2024
ANNUAL REPORT

TOWN CENTER BANK

FRANKFORT | NEW LENOX

FROM THE CHAIRMAN AND PRESIDENT

We are pleased to report that 2024 was a year of strong financial performance for Town Center Bank. The Bank achieved 12% asset growth and increased net income per share from $0.45 in 2023 to $0.64 in 2024—a 42% year-over-year increase in net income after taxes. Deposits grew by 13.8% during the year, and we remain well-capitalized under regulatory guidelines. These milestones reflect our ongoing commitment to sound financial management and delivering sustained value to our shareholders.

In addition to our financial success, we made significant strides in marketing and brand recognition throughout the year. Notably, we secured naming rights for the building housing our New Lenox branch, placing the Town Center Bank name prominently at the high-traffic Lincoln Highway and Schoolhouse Road intersection. We ran multi-channel campaigns including cable TV, Google display ads, and Facebook advertising. These efforts generated over 940,000 targeted monthly impressions in our core market, reinforcing our position as a trustworthy community bank.

We invite you to review the enclosed proxy materials and submit your vote on the matters at hand at **TownCenterBank.com/ShareholderMeeting**.

The proposed Equity Incentive Compensation Plan is designed to promote shareholder value by aligning employee incentives with Town Center Bank's long-term success. The plan will employ Bank shares to attract, retain, and motivate key individuals, and there are currently no outstanding options or prior incentive plans in place. Shareholder approval is requested to allow for favorable tax treatment under the Internal Revenue Code for participants granted incentives through this plan. Shareholders will also be asked to elect a new director and select the Bank's auditing firm.

If you would like to learn more about Town Center Bank's positive recent performance and its future direction, please refer to our online 2024 Annual Report via the QR Code on this page or at **TownCenterBank.com/ShareholderMeeting**. Your continued engagement and support are greatly appreciated and are vital to our shared success.

Sincerely,

Dr. Paul Chemello

Dr. Paul Chemello
Chairman

Daniel Regan
President
Vice Chairman

EXPANDING OUR REACH: 2024 Marketing Highlights

In 2024, Town Center Bank made strategic investments in marketing aimed at strengthening its brand presence and deepening its connection with the communities it serves. From enhanced visibility at a key intersection to a robust multimedia campaign, the Bank has taken thoughtful steps to reinforce its identity as a trusted, locally focused financial institution.

One of the year's most visible achievements was securing the naming rights for the building that houses the Bank's New Lenox branch. Located at the highly trafficked corner of Lincoln Highway and Schoolhouse Road, the newly branded building now prominently features the Town Center Bank name. This investment offers not only daily brand exposure to thousands of drivers and pedestrians but also affirms the Bank's commitment to being a long-standing presence in the heart of the community.

Town Center Bank's new brand standards ensure a consistent and professional appearance across all communications—from advertisements and signage to digital messaging. Consistency in brand presentation fosters trust, reinforces credibility, and supports long-term customer loyalty in a competitive financial marketplace.

To expand its reach further, the Bank launched a cable television campaign featuring spots on all of the most popular cable networks targeting its core market of Frankfort, Mokena, New Lenox, and Manhattan. These campaigns are designed not only to build awareness but also to reinforce Town Center Bank's identity as a community-centric bank committed to personal service. Each four-week run of the campaign generates more than 200,000 impressions, making television an effective channel for deepening brand recognition.

MOVE CURSOR OVER IMAGE AND CLICK FOR VIDEO TO BEGIN

The Bank also embraced digital strategies with the launch of a display advertising initiative across both the Google platform and Facebook. The Google campaign delivers more than 600,000 monthly impressions by serving ads on a broad network of websites while using geo-targeting to stay focused on the core market. Meanwhile, the Facebook campaign adds another 142,000 monthly impressions by placing visually engaging ads directly into the news feeds of local users.

Combined, these efforts position Town Center Bank for continued growth by spotlighting its niche as a community-focused financial partner. With a strong foundation in place, the Bank is well-prepared to build on these successes in the years to come.

TC Financial Holdings, Inc.

Consolidated Financial Statements

Years Ended December 31, 2024 and 2023

WIPFLI

WIPFLI

Independent Auditor's Report

Board of Directors
TC Financial Holdings, Inc. and Subsidiary
New Lenox, Illinois

Opinion

We have audited the accompanying consolidated financial statements (the ''financial statements'') of TC Financial Holdings, Inc. and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of TC Financial Holdings, Inc. and Subsidiary as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States (''GAAP'').

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States, 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 TC Financial Holdings, Inc. and Subsidiary ability to continue as a going concern for one year after the date 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 whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TC Financial Holdings, Inc. and Subsidiary’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 TC Financial Holdings, Inc. and Subsidiary'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.

Wipfli LLP

Wipfli LLP

Aurora, Illinois

February 25, 2025

TC Financial Holdings, Inc. and Subsidiary
Consolidated Balance Sheets
(Dollars in Thousands)

As of December 31,		2024		2023
Assets:				
Cash on hand	$	1,312	$	1,464
Interest-bearing deposits with banks		17,099		17,436
Federal funds sold		4,721		3,692
Total cash and cash equivalents		23,132		22,592
Securities available-for-sale (amortized cost of $22,315 and $14,592 at December 31, 2024 and 2023, respectively)		21,291		13,431
Loans, net of allowance for credit losses $1,432 in 2024 and $1,303 in 2023		116,628		107,642
Federal Home Loan Bank stock		900		900
Premises and equipment, net		221		196
Deferred income taxes		1,757		2,054
Accrued interest receivable and other assets		1,344		767
Total assets	$	165,273	$	147,582
Liabilities:				
Non-interest-bearing demand	$	30,161	$	40,005
Interest bearing		94,715		69,698
Total deposits		124,876		109,703
Note payable		30		30
Federal Home Loan Bank advances		20,000		20,000
Accrued interest payable and other liabilities		1,761		922
Total liabilities		146,667		130,655
Stockholders' Equity:				
Common stock $0.01 par value at 2024 and 2023; 10,000,000 shares authorized; 2,333,660 shares issued and outstanding at December 31, 2024 and 2023		23		23
Additional paid-in capital		23,095		23,095
Accumulated deficit		(3,780)		(5,274)
Accumulated other comprehensive loss		(732)		(917)
Total stockholders' equity		18,606		16,927
Total liabilities and shareholders' equity	$	165,273	$	147,582

See accompanying notes to consolidated financial statements

TC Financial Holdings, Inc. and Subsidiary
Consolidated Statements of Income
(Dollars in Thousands)

