Consolidated Financial Statements

Years Ended December 31, 2024 and 2023

To Our Shareholders:

One of the primary focuses of PB Financial Corporation (OTCQX: PBNC), the holding company (the "Company") for Providence Bank (the "Bank"), is our commitment to enhancing shareholder value. We strive to provide a strong return to our shareholders through share price appreciation and cash dividends, driven by our customer-first approach and deep investment in the communities we serve. 2024 was a milestone year for the Bank, and this message highlights key achievements and the foundations for our success.

Our Team Members and Community

Our exceptional team is key to our success, providing top-tier service while actively supporting our local communities. We invest in our region by lending to local businesses and individuals and through philanthropic contributions. Our employees are personally engaged in over 58 community and civic organizations, serving as board members or officers for 47 organizations. Internally, we focus on fostering an enriching and rewarding work environment for our employees.

Successful Merger

In 2024, we merged with Coastal Bank & Trust, expanding our Bank by every metric. The merger was completed on April 9, 2024, followed by a successful systems conversion on May 17, 2024. As a result, we now serve North Carolina communities with branch locations from the capital to the coast: Holly Ridge, Jacksonville, Morehead City, Nashville, Raleigh, Richlands, Rocky Mount (2 locations), Tarboro and Wilson, plus a loan production office in New Bern. We are excited to have added Dr. Vanessa J. Ervin to our Corporate Board of Directors. She was a founding member of Coastal Bank & Trust Board of Directors.

Strong Financial Performance in 2024

We delivered solid earnings in 2024, continuing our strong growth trajectory. Over the past year, we achieved more than 30% growth in loans, deposits and total assets. This success is a direct result of our team's hard work, strategic focus, and commitment to efficiency.

For the past 16 years, Providence Bank has been the only North Carolina-chartered bank consistently ranked among the top 10 in overall performance, including a top four ranking for the last 11 consecutive years. Rankings provided by the Bank Performance Report.

The PB Financial Corporation Board of Directors and Bank management are pleased with the overall results of the Company's operations for 2024, as detailed in the following table:

($ in Millions)	Loans		Total Assets		Net Income to Common shareholders	
2020	$464.2	19.88%	$586.6	22.62%	$6.808	-4.43%
2021	$550.7	18.62%	$701.4	19.58%	$9.819	44.22%
2022	$687.7	24.89%	$849.2	21.06%	$14.254	45.16%
2023	$827.8	20.37%	$982.4	15.69%	$13.916	-2.37%
2024	$1,129.3	36.43%	$1,317.2	34.08%	$15.815	13.64%

Commitment to Shareholder Value
Paying cash dividends on our stock is another way we enhance shareholder value. We are pleased to have paid our 53rd consecutive quarterly cash dividend, increasing our Q1 2025 dividend by 9.62% to $0.57 per share compared to Q1 2024. Since initiating dividends in 2012, we have consistently increased payments every quarter. The consistency of our cash dividend has yielded the following:

- Annual cash dividends paid in 2024 were $2.15 per share which represents a 15.59% increase from the previous year.
- Total life-to-date cash dividends paid through December 31, 2024, were $10.02 per share. This represents 91% of the $11 per share originally paid by investors at the inception of Providence Bank.
- We were proud to be named to the 2025 OTCQX® Best 50, a ranking of top performing companies traded on the OTCQX Best Market last year.

Positioned for Continued Success
The Company's Board of Directors and Bank management are incredibly proud of our results. The Coastal Bank & Trust merger has strengthened our position, and we remain committed to efficiency, superior service, and community engagement. We believe the Company is well-situated to grow and provide attractive and tangible returns to our shareholders.

Thank You for Your Support
We appreciate your investment and encourage you to consider Providence Bank for your banking needs. If you are not a Providence Bank customer already, we are confident you'll be pleased with our comprehensive personal and business offerings and high-touch customer service.

Feel free to reach out if you have any comments or suggestions. Thank you for your continued trust and support.

Sincerely,

Ted E. Whitehurst

Ted E. Whitehurst
President & Chief Executive Officer

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Independent Auditor's Report

Stockholders and the Board of Directors
PB Financial Corporation
Rocky Mount, North Carolina

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Forvis Mazars, LLP

Greenville, North Carolina
February 27, 2025

PB Financial Corporation
Consolidated Balance Sheets
December 31, 2024 and 2023

	2024	2023
ASSETS		
Cash and due from banks	**$ 11,444,686**	$ 9,393,454
Interest-earning deposits with banks	**3,273,838**	4,245,077
Federal funds sold	**69,930**	949,031
Certificates of deposit with banks	**10,040,837**	10,390,837
Investment securities available for sale, at fair value	**114,048,258**	98,045,231
Loans	**1,129,336,580**	827,803,480
Allowance for credit losses	**(10,205,481)**	(6,743,000)
Net loans	**1,119,131,099**	821,060,480
Accrued interest receivable	**5,177,657**	4,060,692
Premises and equipment, net	**3,896,581**	2,406,698
Stock in Federal Home Loan Bank of Atlanta, at cost	**2,265,200**	3,207,400
Bank-owned life insurance	**21,120,363**	16,731,879
Goodwill	**9,285,265**	4,063,881
Other assets	**17,455,845**	7,832,358
Total assets	**$ 1,317,209,559**	$ 982,387,018
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits	**$ 1,115,144,587**	$ 803,535,550
Accrued interest payable	**2,539,928**	1,944,334
Accrued expenses and other liabilities	**7,741,966**	5,685,242
Short-term borrowings	**5,123,792**	10,462,174
Long-term borrowings	**53,372,578**	73,234,459
Total liabilities	**1,183,922,851**	894,861,759
Commitments (Note 11)		
Stockholders' equity:		
Preferred stock, Series A, $1,000 par value, 20,000 shares authorized; 17,923 and 0 shares issued and outstanding at December 31, 2024 and 2023, respectively	**17,923,000**	-
Common stock, $1.00 par value, 10,000,000 shares authorized; 2,911,299 and 2,495,106 shares issued and outstanding at December 31, 2024 and 2023, respectively	**2,911,299**	2,495,106
Additional paid-in capital	**54,931,939**	38,012,362
Retained earnings	**66,201,922**	56,226,949
Accumulated other comprehensive loss	**(8,681,452)**	(9,209,158)
Total stockholders' equity	**133,286,708**	87,525,259
Total liabilities and stockholders' equity	**$ 1,317,209,559**	$ 982,387,018

PB Financial Corporation
Consolidated Statements of Operations
Years Ended December 31, 2024 and 2023

	2024	2023
Interest income:		
Loans	$ 72,715,663	$ 49,181,913
Interest-earning deposits in other banks	1,033,815	579,092
Federal funds sold	153,884	101,625
Investment securities	3,658,861	2,942,161
Federal Home Loan Bank dividends	257,903	262,153
Total interest income	77,820,126	53,066,944
Interest expense:		
Money market, NOW and savings deposits	10,446,093	6,099,651
Time deposits	21,570,956	11,866,125
Borrowings	3,798,787	4,710,238
Total interest expense	35,815,836	22,676,014
Net interest income	42,004,290	30,390,930
Provision for credit losses	1,954,697	954,740
Net interest income after provision for credit losses	40,049,593	29,436,190
Non-interest income:		
Deposit and other service charges income	215,847	193,923
Income from bank owned life insurance	474,323	366,963
(Loss) gain on sale of investment securities available for sale	(37,985)	8,996
Other	1,070,951	603,146
Total non-interest income	1,723,136	1,173,028
Non-interest expense:		
Salaries and employee benefits	10,821,125	7,354,784
Occupancy and equipment	1,107,406	469,358
Advertising and promotion	89,091	97,105
Data processing and outside service fees	2,386,100	1,688,728
Office supplies, printing, and postage	252,699	132,188
Professional services	603,377	359,114
FDIC insurance	1,040,724	552,740
Director fees	385,500	315,725
Core deposit intangible amortization	807,207	128,885
Other	1,269,398	1,058,728
Merger related expenses	937,420	564,870
Total non-interest expense	19,700,047	12,722,225
Income before income taxes	22,072,682	17,886,993
Income taxes	5,155,691	3,970,497
Net income	16,916,991	13,916,496
Preferred stock dividends paid	(1,102,118)	-
Net income available to common shareholders	$ 15,814,873	$ 13,916,496
Net income per share-basic	$ 5.74	$ 5.98
Net income per share-diluted	$ 5.52	$ 5.77
Weighted average common shares outstanding		
Basic	2,753,778	2,325,816
Diluted	2,866,282	2,411,438

PB Financial Corporation
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2024 and 2023

	2024	2023
Net income	**$ 16,916,991**	$ 13,916,496
Other comprehensive income:		
Unrealized income on investment securities arising during the period	**647,125**	1,920,254
Tax effect	**(148,677)**	(434,249)
	498,448	1,486,005
Reclassification to realized losses (gains)	**37,985**	(8,996)
Tax effect	**(8,727)**	2,066
	29,258	(6,930)
Total	**527,706**	1,479,075
Total comprehensive income	**$ 17,444,697**	$ 15,395,571

See accompanying notes.

PB Financial Corporation
Consolidated Statements of Changes in Stockholders' Equity
Years Ended December 31, 2024 and 2023

	Preferred stock		Common stock		Additional paid-in amount	Retained earnings	Accumulated other comprehensive income (loss)	Total stockholders' equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2022		$ -	2,252,056	$2,252,056	$ 29,083,423	$ 46,762,136	$ (10,688,233)	$ 67,409,382
Net income						13,916,496		13,916,496
Other comprehensive income							1,479,075	1,479,075
Cumulative-effect adjustment due to the adoption of ASU 2016-13	-	-	-	-	-	(28,480)	-	(28,480)
Non-statutory stock options exercised	-	-	7,480	7,480	142,730	-	-	150,210
Incentive stock options exercised	-	-	9,275	9,275	194,872	-	-	204,147
Issuance of restricted stock	-	-	43,200	43,200	(43,200)	-	-	-
Common stock sold	-	-	183,726	183,726	8,030,885	-	-	8,214,611
Issuance of stock for director fees	-	-	2,369	2,369	96,200	-	-	98,569
Stock based compensation	-	-	-	-	636,152	-	-	636,152
Common stock repurchased	-	-	(3,000)	(3,000)	(128,700)	-	-	(131,700)
Cash dividends paid on common stock	-	-	-	-	-	(4,423,203)	-	(4,423,203)
Balance at December 31, 2023			2,495,106	2,495,106	38,012,362	56,226,949	(9,209,158)	87,525,259
Net income	-	-	-	-	-	**16,916,991**	-	**16,916,991**
Other comprehensive income	-	-	-	-	-	-	**527,706**	**527,706**
Issuance of preferred stock	**17,923**	**17,923,000**	-	-	-	-	-	**17,923,000**
Non-statutory stock options exercised	-	-	**3,380**	**3,380**	**91,305**	-	-	**94,685**
Incentive stock options exercised	-	-	**7,000**	**7,000**	**153,042**	-	-	**160,042**
Issuance of restricted stock	-	-	**2,625**	**2,625**	**(2,625)**	-	-	-
Acquisition of Coast Bank & Trust	-	-	**429,096**	**429,096**	**17,163,840**	-	-	**17,592,936**
Issuance of stock for director fees	-	-	**2,296**	**2,296**	**92,503**	-	-	**94,799**
Stock based compensation	-	-	-	-	**608,862**	-	-	**608,862**
Common stock repurchased			**(28,204)**	**(28,204)**	**(1,187,350)**			**(1,215,554)**
Cash dividends paid on preferred stock	-	-	-	-	-	**(1,102,118)**	-	**(1,102,118)**
Cash dividends paid on common stock	-	-	-	-	-	**(5,839,900)**	-	**(5,839,900)**
Balance at December 31, 2024	**17,923**	**$ 17,923,000**	**2,911,299**	**$2,911,299**	**$ 54,931,939**	**$ 66,201,922**	**$ (8,681,452)**	**$ 133,286,708**

See accompanying notes.

