Lake Ridge Bancorp, Inc. and Subsidiaries

Monona, Wisconsin

Consolidated Financial Statements

Years Ended December 31, 2024 and 2023

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Independent Auditor's Report

Audit Committee
Lake Ridge Bancorp, Inc. and Subsidiaries
Monona, Wisconsin

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the consolidated financial statements (the ''financial statements'') of Lake Ridge Bancorp, Inc. and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

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

We also have audited the Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with instructions to the Federal Financial Institutions Examination Council Consolidated Reports of Condition and Income (“Call Report”), as of December 31, 2024, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control—Integrated Framework* issued by COSO in 2013.

Basis for Opinions

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 Audits of the Financial Statements and Internal Control Over Financial Reporting 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 opinions.

Responsibilities of Management for the Financial Statements and Internal Control Over Financial Reporting

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP and for the design, implementation, and maintenance of internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for its assessment about the effectiveness of internal control over financial reporting, including in the accompanying Management Report.

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

Auditor's Responsibility for the Audits of the Financial Statements and Internal Control Over Financial Reporting

Our objectives are to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and about whether effective internal control over financial reporting was maintained in all material respects, 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 of financial statements or an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit of financial statements and an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances.
- Obtain an understanding of internal control over financial reporting relevant to the audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with GAAP. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), our audit of the Company's internal control over financial reporting included controls over the preparation of financial statements in accordance with GAAP and with Call Report instructions.

An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



Wipfli LLP

March 14, 2025
Minneapolis, Minnesota

Lake Ridge Bancorp, Inc. and Subsidiaries

Consolidated Balance Sheets
Years Ended December 31, 2024 and 2023
(Dollars in Thousands, except per share information)

Assets	2024	2023
Cash and due from banks	$ 55,677	$ 48,956
Federal funds sold	154,821	-
Cash and cash equivalents	210,498	48,956
Other interest-bearing deposits	1,485	1,976
Securities available for sale, (amortized cost of $336,313 and $353,943)	303,220	323,934
Securities held to maturity	6,032	5,743
Loans held for sale	1,106	534
Loans, net of allowance for credit losses of $24,172 and $23,996	2,388,730	2,392,900
Premises and equipment, net	37,119	38,117
Accrued interest receivable	11,109	11,315
Other investments	39,262	37,557
Cash value of life insurance	54,471	52,968
Mortgage servicing rights	10,381	11,001
Goodwill	28,544	28,544
Intangible assets	25,720	31,980
Other assets	18,025	25,235
TOTAL ASSETS	$ 3,135,702	$ 3,010,760
Liabilities and Stockholders' Equity		
Liabilities:		
Non-interest-bearing deposits	$ 533,389	$ 544,828
Interest-bearing deposits	2,065,016	1,876,719
Total deposits	2,598,405	2,421,547
Borrowed funds	233,882	284,799
Federal funds purchased	-	3,493
Subordinated debentures	21,909	21,910
Accrued interest payable	3,172	3,722
Other liabilities	14,902	21,452
Total liabilities	2,872,270	2,756,923
Stockholders' Equity		
Common stock - $2 par value		
Authorized - 5,000,000 shares		
Issued - 1,988,488 and 1,983,682 shares		
Outstanding - 1,965,458 and 1,962,686 shares	3,977	3,967
Paid-in capital	148,390	147,773
Retained earnings	139,430	127,768
Accumulated other comprehensive loss	(26,144)	(23,707)
Treasury stock, at cost - 23,030 and 20,996 shares	(2,221)	(1,964)
Total stockholders' equity	263,432	253,837
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 3,135,702	$ 3,010,760

See accompanying notes to consolidated financial statements.

Lake Ridge Bancorp, Inc. and Subsidiaries

Consolidated Statements of Income
Years Ended December 31, 2024 and 2023
(Dollars in Thousands, except per share information)

	2024	2023
Interest and dividend income:		
Loans, including fees	$ 140,598	$ 126,145
Securities:		
Taxable	6,674	6,938
Tax-exempt	2,995	3,271
Other	2,025	1,593
Total interest and dividend income	152,292	137,947
Interest expense:		
Deposits	67,560	45,711
Borrowed funds	11,423	14,907
Subordinated debentures	1,535	1,479
Total interest expense	80,518	62,097
Net interest income	71,774	75,850
Provision for credit losses	3,098	-
Net interest income after provision for credit losses	68,676	75,850
Noninterest income:		
Customer service fees	5,905	6,060
Mortgage banking income	3,081	2,786
Net increase in cash value of life insurance	1,502	1,605
Trust fee income	4,060	3,581
Other	4,159	4,270
Total noninterest income	18,707	18,302
Noninterest expense:		
Salaries and benefits	41,140	39,072
Office occupancy and equipment	6,355	7,407
Data processing and office operations	6,344	9,400
Advertising and promotional	1,104	1,481
Professional fees	2,726	2,715
Net (gain) loss on sale of securities	(49)	19
Other	13,535	13,299
Total noninterest expense	71,155	73,393
Income before provision for income taxes	16,228	20,759
Provision for income taxes	1,030	3,913
Net income	$ 15,198	$ 16,846
Earnings per share	$ 7.74	$ 8.56
Weighted-average shares outstanding	1,964,428	1,967,583

See accompanying notes to consolidated financial statements.