Years Ended December 31,	2024	2023
Interest Income		
Loans, including fees	$ 7,901	$ 6,234
Securities	515	495
Federal funds sold, interest bearing and other	1,293	522
Total interest income	9,709	7,251
Interest Expense		
Deposits	2,294	879
Federal Home Loan Bank and Federal Reserve	771	474
Total interest expense	3,065	1,353
Net Interest Income	6,644	5,898
Provision for credit losses	79	320
Net interest income after provision for credit losses	6,565	5,578
Noninterest Income:		
Service charges on deposits	80	75
Mortgage banking income	21	36
Other income	121	20
Total noninterest income	222	131
Noninterest Expense		
Salaries and employee benefits	2,821	2,382
Occupancy and equipment	382	353
Data processing	384	534
Professional fees	306	261
FDIC deposit insurance	72	46
Advertising and marketing	75	61
Other	608	565
Total noninterest expense	4,648	4,202
Income before income taxes	2,139	1,507
Income tax expense	645	456
Net income	$ 1,494	$ 1,051
Basic and Diluted Net Income Per Share	$ 0.64	$ 0.45
Basic and Diluted Weighted Average Common Shares Outstanding	2,333,660	2,333,660

See accompanying notes to consolidated financial statements

TC Financial Holdings, Inc. and Subsidiary
Consolidated Statements of Comprehensive Income
(Dollars in Thousands)

Years Ended December 31,	2024	2023
Net income	$ 1,494	$ 1,051
Other comprehensive income:		
Unrealized gain on securities	137	258
Tax effect	48	(54)
Other comprehensive income	185	204
Total Comprehensive Income	$ 1,679	$ 1,255

See accompanying notes to consolidated financial statements

TC Financial Holdings, Inc. and Subsidiary

Consolidated Statements of Changes in Stockholders' Equity

(Dollars in Thousands)

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders's Equity
Balances at January 1, 2023	$ 23	$ 23,095	$ (6,325)	- $ (1,121)	$ 15,672
Net Income	-	-	1,051	-	1,051
Other comprehensive income	-	-	-	204	204
Balances at December 31, 2023	23	23,095	(5,274)	(917)	16,927
Net income	-	-	1,494	-	1,494
Other comprehensive income	-	-	-	185	185
Balances at December 31, 2024	$ 23	$ 23,095	$ (3,780)	$ (732)	$ 18,606

See accompanying notes to consolidated financial statements

TC Financial Holdings, Inc. and Subsidiary
Consolidated Statements of Cash Flows
(Dollars in Thousands)

Years Ended December 31,	**2024**	**2023**
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Net income	$ 1,494	$ 1,051
Adjustments to reconcile net income to net cash from operating activities:		
Net securities amortization	6	21
Provision for credit losses	79	320
Provision for depreciation and amortization	62	63
Provision for deferred income tax	456	511
Changes in operating assets and liabilities:		
Accrued interest receivable and other assets	(735)	145
Accrued interest payable and other liabilities	839	(26)
Net cash from operating activities	2,201	2,085
Cash flows from investing activities:		
Purchases of securities available for sale	(17,698)	-
Proceeds from calls and maturities of securities available for sale	10,018	14,581
Purchases of FHLB stock	-	(640)
Net increase in loans	(9,066)	(23,058)
Capital expenditures	(88)	(74)
Net cash from investing activities	(16,834)	(9,191)
Cash flows from financing activities:		
Net change in deposits	15,173	(8,000)
Proceeds from issuance of FHLB advances	15,000	20,000
Principal payments on FHLB advances	(15,000)	-
Proceeds from issuance of note payable	-	30
Net cash from financing activities	15,173	12,030
Net change in cash and cash equivalents	540	4,924
Cash and cash equivalents at beginning of year	22,592	17,668
Cash and cash equivalents at end of year	$ 23,132	$ 22,592
Supplemental cash flow information:		
Cash paid during the year for:		
Interest	$ 2,858	$ 1,108
Income taxes	300	456

See accompanying notes to consolidated financial statements

Note 1: Summary of Significant Accounting Policies

Organization and Principles of Consolidation

TC Financial Holdings, Inc. and Subsidiary (the "Company") is a bank holding company and through its banking subsidiary, Town Center Bank (Bank), provides financial services through its offices in Frankfort and New Lenox, Illinois. The Bank's primary deposit products are checking, savings and term certificate accounts, and its primary lending products are residential mortgage, commercial, commercial real estate, construction, land development and consumer loans. Substantially, all loans are secured by specific items of collateral including business assets, consumer assets, and commercial and residential real estate. Commercial loans are expected to be repaid from cash flow from operations of businesses. The customers' ability to repay their loans is dependent on the real estate and general economic conditions in the area.

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, the valuation of securities, and deferred tax assets. Management does not anticipate any material changes to these estimates in the near term.

Cash and Cash Equivalents

For purposes of reporting cash flows in the financial statements, cash and cash equivalents include cash on hand, interest-bearing and non-interest-bearing accounts in other financial institutions, and federal funds sold, all of which have original maturities of three months or less and are utilized in the daily operations of the Company.

Interest-Bearing Deposits

Interest-bearing time deposits in other banks are carried at cost.

Note 1: Summary of Significant Accounting Policies (Continued)

Debt Securities

Debt securities are classified as available for sale and are carried at fair value, with unrealized gains and losses reported in other comprehensive income or loss. Amortization of premiums and accretion of discounts are recognized in interest income using the interest method. Premiums that exceed the amount repayable by the issuer at the next call date are amortized to the next call date. Other premiums and discounts are amortized (accreted) over the estimated lives of the securities. Gains and losses on the sale of securities are recorded on the trade date and determined using the specific-identification method.

The Company evaluates individual securities available for sale in an unrealized loss position by first determining whether the decline in fair value below the amortized cost basis of the security has resulted from a credit loss or other factors. A credit loss exists when the present value of cash flows expected to be collected from the security is less than the amortized cost basis of the security. In determining whether a credit loss exists, the Company considers the extent to which the fair value is less than the amortized cost basis, adverse conditions related to the security, the industry, or geographic areas, the payment structure of the debt security, failure of the issuer to make scheduled payments, and any changes to the rating of the security. Impairment related to credit losses is recognized through an allowance for credit losses up to the amount that fair value is less than the amortized cost basis. Changes to the allowance are recognized through earnings as a provision for (or recovery of) credit losses. Impairment related to other factors is recognized in other comprehensive income.

If the Company intends to sell, or it is more likely than not the Company will be required to sell, the security before recovery of its amortized cost basis, any allowance for credit losses is written off and the amortized cost basis is written down to the security's fair value at the reporting date with any incremental impairment recognized in earnings.

The accrual of interest on a security available for sale is discontinued when the security becomes 90 days delinquent or whenever management believes the issuer will be unable to make payments as they become due. When securities are placed on nonaccrual status, all unpaid accrued interest is reversed against interest income. No accrued interest was written off during 2024 and 2023.