PB Financial Corporation
Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Net income	**$ 16,916,991**	$ 13,916,496
Adjustments to reconcile net income to net		
Cash provided by operating activities:		
Depreciation and amortization	**898,132**	269,191
Accretion of acquired loan fair value marks	**(2,619,222)**	(5,000)
Deferred income taxes	**488,973**	(657,085)
Provision for credit losses	**1,954,697**	954,740
Stock based compensation	**703,661**	734,721
Income from bank owned life insurance	**(474,323)**	(366,963)
Net loss (gain) on sale of investment securities	**37,985**	(8,996)
(Gain) loss on disposal of fixed assets	**-**	(42,650)
Change in assets and liabilities:		
Increase in accrued interest receivable	**(535,502)**	(923,624)
(Increase) decrease in other assets	**(1,748,587)**	201,739
(Decrease) increase in accrued interest payable	**(195,414)**	984,624
Increase (decrease) in accrued expenses and other liabilities	**1,578,911**	(38,895)
Net cash provided by operating activities	**17,006,302**	15,018,298
Cash flows from investing activities:		
Net increase in loans	**(132,076,895)**	(140,084,224)
Purchase of available for sale securities	**(12,515,542)**	(7,126,067)
Proceeds from maturities, prepayments, and calls of available for sale securities	**16,812,895**	8,807,662
Proceeds from sale of investment securities available for sale	**2,986,801**	2,477,042
Purchases of bank premises and equipment	**(643,034)**	(246,764)
Proceeds from sale of bank premises and equipment	**-**	42,650
Net purchases of certificate of deposits with banks	**6,422,000**	(490,000)
Net redemptions of Federal Home Loan Bank stock	**942,200**	118,700
Net cash received from bank acquisition	**5,369,186**	-
Net cash used by investing activities	**(112,702,389)**	(136,501,001)
Cash flows from financing activities:		
Net increase in deposits	**111,229,210**	129,512,800
Advances from borrowings	**100,133,610**	356,709,316
Repayments of borrowings	**(125,485,996)**	(374,815,000)
Stock options exercised	**254,727**	354,357
Common stock sold	**-**	8,214,610
Issuance of preferred stock	**17,923,000**	-
Repurchase and retirement of common stock	**(1,215,554)**	(131,700)
Cash dividends paid on preferred stock	**(1,102,118)**	-
Cash dividends paid on common stock	**(5,839,900)**	(4,423,203)
Net cash provided by financing activities	**95,896,979**	115,421,180

See accompanying notes.

	2024	2023
Net increase (decrease) in cash and cash equivalents	**200,892**	(6,061,523)
Cash and cash equivalents, beginning	**14,587,562**	20,649,085
Cash and cash equivalents, ending	**$ 14,788,454**	$ 14,587,562
Supplemental disclosures of cash flow information:		
Interest paid	**$ 36,011,249**	$ 21,691,390
Taxes paid	**$ 5,675,000**	$ 4,717,290
Non-Cash Items:		
Unrealized gain (loss) on investment securities available for sale, net of tax	**$ 527,706**	$ 1,479,075
Adoption of ASU 2016-13	**$ -**	$ (28,480)

See Note 15 regarding non-cash transactions included in the business combination.

NOTE 1: ORGANIZATION AND OPERATIONS

PB Financial Corporation (the "Company") is a North Carolina Corporation formed in 2017 whose principal business activity consists of the ownership of Providence Bank (the "Bank"). The Bank was incorporated and began banking operations on March 14, 2006. Effective March 12, 2018, the Bank became a wholly owned subsidiary the Company. The Company acquired Coastal Bank & Trust ("Coastal") on April 9, 2024, see Note 15. The combined bank will operate under the Providence name and is engaged in general commercial and retail banking headquartered in Rocky Mount, North Carolina, and includes ten full-service offices serving North Carolina communities in Holly Ridge, Jacksonville, Morehead City, Nashville, Raleigh, Richlands, Rocky Mount (2 locations), Tarboro and Wilson, with a loan production office in New Bern. On December 16, 2019 the Company's stock began trading on OTCQX, thus triggering their designation as a public business entity.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts and transactions of the Company and its wholly owned subsidiary, the Bank. All significant intercompany balances and transactions have been eliminated in consolidation. In 2018, the Company assumed, through business combination, junior subordinated notes issued by CB Financial Capital Trust I, a Connecticut statutory trust (the "Trust"). The Company has not included the Trust in the consolidated entity. However, the notes issued by the Company and purchased by the Trust are included on the consolidated balance sheets. In addition, the related interest expense is included on the consolidated statements of operations.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to allowance for credit losses on loans.

Cash and Cash Equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash and due from banks, interest-earning deposits with banks, and federal funds sold.

Certificates of Deposit with Banks

Certificates of deposits with banks currently have original maturities ranging from January 2025 through January 2026 and bear interest at rates ranging from 1.00% to 5.70%. None of the certificates of deposit have maturities of three months or less at the time of origination.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Securities Available for Sale

Investment securities available for sale are reported at fair value and consist of debt instruments that are not classified as either trading securities or as held to maturity securities. Unrealized holding gains and losses on available for sale securities are reported as a net amount in other comprehensive income, net of tax. Gains and losses on the sale of investment securities available for sale are determined using the specific-identification method.

For those available for sale securities that are in an unrealized loss position, the Company evaluates the securities to determine whether the decline in the fair value below the amortized cost basis (impairment) is due to credit-related factors or noncredit-related factors. Any impairment that is not credit related is recognized in other comprehensive income, net of applicable taxes. Credit-related impairment is recognized in the allowance for credit losses ("ACL"), limited to the amount by which the amortized cost basis exceeds the fair value, with a corresponding adjustment to earnings. Both the ACL and the adjustment to net income may be reversed if conditions change. However, if the Company intends to sell an impaired available for sale security, or more likely than not will be required to sell such a security before recovering its amortized cost basis, the entire impairment amount will be recognized in earnings with a corresponding adjustment to the security's amortized cost basis. Because the security's amortized cost basis is adjusted to fair value, there is no ACL in such a situation.

In evaluating available for sale securities in unrealized loss positions for impairment and the criteria regarding its intent or requirement to sell such securities, the Company considers the extent to which fair value is less than amortized cost, whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuers' financial condition, among other factors.

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

Accrued interest receivable is excluded from the estimate of credit losses.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity are reported at their outstanding principal adjusted for any charge-offs, the allowance for credit losses, and any deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans. Loan origination fees and certain direct origination costs are capitalized and recognized as an adjustment of the yield of the related loan. The accrual of interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received.

Loans are deemed uncollectible at the discretion of the Chief Lending Officer, based on a variety of credit, collateral, documentation, and other issues. In the case where a loan is unsecured and in default it is fully charged off.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Purchased Credit Deteriorated Loans

The Company has purchased loans, some of which have experienced more than insignificant credit deterioration since origination. Purchased credit deteriorated (‘PCD”) loans are recorded at the amount paid. An allowance for credit losses is determined using the same methodology as other loans held for investment. The initial allowance for credit losses determined on a collective basis is allocated to individual loans. The sum of the loan's purchase price and allowance for credit losses becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan. Subsequent changes to the allowance for credit losses are recorded through credit loss expense.

Allowance for Credit Losses on Loans

On January 1, 2023 the Company adopted Company ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). This new guidance replaces the incurred loss impairment methodology in current standards with the Current Expected Credit Loss (“CECL”) methodology and requires consideration of a broader range of information to determine credit loss estimates. ASU 2016-13 requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts and requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization’s portfolio. In addition, ASU 2016-13 amends the accounting for credit losses on available for sale debt securities and purchased financial assets with credit deterioration. The ACL reflects management’s estimate of losses that will result from the inability of its borrowers to make required loan payments. The Company established the incremental increase in the ACL at adoption of the CECL standard through the cumulative effect adjustment to equity and subsequent adjustments will be made through a provision for credit losses charged against earnings. Management records loans charged off against the ACL and subsequent recoveries, if any, increase the ACL when they are recognized.

Management uses a systematic methodology to determine its ACL for loans. The ACL is a valuation account that is deducted from the amortized cost basis to present the net amount expected to be collected on the loan portfolio. Management considers the effects of past events, current conditions, and reasonable and supportable forecasts on the collectability of the loan portfolio. The Company’s estimate of its ACL involves a reasonable degree of judgment; therefore, management’s process for determining expected credit losses may result in a range of expected credit losses. The Company’s ACL recorded in the balance sheet reflects management’s best estimate within the range of expected credit losses. The Company recognizes in net income the amount needed to adjust the ACL for management’s current estimate of expected credit losses.

The Company defines impaired loans as loans that have a nonaccrual status or a past due greater than or equal to 90 days. These loans maybe individually assessed and evaluated using Fair Value of Collateral or Discounted Cash Flow to determine their value.

To estimate our ACL, we assess loans on a collective basis unless impaired. Any loans that are potentially impaired are pulled out for individual review and assessment. The Company uses a Probability of Default / Loss Given Default (“PD/LGD”) methodology. This method assesses losses on loans in a class based on the forecasted lifetime PD and LGD loss rates for the class.

The primary calculation is the Lifetime PD/LGD analysis using our internal loan data from July 31, 2017 through the most recent year end. This provides a forecast of expected losses for the portfolio which is added to the qualitative reserve to form our base ACL calculation. Furthermore, we process an additional allowance calculation to determine any expected losses based on our balance of purchase discounts/premiums, deferred cost and fees, non-posted and items in-process.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses on Loans (continued)

The Company collectively evaluates loans that share similar risk characteristics. In general, management has segmented loans by regulatory call code category. The Company has identified the following portfolio segments: Commercial and Industrial, Agricultural, Real Estate Residential, Personal, Real Estate Multifamily, Municipals, Real Estate Commercial (Construction), Owner Occupied Real Estate and Non-Owner-Occupied Real Estate.

The qualitative factor analysis is based on the interagency policy statement concerning qualitative factors for ACL's with additional factors added for documentation and risk grading. Management considers forward-looking information in estimating expected credit losses. Management has evaluated the appropriateness of the reasonable and supportable forecast for the current period along with the inputs used in the estimation of expected credit losses.

The Company uses a combination of internal and external sources of data for forecasting purposes. External data sources include unemployment data from the US Bureau of Labor Statistics (local and State) as well as the Federal Reserve Unemployment Forecast (National). Federal Reserve information is used to support unemployment forecasts for up to 3 years depending on that date of publication. Management believes unemployment trends are most closely correlated with losses based on prior periods of elevated unemployment. Internal data sources include loan past due history, risk grades, loan to value, loan policy and technical exception reports and loan concentration reports.

Qualitative factors pertaining to our credit review and administration are largely based on our internal credit philosophy scorecard which is updated periodically. Economic trend adjustments are based on an external analysis that accesses risk based on the forecasted changes in local, state, and national unemployment, as well as the projected rate environment. Other factors are directly based on the composition, risk grade, and balance of our loan portfolio.

Under the Lifetime PD/LGD method, any incremental ACL estimated under the qualitative framework is added to the historical lifetime loss rate (i.e. expected loss) calculated by the model. No further reversion adjustments are necessary under this method because the overall loss rate is immediately reverted into historical losses that reflect the contractual term in accordance with ASC 326-20-30-9.

The Company is also required to measure expected credit losses on all financial instruments measured at amortized cost. This would include unfunded commitments, held-to-maturity debt securities, available-for-sale debt securities and any other qualifying assets.

The unfunded commitment liability is estimated from the Company's historical loan-level loss rates and utilization rates in comparison to its balance of unfunded commitments. The expected losses associated with these exposures within the unfunded portion of the expected credit loss will be recorded as a liability on the balance sheet with an offset to other non-interest expense.

The Company is only required to recognize an additional allowance under CECL if the decline in fair value for Available for Sale Securities ("AFS") is driven by a credit loss. The Company makes a quarterly determination regarding credit quality of the municipal bond portfolio and also performs a quarterly analysis of the credit quality of each subordinated debt issuance to make sure that key ratios are within the Company's investment policy. There are no AFS securities with credit losses as of December 31, 2024 and 2023.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses on Loans (continued)

While management used the best information available to make evaluations, future adjustments to the allowance may have been necessary if conditions differ substantially from the assumptions used in making the evaluations. In addition, regulatory examiners may have required the Company to recognize changes to the allowance for credit losses based on their judgments about information available to them at the time of their examination.

Modifications to Trouble Borrowers

As of January 1, 2023, the Company adopted and applied ASU No. 2022-02, *Financial Instruments – Credit Losses (Topic 126): Troubled Debt Restructurings and Vintage Disclosures,* that requires the elimination of elimination of designation of loans as TDRs. Management measures expected credit losses over the contractual term of a loan. When determining the contractual term, the Company considers expected prepayments but is precluded from considering expected extensions, renewals, or modifications. Longstanding TDR accounting rules were replaced as of January 1, 2023 with ASU No. 2022-02, *Financial Instruments – Credit Losses (Topic 126): Troubled Debt Restructurings and Vintage Disclosures.* In accordance with the adoption of ASU 2022-02, any loans modified to a borrower experiencing financial difficulty are reviewed by the Bank to determine if an interest rate reduction, a term extension, an other-than-insignificant payment delay, a principal forgiveness, or any combination of these has occurred.

Foreclosed real estate

Real estate acquired through, or in lieu of, loan foreclosure is initially recorded at fair value at the date of foreclosure establishing a new cost basis. After foreclosure, valuations of the property are periodically performed by management, or by a third party at the request of management and the real estate is carried at the lower of cost or fair value minus estimated cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in foreclosed real estate expense.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, which is 40 years for buildings, 3 to 20 years for furniture and equipment, and 5 years for vehicles. Leasehold improvements are amortized over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter. Repairs and maintenance costs are charged to operations as incurred and additions and improvements to premises and equipment are capitalized. Upon sale or retirement, the cost and related accumulated depreciation are removed from the accounts and any gains or losses are reflected in current operations.

Stock in Federal Home Loan Bank of Atlanta

As a requirement for membership, the Company invests in stock of the Federal Home Loan Bank of Atlanta ("FHLB"). This investment is carried at cost. Due to the redemption provisions of the FHLB, the Company estimated that fair value equals cost and that this investment was not impaired at December 31, 2024 and 2023.

