ 1,539,323	$ 12,769,775	$ -	$ -	$ 17,354,246
Agricultural real estate: Current period gross write offs	$ –	$ -	$ -	$ -	$ -	$ -	$ -
Agricultural:							
Satisfactory	$ 1,177,751	$ 208,241	$ 191,087	$ 269,348	$ -	$ -	$ 1,846,427
Watch	-	-	-	146,301	-	-	146,301
OAEM	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total	$ 1,177,751	$ 208,241	$ 191,087	$ 415,649	$ -	$ -	$ 1,992,728
Agricultural: Current period gross write offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial:							
Satisfactory	$ 2,251,252	$ 2,615,386	$ 1,983,099	$ 1,330,187	$ 2,009,843	$ -	$ 10,189,767
Watch	31,571	-	80,014	20,651	90,698	-	222,934
OAEM	-	69,623	-	-	-	-	69,623
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total	$ 2,282,823	$ 2,685,009	$ 2,063,113	$ 1,350,838	$ 2,100,541	$ -	$ 10,482,324
Commercial: Current period gross write offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	Term Loans Amortized Cost Basis by Origination Year				Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2023	2022	2021	Prior			
December 31, 2023 (cont.)							
Commercial real estate:							
Satisfactory	$ 18,350,729	$ 23,029,214	$ 17,994,904	$ 37,618,947	$ 5,333,891	$ -	$102,327,685
Watch	-	-	181,728	920657	2,558,352	-	3,660,737
OAEM	-	16,532	-	-	-	-	16,532
Substandard	-	-	-	136,033	-	-	136,033
Doubtful	-	-	-	-	-	-	-
Total	$ 18,350,729	$ 18,350,729	$ 23,045,746	$ 56,852,269	$ 7,892,243	$ -	$106,140,987
Commercial real estate: Current period gross write offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Residential real estate:							
Satisfactory	$ 14,973,394	$ 15,052,615	$ 8,623,781	$ 18,117,472	$ -	$ -	$ 56,767,262
Watch	-	-	-	601,921	-	-	601,921
OAEM	-	-	-	-	-	-	-
Substandard	-	-	-	34,429	-	-	34,429
Doubtful	-	-	-	-	-	-	-
Total	$ 14,973,394	$ 15,052,615	$ 8,623,781	$ 18,753,822	$ -	$ -	$ 57,403,612
Residential real estate: Current period gross write offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Equity:							
Satisfactory	$ -	$ -	$ -	$ -	$17,758,348	$ -	$ 17,758,348
Watch	-	-	-	-	-	-	-
OAEM	-	-	-	-	-	-	-
Substandard	-	-	-	-	17,065	-	17,065
Doubtful	-	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$17,775,413	$ -	$ 17,775,413
Equity: Current period gross write offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	Term Loans Amortized Cost Basis by Origination Year				Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2023	2022	2021	Prior			
December 31, 2023 (cont.)							
Consumer:							
Satisfactory	$ 1,984,038	$ 615,832	$ 256,766	$ 7,147,576	$ 133,974	$ -	$ 10,138,186
Substandard	-	-	-	-	-	-	-
Total	$ 1,984,038	$ 615,832	$ 256,766	$ 7,147,576	$ 133,974	$ -	$ 10,138,186
Consumer: Current period gross write offs	$ -	$ 8,574	$ 4,926	$ 1,639	$ -	$ -	$ 15,139
Municipal:							
Satisfactory	$ 3,339,834	$ 4,107,008	$ 4,843,830	$ 2,536,389	$ -	$ -	$ 14,827,061
Substandard	-	-	-	-	-	-	-
Total	$ 3,339,834	$ 4,107,008	$ 4,843,830	$ 2,536,389	$ -	$ -	$ 14,827,061
Municipal: Current period gross write offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SBA non-real estate secured:							
Satisfactory	$ 8,821	$ 71,115	$ 36,990	$ 318,954	$ -	$ -	$ 435,880
Substandard	-	-	-	-	-	-	-
Total	$ 8,821	$ 71,115	$ 36,990	$ 318,954	$ -	$ -	$ 435,880
SBA non-real estate secured: Current period gross write offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SBA real estate secured:							
Satisfactory	$ 286,209	$ 645,605	$ 166,125	$ 1,328,431	$ -	$ -	$ 2,426,370
OAEM	-	-	-	75,939	-	-	75,939
Total	$ 286,209	$ 645,605	$ 166,125	$ 1,404,370	$ -	$ -	$ 2,502,309
SBA real estate secured: Current period gross write offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -

The following tables present the amortized cost basis of loans on nonaccrual status and loans past due 90 days or greater and still accruing as of December 31, 2024 and 2023:

December 31, 2024	Nonaccrual with No Allowance for Credit Loss	Nonaccrual	Past Due 90 Days or Greater and Accruing
Agricultural real estate	$ 59,183	$ 59,183	$ -
Agricultural	-	-	-
Commercial	67,102	67,102	-
Commercial real estate	-	-	-
Equity	-	-	-
Consumer	-	-	-
Municipal	-	-	-
Residential real estate	505,883	505,883	-
SBA non-real estate secured	-	-	-
SBA real estate secured	-	-	-
Total	$ 632,168	$ 632,168	$ -

December 31, 2023:	Nonaccrual with No Allowance for Credit Loss	Nonaccrual	Past Due 90 Days or Greater and Accruing
Agricultural real estate	$ 74,128	$ 74,128	$ -
Agricultural	-	-	-
Commercial	46,171	46,171	-
Commercial real estate	309,774	309,774	-
Equity	17,065	17,065	-
Consumer	-	-	-
Municipal	-	-	-
Residential real estate	368,308	368,308	-
SBA non-real estate secured	-	-	-
SBA real estate secured	-	-	-
Total	$ 815,446	$ 815,446	$ -

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

A loan is considered to be past due once it is 30 days contractually past due under the terms of the agreement. The following tables present the aging the amortized costs basis in past-due loans as of December 31, 2024 and 2023 by class of loans:

December 31, 2024	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater	Total Past Due	Current	Total Loans
Agricultural real estate	$ -	$ -	$ 59,183	$ 59,183	$19,717,592	$ 19,776,775
Agricultural	-	-	-	-	824,580	824,580
Commercial	14,446	-	-	14,446	10,921,872	10,936,318
Commercial real estate	-	-	-	-	118,902,410	118,902,410
Equity	-	-	-	-	23,659,004	23,659,004
Consumer	14,579	4,162	-	18,741	10,736,643	10,755,384
Municipal	-	-	-	-	20,013,117	20,013,117
Residential real estate	624,113	17,751	111,030	752,894	67,978,483	68,731,377
SBA non-real estate secured	-	-	-	-	214,454	214,454
SBA real estate secured	-	-	-	-	2,512,152	2,512,152
Total	$ 653,138	$ 21,913	$ 170,213	$845,264	$275,480,307	$276,325,571

December 31, 2023	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater	Total Past Due	Current	Total Loans
Agricultural real estate	$ -	$ -	$ 74,128	$ 74,128	$17,280,118	$ 17,354,246
Agricultural	36,522	-	-	36,522	1,956,206	1,992,728
Commercial	61,163	69,623	-	130,786	10,351,538	10,482,324
Commercial real estate	-	-	-	-	106,140,987	106,140,987
Equity	-	-	-	-	17,775,413	17,775,413
Consumer	-	12,438	-	12,438	10,125,748	10,138,186
Municipal	-	-	-	-	14,827,061	14,827,061
Residential real estate	395,469	-	44,510	439,979	56,963,633	57,403,612
SBA non-real estate secured	-	-	-	-	435,880	435,880
SBA real estate secured	-	-	-	-	2,502,309	2,502,309
Total	$ 493,154	$ 82,061	$ 118,638	$693,853	$238,358,893	$239,052,746

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

	2024		2023	
	Real Estate	Total	Real Estate	Total
Agricultural real estate	$ -	$ -	$ -	$ -
Agricultural other	-	-	-	-
Commercial	-	-	70,902	70,902
Commercial real estate	-	-	144,594	144,594
Equity	-	-	16,896	16,896
Consumer	-	-	-	-
Residential real estate	103,437	103,437	-	-
Total	$ 103,437	$ 103,437	$ 232,392	$ 232,392

Collateral-dependent loans are loans for which the repayment is expected to be provided substantially by the sale or appreciation of the underlying collateral and there are no other available and reliable sources of repayment.

Occasionally, the Bank modifies loans to borrowers in financial distress by providing principal forgiveness, term extension, an other-than-insignificant payment delay or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged-off against the ACL.