The Company excludes accrued interest receivable from the amortized cost basis of securities available for sale when estimating credit losses and when presenting required disclosures in the financial statements. Accrued interest on securities available for sale totaling $38 and $67 at December 31, 2024 and 2023, respectively, was excluded from the amortized cost basis of securities available for sale and is included in accrued interest receivable and other assets consolidated balance sheets.

Management believes the Company will collect all amounts owed on securities available for sale issued by the U.S. government or a U.S. government-sponsored agency since these securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. Management evaluates all other securities available for sale using a probability of default method. The probability of default method estimates the probability a security with a certain credit rating will default during its remaining contractual term (probability of default) and how much loss is expected to be incurred if a security defaults (loss given default rate). The Company obtains information from [FHN] to estimate the probability of

Note 1: Summary of Significant Accounting Policies (Continued)

Debt Securities (Continued)

default for each credit rating based on the remaining term of the security and the loss given default rate.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff generally are reported at their outstanding unpaid principal balances, net of purchase premiums and discounts, deferred fees and costs, and an allowance for credit losses. Interest income is accrued on unpaid principal balance. Loan-origination fees, net of certain direct origination costs, are deferred and amortized over the life of the loan. For loans with terms of less than one year are recognized as income or expense when received or incurred since capitalization of these fees and costs would not have a significant impact on the financial statements.

For all loan types, interest income on loans is discontinued at the time the loan is 90 days delinquent unless the loan is well secured and in process of collection. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

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

Accounting for loans is performed consistently across all portfolio segments and classes. A portfolio segment is defined as the level at which an entity develops and documents a systemic methodology to determine its allowance for credit losses. A portfolio class is defined as a group of loans having similar initial measurement attributes, risk characteristics and methods for monitoring and assessing risk. The Company's allowance for credit losses methodology is determined by groups of loans having similar risk characteristics and methods for monitoring risk. As a result, the portfolio segments and classes are the same.

Note 1: Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses on Loans and Unfunded Loan Commitments

The allowance for credit losses on loans is a valuation allowance that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the Company's loan portfolio. The allowance for credit losses on loans is established through provisions for credit losses charged against earnings. When available information confirms that specific loans, or portions thereof, are uncollectible, these amounts are charged against the allowance for credit losses on loans, and subsequent recoveries, if any, are credited to the allowance for credit losses on loans.

Management considers the following when assessing risk in the Company's loan portfolio segments:

Commercial

Loans in this segment are primarily for working capital, physical asset expansion, asset acquisition loans, and other. These loans are made based primarily on historical and projected cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not behave as forecasted, and collateral-securing loans may fluctuate in value as a result of economic or individual performance factors. Financial information is obtained from the borrowers to evaluate cash flow sufficiency to service debt and is periodically updated during the life of the loan.

Commercial Real Estate

Loans in this segment are primarily income-producing properties throughout the Chicago area. The underlying cash flows generated by the properties are adversely impacted by a downturn in the economy as evidenced by increased vacancy rates, which in turn, will have an effect on the credit quality in this segment. Management obtains rent rolls annually and continually monitors the cash flows of these loans. Credit risk is affected by cost overruns, time to sell at an adequate price, and market conditions.

Residential Real Estate

Loans in this segment primarily include owner occupied 1-4 family residences secured by 1st liens. The Company generally has 2nd liens on property securing home equity loans. The Company generally does not originate loans with a loan-to-value ratio greater than 85% and does not generally grant loans that would be classified as subprime upon origination. All loans in this segment are collateralized by residential real estate and repayment is dependent on the credit quality of the individual borrower or borrowers. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this segment.

Consumer

Loans in this segment are to individuals and are supported by non-real estate collateral, primarily automobiles. The repayment is dependent on the credit quality of the individual borrower. Overdraft balances are also included in this segment as other.

Note 1: Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses on Loans and Unfunded Loan Commitments (Continued)

The Company uses a current expected credit loss ("CECL") model to estimate the allowance for credit losses on loans. The CECL model considers historical loss rates and other qualitative adjustments, as well as a new forward looking component that considers reasonable and supportable forecasts over the expected life of each loan. To develop the allowance for credit losses on loans estimate under the CECL model, the Company segments the loan portfolio into loan pools based on loan type and similar credit risk elements; performs an individual evaluation of certain collateral dependent and other credit deteriorated loans; calculates the historical loss rates for the segmented loan pools; applies the loss rates over the calculated life of the collectively evaluated loan pools; adjusts for forecasted macro level economic conditions and other anticipated changes in credit quality; and determines qualitative adjustments based on factors and conditions unique to the Company's loan portfolio.

Under the CECL model, loans that do not share similar risk characteristics with loans in their respective pools are individually evaluated for expected credit losses and are excluded from the collectively evaluated loan credit loss estimates. A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

The following describes the types of collateral that secure collateral dependent loans:

- Commercial and industrial loans considered collateral dependent are primarily secure by accounts receivable, inventory and equipment.

- Commercial real estate loans are primarily secured by office and industrial buildings, warehouses, retail shopping facilities, multifamily, mixed use, and various special purpose properties, including hotels and restaurants.

- Residential real estate loans are primarily secured by first liens or second liens on residential real estate.

- Consumer and other loans considered collateral dependent are primarily secured by personal property.

Management evaluates all collectively evaluated loan pools using the SCALE CECL Allowance Loss Estimator method ("SCALE method") which uses external information (aggregated call report data of other institutions) in lieu of internal data given a lack of recent loss history experienced by the Company. The SCALE method is a simple spreadsheet based model developed by the Federal Reserve to assist smaller banks in calculating their allowance for credit losses.

Note 1: Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses on Loans and Unfunded Loan Commitments (Continued)

The SCALE method uses publicly available data as an initial proxy, expected lifetime loss rate for calculating lifetime expected losses, which is then adjusted, both quantitatively and qualitatively, to reflect the Company's specific facts and circumstances to arrive at a final estimate.

The quantitative analysis described above is supplemented with other qualitative factors based on the risks present for each collectively evaluated loan pool. These qualitative factors include: levels of and trends in delinquencies and nonaccrual loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

Unfunded loan commitments are segmented into the same pools used for estimating the allowance for credit losses on loans. Estimated credit losses on unfunded loan commitments are based on the same methodology, inputs, and assumptions used to estimate credit losses on collectively evaluated loans, adjusted for estimated funding probabilities. The estimated funding probabilities represent management's estimate of the amount of the current unfunded loan commitment that will be funded over the remaining contractual life of the commitment and is based on historical data.