Bank Owned Life Insurance

The Company has purchased, and acquired through acquisitions, life insurance policies on certain key executives. Bank owned life insurance is recorded at its cash surrender value or the amount that can be realized.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill represents the excess of the purchase price over the sum of the estimated fair values of the tangible and identifiable intangible assets acquired less the estimated fair value of the liabilities assumed in a business combination. At December 31, 2024 and December 31, 2023, the balance of goodwill was $9.3 million and $4.1 million, respectively. Goodwill has an indefinite useful life and is evaluated for impairment annually or more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value.

ASU No. 2017-04 simplifies the accounting for goodwill impairment for all entities by requiring impairment charges to be based on Step 1 of the previous accounting guidance's two-step impairment test under ASC Topic 350. Under this guidance, if a reporting unit's carrying amount exceeds its fair value, an entity will record an impairment charge based on that difference. The impairment charge will be limited to the amount of goodwill allocated to that reporting unit. The standard eliminates the requirement to calculate a goodwill impairment charge using Step 2 which involved calculating an implied fair value of goodwill for each reporting unit for which the first step indicated impairment. The standard does not change the guidance on completing Step 1 of the goodwill impairment test. An entity will still be able to perform today's optional qualitative goodwill impairment assessment before determining whether to proceed to the quantitative step of determining whether the reporting unit's carrying amount exceeds it fair value.

Goodwill has been evaluated as of our annual evaluation dates as well as for triggering events, and it was determined that no impairment was required as of December 31, 2024 and 2023.

Core Deposit Intangibles

The Company considers its core deposits to be an intangible asset with finite lives. Core deposit intangibles are amortized using the effective interest method over their expected of seven to ten years.

Core deposit intangibles were as follows:

	2024	2023
Core deposit intangible	**$ 5,800**	$ 1,170
Accumulated amortization	**(807)**	(1,170)
Net carrying value	**$ 4,993**	$ -

The amortization expense of core deposit intangibles totaled $807 thousand and $129 thousand for the years ended December 31, 2024 and 2023, respectively.

Estimated amortization expense for the each of the next five years:

2025	$ 1,012
2026	899
2027	784
2028	669
2029	554
Thereafter	1,075
Total	$ 4,993

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Variable Interest Entity

The Bank holds a financial interest in a company that is considered to be a variable interest entity (VIE) for accounting purposes. Due to the nature and amount of the Bank's financial obligations with respect to this company, the Bank is not considered to financially control or be the primary beneficiary and, thus, is not required to consolidate it in these consolidated financial statements. At December 31, 2024, the total commitment of $1.5 million is classified on the consolidated balance sheet in other assets of which $600 thousand has been funded. The remaining unfunded commitment of $900 thousand is classified on the consolidated balance sheet in other liabilities. The exposure to loss in the VIE is limited to the funded amount of $600 thousand at December 31, 2024 and December 31, 2023.

Income Taxes

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are also recognized for operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Uncertainty in income taxes is accounted for in accordance with the Income Taxes topic of the FASB Accounting Standards Codification, which clarifies the accounting for the recognition and measurement of the benefits of individual tax positions in the financial statements. Tax positions must meet a recognition threshold of more-likely-than-not in order for the benefit of those tax positions to be recognized in the Company's consolidated financial statements. The Company has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2024 and 2023. Interest and penalties related to income tax assessments, if any, are reflected in income taxes in the accompanying consolidated statements of operations.

Comprehensive Income

The Company reports as comprehensive income all changes in stockholders' equity during the year from sources other than stockholders. Other comprehensive income refers to all components (revenues, expenses, gains, and losses) of comprehensive income that are excluded from net income. The Company's only component of other comprehensive income is unrealized gains on investment securities available for sale, net of applicable income taxes. There were realized net losses of $38 thousand and net gains of $9 thousand for the years ended December 31, 2024 and December 31, 2023 respectively.

Stock Repurchase Plan

During 2024, the Board of Directors approved a modification to the existing Stock Repurchase Plan. This allows the Company to repurchase and retire issued and outstanding shares of common stock in an aggregate amount not to exceed 136,469 shares. In 2024, the Company repurchased 28,204 shares of common stock at a cost of approximately $1.22 million. At December 31, 2024 there are 108,265 shares available to be repurchased. In 2023, the Company repurchased 3,000 shares of its common stock at a cost of approximately $132 thousand. The repurchased shares must be in accordance with the terms of the plan and repurchases cannot be executed that would result in the Bank having less than well-capitalized status with regulatory capital ratios.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock Based Compensation

The Company recognizes the cost of employee services received in exchange for an award of equity instruments in the consolidated financial statements over the period the employee is required to perform the services in exchange for the award (presumptively the vesting period). The cost of employee services received in exchange for an award is measured based on the grant-date fair value of the award. Excess tax benefits are reported as financing cash inflows, rather than as a reduction of taxes paid, which is included within operating cash flows.

In 2022, the Company adopted a Directors' Stock Option Purchase Plan. Pursuant to this Plan, the Company shall make quarterly offerings of Company's shares of Common Stock to Participating Directors. A Participating Director shall be entitled to purchase shares up to the amount of the quarterly fees.

Per Share Results

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate to outstanding stock options, and unvested restricted stock and are determined using the treasury stock method. There were 78,980 and 59,560 stock options that were anti-dilutive for the years ended December 31, 2024 and December 31, 2023, respectively.

Revenue Recognition

The Company generally acts in a principal capacity, on its own behalf, in its contracts with customers. In these transactions, revenues are recognized with related costs to generate those revenues on a gross basis. Descriptions of noninterest revenue-generating activities are as follows.

Bank Owned Life Insurance ("BOLI") - The Company has purchased life insurance policies on certain key employees. 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.

Service Charges on Deposit Accounts - Service charges on personal and business demand deposit accounts consist of insufficient funds fees, monthly service fees, check orders, and other deposit account related fees. The Company's performance obligations include maintaining customer's deposit account(s), executing transactions, providing interest per the terms of the various account agreements, and making funds available upon maturity or at customer demand. For all revenue streams, transaction prices are disclosed with a single performance obligation applicable to each transaction. The Company has determined the service fees are recognized at a point in time and monthly service fees are earned over the statement period.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (continued)

Other Fees and Income - Other fees and income primarily consist of debit and credit card income, automated teller machines ("ATM") fees, merchant services income, and other service charges. Debit and credit card income primarily consists of interchange fees earned whenever the Company's debit and credit cards are processed through card payment networks such as Visa. ATM fees are primarily generated when a Company cardholder uses a non-Company ATM or a non-Company cardholder uses a Company ATM. Merchant service income mainly represents fees charged to merchants to process their debit and credit card transactions, in addition to account management fees. Other service charges include revenue from processing wire transfers, bill pay service, cashier's checks, and other services. The Company's performance obligation for fees, exchange, and other service charges are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month. Other fees and income also include other recurring revenue streams such as safety deposit rental fees and other miscellaneous revenue streams. Safe deposit boxes rental fees are charged to the customer on an annual basis and recognized upon receipt of payment. The Company determined that since rentals and renewals occur consistent over time, revenue is recognized on a basis consistent with the duration of the performance obligation.

Sale of Foreclosed Real Estate - Income derived from contractual sales of Foreclosed Real Estate primarily consist of revenues derived from the exchange of the foreclosed asset for consideration. The Company's performance obligation is to provide access and transfer control of the specified properties to the buyer. Transaction prices are agreed upon purchase prices as stated within contracts. The transaction price is allocated entirely to the performance obligation, which is satisfied at a point in time upon the date of sale.

Reportable Operating Segment

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

Recent Accounting Standards

In November 2023, the FASB issued ASU No. 2023-07 – Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures ("ASU 2023-07"). ASU 2023-07 enhances segment disclosures by requiring inclusion of significant segment expenses, disclosure of the amount and composition of other segment items, previous annual disclosures in interim periods and identification of the position and title of the chief operating decision maker. ASU 2023-07 is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The Company adopted ASU No. 2023-07 on January 1, 2024. The impact of the adoption was not considered material to the consolidated financial statements and primarily resulted in enhanced disclosures only.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Company's financial position, results of operations and cash flows.

Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, February 27, 2025, and determined there were no events that occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

NOTE 3: INVESTMENT SECURITIES

The amortized cost and fair value of securities available for sale, with gross unrealized gains and losses, are as follows:

	December 31, 2024			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	(in thousands)			
Securities available for sale:				
U.S. Treasury securities	**$ 4,885**	**$ 12**	**$ (16)**	**$ 4,881**
Mortgage-backed securities	**54,417**	**39**	**(4,775)**	**49,681**
Corporate securities	**22,986**	**13**	**(2,001)**	**20,998**
U.S. agency securities	**14,380**	**9**	**(298)**	**14,091**
Municipal securities	**28,654**	**56**	**(4,313)**	**24,397**
	$ 125,322	**$ 129**	**$ (11,403)**	**$ 114,048**

	December 31, 2023			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	(in thousands)			
Securities available for sale:				
U.S. Treasury securities	$ 10,928	$ -	$ (197)	$ 10,731
Mortgage-backed securities	34,872	41	(4,388)	30,525
Corporate securities	23,539	3	(2,887)	20,655
U.S. agency securities	14,959	-	(640)	14,319
Municipal securities	25,706	77	(3,968)	21,815
	$ 110,004	$ 121	$ (12,080)	$ 98,045

The Company realized $38 thousand of gross losses in its earnings from the sale of available for sales securities in 2024. The Company realized $22 thousand of gross gains and $13 thousand of gross losses in its earnings from the sale of available for sale securities in 2023.

NOTE 3: INVESTMENT SECURITIES (Continued)

The amortized cost and fair value of investment securities at December 31, 2024, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
	(in thousands)	
Available for sale:		
Due in one year or less	$ 9,481	$ 9,451
Due after one but within five years	11,566	11,242
Due after five but within ten years	37,778	33,606
After ten years	66,497	59,749
	$ 125,322	$ 114,048

For the purposes of the maturity table, mortgage-backed securities, which are not due at a single maturity date, have been allocated over maturity groupings based on the weighted-average contractual maturities of underlying collateral. The mortgage-backed securities may mature earlier than their weighted-average contractual maturities because of principal payments.

Securities with an amortized cost of $1.2 million and a fair value of $1.0 million were pledged to secure customer repurchase agreements at December 31, 2024. Securities with an amortized cost of $1.4 million and a fair value of $1.1 million were pledged to secure customer repurchase agreements at December 31, 2023.

The following tables show gross unrealized losses and fair values of investment securities, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position at December 31, 2024 and 2023. At December 31, 2024, the unrealized losses relate to ninety-four securities. At December 31, 2023, the unrealized losses relate to one hundred three securities. The unrealized losses relate to debt securities that have incurred fair value reductions due to higher market interest rates since the securities were purchased. The unrealized losses are not likely to reverse unless and until market interest rates decline to the levels that existed when the securities were purchased.

NOTE 3: INVESTMENT SECURITIES (Continued)

Management evaluates securities for impairment where there has been a decline in fair value below the amortized cost basis of a security to determine whether there is a credit loss associated with the decline in fair value on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. All debt securities available for sale in an unrealized loss position as of December 31, 2024 continue to perform as scheduled and management does not believe that there is a credit loss or that a provision for credit losses is necessary. Also, as part of management's evaluation of its intent and ability to hold investments for a period of time sufficient to allow for any anticipated recovery in the market, management considers its investment strategy, cash flow needs, liquidity position, capital adequacy and interest rate risk position. Management does not currently intend to sell the securities within the portfolio and it is not more-likely-than-not that securities will be required to be sold. See "Note 2 – Summary of Significant Account Policies" for further discussion.

	December 31, 2024					
	Less Than 12 Months		12 Months or More		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
	(in thousands)					
Securities available for sale:						
U.S. Treasury securities	$ -	$ -	$ 2,962	$ (16)	$ 2,962	$ (16)
Mortgage-backed securities	19,617	(295)	22,058	(4,480)	41,675	(4,775)
Corporate securities	805	(195)	18,694	(1,806)	19,499	(2,001)
U.S. agency securities	-	-	8,198	(298)	8,198	(298)
Municipal securities	4,280	(59)	16,580	(4,254)	20,860	(4,313)
	$ 24,702	$ (549)	$ 68,492	$ (10,854)	$ 93,194	$ (11,403)

	December 31, 2023					
	Less Than 12 Months		12 Months or More		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
	(in thousands)					
Securities available for sale:						
U.S. Treasury securities	$ -	$ -	$ 10,731	$ (197)	$ 10,731	$ (197)
Mortgage-backed securities	1,178	(21)	24,448	(4,367)	25,626	(4,388)
Corporate securities	855	(145)	19,242	(2,742)	20,097	(2,887)
U.S. agency securities	-	-	14,320	(640)	14,320	(640)
Municipal securities	-	-	15,793	(3,968)	15,793	(3,968)
	$ 2,033	$ (166)	$ 84,534	$ (11,914)	$ 86,567	$ (12,080)

NOTE 4: LOANS AND ALLOWANCE FOR CREDIT LOSSES

Following is a summary of loans at December 31, 2024 and 2023 (in thousands):

	2024	2023
Real estate loans:		
1-4 family residential	**$ 102,991**	$ 59,336
Multi-family residential and commercial	**666,666**	491,800
Construction	**212,254**	170,323
Home equity lines of credit	**34,392**	18,342
Total real estate loans	**1,016,303**	739,801
Other loans:		
Commercial and industrial	**88,999**	66,470
Consumer	**24,034**	21,532
Total other loans	**113,033**	88,002
Total loans	**1,129,336**	827,803
Less:		
Allowance for credit losses	**10,205**	6,743
Total loans, net	**$ 1,119,131**	$ 821,060

At December 31, 2024, the loans presented above are net of unamortized loan fees of $1.15 million and net of unamortized discount total related to loans acquired of $6.45 million. At December 31, 2023, the loans presented above are net of unamortized loan fees of $1.16 million.