In some cases, the Bank provides multiple types of concessions on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. There were no new loans modifications during 2024 and 2023.

The Bank closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. No borrowers that were modified in the last 12 months were past due as of December 31, 2024 and 2023 and there have been no payment defaults.

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

The Bank takes a conservative approach in credit risk management and remains focused on community lending and reinvesting, working closely with borrowers experiencing credit problems to assist in loan repayment or term modifications when appropriate.

As of December 31, 2024 there was one mortgage loan collateralized by residential real estate in the process of foreclosure with a total balance of $15,894. As of December 31, 2023, there were two mortgage loans collateralized by residential real estate in the process of foreclosure with a total balance of $25,411.

7. Bank Premises and Equipment

The major classes of bank premises and equipment and the total accumulated depreciation at December 31 are as follows:

	2024	2023
Land and land improvements	$ 1,930,956	$ 1,888,366
Building and improvements	6,298,969	6,298,969
Furniture and equipment	4,490,880	4,422,391
	12,720,805	12,609,726
Less accumulated depreciation	(7,566,937)	(7,463,861)
	$ 5,153,868	$ 5,145,865

Depreciation included in occupancy and equipment expense amounted to $432,391 and $495,810 for the years ended December 31, 2024 and 2023, respectively.

8. Other Real Estate Owned

At December 31, 2024 and 2023, the recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure procedures are in process is $15,894 and $17,424, respectively.

9. Deposits

The scheduled maturity of time deposits at December 31, 2024 are as follows:

2025	$ 58,136,250
2026	2,731,133
2027	3,909,053
2028	2,052,046
2029 and thereafter	638,236
	$ 67,466,718

U.S. government and federal agency securities with a cost of $610,501 and $1,844,408 and a fair value of $583,434 and $1,687,574 were pledged to collateralize certain municipal deposits at December 31, 2024 and 2023, respectively.

10. Repurchase Agreements

Securities sold under agreements to repurchase amounted to $3,250,000 as of December 31, 2024 and 2023, respectively. These agreements are collateralized by U.S. government and federal agency securities with an amortized cost of $3,673,178 and $3,626,829 and a fair value of $3,510,845 and $3,456,517 at December 31, 2024 and 2023, respectively.

The average daily balance of these repurchase agreements approximated $3,237,578 and $3,244,552 during 2024 and 2023, respectively. The maximum borrowings outstanding on these agreements at any month-end reporting period of the Bank was $3,250,000 in 2024 and 2023, respectively. The weighted average rate for repurchase agreements was .35% at December 31, 2024 and 2023.

11. Borrowed Funds

The Bank maintains an unsecured $4,500,000 federal funds line of credit with ACBB which was unused at December 31, 2024 and 2023.

12. Income Taxes

Income tax expense included in the Statements of Income for the years ended December 31 were as follows:

	2024	2023
Current tax provision:		
Federal	$ 945,647	$ 717,890
Deferred tax benefit:		
Federal	(221,457)	(282,890)
	$ 724,190	$ 435,000

Total income tax expense differed from the amounts computed by applying the U.S. Federal income tax rate of 21% for 2024 and 2023 to income before income taxes as a result of the following at December 31:

	2024	2023
Computed expected tax expense	$ 885,942	$ 688,030
Disallowed interest expense	14,949	7,435
Municipal income	(257,546)	(227,752)
Bank-owned life insurance income	(42,743)	(38,597)
Tax credits, net of amortization	106,484	-
Other, net	17,104	5,884
	$ 724,190	$ 435,000

The deferred income tax provision consisted of the following items at December 31:

	2024	2023
Nonaccrual loan interest	$ 10,869	$ (104,837)
Depreciation	49,952	52,663
Bad debts	(15,880)	(218,159)
Off balance sheet accrual	-	(2,898)
Deferred directors' fees	(32,127)	(29,831)
Mortgage servicing rights	(16,856)	(24,441)
Limited partnerships	(107,415)	44,613
Other	(110,000)	-
	$ (221,457)	$ (282,890)

The significant components of the net deferred tax asset consisted of the following items at December 31:

	2024	2023
Components of deferred tax assets		
Bad debts	$ 619,066	$ 603,186
Off balance sheet accrual	11,257	11,257
Nonaccrual loan interest	311,764	322,633
Branch impairment	8,672	8,672
Deferred directors' fees	223,469	191,342
Unrealized loss on securities available-for-sale	1,050,851	975,511
Total deferred tax asset	2,225,078	2,112,601
Components of deferred tax liability		
Depreciation	(151,279)	(101,327)
Mortgage servicing rights	(107,071)	(123,927)
Limited partnerships	-	(107,414)
Other	-	(110,000)
Total deferred tax liability	(258,350)	(442,668)
Net deferred tax asset	$ 1,966,728	$ 1,669,933

Net deferred tax asset is included in other assets on the balance sheets at December 31, 2024 and 2023, respectively.