The Company may modify loans to borrowers experiencing financial difficulty and grant certain concessions that include principal forgiveness, a term extension, an other-than-insignificant payment delay, an interest rate reduction, or a combination of these concessions. An assessment of whether the borrower is experiencing financial difficulty is made at the time of the loan modification.

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

Management believes that the allowance for credit losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company’s allowance for credit losses. Such agencies may require the Company to recognize additions to the allowance based on judgments different than those of management.

Note 1: Summary of Significant Accounting Policies (Continued)

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, 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 the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure is held for sale and is initially recorded at fair value, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management, and the other real estate is carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from other real estate. There were no residential real estate loans in process of foreclosure as of December 31, 2024 and 2023.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets.

Federal Home Loan Bank (FHLB) Stock

The Company is a member of the FHLB system. The Company has elected to account for equity securities without readily determinable fair values using the alternative measurement method. Under this method, these securities are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Advertising

Advertising costs are expensed as incurred.

Off-Balance-Sheet Instruments

In the ordinary course of business, the Company has entered into off-balance-sheet financial instruments, including commitments to extend credit, unfunded commitments under lines of credit, and standby letters of credit. Such financial instruments are recorded in the financial statements when they become payable.

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Company does not expect a material change in its tax position within the next twelve months.

The Company recognizes interest and penalties related to income tax matters in income tax expense. There was not a material amount of interest and penalties recorded in income tax expense for the years ended December 31, 2024 and 2023.

Earnings per Common Share

Basic earnings per common share is net income divided by the weighted average number of common shares outstanding during the period. Diluted earnings per common share include the dilutive effect of additional potential common shares issuable under stock options. Options will have a dilutive effect only when the average market price over the reporting period for the stock exceeds the exercise price. Dilutive earnings per share does not assume the exercise of instruments that would have an antidilutive effect on earnings per share.

Other Comprehensive Income (Loss)

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

Legal Contingencies

Various legal claims arise from time to time in the normal course of business. In the opinion of management, any liability resulting from such proceedings would not have a material impact on the financial statements of the Company.

Reclassifications

Certain reclassifications have been made to the 2023 financial statements to conform to the 2024 classifications.

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

Subsequent events have been evaluated through February 25, 2025, which is the date the financial statements were available to be issued.

(Dollars in Thousands)

Note 2: Securities

The amortized cost and estimated fair value of securities with gross unrealized gains and losses at December 31, 2024 and 2023 follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2024				
Securities available for sale:				
Residential mortgage-backed securities	$ 4,187	$ -	$ (55)	$ 4,132
State and municipal securities	703	-	(129)	574
U.S. Treasury securities	8,830	6	(1)	8,835
Collateralized debt obligation	8,595	6	(851)	7,750
Total securities available for sale	$ 22,315	$ 12	$ (1,036)	$ 21,291
2023				
Securities available for sale:				
U.S. government and agency securities	$ 22	$ -	$ -	$ 22
Residential mortgage-backed securities	555	-	(31)	524
State and municipal securities	706	-	(123)	583
U.S. Treasury securities	4,980	-	(34)	4,946
Collateralized debt obligation	8,329	8	(981)	7,356
Total securities available for sale	$ 14,592	$ 8	$ (1,169)	$ 13,431

Fair values of debt securities are generally estimated based on financial models or prices paid for similar securities. It is possible interest rates or other key inputs to the valuation estimate could change considerably resulting in a material change in the estimated fair value of debt securities.

(Dollars in Thousands)

Note 2: Securities (Continued)

The following table shows the fair value and gross unrealized losses of securities available for sale with unrealized losses at December 31, 2024 and 2023, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
2024						
Residential mortgage-backed securities	$ 3,908	$ (50)	$ 224	$ (5)	$ 4,132	$ (55)
State and municipal securities	-	-	574	(129)	574	(129)
U.S. Treasury securities	5,902	(1)	-	-	5,902	(1)
Collateralized debt obligation	1,900	(9)	5,291	(842)	7,191	(851)
Total	$ 11,710	$ (60)	$ 6,089	$ (976)	$ 17,799	$ (1,036)
2023						
U.S. government and agency securities	$ -	$ -	$ 22	$ -	$ 22	$ -
Residential mortgage-backed securities	-	-	524	(31)	524	(31)
State and municipal securities	-	-	583	(123)	583	(123)
U.S. Treasury securities	-	-	4,946	(34)	4,946	(34)
Collateralized debt obligation	-	-	6,136	(981)	6,136	(981)
Total	$ -	$ -	$ 12,211	$ (1,169)	$ 12,211	$ (1,169)

(Dollars in Thousands)

Note 2: Securities (Continued)

The following table presents the number and aggregate depreciation from the Company's amortized cost basis of debt securities available for sale in a continuous unrealized loss position by security type at December 31, 2024:

	Number of Securities	Aggregate Depreciation
Residential mortgage-backed securities	5	1.31 %
State and municipal securities	2	18.28
U.S. Treasury securities	2	0.02
Collateralized debt obligation	29	10.58
Total	38	5.50 %

These unrealized losses relate principally to the changes in interest rates and are not due to changes in the financial condition of the issuer, the quality of any underlying assets, or applicable credit enhancements. In reaching the conclusion that an allowance for credit losses is unnecessary, management observed that the securities were issued by a government body or agency, the securities continue to be highly rated (AA or better) where applicable, the issuer continues to make contractual payments, and the quality of any underlying assets or credit enhancements has not changed. Since management has the ability to hold debt securities for the foreseeable future, the Company expects to recover the amortized cost basis of these securities before they are sold or mature.

The following is a summary of amortized cost and estimated fair value of debt securities by contractual maturity as of December 31, 2024. Contractual maturities will differ from expected maturities for mortgage-related securities because borrowers may have the right to call or prepay obligations without penalties.

	Available for Sale	
	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 8,830	$ 8,834
Due after one year through five years	-	-
Due after five years through ten years	703	575
Due after ten years	-	-
Subtotal	9,533	9,409
Mortgage-related securities	12,782	11,882
Total	$ 22,315	$ 21,291

There were no sales of debt securities in 2024 and 2023.

Note 2: Securities (Continued)

At December 31, 2024 and 2023, the estimated fair value of debt securities pledged to secure public deposits and for other purposes required or permitted by law was $10,086 and $12,447, respectively.