Loans are primarily made in Carteret, Edgecombe, Nash, Onslow, Wake, Wilson, and surrounding counties, North Carolina. Real estate loans can be affected by the condition of the local real estate market. Commercial and industrial loans can be affected by the local economic conditions.

Outstanding loans for hotels are approximately 13% and 15% of the total loan portfolio at December 31, 2024 and December 31, 2023 respectively, included within multi-family residential and commercial real estate loans. Outstanding loans for residential rental properties are approximately 8% and 7% of the total loan portfolio at December 31, 2024 and December 31, 2023 respectively.

The Company has had loan transactions with its directors and executive officers. Such loans were made in the ordinary course of business and on substantially the same terms and collateral as those for comparable transactions prevailing at the time and did not involve more than the normal risk of collectability or present other unfavorable features. A summary of related party loan transactions is as follows (in thousands):

	2024	2023
Balance at beginning of year	**$ 1,333**	$ 1,833
Loan disbursements	**865**	663
Loan repayments	**(830)**	(1,163)
Balance at end of year	**$ 1,368**	$ 1,333

NOTE 4: LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

As of December 31, 2024 and 2023, the Company had pre-approved but unused lines of credit totaling approximately $1.0 million and $1.25 million, respectively, to executive officers, directors and their related interests.

The following describes the risk characteristics relevant to each of the portfolio segments.

Real estate

Commercial and residential real estate secured loans are underwritten utilizing independent appraisal or evaluations and financial analysis of the borrowers. These loans are either cash flow loans or development loans paid from the real estate sale and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher risk and higher loan principal amounts and the repayment of these loans is generally largely dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in real estate markets or the general economy. The properties securing the Company's commercial real estate portfolio are principally secured by non-owner occupied and owner-occupied buildings including professional practices, office and industrial properties, hotels and multi-family properties. Management monitors and evaluates commercial real estate loans based on collateral, market area and risk grade criteria. Residential real estate loans are secured by non-owner occupied and owner-occupied one 1-4 family properties with the combined loan-to-value ratio which is usually 90% or less. Construction loans are generally based upon estimates of costs and value associated with the project as completed. Construction loans often involve the disbursement of funds with the repayment substantially dependent on the success of the ultimate project. Sources of repayment for these types of loans may be pre-committed permanent loans or sales of developed property. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, general economic conditions, availability of long-term financing and government regulation of real property.

Commercial and industrial

Non-real estate secured commercial and industrial loans are underwritten after analyzing the borrowers' financial condition and ability to generate profits sufficient to support the loans. Commercial and industrial loans are primarily made based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower and the guarantors, as applicable. The cash flows of borrowers, however, may not materialize as expected and the collateral securing these loans may fluctuate in value. Most commercial and industrial loans are secured by the assets being financed or other business assets such as accounts receivable, inventory or equipment and usually incorporate a personal guaranty. In the case of loans secured by accounts receivable, the availability of the funds for repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers.

Consumer

Consumer loans consist of home equity lines of credit, unsecured consumer, and secured consumer loans. Consumer loans are typically underwritten after analyzing the borrowers' personal financial condition and ability to generate income sufficient to support the loans and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not materialize as expected and the collateral securing these loans may fluctuate in value. The combined loan value on these loans generally does not exceed 90%. In connection with consumer lending in general, the success of our loan collection efforts is highly dependent on the continuing financial stability of our borrowers, and our collection of consumer installment loans may be more likely to be adversely affected by a borrower's job loss, illness, personal bankruptcy or other change in personal circumstances than is the case with other types of loans.

NOTE 4: LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table illustrates the impact on the allowance for credit losses from the adoption of ASC 326 (in thousands):

	January 1, 2023		
	January 1, 2023 as Reported Under ASC 326	Pre-ASC 326 Adoption December	Impact of ASC 326 Adoption
Allowance for credit losses on loans:			
1-4 Family Residential Real Estate	$ 442	$ 460	$ (18)
Multi-Family Residential and Commercial Real Estate	3,510	3,593	(83)
Construction Real Estate	1,096	1,244	(148)
Home Equity Lines of Credit	131	144	(13)
Commercial & Industrial	481	593	(112)
Consumer	121	108	13
Allowance for credit losses on loans	$ 5,781	$ 6,142	$ (361)
Liabilities:			
Allowance for credit losses for unfunded commitments	$ 389	$ -	$ 389

NOTE 4: LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following tables present analyses of the ACL on loans by segment for December 31, 2024 and 2023 (in thousands).

	December 31, 2024				
	Expected Losses	Individually Assessed	Qualitative Adjustments	Additional Allowance	Total Allowance for Credit Losses
Real estate loans:					
1-4 family residential	$ 78	$ 303	$ 703	$ (10)	$ 1,074
Multi-family residential and commercial	772	770	5,178	(39)	6,681
Construction	-	296	1,263	(5)	1,554
Home equity lines of credit	24	-	246	-	270
Commercial and industrial	3	21	560	(1)	583
Consumer	9	-	34	-	43
Total	$ 886	$ 1,390	$ 7,984	$ (55)	$ 10,205

	December 31, 2023				
	Expected Losses	Individually Assessed	Qualitative Adjustments	Additional Allowance	Total Allowance for Credit Losses
Real estate loans:					
1-4 family residential	$ 82	$ -	$ 434	$ 1	$ 517
Multi-family residential and commercial	638	-	3,693	(4)	4,327
Construction	-	-	1,273	(6)	1,267
Home equity lines of credit	-	-	147	-	147
Commercial and industrial	2	35	423	-	460
Consumer	11	-	14	-	25
Total	$ 733	$ 35	$ 5,984	$ (9)	$ 6,743

NOTE 4: LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The ending balances of loans and the related allowance presented by portfolio class and allowance methodology as of December 31, 2024 is as follows (in thousands):

	December 31, 2024						
	1 – 4 Family Residential Real Estate	Multi Family Residential and Commercial - Real Estate	Construction Real Estate	Home Equity Lines of Credit	Commercial & Industrial	Consumer	Total
Allowance for credit losses:							
Beginning balance	$ 517	$ 4,327	$ 1,267	$ 147	$ 460	$ 25	$ 6,743
PCD loans acquired in merger of Coastal							
Charge-offs						(4)	(4)
Recoveries							1,509
Provision	318	883	304 (17)	3	1	-	
Ending balance	$ - 3 236 1,074	$ - 1,471 6,681	$ - - 1,554	$ - 120 270	$ - 122 583	$ - 22 43	$ 3 1,954 10,205
Ending balance: individually evaluated for impairment	$ 303	$ 770	$ 296	$ -	$ 21	$ -	$ 1,390
Ending balance: collectively evaluated for impairment							
Financing receivables:	771	5,911	1,258				8,815
Ending balance	$ 102,991	$ 666,666	$ 212,254	$ 270 34,392	$ 562 88,999	$ 43 24,034	$ 1,129,336
Ending balance: individually evaluated for impairment							
Ending balance: collectively evaluated for impairment	1,605	5,599	2,066	40	40	-	9,350
	101,386	661,067	210,188	34,352	88,959	24,034	1,119,986

NOTE 4: LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The ending balances of loans and the related allowance presented by portfolio class and allowance methodology as of December 31, 2023 is as follows (in thousands):

	December 31, 2023						
	1 – 4 Family Residential Real Estate	Multi Family Residential and Commercial - Real Estate	Construction Real Estate	Home Equity Lines of Credit	Commercial & Industrial	Consumer	Total
Allowance for credit losses:							
Beginning balance	$ 460	$ 3,593	$ 1,244	$ 144	$ 593	$ 108	$ 6,142
Impact of ASC 326							
Adoption	(18)	(83)	(148)	(13)	(112)	13	(361)
Charge-offs	(5)	-	-	-	-	-	(5)
Recoveries	4	-	8	-	-	-	12
Provision	76	817	163	16	(21)	(96)	955
Ending balance	$ 517	$ 4,327	$ 1,267	$ 147	$ 460	$ 25	$ 6,743
Ending balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 35	$ -	$ 35
Ending balance: collectively evaluated for impairment							
Financing receivables:		4,327	1,267				6,708
Ending balance	$ 517 59,336	$ 491,800	$ 170,323	$ 147 18,342	$ 425 66,470	$ 25 21,532	$ 827,803
Ending balance: individually evaluated for impairment							
Ending balance: collectively evaluated for impairment	63	620	-	18	54	-	755
	59,273	491,180	170,323	18,324	66,416	21,532	827,048

NOTE 4: LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Risk Grade Definitions

Superior

Credits in this category are fully secured by cash equivalents or high grade, readily marketable securities.

Minimal

Credits in this category are to a borrower of unquestionable financial strength. Financial information exhibits superior earnings, leverage and liquidity positions, which firmly establish a repayment source, that is substantial in relation to debt. These borrowers would generally have access to national credit and equity markets.

Average

Credits in this category are to borrowers of satisfactory financial strength. Earnings performance is consistent with primary and secondary sources of repayment well defined and adequate to retire the debt in a timely and orderly fashion. These businesses would generally exhibit satisfactory asset quality and liquidity with moderate leverage, average performance to their peer group and experienced management in key positions. This risk grade classification may also include a loan in which strong reliance for a secondary repayment source is placed on a guarantor who exhibits the ability and willingness to repay.

Acceptable

Credits in this category are sound and collectible but contain risk. Although asset quality remains acceptable, the borrower could have a smaller and/or less diverse asset base, lower liquidity and limited debt capacity. The borrower may also have the following characteristics:

- Earnings performance is satisfactory but the borrower might not be strong enough to sustain major setbacks.
- Limited management experience and depth.

These credits may have a reliance for a secondary repayment source placed on a guarantor who exhibits the ability and willingness to repay. These credits may need supervision by the lender and covenants structured to ensure adequate protection. These credits may also include satisfactory borrowers/guarantors in industries with a higher than normal credit risk.

Special Mention

Credits in this category are potentially weak credits. Assets rated Special Mention are currently protected but potentially weak. These assets constitute an undue and unwarranted credit risk, but not to the point of justifying a classification of Substandard. Loans in this category have potential weaknesses, which may, if not corrected, weaken the asset, or inadequately protect the Company's credit position at some future date.

Substandard

Assets classified Substandard have a well-defined weakness(es) in the credit that jeopardize the repayment of all principal and interest in accordance with the contractual terms of the credit. Substandard assets are inadequately protected by the current net worth and paying capacity of the obligor or the collateral that is pledged.

NOTE 4: LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Risk Grade Definitions (continued)

Doubtful

An asset classified doubtful has all the weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain factors that may work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until its more exact status may be determined.

Loss

Assets classified loss are considered uncollectible and of such little value that their continuance as bankable assets are not warranted.

Credit Risk Profile by Internally Assigned Grade

The loan portfolio is reviewed, both internally and through the use of independent external sources, to validate the credit risk on a periodic basis. Also, loans are monitored for credit quality on a monthly basis through evaluation of past due status. The composition of the loans outstanding at December 31, 2024 and 2023 by credit quality indicator is provided below. The credit quality indicators used are dependent on the portfolio segment to which the loan relates.

NOTE 4: LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Loan credit quality indicators for all loans within the portfolio are developed through review of individual borrowers on an ongoing basis. The indicators represent the rating for loans as of the date presented based on the most recent assessment performed. These credit quality indicators are defined below (in thousands).