Lake Ridge Bancorp, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income
Years Ended December 31, 2024 and 2023
(Dollars in Thousands)

	2024	2023
Net income	$ 15,198	$ 16,846
Other comprehensive income (loss)		
Unrealized gain (loss) on securities	(3,035)	6,112
Reclassification adjustment for amounts realized in net income	(49)	19
Income tax expense related to items of other comprehensive income	647	(1,288)
Other comprehensive income (loss)	(2,437)	4,843
Comprehensive income	$ 12,761	$ 21,689

See accompanying notes to consolidated financial statements.

Lake Ridge Bancorp, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2024 and 2023
(Dollars in Thousands)

	Common Stock				Accumulated Other		
	Shares	Amount	Paid-in Capital	Retained Earnings	Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance at January 1, 2023	1,983,682	$ 3,967	$ 147,283	$ 117,104	$ (28,550)	$ (998)	238,806
Adoption of new accounting pronouncement	-	-	-	(2,109)	-	-	(2,109)
Net income	-	-	-	16,846	-	-	16,846
Dividends paid	-	-	-	(4,073)	-	-	(4,073)
Treasury stock purchase - 4,967 shares	-	-	-	-	-	(476)	(476)
Transfer to treasury stock	-	-	490	-	-	(490)	-
Other comprehensive income (loss)	-	-	-	-	4,843	-	4,843
Balance at December 31, 2023	1,983,682	3,967	147,773	127,768	(23,707)	(1,964)	253,837
Net income	-	-	-	15,198	-	-	15,198
Dividend reinvestment	4,853	10	617	-	-	-	627
Dividends paid	-	-	-	(3,536)	-	-	(3,536)
Retirement of shares	(47)	-	-	-	-	-	-
Treasury stock purchase - 2,034 shares	-	-	-	-	-	(257)	(257)
Other comprehensive income (loss)	-	-	-	-	(2,437)	-	(2,437)
Balance at December 31, 2024	1,988,488	$ 3,977	$ 148,390	$ 139,430	$ (26,144)	$ (2,221)	$ 263,432

See accompanying notes to consolidated financial statements.

Lake Ridge Bancorp, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023
(Dollars in Thousands)

	2024	2023
Net increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Net income	$ 15,198	$ 16,846
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	3,098	-
Depreciation and amortization	2,742	3,036
Net accretion of discounts and premium on securities	(1,159)	(1,167)
Net accretion on loan discounts	(7,224)	(7,224)
Net increase in cash value of life insurance	(1,503)	(1,605)
Loss on disposal of assets	135	-
Amortization of lease right of use asset	510	549
Net loss (gain) on sale or write-up of assets	(985)	495
Amortization of core deposit intangible	6,260	6,260
Deferred income taxes	1,353	1,029
Accretion of discount assumed on deposits	164	712
Change in operating assets and liabilities:		
Loans held for sale	(572)	505
Mortgage servicing rights	620	269
Accrued interest receivable and other assets	7,775	(8,734)
Accrued interest payable and other liabilities	(6,797)	207
Net cash provided by operating activities	19,615	11,178
Cash flows from investing activities:		
Net change in other interest-bearing deposits	491	992
Proceeds from sale of securities available for sale	5,387	10,762
Purchases of securities available for sale	(51,588)	(5,554)
Proceeds from maturities, paydowns, and calls of securities available for sale	64,749	39,282
Net change in loans	7,764	(159,215)
Cash proceeds from death benefit on BOLI	-	361
Purchase of other investments	(3,384)	(15,593)
Proceeds from sale or paydown of other investments	1,269	6,038
Purchases of premises and equipment	(1,879)	(2,038)
Proceeds from sale of foreclosed assets	-	93
Net cash provided by (used in) investing activities	22,809	(124,872)

Lake Ridge Bancorp, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023
(Dollars in Thousands)

	2024	2023
Cash flows from financing activities:		
Net change in deposits	$ 176,694	$ (46,352)
Net decrease in federal funds purchased	(3,493)	(12,790)
Proceeds from borrowed funds	40,850	1,675,500
Repayment of borrowed funds	(91,767)	(1,516,869)
Purchase of treasury stock	(257)	(476)
Cash dividends paid	(2,909)	(4,073)
Net cash provided by financing activities	119,118	94,940
Net (decrease) increase in cash and cash equivalents	161,542	(18,754)
Cash and cash equivalents on January 1	48,956	67,710
Cash and cash equivalents on December 31	$ 210,498	$ 48,956
Supplemental cash flow information:		
Cash paid during the year for:		
Income taxes	$ 888	$ 1,991
Interest	81,068	59,404
Noncash investing and financing activities:		
Loans transferred to foreclosed properties	$ 229	$ 104
Common stock issuance under DRIP	627	-

See accompanying notes to consolidated financial statements.