(Dollars in Thousands)

Note 3: Loans

The following table presents total loans at December 31, 2024 and 2023 by portfolio segment and class of loan:

	2024	2023
Commercial real estate:		
Commercial, owner occupied	$ 20,953	$ 19,567
Commercial, non-owner occupied	44,157	45,706
Farmland	288	367
Other construction loan	4,429	3,982
Residential Real Estate:		
1-4 family residential construction loans	4,134	2,055
Revolving, open-end loans 1-4 family	6,861	5,396
Closed-end 1-4 family first liens	4,549	2,463
Commercial and industrial	30,059	26,253
Consumer	2,543	2,908
Subtotal	117,973	108,697
Allowance for credit losses	(1,432)	(1,303)
Deferred loan origination fees and costs, net	87	248
Loans, net	$ 116,628	$ 107,642

Activity in the allowance for credit losses on loans by portfolio segment follows:

	Commercial Real Estate	Residential Real Estate	Commercial and Industrial	Consumer	Unallocated	Total
Balance at January 1, 2023	$ 635	$ 41	$ 190	$ 108	$ 203	$ 1,177
Provision for credit losses on loans	181	27	158	33	(79)	320
Loans charged off	-	-	(101)	(132)	-	(233)
Recoveries of loans previously charged off	-	31	-	8	-	39
Balance at December 31, 2023	816	99	247	17	124	1,303
Provision for credit losses on loans	(72)	10	55	(3)	89	79
Loans charged off	-	-	-	(31)	-	(31)
Recoveries of loans previously charged off	-	48	-	33	-	81
Balance at December 31, 2024	$ 744	$ 157	$ 302	$ 16	$ 213	$ 1,432

(Dollars in Thousands)

Note 3: Loans (Continued)

At December 31, 2024 and 2023, the Company deemed a reserve for unfunded loan commitments were immaterial to the financial statements.

The Company did not write off any accrued interest by reversing interest income in 2024 or 2023.

Information regarding collateral dependent loans as of December 31, 2024 and 2023 follows:

	Recorded Investment	Related Allowance
2024		
Farmland	$ 288	$ -
Commercial and industrial	967	-
Consumer	412	-
Total	$ 1,667	$ -
2023		
Farmland	$ 367	$ -
Commercial and industrial	1,152	-
Total	$ 1,519	$ -

The Company regularly evaluates various attributes of loans to determine the appropriateness of the allowance for credit losses on loans. The credit quality indicators monitored differ depending on the class of loan.

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis includes non-homogeneous loans, such as commercial and commercial real estate loans. This analysis is performed generally on a monthly basis but no less than quarterly.

- "Pass" ratings are assigned to loans with adequate collateral and debt service ability such that collectibility of the contractual loan payments is highly probable.

- "Watch/special mention" ratings are assigned to loans where management has some concern that the collateral or debt service ability may not be adequate, though the collectibility of the contractual loan payments is still probable.

- "Substandard" ratings are assigned to loans that do not have adequate collateral and/or debt service ability such that collectibility of the contractual loan payments is no longer probable.

(Dollars in Thousands)

Note 3: Loans (Continued)

- "Doubtful" ratings are assigned to loans that do not have adequate collateral and/or debt service ability, and collectibility of the contractual loan payments is unlikely.

Internally prepared ratings for loans are updated at least annually.

Residential real estate and consumer loans are generally evaluated based on whether or not the loan is performing according to the contractual terms of the loan as of the consolidated balance sheets date.

Information regarding the credit quality indicators most closely monitored for commercial loans by class as of December 31, 2024 and 2023 follows:

	Pass	Special Mention/Watch	Substandard	Doubtful	Total
2024					
Commercial, owner occupied	$ 20,906	$ 47	$ -	$ -	$ 20,953
Commercial, non-owner occupied	44,157	-	-	-	44,157
Farmland	288	-	-	-	288
Other construction	4,429	-	-	-	4,429
Commercial and industrial	28,809	1,250	-	-	30,059
Total	$ 94,160	$ 1,297	$ -	$ -	$ 95,457
2023					
Commercial, owner occupied	$ 19,073	$ 494	$ -	$ -	$ 19,567
Commercial, non-owner occupied	45,706	-	-	-	45,706
Farmland	367	-	-	-	367
Other construction	3,982	-	-	-	3,982
Commercial and industrial	26,241	12	-	-	26,253
Total	$ 91,387	$ 506	$ -	$ -	$ 91,893

(Dollars in Thousands)

Note 3: Loans (Continued)

Information regarding the credit quality indicators most closely monitored for residential real estate and consumer loans by class as of December 31, 2024 and 2023 follows:

	Performing	Non-performing	Total
2024			
1-4 family residential construction loans	$ 4,134	$ -	$ 4,134
Revolving, open-end loans 1-4 family	6,861	-	6,861
Closed-end 1-4 family first liens	4,549	-	4,549
Consumer	2,543	-	2,543
Total	$ 18,087	$ -	$ 18,087
2023			
1-4 family residential construction loans	$ 2,055	$ -	$ 2,055
Revolving, open-end loans 1-4 family	5,396	-	5,396
Closed-end 1-4 family first liens	2,463	-	2,463
Consumer	2,908	-	2,908
Total	$ 12,822	$ -	$ 12,822

(Dollars in Thousands)

Note 3: Loans (Continued)

Information regarding the loan portfolio by risk classification and origination year for the year ended December 31, 2024, follows:

	2024	2023	2022	2021	Prior	Revolving	Total
Commercial, owner occupied:							
Pass	$ 6,291	$ 5,414	$ 3,449	$ 969	$ 4,783	$ -	$ 20,906
Special Mention/Watch	-	-	-	-	-	-	-
Substandard	-	-	-	-	47	-	47
Doubtful	-	-	-	-	-	-	-
Totals	$ 6,291	$ 5,414	$ 3,449	$ 969	$ 4,830	$ -	$ 20,953
Current period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial, non-owner occupied:							
Pass	$ 6,632	$ 7,074	$ 10,174	$ 4,725	$ 15,552	$ -	$ 44,157
Totals	$ 6,632	$ 7,074	$ 10,174	$ 4,725	$ 15,552	$ -	$ 44,157
Current period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Farmland:							
Pass	$ -	$ -	$ -	$ -	$ -	$ 288	$ 288
Totals	$ -	$ -	$ -	$ -	$ -	$ 288	$ 288
Current period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other construction loan:							
Pass	$ -	$ 3,395	$ -	$ 49	$ 985	$ -	$ 4,429
Totals	$ -	$ 3,395	$ -	$ 49	$ 985	$ -	$ 4,429
Current period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -

(Dollars in Thousands)

Note 3: Loans (Continued)