	December 31, 2024						
	1 – 4 Family Residential Real Estate	Multi Family Residential and Commercial - Real Estate	Construction Real Estate	Home Equity Lines of Credit	Commercial & Industrial	Consumer	Total
Grade:							
Superior	$ -	$ -	$ -	$ 23	$ 2,111	$ 889	$ 3,023
Minimal	1,353	5,184	-	1,895	1,073	9	9,514
Average	57,064	307,872	89,105	18,665	31,193	3,284	507,183
Acceptable	45,755	356,685	123,908	13,562	54,805	19,907	614,622
Special Mention	358	697	124	-	-	-	1,179
Substandard	-	1,299	-	40	40	-	1,379
Doubtful	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-
Total	$ 104,530	$ 671,737	$ 213,137	$ 34,185	$ 89,222	$ 24,089	1,136,900
Overdrafts							34
Net deferred fees and unamortized discount							(7,598)
Total							$ 1,129,336

NOTE 4: LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

	December 31, 2023						
	1 – 4 Family Residential Real Estate	Multi Family Residential and Commercial - Real Estate	Construction Real Estate	Home Equity Lines of Credit	Commercial & Industrial	Consumer	Total
Grade:							
Superior	$ -	$ -	$ -	$ 26	$ 1,723	$ 407	$ 2,156
Minimal	1,233	5,879	-	2,319	1,271	9	10,711
Average	26,252	197,450	54,865	5,759	22,105	137	306,568
Acceptable	31,824	287,905	116,430	10,021	41,310	20,885	508,375
Special Mention	-	380	-	-	-	-	380
Substandard	63	620	-	18	54	-	755
Doubtful	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-
Total	$ 59,372	$ 492,234	$ 171,295	$ 18,143	$ 66,463	$ 21,438	828,945
Overdrafts							21
Net deferred fees							(1,163)
Total							$ 827,803

NOTE 4: LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table presents year-to-date gross charge-offs by year of origination as of December 31, 2024 (in thousands):

	2024	2023	2022	2021	2020	2019 & Prior	Total
Allowance for credit losses on loans:							
1-4 Family Residential Real Estate	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Multi-Family Residential and Commercial Real Estate	-	-	-	-	-	-	-
Construction Real Estate	-	-	-	-	-	-	-
Home Equity Lines of Credit	-	-	-	-	-	-	-
Commercial & Industrial	-	-	-	-	-	-	-
Consumer	4	-	-	-	-	-	4
Total	$ 4	$ -	$ -	$ -	$ -	$ -	$ 4

NOTE 4: LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table presents the credit risk profile by risk grade for commercial real estate, commercial, residential real estate, and consumer loans by renewal/origination year as of December 31, 2024 (in thousands):

	2024	2023	2022	2021	2020	2019 & Prior	Grand Total
1-4 Family Residential							
1 - Superior	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2 - Minimal	186	-	-	-	-	1,167	1,353
3 - Average	11,368	11,211	12,477	11,906	4,231	5,871	57,064
4 - Acceptable	5,655	7,906	12,304	4,504	3,406	11,980	45,755
5 - Special	-	-	-	-	-	358	358
6 - Substandard	-	-	-	-	-	-	-
7 - Doubtful	-	-	-	-	-	-	-
8 - Loss	-	-	-	-	-	-	-
Total	17,209	19,117	24,781	16,410	7,637	19,376	104,530
Multi-Family Residential & Commercial							
1 - Superior	-	-	-	-	-	-	-
2 - Minimal	-	-	1,472	-	1,040	2,672	5,184
3 - Average	68,471	48,390	81,539	46,558	20,924	41,990	307,872
4 - Acceptable	20,383	77,164	94,460	60,637	39,867	64,174	356,685
5 - Special	-	-	-	-	-	697	697
6 - Substandard	-	411	-	382	-	506	1,299
7 - Doubtful	-	-	-	-	-	-	-
8 - Loss	-	-	-	-	-	-	-
Total	88,854	125,965	177,471	107,577	61,831	110,039	671,737
Construction Real Estate							
1 - Superior	-	-	-	-	-	-	-
2 - Minimal	-	-	-	-	-	-	-
3 - Average	30,980	34,724	15,604	6,963	453	381	89,105
4 - Acceptable	19,636	18,583	58,540	25,142	1,571	436	123,908
5 - Special	116	-	-	-	-	8	124
6 - Substandard	-	-	-	-	-	-	-
7 - Doubtful	-	-	-	-	-	-	-
8 - Loss	-	-	-	-	-	-	-
Total	50,732	53,307	74,144	32,105	2,024	825	213,137

NOTE 4: LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Home Equity Line of Credit							
1 - Superior	**-**	-	-	-	-	23	23
2 - Minimal	**53**	839	226	130	-	647	1,895
3 - Average	**3,679**	3,916	4,553	2,617	660	3,240	18,665
4 - Acceptable	**3,699**	2,624	2,578	1,103	732	2,826	13,562
5 - Special	**-**	-	-	-	-	-	-
6 - Substandard	**-**	-	-	-	-	40	40
7 - Doubtful	**-**	-	-	-	-	-	-
8 - Loss	**-**	-	-	-	-	-	-
Total	**7,431**	7,379	7,357	3,850	1,392	6,776	34,185
Commercial & Industrial							
1 - Superior	**514**	1	114	488	21	973	2,111
2 - Minimal	**63**	-	966	17	27	-	1,073
3 - Average	**8,258**	3,116	4,111	7,663	5,669	2,376	31,193
4 - Acceptable	**16,264**	5,866	9,874	951	19,319	2,531	54,805
5 - Special	**-**	-	-	-	-	-	-
6 - Substandard	**-**	-	-	-	-	40	40
7 - Doubtful	**-**	-	-	-	-	-	-
8 - Loss	**-**	-	-	-	-	-	-
Total	**25,099**	8,983	15,065	9,119	25,036	5,920	89,222
Loans to Individuals							
1 - Superior	**587**	140	121	5	4	32	889
2 - Minimal	**-**	-	-	-	-	9	9
3 - Average	**509**	1,972	586	106	57	54	3,284
4 - Acceptable	**5,534**	8,954	4,431	45	692	251	19,907
5 - Special	**-**	-	-	-	-	-	-
6 - Substandard	**-**	-	-	-	-	-	-
7 - Doubtful	**-**	-	-	-	-	-	-
8 - Loss	**-**	-	-	-	-	-	-
Total	**6,630**	11,066	5,138	156	753	346	24,089
Total	**$ 195,955**	$ 225,817	$ 303,956	$ 169,217	$ 98,673	$ 143,282	$,136,900
Overdrafts							34
Net deferred fees and unamortized discount							(7,598)
Total							**$ 1,129,336**

NOTE 4: LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table presents the credit risk profile by risk grade for commercial real estate, commercial, residential real estate, and consumer loans by renewal/origination year as of December 31, 2023 (in thousands):

	2023	2022	2021	2020	2019	2018 & Prior	**Grand Total**
1-4 Family Residential							
1 - Superior	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2 - Minimal	-	-	-	-	17	1,216	1,233
3 - Average	6,676	6,132	6,291	3,161	438	3,554	26,252
4 - Acceptable	4,389	8,448	3,363	1,933	1,524	12,167	31,824
5 - Special	-	-	-	-	-	-	-
6 - Substandard	-	-	-	-	-	63	63
7 - Doubtful	-	-	-	-	-	-	-
8 - Loss	-	-	-	-	-	-	-
Total	11,065	14,580	9,654	5,094	1,979	17,000	59,372
Multi-Family Residential & Commercial							
1 - Superior	-	-	-	-	-	-	-
2 - Minimal	-	1,526	-	1,068	-	3,285	5,879
3 - Average	42,623	62,431	37,975	14,522	18,840	21,059	197,450
4 - Acceptable	53,280	65,759	58,104	36,844	5,304	68,614	287,905
5 - Special	-	-	380	-	-	-	380
6 - Substandard	-	-	-	-	-	620	620
7 - Doubtful	-	-	-	-	-	-	-
8 - Loss	-	-	-	-	-	-	-
Total	95,903	129,716	96,459	52,434	24,144	93,578	492,234
Construction Real Estate							
1 - Superior	-	-	-	-	-	-	-
2 - Minimal	-	-	-	-	-	-	-
3 - Average	24,204	19,456	10,361	299	177	368	54,865
4 - Acceptable	24,519	56,528	31,204	2,249	1,860	70	116,430
5 - Special	-	-	-	-	-	-	-
6 - Substandard	-	-	-	-	-	-	-
7 - Doubtful	-	-	-	-	-	-	-
8 - Loss	-	-	-	-	-	-	-
Total	48,723	75,984	41,565	2,548	2,037	438	171,295

NOTE 4: LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Home Equity Line of Credit							
1 - Superior	-	-	-	-	-	26	26
2 - Minimal	437	678	181	-	100	923	2,319
3 - Average	922	2,454	540	152	174	1,517	5,759
4 - Acceptable	2,192	2,736	1,300	776	460	2,557	10,021
5 - Special	-	-	-	-	-	-	-
6 - Substandard	-	-	-	-	-	18	18
7 - Doubtful	-	-	-	-	-	-	-
8 - Loss	-	-	-	-	-	-	-
Total	3,551	5,868	2,021	928	734	5,041	18,143
Commercial & Industrial							
1 - Superior	126	135	268	43	700	451	1,723
2 - Minimal	49	1,073	90	31	-	28	1,271
3 - Average	2,414	1,780	8,561	6,917	1,948	485	22,105
4 - Acceptable	5,581	10,426	1,600	18,410	855	4,438	41,310
5 - Special	-	-	-	-	-	-	-
6 - Substandard	-	-	-	-	-	54	54
7 - Doubtful	-	-	-	-	-	-	-
8 - Loss	-	-	-	-	-	-	-
Total	8,170	13,414	10,519	25,401	3,503	5,456	66,463
Loans to Individuals							
1 - Superior	207	134	8	14	6	38	407
2 - Minimal	-	-	-	-	-	9	9
3 - Average	65	8	-	12	6	46	137
4 - Acceptable	3,368	6,199	124	1,619	78	9,497	20,885
5 - Special	-	-	-	-	-	-	-
6 - Substandard	-	-	-	-	-	-	-
7 - Doubtful	-	-	-	-	-	-	-
8 - Loss	-	-	-	-	-	-	-
Total	3,640	6,341	132	1,645	90	9,590	21,438
Total	$ 171,052	$ 245,903	$ 160,350	$ 88,050	$ 32,487	$ 131,103	$ 828,945
Overdrafts							21
Net deferred fees							(1,163)
Total							$ 827,803

NOTE 4: LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Age Analysis of Past Due Financing Receivables

The aging of the outstanding loans by class at December 31, 2024 and 2023 is provided in the table below (in thousands). The calculation of days past due begins on the day after payment is due and includes all days through which all required interest or principal have not been paid. Loans less than 30 days past due are considered current due to certain grace periods that allow borrowers to make payments within a stated period after the due date and still remain in compliance with the loan agreement.

	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total Loans
December 31, 2024						
1 - 4 Family Residential Real Estate	**$ 69**	**$ 99**	**$ -**	**$ 168**	**$ 102,823**	**$ 102,991**
Multi-Family Residential and Commercial Real Estate	**972**	**-**	**-**	**972**	**665,694**	**666,666**
Construction Real Estate	**-**	**-**	**-**	**-**	**212,254**	**212,254**
Home Equity Lines of Credit	**-**	**-**	**-**	**-**	**34,392**	**34,392**
Commercial & Industrial	**-**	**-**	**-**	**-**	**88,999**	**88,999**
Consumer loans	**11**	**-**	**-**	**11**	**24,023**	**24,034**
Total	**$ 1,052**	**$ 99**	**$ -**	**$ 1,151**	**$ 1,128,185**	**$ 1,129,336**

	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total Loans
December 31, 2023						
1 - 4 Family Residential Real Estate	$ -	$ -	$ -	$ -	$ 59,336	$ 59,336
Multi-Family Residential and Commercial Real Estate	-	620	-	620	491,180	491,800
Construction Real Estate	-	-	-	-	170,323	170,323
Home Equity Lines of Credit	18	-	-	18	18,324	18,342
Commercial & Industrial	-	-	-	-	66,470	66,470
Consumer loans	19	-	-	19	21,513	21,532
Total	$ 37	$ 620	$ -	$ 657	$ 827,146	$ 827,803

There were no loans greater than 90 days past due and accruing interest as of December 31, 2024 and 2023.

NOTE 4: LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Financing Receivables on Nonaccrual Status

The recorded investment, by class, in loans on nonaccrual status at December 31, 2024 and 2023 is as follows (in thousands):

	2024	2023
1 – 4 Family Residential Real Estate	**$ -**	$ 63
Multi-Family Residential & Commercial – Real Estate	**918**	620
Home Equity Lines of Credit	**15**	18
	$ 933	$ 701

At December 31, 2024, none of the nonaccrual loans consisted of acquired loans. At December 31, 2023, nonaccrual loans consisted of acquired loans totaling $81 thousand. There were no loan modifications to borrowers experiencing financial difficulties in 2024 or 2023.

Purchased Credit Deteriorated Loans

The Company has purchased loans, for which there was, at acquisition, evidence of more than insignificant deterioration of credit quality since origination, see Note 15. The carrying amount of those loans was $8.5 million at December 31, 2024.

NOTE 5: PREMISES AND EQUIPMENT

Following is a summary of premises and equipment at December 31, 2024 and 2023 (in thousands):

	2024	2023
Land	**$ 1,455**	$ 726
Buildings	**1,668**	1,652
Furniture and equipment	**1,146**	889
Vehicles	**68**	68
Leasehold improvements	**970**	356
Construction in progress	**-**	182
	5,307	3,873
Accumulated depreciation and amortization	**(1,410)**	(1,466)
Total	**$ 3,897**	$ 2,407

Depreciation and amortization amounting to $165 thousand and $98 thousand for the years ended December 31, 2024 and 2023, respectively is included in occupancy and equipment expense, data processing and outside service fees, and other expenses.