Deferred tax assets are recognized subject to management's judgment that realization is more likely than not as U.S. GAAP allows for the recognition and measurement of deductible temporary differences to the extent that it is more likely than not that the deferred tax asset will be realized. Based on the temporary taxable items, historical taxable income and estimates of future taxable income, the Bank believes that it is more likely than not that the deferred tax assets at December 31, 2024 will be realized.

The Bank invests in limited partnerships that generate historic tax credits. At December 31, 2024 and 2023, the balance of the investments in these limited partnerships was $535,350 and $122,578, respectively and is included in other assets on the balance sheets. The Bank amortizes these investments using the proportional amortization method and recognized amortization expense of $232,228 in 2024, which was included in income tax expense in the statements of income. No amortization expense was recognized in 2023.

Based on management's evaluation, management has concluded that there were no significant uncertain tax positions requiring recognition in the Bank's financial statements at December 31, 2024. Although the Bank is not currently the subject of tax examination by the Internal Revenue Service (IRS), the Bank's tax years ended December 31, 2021 through 2024 are open to examination by the IRS under the applicable statute of limitations.

13. Retirement Plan

The Bank maintains a contributory 401(k) retirement plan covering all employees who meet certain age and service requirements. Contributions to the plan are voluntary by the eligible participants up to certain limits. Employee contributions are matched dollar for dollar for every dollar contributed up to six percent of the participant's salary. Contributions to the plan by the Bank for the years ended December 31, 2024 and 2023 amounted to $265,287 and $262,394, respectively.

14. Commitments and Contingencies

In the normal course of business, the Bank is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the Bank's financial statements.

15. Financial Instruments with Off-Balance-Sheet Risk

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit, standby letters of credit, interest rate caps and floors written on adjustable rate loans, and commitments to sell loans. Such instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract or notional amounts of those instruments reflect the extent of involvement the Bank has in particular classes of financial instruments.

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

	Contract or Notional Amount	
	2024	2023
Financial instruments whose contract amount represent credit risk:		
Commitments to extend credit and available line of credit	**$ 49,036,000**	$ 63,020,000
Standby letters of credit and commercial letters of credit	**$ 422,000**	$ 510,000

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. At December 31, 2024, the Bank had binding loan commitments at fixed rates totaling $4,616,000 that are included in commitments to extend credit.

The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the customer. Collateral held varies but may include real estate, accounts receivable, inventory, property, plant, and equipment, and income-producing commercial properties.

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

16. Transactions with Related Parties

The Bank has had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, principal officers, their immediate families and affiliated companies in which they are principal shareholders (commonly referred to as related parties), all which have been, in the opinion of management, on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others.

Aggregate loan transactions with related parties as of December 31 were as follows:

	2024	2023
Balance, beginning	**$ 2,851,432**	$ 2,967,441
New loans	**402,101**	558,763
Repayments	**(280,085)**	(674,772)
Balance, ending	**$ 2,973,448**	$ 2,851,432

Deposit accounts with related parties were $4,768,223 and $4,539,970 at December 31, 2024 and 2023, respectively.

The Bank utilizes an appraisal company owned by a director for loan appraisal services. Appraisal fees are reimbursed to the Bank from the respective borrowers.

The Bank has instituted a split dollar deferred compensation plan for certain officers. The vehicle is funded through BOLI. The BOLI had a balance of $7,346,580 and $7,143,043 as of December 31, 2024 and 2023, respectively. The accrued deferred compensation was $219,829 and $192,536 as of December 31, 2024 and 2023, respectively and included in other liabilities in the balance sheets. Amounts due to officers and directors under non-qualified deferred compensation agreements were $1,064,138 and $911,153 at December 31, 2024 and 2023, respectively and included in other liabilities in the balance sheets.