Commercial and industrial:							
Pass	$ 3,991	$ 7,322	$ 6,896	$ 5,731	$ 4,869	$ -	$ 28,809
Unused	-	-	-	-	1,250	-	1,250
Totals	$ 3,991	$ 7,322	$ 6,896	$ 5,731	$ 6,119	$ -	$ 30,059
Current period gross charge offs	$ -	$ -	$ -		$ -	$ -	$ -
1-4 family residential construction loans:							
Pass	$ 1,196	$ 2,938	$ -	$ -	$ -	$ -	$ 4,134
Totals	$ 1,196	$ 2,938	$ -	$ -	$ -	$ -	$ 4,134
Current period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Revolving, open-end loans 1-4 family:							
Pass	$ 3,025	$ 1,730	$ 762	$ 481	$ 863	$ -	$ 6,861
Totals	$ 3,025	$ 1,730	$ 762	$ 481	$ 863	$ -	$ 6,861
Current period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Closed-end 1-4 family first liens:							
Pass	$ 2,189	$ 877	$ 1,247	$ -	$ 236	$ -	$ 4,549
Totals	$ 2,189	$ 877	$ 1,247	$ -	$ 236	$ -	$ 4,549
Current period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer:							
Pass	$ 872	$ 63	$ 42	$ 1,081	$ 484	$ 1	$ 2,543
Totals	$ 872	$ 63	$ 42	$ 1,081	$ 484	$ 1	$ 2,543
Current period gross charge offs	$ -	$ -	$ -	$ 31	$ -	$ -	$ 31

Information regarding the loan portfolio by risk classification and origination year for the year ended December 31, 2023, follows:

	2023	2022	2021	Prior	Revolving	Total
Commercial, owner occupied:						
Pass	$ 7,156	$ 5,179	$ 1,011	$ 5,727	$ -	$ 19,073
Special Mention/Watch	-	-	-	494	-	494
Doubtful	-	-	-	-	-	-
Totals	$ 7,156	$ 5,179	$ 1,011	$ 6,221	$ -	$ 19,567
Current period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -
Commercial, non-owner occupied:						
Pass	$ 8,533	$ 10,437	$ 4,116	$ 22,620	$ -	$ 45,706
Totals	$ 8,533	$ 10,437	$ 4,116	$ 22,620	$ -	$ 45,706
Current period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -

(Dollars in Thousands)

Note 3: Loans (Continued)

Farmland:							
Pass	$ -	$ -	$ -	$ -	$ 367	$ -	$ 367
Totals	$ -	$ -	$ -	$ -	$ 367	$ -	$ 367
Current period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other construction loan:							
Pass	$ 2,855	$ -	$ 99	$ 1,028	$ -	$ -	$ 3,982
Totals	$ 2,855	$ -	$ 99	$ 1,028	$ -	$ -	$ 3,982
Current period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial and industrial:							
Pass	$ 8,149	$ 7,186	$ 5,636	$ 5,270	$ -	$ -	$ 26,241
Special Mention/Watch	-	-	12	-	-	-	12
Totals	$ 8,149	$ 7,186	$ 5,648	$ 5,270	$ -	$ -	$ 26,253
Current period gross charge offs	$ -	$ 101	$ -	$ -	$ -	$ -	$ 101
1-4 family residential construction loans:							
Pass	$ 2,055	$ -	$ -	$ -	$ -	$ -	$ 2,055
Totals	$ 2,055	$ -	$ -	$ -	$ -	$ -	$ 2,055
Current period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Revolving, open-end loans 1-4 family:							
Pass	$ -	$ -	$ -	$ -	$ -	$ 5,396	$ 5,396
Totals	$ -	$ -	$ -	$ -	$ -	$ 5,396	$ 5,396
Current period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Closed-end 1-4 family first liens:							
Pass	$ 896	$ 1,266	$ -	$ -	$ 253	$ -	$ 2,415
Substandard	-	-	-		48	-	48
Totals	$ 896	$ 1,266	$ -	$ -	$ 301	$ -	$ 2,463
Current period gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer:							
Pass	$ 88	$ 54	$ 2,170	$ -	$ 592	$ 4	$ 2,908
Totals	$ 88	$ 54	$ 2,170	$ -	$ 592	$ 4	$ 2,908
Current period gross charge offs	$ -	$ -	$ -	$ -	$ 52	$ 80	$ 132

(Dollars in Thousands)

Note 3: Loans (Continued)

Loan aging information as of December 31, 2024 and 2023 follows:

	Current Loans	Loans Past Due 30-89 Days	Loans Past Due 90+ Days	Total Loans
2024				
Commercial, owner occupied	$ 20,953	$ -	$ -	$ 20,953
Commercial, non-owner occupied	44,157	-	-	44,157
Farmland	288	-	-	288
Other construction loan	4,429	-	-	4,429
1-4 family residential construction loans	4,134	-	-	4,134
Revolving, open-end loans 1-4 family	6,861	-	-	6,861
Closed-end 1-4 family first liens	4,549	-	-	4,549
Commercial and industrial	30,059	-	-	30,059
Consumer	2,463	80	-	2,543
Total	$ 117,893	$ 80	$ -	$ 117,973
2023				
Commercial, owner occupied	$ 19,567	$ -	$ -	$ 19,567
Commercial, non-owner occupied	45,706	-	-	45,706
Farmland	367	-	-	367
Other construction loan	3,982	-	-	3,982
1-4 family residential construction loans	2,055	-	-	2,055
Revolving, open-end loans 1-4 family	5,396	-	-	5,396
Closed-end 1-4 family first liens	2,463	-	-	2,463
Commercial and industrial	26,049	184	20	26,253
Consumer	2,908	-	-	2,908
Total	$ 108,493	$ 184	$ 20	$ 108,697

No loans were 90+ days past due and accruing interest at December 31, 2024. There were $20 of loans 90+ days past due and accruing interest at December 31, 2023.

There were no loans on nonaccrual as of December 31, 2024 and 2023.

The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The Bank did not have any loan modifications to borrowers experiencing financial difficulty during the year ended December 31, 2024 and 2023.

(Dollars in Thousands)

Note 3: Loans (Continued)

Directors and executive officers of the Company, including their families and firms in which they are principal owners, are considered related parties. Substantially all loans to these related parties were made on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others and did not involve more than the normal risk of collectibility or present other unfavorable features.

As of December 31, 2024 and 2023, loans aggregating $838 and $939, respectively, were outstanding to directors, executive officers, and certain associates.

Note 4: Premises and Equipment

An analysis of premises and equipment at December 31, 2024 and 2023 is as follows:

	2024	2023
Furniture, fixtures and equipment	$ 678	$ 674
Leasehold improvements	605	594
Subtotal	1,283	1,268
Accumulated depreciation	(1,062)	(1,072)
Total	$ 221	$ 196

Depreciation and amortization of premises and equipment charged to noninterest expense totaled $62 during 2024 and $63 during 2023.