NOTE 5: PREMISES AND EQUIPMENT (Continued)

Lease Commitments

The Company has seven operating leases for various branches, a loan production office and an ATM location. These leases have remaining lease terms of 1 year to 10 years, some of which may include options to extend the leases for up to 10 years. Lease expense for operating leases during 2024 and 2023 was $404 thousand and $160 thousand, respectively.

Amounts recognized as right-of-use assets related to the operating leases are included in other assets while lease liabilities are included in accrued expenses and other liabilities. As of December 31, 2024, the right-of-use assets totaled $1.70 million and lease liabilities related to operating lease totaled $1.81 million, respectively. As of December 31, 2023, the right-of-use assets and lease liabilities related to operating lease totaled $99 thousand, respectively.

Other information related to leases for the years ended December 31, 2024 and 2023 are as follows (in thousands):

	2024	2023
Supplemental Cash Flow Information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	**$ 264**	$ 160
Right-of-use assets obtained in exchange for lease obligations		
Operating leases	**$ 1,952**	$ 108
Weighted average remaining lease term	**10.34 years**	10 years
Weighted average discount rate	**4.04%**	3.79%

Future minimum lease payments under non-cancellable operating leases as of December 31, 2024, were as follows (in thousands):

2025	$ 265
2026	213
2027	220
2028	226
2029	233
Thereafter	1,004
Total future minimum lease payments	2,161
Less imputed interest	(350)
Present value of lease liabilities	$ 1,811

NOTE 6: DEPOSITS

Deposits consist of the following (in thousands):

	2024	2023
Non-interest bearing demand	$ 168,318	$ 106,775
Savings	19,405	10,024
Money market and NOW	430,203	295,558
Time	497,219	391,179
Total	$ 1,115,145	$ 803,536

The aggregate amount of time deposits in denominations that may exceed FDIC insurance limits of $250 thousand or more at December 31, 2024 and 2023 was $104.7 million and $61.9 million, respectively. Interest expense on such deposits aggregated approximately $3.8 million and $1.9 million, respectively, in 2024 and 2023.

At December 31, 2024, the scheduled maturities of time deposits are as follows (in thousands):

	Less than $250,000	$250,000 or more	Total
2025	$ 318,898	$ 92,639	$ 411,537
2026	46,650	12,095	58,745
2027	13,674	-	13,674
2028	13,053	-	13,053
2029	210	-	210
Thereafter	-	-	-
Total	$ 392,485	$ 104,734	$ 497,219

NOTE 7: BORROWINGS

Borrowings consist of the following (in thousands):

Type	Maturing in Year Ending	Interest Rate	December 31, 2024	2023
Short-term borrowings:				
FHLB advances:				
Fixed rate hybrid	2025	4.350%	**$ 5,000**	$ -
Fixed rate hybrid	2024	2.690%	**-**	5,000
Fixed rate hybrid	2024	5.470%	**-**	5,000
Total FHLB advances			**5,000**	10,000
Repurchase agreements			**124**	462
Total short-term borrowings			**$ 5,124**	$ 10,462
Long-term borrowings:				
FHLB advances:				
Fixed rate hybrid	2025	4.350%	**$ -**	$ 5,000
Fixed rate hybrid	2026	4.230%	**5,000**	5,000
Fixed rate hybrid	2027	4.070%	**5,000**	5,000
Fixed rate hybrid	2028	3.990%	**5,000**	5,000
Fixed rate hybrid	2028	4.290%	**10,000**	10,000
Convertible	2033	3.150%	**-**	15,000
Total FHLB advances			**25,000**	45,000
Subordinate debt			**23,891**	23,798
Junior subordinate debt			**4,467**	4,407
Term loan			**15**	29
Total long-term borrowings			**$ 53,373**	$ 73,234

Pursuant to collateral agreements with the Federal Home Loan Bank ("FHLB") at December 31, 2024 and 2023, advances are secured by pledged loans with a carrying amount of $95.7 million and $107.4 million, respectively. At December 31, 2024 and 2023, the Company's maximum borrowing availability was equal to 30% of total assets.

The Company enters into agreements with customers to transfer excess funds in demand deposit accounts into a repurchase agreement. Under the repurchase agreement, the Company sells the customer an interest in securities that are United States government agencies. The customer's interest in the underlying security shall be repurchased by the Company at the opening of the next banking day. The rate fluctuates monthly and is based on current deposit rates of the Company. As of December 31, 2024, and 2023, the Company had a balance outstanding of $0.1 million and $0.5 million, respectively, under these repurchase agreements.

NOTE 7: BORROWINGS (Continued)

Through the business combination of CB Financial Corporation, the Company assumed $5.0 million of the Trust's floating rate preferred securities (the "trust preferred securities") and $155,000 in common securities (the "Common Securities"), adjusted for fair value. Prior to the merger, CB Financial Capital Trust I, (the "Trust") was formed for the sole purpose of issuing trust preferred securities and investing the proceeds from the sale of such trust preferred securities in junior subordinated debentures (the "debentures"). The debentures held by the Trust are its sole assets. The Company owns 100% of the Trust's outstanding common securities and unconditionally guarantees the Trust financial obligations. Prior to 2023, the debentures and the trust preferred securities of the Trust bear an interest rate of LIBOR (London Inter-Bank Offered Rate) plus 1.85%. The trust preferred securities generally rank equal to the trust common securities in priority of payment, but will rank prior to trust common securities if, and so long as, the Company fails to make principal or interest payment on the debentures. The dividends paid to holders of the trust preferred securities, which are recorded as interest expense, are deductible for income tax purposes. Beginning in 2023, the debentures and the trust preferred securities of the trust bear an interest rate of the 3-month CME (Chicago Mercantile Exchange) term SOFR (Secure Overnight Financing Rate) plus applicable tenor spread adjustment plus 1.85%.The debentures and trust preferred securities each have 30-year lives and are callable by the Trust without penalty after July 31, 2010. The trust preferred securities issued the Trust presently qualify as Tier 1 regulatory capital.

The Company has available lines of credit with various credit facilities to provide additional liquidity if and as needed. These include available lines of credit with correspondent banks totaling $73.5 million and $72.5 million at December 31, 2024 and 2023, respectively. There were no federal funds purchased outstanding under these lines of credit at December 31, 2024 and 2023.

Subordinated debt in the amount of $12.0 million was issued on January 27, 2023. The subordinated debt requires payments of interest semi-annually on February 1st and August 1st, at the annual fixed rate of 3.50% through February 1, 2027, at which point the applicable interest rate becomes floating, subject to being reset on a quarterly basis, and scheduled interest payments are to occur on February 1, May 1, August 1, and November 1 of each year until the principal is repaid. The subordinated debt matures on February 1, 2032 and can be prepaid any time after January 27, 2027. Of the Company's outstanding balance of this subordinated debt, $50 thousand is held by executive officers, directors and other related interests at December 31, 2024 and 2023.

Subordinated debt in the amount of $12.0 million was issued on December 18, 2019. The subordinated debt requires payments of interest semi-annually on January 15th and July 15th, at the annual fixed rate of 5.375% through January 15, 2025, at which point the applicable interest rate becomes floating, subject to being reset on a quarterly basis, and scheduled interest payments are to occur on January 15, April 15, July 15, and October 15 of each year until the principal is repaid. The subordinated debt matures on January 15, 2030 and can be prepaid any time after December 18, 2024. Of the Company's outstanding balance of subordinated debt, $1 million is held by executive officers, directors and other related interests at December 31, 2024 and 2023.

The Company entered into a zero percent, $84,000 term loan with an individual on February 5, 2020. The scheduled maturity date of the loan is January 5, 2027, with monthly principal-only payments of $1,167 starting March 5, 2020 and a final payment of $1,143 due at maturity. The agreement is unsecured. As of December 31, 2023, the outstanding principal balance of the loan is approximately $15 thousand.

NOTE 8: CAPITAL RAISE

In first quarter of 2024 the Company issued 17,923 shares of 7.00% Cumulative Perpetual Preferred Stock, Series A (the "Series A Preferred Stock"), no par value, at $1,000 per share to select accredited investors. The Series A Preferred Stock will have a stated liquidation value of $1,000 per share and will rank senior to the Issuer's common stock with respect to dividends and liquidation rights. The dividend rate is $70 per share, per annum, payable quarterly on the last business day of each calendar quarter. The Series A Preferred Stock is not convertible into any other securities of the Company.

In August 2023, the Company issued 183,726 common shares, $1 par value per share, for net proceeds after all expenses of $8,214,611.

NOTE 9: INCOME TAXES

The significant components of the provision for income taxes for the years ended December 31, 2024 and 2023 are as follows (in thousands):

	2024	2023
Current tax provision		
Federal	**$ 4,140**	$ 4,081
State	**527**	546
Total current tax provision	**4,667**	4,627
Deferred tax expense (benefit)		
Federal	**418**	(581)
State	**71**	(76)
Total deferred tax expense (benefit)	**489**	(657)
Provision for income tax expense	**$ 5,156**	$ 3,970

NOTE 9: INCOME TAXES (Continued)

The difference between the provision for income taxes and the amounts computed by applying the statutory federal income tax rate of 21% to income before income taxes for the years ended December 31, 2024 and 2023, respectively, is summarized below (in thousands):

	2024	2023
Tax expense computed at the statutory federal rate	**$ 4,635**	$ 3,756
Increase (decrease) resulting from:		
State income taxes, net of federal tax effect	**417**	378
Incentive stock options	**9**	(12)
Tax exempt interest	**(33)**	(36)
Cash surrender value of life insurance	**(99)**	(77)
Capital loss expiration	**84**	-
Deferred rate change	**34**	-
Other	**109**	(39)
Provision for income taxes	**$ 5,156**	$ 3,970

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of deferred tax positions at December 31, 2024 and 2023 are as follows (in thousands):

	2024	2023
Deferred tax assets relating to:		
Allowance for credit losses	**$ 2,502**	$ 1,531
Stock based compensation	**276**	162
Pre-opening costs and expenses	**-**	4
Deferred compensation	**541**	511
Federal NOL carryforward	**856**	780
State NOL carryforward	**12**	-
Capital loss carryforward	**-**	84
Lease liability	**362**	20
Property and equipment	**-**	28
Fair value mark, net	**1,060**	-
Unrealized loss on available for sale securities	**2,593**	2,750
Other	**316**	254
Total deferred tax assets	**8,518**	6,124

NOTE 9: INCOME TAXES (Continued)

	2024	2023
Deferred tax liabilities relating to:		
Deferred loan fees	**(326)**	(309)
Prepaid expenses	**(30)**	(27)
Fair value mark, net	**-**	(172)
Right-of-use lease asset	**(386)**	(23)
Property and equipment	**(145)**	-
Other	**(9)**	-
Total deferred tax liabilities	**(896)**	(531)
Net recorded deferred tax asset	**$ 7,622**	$ 5,593

The Company has approximately $4.1 million of federal net operating losses. Approximately $2.3 million will begin to expire in 2029 and $1.2 million have indefinite lives. The Company has approximately $700 thousand of North Carolina net operating losses which will have no value in 2030 when the North Carolina corporation tax is eliminated.

FASB ASC 740, Accounting for Uncertainty in Income Taxes clarifies the account for uncertain tax positions. Based on an evaluation of uncertain tax positions, management is required to measure potential liabilities that could have a risk of greater than 50% likely of being realized upon settlement. As of December 31, 2024, and 2023, management has determined that the Company does not have any material uncertain tax positions.

The Company's has federal and North Carolina net operating losses from prior tax years. Income tax jurisdictions have the ability to examine tax years in which net operating losses were created when those tax losses are actually utilized.

The Company's federal and state tax returns for the years ended December 31, 2023, 2022, and 2021 are open and subject to examination by taxing authorities.

NOTE 10: REGULATORY MATTERS

The Bank, as a North Carolina banking corporation, may pay cash dividends only out of undivided profits as determined pursuant to the North Carolina General Statutes. However, regulatory authorities may limit payment of dividends by any bank when it is determined that such limitation is in the public interest and is necessary to ensure financial soundness of a bank.