17. Fair Value Measurement

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

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

There are three levels of inputs that may be used to measure fair values:

- Level 1 - Valuation is based on quoted prices in active markets for identical assets or liabilities that the Bank has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities;
- Level 2 - Valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability;
- Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

The following methods and assumptions were used by the Bank in estimating fair value disclosures for financial instruments:

Cash and due from banks: The carrying amounts reported in the balance sheet for cash and due from banks, including certificates of deposit, approximate those assets' fair values.

Investment securities: Fair values for investment securities are based on quoted market prices, where available (level one valuation). If quoted market prices are not available, fair values are calculated based on a formula which uses matrices which interpolate prices according to observable inputs for similar items such as sector, credit spread, rating, maturity, and option premium (level two valuations).

Federal Home Loan Bank stock: The carrying amount of this stock approximates its fair value.

Loans receivable and loans held for sale: For variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying amounts. The fair values of other loans (for example, fixed rate commercial real estate and rental property mortgage loans and commercial and industrial loans) are estimated using discounted cash flow analysis, based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Loan fair value estimates include judgments regarding future expected loss experience and risk characteristics. Collateral values are estimated using Level 2 inputs based on appraisals of similar properties obtained from a third-party valuation service. Fair values for individually analyzed loans are estimated using Level 3 inputs based on appraisals of similar properties obtained from a third-party valuation service discounted by management based on historical losses for similar collateral and discounted cash flow analysis.

Other real estate owned: Other real estate owned is reported at the fair value of the underlying collateral. Collateral values are estimated using Level 3 inputs based on appraisals of similar properties obtained from a third-party valuation service discounted by management based on updated information.

Deposits: The fair values disclosed for demand deposits (for example, checking and savings accounts) are, by definition, equal to the amount payable on demand at the reporting date (that is their carrying amounts). The fair values for certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated contractual maturities on such time deposits (Level 2).

Repurchase agreements and borrowed funds: For repurchase agreements and borrowed funds (including Federal funds purchased) that reprice frequently, fair values are based on carrying amounts. The fair values for other borrowings are estimated using a discounted cash flow calculation that applies interest rates currently being offered on such debt to a schedule of aggregated contractual maturities on such debt (Level 2).

Accrued interest: The carrying amount of accrued interest receivable and payable approximates fair value.

Other liabilities: Commitments to extend credit were evaluated and fair value was estimated using the fees currently charged to enter into similar agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair market value for off balance sheet financial instruments was immaterial at December 31, 2024 and 2023.

Fair values of assets measured on a recurring basis at December 31, 2024 and 2023 are as follows:

	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2024				
Investments - AFS				
U.S. Government and Federal Agencies	**$ 9,658,966**	**$ -**	**$ 9,658,966**	**$ -**
Mortgage-backed securities	**24,798,128**	**-**	**24,798,128**	**-**
State and municipal securities	**27,987,361**	**-**	**27,987,361**	**-**
	$ 62,444,455	**$ -**	**$ 62,444,455**	**$ -**

	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2023				
Loans held for sale	$ 291,367	$ -	$ 291,367	$ -
Investments - AFS				
U.S. Government and Federal Agencies	20,977,531	-	20,977,531	-
Mortgage-backed securities	22,833,494	-	22,833,494	-
State and municipal securities	28,932,662	-	28,932,662	-
	$ 73,035,054	$ -	$ 73,035,054	$ -

Fair values of assets measured on a non-recurring basis at December 31, 2024 and 2023 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2024				
Individually analyzed loans	**$ 103,437**	**$ -**	**$ -**	**$ 103,437**
December 31, 2023				
Individually analyzed loans	$ 212,111	$ -	$ -	$ 212,111

Certain individually analyzed loans were written down to their value of $103,437 and $212,111 at December 31, 2024 and 2023, respectively, resulting in an impairment charge through the ACL on loans.

There were no transfers between levels for both recurring and non-recurring assets for the years ended December 31, 2024 and 2023.