(Dollars in Thousands)

Note 5: Deposits

Deposits consist of the following at December 31, 2024 and 2023:

	2024	2023
Non-interest-bearing deposits	$ 30,161	$ 40,005
Interest-bearing deposits		
Interest-bearing demand (NOW)	19,100	14,792
Money market accounts	23,228	18,009
Savings accounts	4,400	4,713
Certificates of deposit, less than $100	9,623	6,570
Certificates of deposit, $100 through $250	20,959	12,354
Certificates of deposit, greater than $250	17,405	13,260
Total	$ 124,876	$ 109,703

Time deposits that meet or exceed the FDIC insurance limit of $250 totaled $19,155 at December 31, 2024 and $15,260 at December 31, 2023.

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

2025	$ 44,820
2026	1,377
2027	1,335
2028	266
2029	189
Total	$ 47,987

Deposits from directors, executive officers, principal stockholders, and their affiliates totaled $2,370 at December 31, 2024 and $2,877 at December 31, 2023.

Note 6: FHLB Advances

FHLB advances consist of the following at December 31, 2024:

	2024		2023	
	Rates	Amount	Rates	Amount
Federal Home Loan Bank (FHLB):				
Fixed rate, fixed term advances	3.74-4.12%	$ 20,000	3.48 - 3.74%	$ 20,000
Total		$ 20,000		$ 20,000

(Dollars in Thousands)

Note 6: FHLB Advances (Continued)

The following is a summary of scheduled maturities of fixed term FHLB advances as of December 31, 2024:

	Fixed Rate Advances	
	Weighted Average Rate	Amount
2030	3.74%	$ 5,000
2031	4.12%	5,000
2034	3.92%	10,000
Total		$ 20,000

Actual maturities may differ from the scheduled principal maturities due to call options on the various advances.

As of December 31, 2024 and 2023, the Company had approximately $85,219 and $79,012 respectively, of eligible loans pledged to the FHLB for additional borrowing capacity.

Note 7: Income Taxes

The components of the provision for income taxes are as follows:

	2024	2023
Current tax expense (benefit):		
Federal	$ -	$ (189)
State	189	134
Total current	189	(55)
Deferred tax expense (benefit):		
Federal	416	533
State	40	(22)
Total deferred	456	511
Income tax expense	$ 645	$ 456

(Dollars in Thousands)

Note 7: Income Taxes (Continued)

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. The major components of the net deferred tax asset as of December 31, 2024 and 2023 are presented below:

	2024	2023
Deferred tax assets:		
Allowance for credit losses	$ 26	$ 4
Net operating loss carryforwards	1,425	1,906
Unrealized loss on available-for-sale securities	292	244
Other	74	76
Total deferred tax assets	1,817	2,230
Deferred tax liabilities:		
Depreciation	(4)	(5)
Other	(32)	(36)
Total deferred tax liabilities	(36)	(41)
Valuation allowance	-	-
Net deferred tax asset	$ 1,781	$ 2,189

Federal net operating losses of approximately $3,959 and state loss carryforward of approximately $8,768 are being carried forward and will be available to reduce future taxable income. The federal net operating loss may be used indefinitely to reduce future federal income taxes

The effective tax rate differs from the federal statutory rate due to the establishment of the valuation allowance discussed above, which offsets the current year income tax benefit. The Company does not expect the total amount of unrecognized tax benefits to significantly change in the next twelve months.

The Company is subject to U.S. federal income tax as well as income tax of the State of Illinois.

Note 8: Stock Compensation Plan

The Board of Directors granted options to buy Company stock to officers and employees under the Company's Stock Incentive Plan, which provides for the issuance of options to purchase up to 432,000 shares of the Company's common stock. The Company believes that such awards better align the interests of its employees with those of its shareholders. Stock option awards were granted with an exercise price of $10, which was the initial offering price of the Company's common stock in 2006. Option awards have a vesting period of three years and have a ten-year contractual term. In 2012, there were 423,000 of available options which were cancelled in

(Dollars in Thousands)

Note 8: Stock Compensation Plan (Continued)

2012. The Board of Directors approved the re-granting of these options with an exercise price of $3 in 2012. These options were then granted in 2013, and have expired in 2023. The fair value of options, as of the grant date, is expensed over the vesting period.

The fair value of each option award is estimated on the date of grant using an option valuation model (Black-Scholes). Expected volatilities have been based on historical volatilities of the SNL MicroCap Company index. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the grant date.

Following is a summary of stock option activity for the year ended December 31, 2023:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)
2023			
Outstanding at beginning of year	357,000	$ 2.33	1.23
Expired during the year	(357,000)	2.33	-
Outstanding at end of year	$ -	-	-

There was no compensation cost recognized in 2023.

Note 9: Commitments, Contingencies, and Credit Risk

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheets.

The Company's exposure to credit loss is represented by the contractual, or notional, amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance-sheet instruments. Since some of the commitments are expected to expire without being drawn upon and some of the commitments may not be drawn upon to the total extent of the commitment, the notional amount of these commitments does not necessarily represent future cash requirements.

The following commitments were outstanding at December 31, 2024 and 2023:

	2024	2023
Unfunded commitments under lines of credit	$ 25,914	$ 26,500
Standby letters of credit	336	1,245

Unfunded commitments under commercial lines of credit, revolving credit lines, and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit are collateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Company is committed.

Performance standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit are used primarily to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved is extending loan facilities to customers. The Company generally holds collateral supporting those commitments if deemed necessary.

To reduce credit risk related to the use of credit-related financial instruments, the Company might deem it necessary to obtain collateral. The amount and nature of the collateral obtained are based on the Bank's credit evaluation of the customer. Collateral held varies but may include cash, securities, accounts receivable, inventory, property, plant, equipment, and real estate.

If the counterparty does not have the right and ability to redeem the collateral or the Bank is permitted to sell or repledge the collateral on short notice, the Company records the collateral in its consolidated balance sheet at fair value, with a corresponding obligation to return it.

Note 9: Commitments, Contingencies, and Credit Risk (Continued)

Concentration of Credit Risk

The majority of the Company's loans, commitments, and standby letters of credit have been granted to customers in the Company's market area. The concentrations of credit by type are set forth in Note 4. The Company's policies for requiring collateral are consistent with prudent lending practices and anticipate the potential for economic fluctuations. Collateral varies, but may include residential real estate properties and income-producing commercial properties. It is the Company's policy to file financing statements and mortgages covering collateral pledged.

Note 10: Equity and Regulatory Matters

The payment of dividends by the Company would be restricted if the Company does not meet the minimum Capital Conservation Buffer as defined by Basel III regulatory capital guidelines and/or if, after payment of the dividend, the Company would be unable to maintain satisfactory regulatory capital ratios.

The Bank is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of 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 table below) of Common Equity Tier 1, Tier 1, and total capital to risk-weighted assets and of Tier 1 capital to average assets. It was management's opinion, as of December 31, 2024, that the Bank met all applicable capital adequacy requirements.