The Bank is subject to various regulatory capital requirements administered by federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications 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, as prescribed by regulations, of total and Tier I capital to risk-weighted assets and of Tier I capital to average assets. Management believes, as of December 31, 2024 and 2023 that the Bank meets all capital adequacy requirements to which it is subject, as set forth below:

	Actual		Minimum for capital adequacy purposes		Minimum to be well capitalized under prompt corrective action provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
December 31, 2024						
Total Capital (to Risk-Weighted Assets)	**$ 163,986**	**13.76%**	**$ 125,143**	**10.50%**	**$ 119,184**	**10.00%**
Tier I Capital (to Risk-Weighted Assets)	**153,333**	**12.87%**	**101,306**	**8.50%**	**95,347**	**8.00%**
Common Equity (to Risk-Weighted Assets)	**153,333**	**12.87%**	**83,429**	**7.00%**	**77,470**	**6.50%**
Tier I Capital (to Average Assets)	**153,333**	**11.69%**	**52,466**	**4.00%**	**65,582**	**5.00%**
December 31, 2023						
Total Capital (to Risk-Weighted Assets)	$ 121,304	13.17%	$ 96,712	10.50%	$ 92,107	10.00%
Tier I Capital (to Risk-Weighted Assets)	114,561	12.44%	78,291	8.50%	73,686	8.00%
Common Equity (to Risk-Weighted Assets)	114,561	12.44%	64,475	7.00%	59,869	6.50%
Tier I Capital (to Average Assets)	114,561	11.88%	38,582	4.00%	48,227	5.00%

NOTE 11: OFF-BALANCE SHEET 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 financial instruments include commitments to extend credit and standby letters of credit. Those 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 Company has in particular classes of financial instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. In management's opinion, these commitments represent no more than normal lending risk to the Company and will be funded from normal sources of liquidity.

NOTE 11: OFF-BALANCE SHEET RISK (Continued)

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of conditions established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company, upon extension of credit is based on management's credit evaluation of the borrower. Collateral obtained varies but may include real estate, stocks, bonds, and certificates of deposit.

An unfunded commitment liability is estimated from the Company's historical loan-level loss rates and utilization rates in comparison to its balance of unfunded commitments. The expected losses associated with these exposures within the unfunded portion of the expected credit loss will be recorded as a liability on the balance sheet with an offset to other non-interest expense. As of December 31, 2024 and 2023, the unfunded commitment liability was $448 thousand $511 thousand, respectively.

A summary of the contract amount of the Company's exposure to off-balance sheet risk as of December 31, 2024 is as follows (in thousands):

Financial instruments whose contract amounts represent credit risk:	
Undisbursed lines of credit	$ 71,326
Commitments to extend credit	118,986
Letters of credit	821

NOTE 12: DISCLOSURES ABOUT FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value estimates are made at a specific moment in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no active market readily exists for a portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Due from Banks, Interest-Earning Deposits with Banks, and Federal Funds Sold

The carrying amounts reported in the balance sheet for these instruments approximate their fair values due to the short-term nature of these instruments.

Certificates of Deposit with Banks

The fair value of certificates of deposit with other banks is estimated based on discounting cash flows using the rates currently offered for instruments of similar remaining maturities.

NOTE 12: DISCLOSURES ABOUT FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Investment Securities

Fair value for investment securities equals quoted market price if such information is available. If a quoted market price is not available, level 2 fair value is estimated using quoted market prices for similar securities, or other inputs that are observable or can be corroborated by observable market data. Level 3 securities are valued utilizing various assumptions such as valuation multiples, discounts for lack of marketability or illiquidity, and default rates.

Accrued Interest

The carrying amount of accrued interest approximates fair value.

Loans

The valuation of loans was impacted by the adoption of ASU 2016-01, "Recognition and Measurement of Financial Assets and Liabilities". Prior to adopting the amendments included in the standard, the Company was allowed to measure fair value under an entry price notion. The entry price notion previously applied by the Company used a discounted cash flows technique to calculate the present value of expected future cash flows for a financial instrument. The exit price notion uses the same approach, but also incorporates other factors, such as enhanced credit risk, illiquidity risk and other market factors.

Federal Home Loan Bank Stock

The carrying amount is a reasonable estimate of fair value.

Deposits and Borrowings

The fair value of demand deposits and savings, money market and NOW accounts are the amount payable on demand at the reporting date. The fair value of time deposits and borrowings are estimated based on discounting cash flows using the rates currently offered for instruments of similar remaining maturities.

Financial Instruments with Off-Balance Sheet Risk

With regard to financial instruments with off-balance sheet risk it is not practicable to estimate the fair value of future financing commitments.

NOTE 12: DISCLOSURES ABOUT FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

The carrying amounts and estimated fair values of financial instruments, none of which are held for trading purposes, are as follows at December 31, 2024 and 2023:

	2024		2023	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
	(Dollars in thousands)			
Financial assets:				
Cash and due from banks	**$ 11,445**	**$ 11,445**	$ 9,393	$ 9,393
Interest-earning deposits with banks	**3,274**	**3,274**	4,245	4,245
Federal funds sold	**70**	**70**	949	949
Certificates of deposit with banks	**10,041**	**10,034**	10,391	10,213
Investment securities available for sale	**114,048**	**114,048**	98,045	98,045
Loans, net	**1,119,131**	**1,110,306**	821,060	811,345
Federal Home Loan Bank Stock	**2,265**	**2,265**	3,207	3,207
Accrued interest receivable	**5,178**	**5,178**	4,061	4,061
Financial liabilities:				
Deposits	**1,115,145**	**1,117,736**	803,536	804,881
Accrued interest payable	**2,540**	**2,540**	1,944	1,944
Short term borrowings	**5,124**	**5,119**	10,462	10,461
Long term borrowings	**53,373**	**51,014**	73,234	69,441

NOTE 13: FAIR VALUE MEASUREMENT

The FASB has issued authoritative guidance regarding fair value measurements, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. Fair value as defined under generally accepted accounting principles is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability. Generally accepted accounting principles establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Recurring Basis Measurements

The following tables set forth by level within the fair value hierarchy the Company's assets and liabilities accounted for at fair value on a recurring basis as of December 31, 2024 and 2023. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

NOTE 13: FAIR VALUE MEASUREMENT (Continued)

Fair values of assets and liabilities measured on a recurring basis are as follows (in thousands):

		Fair Value Measurements at December 31, 2024		
Description	**Fair Value**	**(Level 1)**	**(Level 2)**	**(Level 3)**
Assets:				
Investment securities available for sale:				
U.S. Treasury Securities	**$ 4,881**	**$ -**	**$ 4,881**	**$ -**
Mortgage-backed securities	**49,681**	**-**	**49,681**	**-**
Corporate Securities	**20,998**	**-**	**19,576**	**1,422**
U.S. agency securities	**14,091**	**-**	**14,091**	**-**
Municipal securities	**24,397**	**-**	**24,397**	**-**
Total securities available for sale	**$ 114,048**	**$ -**	**$ 112,626**	**$ 1,422**

		Fair Value Measurements at December 31, 2023		
Description	**Fair Value**	**(Level 1)**	**(Level 2)**	**(Level 3)**
Assets:				
Investment securities available for sale:				
U.S. Treasury Securities	$ 10,731	$ -	$ 10,731	$ -
Mortgage-backed securities	30,525	-	30,525	-
Corporate Securities	20,655	-	17,537	3,118
U.S. agency securities	14,319	-	14,319	-
Municipal securities	21,815	-	21,815	-
Total securities available for sale	$ 98,045	$ -	$ 94,927	$ 3,118

The valuation methodologies used for assets and liabilities recorded at fair value on a recurring basis are as follows.

Investment Securities Available for Sale

Investment securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted and money prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions.

NOTE 13: FAIR VALUE MEASUREMENT (Continued)

Investment Securities Available for Sale (continued)

There were $1.4 million in assets that were measured at fair value on a recurring basis as Level 3 assets and no liabilities measured at fair value on a recurring basis as of December 31, 2024. There were $3.1 million in assets that were measured at fair value on a recurring basis recorded as Level 3 assets and no liabilities measured at fair value on a recurring basis as of December 31, 2023.

Nonrecurring Basis Measurements

Certain other financial assets are measured at fair value on a nonrecurring basis, that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

There are no liabilities measured at fair value on a nonrecurring basis.

The valuation methodologies used for assets recorded at fair value on a nonrecurring basis are as follows.

Loans

We do not record loans at fair value on a recurring basis. However, from time to time a loan may be individually evaluated for expected credit losses if it no longer shares similar risks characteristics with other pooled loans. Once a loan is identified as an individual individually evaluated loan, management measures expected credit losses using estimated fair value methodologies. The fair value of individually elevated loans is estimated using one of several methods, including collateral value, market value of similar debt, enterprise value, liquidation value and discounted cash flows. Those individually elevated lawns not requiring an ACL represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. Individually elevated loans, where an allowance is established based on the fair value of collateral, requires classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, we consider the impaired loan as nonrecurring Level 2. When an appraisal value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, we consider the individually elevated loan as nonrecurring Level 3.

At December 31, 2024 there was $791 thousand of individually evaluated loans which were subjected to fair value adjustments and at December 31, 2023, there was $19 thousand of individually evaluated loans which were subjected to fair value adjustments.

NOTE 14: EMPLOYEE AND DIRECTOR BENEFIT PLANS

Employment Contracts

The Company has entered into employment agreements with three executive officers to ensure a stable and competent management base. The agreements provide for a term ranging from two to three years, which extends automatically for an additional year unless terminated by the Company or the executive. The agreements provide for benefits as spelled out in the contracts and cannot be terminated by the Board of Directors, except for cause, without prejudicing the officers' right to receive certain vested rights, including compensation. In the event of a change in control of the Company and in certain other events, as defined in the agreements, the Bank or any successor to the Company will be bound to the terms of the contracts.

401(k) Retirement Plan

The Company has a 401(k) retirement plan that covers all eligible employees. The Company makes discretionary contributions, determined on an annual basis, to the retirement plan. During 2024 and 2023, the Company matched 100% of employee contributions on the first 6% of each employee's covered compensation. A participant vests in the Company's matching contributions 20% annually over five years of service. Matching expenses and discretionary contributions totaled approximately $387 thousand for the year ended December 31, 2024 and matching expenses totaled approximately $258 thousand for the year ended December 31, 2023.

Incentive Bonus Plan

In 2017, the Company adopted an employee incentive bonus plan that covers all eligible employees. The bonus is calculated based on percentages of salary designations, which are defined within the plan. The bonus is accrued for monthly and paid out subsequent to year end. Bonus expenses totaled approximately $1.41 million and $1.10 million for the years ended December 31, 2024 and 2023, respectively.

Salary Continuation Agreement

In 2012, the Company adopted a salary continuation agreement to provide benefits for members of management. The associated liability was calculated by discounting the anticipated future cash flows at 4.5%, resulting in an accrued liability for this obligation totaling $2.4 million and $2.2 million, respectively, at December 31, 2024 and 2023.

Stock Based Compensation

During 2017, the Company adopted, with shareholder approval, the 2017 Omnibus Stock Incentive Plan (the "Plan"). In 2021, the Plan was amended to increase by 150,000 shares the size of the pool of authorized but unissued shares of the Company's common stock available for issuance under the Plan. In 2024, the Plan was amended to increase by 150,000 shares the size of the pool of authorized but unissued shares of the Company's common stock available for issuance under the Plan. The Plan allows for grants in the form of incentive stock options, non-statutory stock options, restricted stock, stock bonuses, and purchase rights. Employees and Directors are both eligible to receive grants under the Plan. As of December 31, 2024, there are 140,825 shares reserved and available for future grants.

Stock Options

The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model. The risk-free interest rate is based on the U.S. Treasury rate for the expected life at the time of grant.

Volatility has been determined based upon the Company's trading history. The expected life and forfeiture assumptions are based on historical data. Dividend yield is based on the yield at the time of the option grant.

NOTE 14: EMPLOYEE AND DIRECTOR BENEFIT PLANS (Continued)

Assumptions used for grants during 2024 were as follows:

	2024
Assumptions in Estimating Option Values	
Weighted-average volatility	16.53%
Expected dividend yield	5.00%
Risk-free interest rate	4.35%
Expected life (years)	9.0

A summary of option activity under the stock option plans during the years ended December 31, 2024 and 2023 is presented below.

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Outstanding December 31, 2022	168,630	$ 27.89	6.73 years
Granted	24,800	43.56	
Exercised	(16,755)	21.15	
Forfeited	(2,400)	37.95	
Expired	-	-	
Outstanding December 31, 2023	174,275	30.63	6.40 years
Granted	**30,000**	**40.75**	
Exercised	**(10,380)**	**24.54**	
Forfeited	**(600)**	**36.62**	
Expired	**-**	**-**	
Outstanding December 31, 2024	**193,295**	**$ 32.51**	**6.12 years**
Exercisable December 31, 2024	**110,255**	**$ 26.79**	**4.46 years**

For the years ended December 31, 2024 and 2023, the fair value of options that contractually vested amounted to $85 thousand and $159 thousand, respectively. Stock based compensation has been presented in the consolidated statements of cash flows as an adjustment to reconcile net income to net cash provided by operating activities.

NOTE 14: EMPLOYEE AND DIRECTOR BENEFIT PLANS (Continued)

A summary of the status of the Company's non-vested stock options as of December 31, 2024 and 2023, and changes during the years then ended is presented below:

	Shares	Weighted Average grant date fair value
Non-vested – December 31, 2022	92,950	$ 3.84
Granted	24,800	4.86
Vested	(39,250)	4.05
Forfeited	(2,200)	4.86
Non-vested – December 31, 2023	76,300	$ 4.06
Granted	**30,000**	**4.08**
Vested	**(23,260)**	**3.66**
Forfeited	**-**	**-**
Non-vested – December 31, 2024	**83,040**	**$ 4.17**

As of December 31, 2024, and 2023, unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the stock option plan was $295 thousand and $201 thousand, respectively.