Fair Value of Financial Instruments

The carrying amounts and estimated fair values of financial instruments, at December 31, 2024 and 2023 are as follows:

	2024	
	Carrying Amount	Estimated Value
Financial assets		
Cash and cash equivalents	**$ 8,327,873**	**$ 8,327,873**
Interest bearing deposits with banks	**7,560,037**	**7,560,037**
Securities available-for-sale	**62,444,455**	**62,444,455**
Nonmarketable equity securities	**323,700**	**323,700**
Loans receivable and loans held-for-sale, net (Level 2)	**272,492,592**	**248,627,220**
Individually analyzed loans (Level 3)	**103,437**	**103,437**
Accrued interest receivable	**1,263,902**	**1,263,902**
Financial liabilities		
Deposits (Level 2)	**325,922,065**	**323,490,610**
Repurchase agreements (Level 2)	**3,250,000**	**3,250,000**
Accrued interest payable	**82,387**	**82,387**

	2023	
	Carrying Amount	Estimated Value
Financial assets		
Cash and cash equivalents	$ 15,541,591	$ 15,541,591
Interest bearing deposits with banks	16,666,552	16,666,552
Securities available-for-sale	72,743,687	72,743,687
Nonmarketable equity securities	323,700	323,700
Loans receivable and loans held-for-sale, net (Level 2)	235,177,730	208,154,140
Individually analyzed loans (Level 3)	212,111	212,111
Accrued interest receivable	1,230,313	1,230,313
Financial liabilities		
Deposits (Level 2)	317,587,725	315,512,817
Repurchase agreements (Level 2)	3,250,000	3,250,000
Accrued interest payable	65,212	65,212

The carrying amounts in the preceding table are included in the balance sheets under the applicable captions.

18. Regulatory Capital Matters

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the following table) of total, Tier 1 capital, and Common Equity Tier 1 (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital and tangible capital (as defined) to average tangible assets (as defined). Management believes, as of December 31, 2024 and 2023, that the Bank meets all capital adequacy requirements to which it is subject.

Regulatory capital requirements limit a banking organization's capital distributions and certain discretionary bonus payments if the banking organization does not hold a “capital conservation buffer” consisting of 2.5% above its minimum risk-based capital requirements. As of December 31, 2024, the Bank had a capital conservation buffer of 8.42% of risk-weighted assets, which was in excess of the regulatory requirement of 2.5%.

PEOPLES TRUST COMPANY OF ST. ALBANS

Notes to Financial Statements

December 31, 2024 and 2023

As of December 31, 2024, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum total risk-based, common equity Tier 1 risk-based, Tier 1 risk-based and Tier 1 leverage rations as set forth in the following tables. There are no conditions or events since the notification that management believes have changed the Bank's category. Management believes that the Bank meets all capital adequacy requirements to which they are subject.

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

	Actual		Minimums for Capital Adequacy Purposes		Minimums to be Well Capitalized Under Prompt Corrective Action Provisions	
(In thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2024						
Total capital (to risk weighted assets)	**$ 45,235**	**16.42%**	**$ 22,040**	**8.00%**	**$ 27,550**	**10.00%**
Tier 1 (core) capital (to risk weighted assets)	**$ 41,783**	**15.17%**	**$ 16,530**	**6.00%**	**$ 22,040**	**8.00%**
Common Tier 1 (CET1) (to risk weighted assets)	**$ 41,783**	**15.17%**	**$ 12,397**	**4.50%**	**$ 17,907**	**6.50%**
Tier 1 (core) capital (to average assets)	**$ 41,783**	**11.06%**	**$ 15,118**	**4.00%**	**$ 18,897**	**5.00%**
(In thousands)						
As of December 31, 2023						
Total capital (to risk weighted assets)	$ 42,126	16.74%	$ 20,126	8.00%	$ 25,158	10.00%
Tier 1 (core) capital (to risk weighted assets)	$ 38,970	15.49%	$ 15,095	6.00%	$ 20,126	8.00%
Common Tier 1 (CET1) (to risk weighted assets)	$ 38,970	15.49%	$ 11,321	4.50%	$ 16,352	6.50%
Tier 1 (core) capital (to average assets)	$ 38,970	10.92%	$ 14,270	4.00%	$ 17,837	5.00%

19. Subsequent Events

The Bank has evaluated subsequent events through February 14, 2025, the date with the financial statements were available to be issued.

BOARD OF DIRECTORS EXECUTIVE/ OTHER OFFICERS

Board of Directors

Frank J. Cioffi, *Member of Board of Directors of Peoples Trust Company of St. Albans since 2009*
Chairman of the Board, GBIC (Greater Burlington Industrial Corp.)

John T. Gallagher, *Member of Board of Directors of Peoples Trust Company of St. Albans since 1991* Owner and President, Gallagher Inc.