As of December 31, 2024, the most recent notification from the Bank's primary regulator categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum regulatory capital ratios as set forth in the table. There have not been conditions or events since that notification that management believes have changed the Bank's category.

TC Financial Holdings, Inc. and Subsidiary
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Note 10: Equity and Regulatory Matters (Continued)

The Bank's actual capital amounts and ratios as of December 31, 2024 and 2023, are presented in the following table:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
(Dollars in Thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
2024						
Common Equity Tier 1 capital (to risk-weighted assets)	$ 17,949	13.46 %	≥ $ 5,999	≥ 4.50 %	8,666	6.50
Tier 1 capital (to risk-weighted assets)	17,949	13.46	≥ 7,999	≥ 6.00	10,666	8.00
Total capital (to risk-weighted assets)	19,381	14.54	≥ 10,666	≥ 8.00	13,332	10.00
Tier 1 capital (to average assets)	17,949	11.03	≥ 6,511	≥ 4.00	8,139	5.00
2023						
Common Equity Tier 1 capital (to risk-weighted assets)	$ 16,133	13.01 %	≥ $ 5,578	≥ 4.50 %	8,057	6.50
Tier 1 capital (to risk-weighted assets)	16,133	13.01	≥ 7,438	≥ 6.00	9,917	8.00
Total capital (to risk-weighted assets)	17,436	14.07	≥ 9,917	≥ 8.00	12,396	10.00
Tier 1 capital (to average assets)	16,133	11.63	≥ 5,547	≥ 4.00	6,934	5.00

Note 11: Fair Value Measurements

Some assets and liabilities, such as securities available for sale, are measured at fair value on a recurring basis under GAAP. Other assets and liabilities, such as collateral dependent loans, may be measured at fair value on a nonrecurring basis.

Following is a description of the valuation methodology and significant inputs used for each asset and liability measured at fair value on a recurring or nonrecurring basis, as well as the classification of the asset or liability within the fair value hierarchy.

Note 11: Fair Value Measurements (Continued)

Securities available for sale - Securities available for sale may be classified as Level 1, Level 2, or Level 3 measurements within the fair value hierarchy. Level 1 securities include debt securities traded on a national exchange. The fair value measurement of a Level 1 security is based on the quoted price of the security. Level 2 securities include U.S. government and agency securities, obligations of states and political subdivisions, corporate debt securities, and mortgage related securities. The fair value measurement of a Level 2 security is obtained from an independent pricing service and is based on recent sales of similar securities and other observable market data. Level 3 securities include trust preferred securities that are not traded in a market. The fair value measurements of Level 3 securities are determined by the Company's Chief Financial Officer (CFO) and reviewed by the Chief Executive Officer (CEO), and then reported to the Company's Investment Committee. Fair values are calculated using discounted cash flow models that incorporate various assumptions, including expected cash flows and market credit spreads. When comparable sales are available, these are used to validate the models used. Other available industry data, such as information regarding defaults and deferrals, are incorporated into the expected cash flows.

Loans - Loans are not measured at fair value on a recurring basis. However, individually evaluated loans (see Note 1) may be measured at fair value on a nonrecurring basis. The fair value measurement of a loan that is collateral dependent is based on the fair value of the underlying collateral. Independent appraisals are obtained that utilize one or more valuation methodologies - typically they will incorporate a comparable sales approach and an income approach. Management routinely evaluates the fair value measurements of independent appraisers and adjusts those valuations based on differences noted between actual selling prices of collateral and the most recent appraised value. Such adjustments are usually significant, which results in a Level 3 classification. All other individually evaluated loan measurements are based on other loss estimation methodologies and, thus, are not fair value measurements.

(Dollars in Thousands)

Note 11: Fair Value Measurements (Continued)

Information regarding the fair value of assets and liabilities measured at fair value on a recurring basis as of December 31, 2024 and 2023 follows:

	Recurring Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
2024				
Assets:				
Securities available for sale:				
Residential mortgage-backed securities	$ -	$ 4,132	$ -	$ 4,132
State and municipal securities	-	574	-	574
U.S. Treasury securities	-	8,835	-	8,835
Collateralized debt obligations	-	7,750	-	7,750
Total	$ -	$ 21,291	$ -	$ 21,291
2023				
Assets:				
Securities available for sale:				
U.S. government and agency securities	$ -	$ 22	$ -	$ 22
Residential mortgage-backed securities	-	524	-	524
State and municipal securities	-	583	-	583
U.S. Treasury securities	-	4,946	-	4,946
Collateralized debt obligations	-	7,356	-	7,356
Total	$ -	$ 13,431	$ -	$ 13,431

There were no impaired loans with a valuation allowance as of December 31, 2024 and 2023.

(Dollars in Thousands)

Note 11: Fair Value Measurements (Continued)

The carrying value and estimated fair value of financial instruments at December 31, 2024 and 2023 follows:

	Carrying Value	Estimated Fair Value
2024		
Financial assets:		
Cash and cash equivalents	$ 23,132	$ 23,132
Securities available for sale	21,291	21,291
Loans	116,628	114,086
Federal Home Loan Bank stock	900	900
Accrued interest receivable	409	409
Financial liabilities:		
Deposits	$ 124,876	$ 124,807
Borrowed funds	20,030	19,894
Accrued interest payable	479	479
2023		
Financial assets:		
Cash and cash equivalents	$ 22,592	$ 22,592
Securities available for sale	13,431	13,431
Loans	107,642	104,394
Federal Home Loan Bank stock	900	900
Accrued interest receivable	368	368
Financial liabilities:		
Deposits	$ 109,703	$ 109,703
Borrowed funds	20,030	19,810
Accrued interest payable	272	272

The following methods and assumptions, not previously presented, used to estimate fair values and are described as follows:

Cash and Cash Equivalents - The carrying amounts of cash and short-term instruments approximate fair values and are classified as Level 1.

FHLB Stock - It is not practical to determine the fair value of FHLB stock due to restrictions placed on its transferability.

Loans - The fair value of loans is calculated based on exit price using various components using yield, credit and liquidity marks. A third-party calculates the exit price using a ZM Desk asset/liability model based off information from the Company's loan information.

Note 11: Fair Value Measurements (Continued)

Deposits - The fair values disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). The carrying amounts of interest-bearing deposits without maturity dates and variable-rate certificates of deposit approximate their fair values at the reporting date. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on like-term certificates of deposit.

FHLB Advances - The fair values of the Company's FHLB advances are estimated using discounted cash flow analyses based on the current borrowing rates for similar types of borrowing arrangements resulting in a Level 2 classification.

Accrued Interest Receivable/Payable - The carrying amounts of accrued interest approximate fair value resulting in a Level 2 classification.

Off-Balance-Sheet Instruments - Fair values for off-balance sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. The fair value of commitments is not material.

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