NOTE 14: EMPLOYEE AND DIRECTOR BENEFIT PLANS (Continued)

Restricted Stock

A summary of the status of the Company's non-vested restricted stock as of December 31, 2024 and 2023, and changes during the years then ended in presented below:

	Shares	Weighted Average grant date fair value
Non-vested – December 31, 2022	13,000	$ 37.32
Granted	43,200	41.11
Vested	(3,900)	40.70
Forfeited	-	-
Non-vested – December 31, 2023	52,300	$ 40.20
Granted	**2,625**	**40.75**
Vested	**-**	**-**
Forfeited	**-**	**-**
Non-vested – December 31, 2024	**54,925**	**$ 40.23**

Restricted stock is vested and issued at the vesting date, as long as, the employee is employed at vesting date. As of December 31, 2024, and 2023, unrecognized compensation cost related to non-vested restricted stock compensation arrangements granted under the plans was $1.29 million and $1.67 million, respectively. At December 31, 2024, the weighted-average period over which non-vested restricted stock are expected to be recognized is 3.64 years.

NOTE 15: BUSINESS COMBINATIONS

At the close of business on April 9, 2024, the Company acquired Coastal Bank & Trust ("Coastal"). Under the acquisition method, the assets and liabilities of Coastal, as of the effective date of the acquisition, are recorded at their respective fair values. For the acquisition of Coastal, estimated fair values of assets acquired and liabilities assumed are based on the information that is available, and the Company believes this information provides a reasonable basis for determining fair values. Management has substantially completed its valuation of Coastal' s assets and liabilities but may refine those valuations for up to one year following closing of the transaction.

Under the terms of the agreement, Coastal shareholders elected to receive either $10.00 in cash or 0.2222 shares of PB Financial common stock for each share of Coastal common stock that is exchanged in the merger. Cash was paid in lieu of fractional shares. The total value of the transaction was approximately $24.0 million in the aggregate, based on 2,575,468 shares of Coastal common stock outstanding.

Coastal's results of operations were included in the Company's results beginning April 10, 2024. Acquisition-related costs of $937,420 and $564,870 are included in other in the Company's consolidated statements of operations for the years ended December 31, 2024 and 2023, respectively. The fair value of the common shares issued as part of the consideration paid for Coastal was determined in the basis of the closing price of the Company's common shares on the acquisition date.

Goodwill of $5,221,384 arising from the acquisition consisted largely of geographic expansion and new market opportunities. Goodwill is not deductible for U.S. income tax purposes and is not amortized.

NOTE 15: BUSINESS COMBINATIONS (Continued)

The following table summarizes the consideration paid for Coastal and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date (Dollars in thousands):

Consideration		
Cash	$	6,443
Equity instruments		17,593
Total consideration	$	24,036
Recognized amounts of identifiable assets acquired and liabilities assumed		
Cash and due from banks	$	11,812
Certificate of deposit with banks		6,072
Investments		22,312
Net loans		165,329
Accrued interest receivable		581
Premises and equipment, net		1,012
Bank owned life insurance		3,915
Deferred tax assets		2,499
Core deposit intangible		5,800
Other assets		1,030
Total assets acquired		220,362
Deposits		(200,278)
Accrued interest		(478)
Accrued expenses and other liabilities		(791)
Total liabilities assumed		(201,547)
Total identifiable net assets		18,815
Goodwill	$	5,221

The fair value of net assets acquired includes fair value adjustments to certain receivables that were not considered impaired as of the acquisition date. The fair value adjustments were determined using discounted contractual cash flows. However, the Company believes that all contractual cash flows related to these financial instruments will be collected. As such, these receivables were not considered impaired at the acquisition date and were not subject to the guidance relating to purchased credit impaired loans, which have shown evidence of credit deterioration since origination. Receivables acquired that were not subject to these requirements include non-impaired loans and customer receivables with a fair value and gross contractual amounts receivable of $156.7 million and $165.1 million on the date of acquisition.

The fair value of purchased financial assets with credit deterioration was $8.6 million on the date of acquisition. The gross contractual amounts receivable relating to the purchased financial assets with credit deterioration was $10.8 million. The Company estimates, on the date of acquisition, that $2.2 million of the contractual cash flows specific to the purchased financial assets with credit deterioration will not be collected, which consisted of an allowance for credit losses of $1.5 million and a discount attributable to other fair value considerations totaling $700 thousand.

NOTE 16: PARENT COMPANY FINANCIAL DATA

The following is a summary of the condensed parent-only financial statements of the Company as of and for the year ended December 31, 2024 and 2023:

Condensed Balance Sheets
December 31, 2024 and 2023

	2024	2023
	(Dollars in thousands)	
Assets		
Cash and due from banks	$ 3,735	$ 7,399
Other assets	155	155
Investment in subsidiary	158,930	109,416
	$ 162,820	$ 116,970
Liabilities and Stockholders' Equity		
Borrowings	$ 29,045	$ 28,953
Other liabilities	488	492
	29,533	29,445
Stockholders' Equity:		
Preferred stock	17,923	-
Common stock	2,911	2,495
Additional paid-in-capital	54,932	38,012
Retained earnings	66,202	56,227
Accumulated other comprehensive loss	(8,681)	(9,209)
	133,287	87,525
	$ 162,820	$ 116,970

Condensed Statements of Operations
Years Ended December 31, 2024 and 2023

	2024	2023
	(Dollars in thousands)	
Equity in undistributed earnings of subsidiary	$ 16,841	$ 12,390
Dividend from Bank	1,600	3,050
Interest expense	(1,540)	(1,533)
Miscellaneous income	16	9
Net income	16,917	13,916
Preferred stock dividends paid	1,102	-
Net income available to common shareholders	$ 15,815	$ 13,916

NOTE 17: SEGMENT INFORMATION

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

Accounting policies for segments are the same as those described in Note 2. Segment performance is evaluated using consolidated net income. Information reported internally for performance assessment by the chief operating decision maker follows, inclusive of reconciliations of significant segment totals to the financial statements:

2024 (in thousands)	**Banking Segment**
Interest income	$ 77,820
Interest expense	35,816
Net interest income	42,004
Provision for credit losses	1,955
Noninterest income	1,724
Noninterest expense	
Salaries and employee benefits	10,821
Occupancy and equipment	1,107
Data processing and communications expenses	2,386
Other expenses	5,386
Total noninterest expense	19,700
Income before income tax expense	22,073
Income tax expense	5,156
Net income	$ 16,917
Total assets	$ 1,317,210
Goodwill	$ 9,285

NOTE 17: SEGMENT INFORMATION (Continued)

2023 (in thousands)	Banking Segment
Interest income	$ 53,067
Interest expense	22,676
Net interest income	30,391
Provision for credit losses	955
Noninterest income	1,172
Noninterest expense	
Salaries and employee benefits	7,355
Occupancy and equipment	469
Data processing and communications expenses	1,689
Other expenses	3,209
Total noninterest expense	12,722
Income before income tax expense	17,886
Income tax expense	3,970
Net income	$ 13,916
Total assets	$ 982,387
Goodwill	$ 4,064

PB Financial Corporation
Board of Directors

Richard C. Anderson
Chairman of the Board of PB Financial Corporation / Providence Bank, Senior Managing Partner of Anderson Farms of Edgecombe County, Tarboro, North Carolina and Chairman of the Board of Glenco Industrial Properties, LLC, Tarboro, North Carolina

Ted E. Whitehurst
President & Chief Executive Officer, PB Financial Corporation / Providence Bank
Rocky Mount, North Carolina

Michael W. Boddie
President of Boddie Noell Enterprises
Rocky Mount, North Carolina

Joseph B. Brewer III
Secretary of PB Financial Corporation / Providence Bank
President of Brewer Foods, Inc.
Rocky Mount, North Carolina

Dr. Vanessa J. Ervin
President and CEO of Carobell, Inc.,
Hubert, North Carolina

William F. Davis
Retired Vice President/CFO of Barnhill Contracting Company
Rocky Mount, North Carolina

Wiley B. Gillam III
A Farmer and Owner of Gillam & Mason, Inc.,
Harrellsville, North Carolina

Douglas K. Martin
Family Office Manager, Brigade Properties, LLC
Henrico, North Carolina

Bryan T. Mayo
Vice President Sales and Production of Mayo Knitting Mills
Tarboro, North Carolina

Melvin M. Mitchell
President of Melvin M. Mitchell Agency, Inc., Exclusive Agency Allstate Insurance Company
Rocky Mount, North Carolina

PB Financial Corporation
Management and Personnel

Executive Officers

Ted E. Whitehurst
President & Chief Executive Officer
PB Financial Corporation / Providence Bank

Robert H. Ladd III
Executive Vice President & Chief Lending Officer
Providence Bank

David E. Keul
Executive Vice President, Chief Financial Officer & Treasurer
PB Financial Corporation / Providence Bank

Bank Personnel

Corporate Team
Trudy Brinson
Jennifer Ambrose
Tyler Amerson
Angela Bennett- Holland
Naomi Burgess
Robin Connie
Kim Gemberling
Joel Gilmore
Lisa Hendricks
William Hoffman
Linda Holloman
Teresa Holtzmann
Jeremy Jones
Michelle Joyner
Valerie Moore
Lisa Stimson

Commercial Lending
Jeff Tobias
Denese Davis
Tom Felton
Will Noble
Denise Winstead

New Bern Loan Production Office
Mark Gatlin

Holly Ride Branch
Linda Hughes
Jalyn French
Shelby Fried
John Kennedy
Linda Toth
Sydney Warman

Jacksonville Branch
Richard Jefferson
Almeda Benefield
Jennifer Borkowski
Gordon Brewer
April Brown
Michael Carpenter
Leilani Collins
Tim Heald
Beth Herndon
Jennifer Mack
Michelle Martin
Michael Orne
Jamie Picciola
Renee' Rhodes
LaBresha Roney
Jessica Saelua
Jake Southerland
Steve Wangerin

Morehead City Branch
DeAnna Bousman
Traci Ellingsworth
Chad Farley
Stewart Pippin
Bill Weinhold

Nashville Branch
Dylan Bunch
Taylor Connie
Tabitha Williams

Raleigh Branch
Jeff Tobias
Dana Coste
Callie Dunn
Will Newton

Richlands Branch
Gabrielle Sims
Lorena Ervin
Tammy Hobbs
Dawn Kimball

Sunset Avenue Branch
Eddie Coats
Stephanie Batten
Jenna Kelly

Tarboro Branch
Steven Cobb
Marlou Coker
Rhonda Etheridge
Fran Peele
Nancy Webb

Wilson Branch
Jeff Hamilton
Justin Alford
Delinah Alston
Taylor Barker
Tonia Handy
Carla Harvey
Vicki Joyner
Buzz Wilkinson

Winstead Avenue Branch
Joy Bulluck
Justin Aycock
Desiree Blackley
Victoria Davis

PB Financial Corporation
General Corporate Information

Office Locations

Corporate & Commercial Loans
450 North Winstead Avenue
Rocky Mount, NC 27804

Sunset Avenue Branch
2401 Sunset Avenue
Rocky Mount, NC 27804

Wilson Branch
3710 Nash St. North
Wilson, NC 27896

Winstead Avenue Branch
450 North Winstead Avenue
Rocky Mount, NC 27804

Nashville Branch
241 West Washington St.
Nashville, NC 27856

Tarboro Branch
325 Main St.
Tarboro, NC 27886

Raleigh Branch
3701 Barrett Drive
Raleigh, NC 27609

Jacksonville Branch
2414 N Marine Blvd
Jacksonville, NC 28546

Holly Ridge Branch
300 US Highway 17 N
Holly Ridge, NC 28445

Morehead City Branch
4737-G Arendell St.
Morehead City, NC 28557

Loan Production Office
242 Middle St.
New Bern, NC 28560

Richlands Branch
8800 Richlands Hwy
Richlands, NC 28574

Regulatory and Securities Counsel
Wyrick Robbins Yates & Ponton LLP
4101 Lake Boone Trail
Suite 300
Raleigh, NC 27607

Stock Transfer Agent
Broadridge Financial Solutions, Inc.
51 Mercedes Way
Edgewood, NY 11717

Independent Auditors
Forvis Mazars, LLP
1003 Red Banks Road
Greenville, NC 27858

Annual Stockholders Meeting

The Annual Meeting of the stockholders of PB Financial Corporation will be held at 4:00 p.m. on April 24, 2025 at 100 Southern Boulevard, Rocky Mount, North Carolina.

Common Stock

The Company's outstanding shares of common stock were held by approximately 562 holders of record (excluding shares held in street name) as of January 31, 2025.

Market for the Common Stock

The Company's common stock is traded on the OTCQX under the symbol "PBNC". The closing price on December 31, 2024 was $44.97 per share.

This Annual Report serves as the annual financial disclosure statement furnished pursuant to the Federal Deposit Insurance Corporation's rules and regulations. This statement has not been reviewed or confirmed for accuracy or relevance by the Federal Deposit Insurance Corporation.