Mark E. Lareau, *Member of Board of Directors of Peoples Trust Company of St. Albans since 2001*
Owner, Lareau Appraisal Service

Linda M. LeBlanc, *Member of Board of Directors of Peoples Trust Company of St. Albans since 2005 Current Secretary of the Board*
Retired Senior Executive Officer/Chief Operations Officer of Peoples Trust Company of St. Albans

Leon J. Berthiaume, *Member of Board of Directors of Peoples Trust Company of St. Albans since 2008*
Retired CEO of the St. Albans Cooperative Creamery

Thomas J. Gallagher, *Member of Board of Directors of Peoples Trust Company of St. Albans since 2011*
President/CEO of Peoples Trust Company of St. Albans

John P. Casavant, *Member of Board of Directors of Peoples Trust Company 2016*
Part owner and Vice President at NFP, Inc. (formerly Hackett, Valine and McDonald)

David J. Handy, *Member of Board of Directors of Peoples Trust Company 2016*
Co-owner of Handy Buick, Cadillac, GMC, Inc.

Gordon A. Winters, *Member of Board of Directors of Peoples Trust Company 2016*
Owner, ACE Hardware stores in Milton, Jericho, St. Albans, Burlington VT and Champlain, NY

Kevin J. Manahan, *Member of Board of Directors of People's Trust Company 2023*
Retired Partner at AM Peisch & Co.

Executive Officers

Thomas J. Gallagher *President/CEO*

Aaron A. Reynolds *Senior Executive Vice President/CFO*

Other Officers

Michael J. Elmore *Senior Vice President, CIO*

Angela M. Poirier *Senior Vice President, CLS*

Barbara J. Toof *Senior Vice President, CRBO*

Carol C. Spillane *Senior Vice President*

Lloyd W. Larrow *Senior Vice President*

Stacey M. Cauller *Senior Vice President*

Anne E. Gosselin *Senior Vice President*

Danielle E. Manahan *Senior Vice President*

Janice L. LaRocque *Senior Vice President, BSA*

Lyle D. Poirier *Vice President*

Jay C. Cummings *Vice President*

Rachael A. Brown *Vice President*

Carisa Ledoux *Vice President*

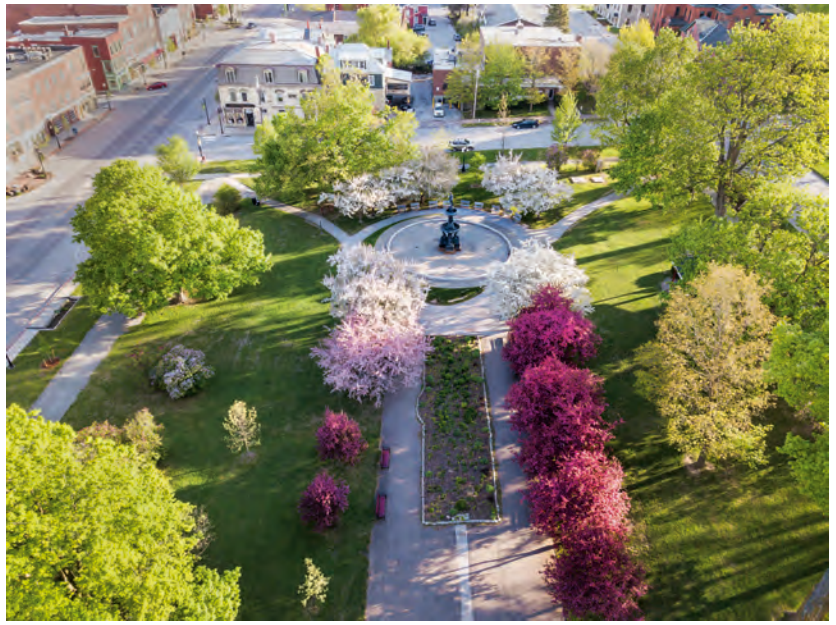
Travis Sweeney *Vice President*

Chelsea Longe *Vice President*

Giving BACK to our *People.*

PEOPLES TRUST *Company*
The bank with a *heart*

2024 ANNUAL REPORT



PEOPLES TRUST *Company*

The bank with a *heart*

Photography by David Bruekner

2024

ANNUAL REPORT

PEOPLES TRUST *Company*

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EQUAL HOUSING LENDER

Member FDIC

Photography by David Bruekner