Note 1: Summary of Significant Accounting Policies

Organization

The Company provides a variety of financial services to individual and corporate customers through its wholly owned subsidiary, Lake Ridge Bank (the "Bank"). The Bank operates as a full-service financial institution, with a primary market area including, but not limited to, Dane County, Rock County, Sauk County, and Green County, Wisconsin. In addition, the Bank holds a variety of securities through wholly owned subsidiaries, S.B.C.P. Investment Corporation and Monona Investments, Inc. The Company and the Bank are subject to the regulations of certain federal and state agencies and undergo periodic examinations by those regulatory authorities.

Principles of Consolidation

The consolidated financial statements include the accounts of Lake Ridge Bancorp, Inc. and its subsidiary, Lake Ridge Bank, and its wholly owned subsidiaries, S.B.C.P. Investment Corporation, Monona Investments, Inc., MSB Building, LLC, and MSB Property Holdings, Inc. All significant intercompany balances and transactions have been eliminated.

The Company also owns 100% of the common ownership interest of S.B.C.P. Capital Trust II, III, and IV, which are considered variable interest entities. Since the Company is not the primary beneficiary of the Trust, the accounts of the Trust are not included in the consolidated financial statements.

The Lake Ridge Bank Trust Department assets held in agency or fiduciary capacity are not assets of the Company or its subsidiaries, and accordingly, are not included in the accompanying consolidated financial statements.

Use of Estimates in Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The allowance for credit losses, fair values of assets and liabilities acquired in the merger, fair values of mortgage servicing rights, valuation of the deferred tax asset, and fair value of financial instruments are particularly subject to change in the near-term.

Revenue Recognition

Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers* ("ASC 606"), establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

The majority of the Company’s revenue-generating transactions are not subject to ASC 606, including revenue from all interest and dividend income generated from financial instruments. Certain noninterest income items, including mortgage banking income, gain on sales of securities and net increase in cash value of life insurance have been evaluated to not fall with the scope of ASC 606. Elements of noninterest income that are within the scope of ASC 606, are as follows:

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Customer service fees - The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Management reviewed the deposit account agreements and determined that the agreements can be terminated at any time by either the Company or the account holder. Transaction fees, such as balance transfers, wires and overdraft charges are settled the day the performance obligation is satisfied. The Company's monthly service charges and maintenance fees are for services provided to the customer on a monthly basis and are considered a series of services that have the same pattern of transfer each month. The review of service charges assessed on deposit accounts included the amount of variable consideration that is a part of the monthly charges.

Trust fees - Services provided to trust customers are a series of distinct services that have the same pattern of transfer each month. Fees for trust accounts are billed and drafted from trust accounts monthly. The Company records these fees on the income statement on a monthly basis. Fees are assessed based on the total investable assets of the customer's trust account. A signed contract between the Company and the customer is maintained for all customer trust accounts with payment terms identified. It is probable that the fees will be collectible as funds being managed are accessible by the asset manager. Past history of trust fee income recorded by the Company indicates that it is highly unlikely that a significant reversal could occur. There are no contingent incentive fees recorded by the Company that could be subject to a clawback in future periods.

Interchange fees - Customers use a bank-issued debit or credit card to purchase goods and services, and the Company earns interchange fees on those transactions, typically a percentage of the sale amount of the transaction. The Company records the amount due when it receives the settlement from the payment network. Payments from the payment network are received and recorded into income on a daily basis. There are no contingent card interchange fees recorded by the Company that could be subject to a clawback in future periods. Interchange fee income is included in other noninterest income on the consolidated statements of income.

Crop insurance – The Company earns a fee for insurance sold to customers on behalf of insurance agents. The Company receives the fee once all premiums are paid from the customers to the agent. The Company records the revenue over the service period. Crop insurance income is included in other noninterest income on the consolidated statements of income.

Cash and Cash Equivalents

For purposes of reporting cash flows in the consolidated financial statements, cash and cash equivalents include cash on hand, cash due from banks, federal funds sold, and interest-bearing deposits, all of which have original maturities of three months or less.

Other Interest-Bearing Deposits

Other interest-bearing deposits consist of interest-bearing deposits with the Federal Home Loan Bank and Federal Reserve Bank and certificates of deposit at other financial institutions, which mature within five years and are carried at cost.

Debt Securities

Debt securities are classified as held-to-maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available-for-sale when they might be sold before maturity. Securities available-for-sale are carried at fair value, with unrealized gains and losses reported in other comprehensive income (loss), net of tax. Amortization of premiums and accretion of discounts are recognized in interest income using the interest method. Premiums that exceed the amount repayable by the issuer at the next call date are amortized to the next call date. Gains and losses on the sale of securities are recorded on the trade date and determined using the specific-identification method.

Note 1: Summary of Significant Accounting Policies (Continued)

Debt Securities (Continued)

A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on non-accrual is reversed against interest income.

Allowance for Credit Losses – Held-to-Maturity Securities

Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type. Accrued interest receivable on held-to-maturity debt securities is excluded from the estimate of credit losses. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Management classifies the held-to-maturity portfolio into the following major security types: obligations of state and local governments and corporate securities.

Allowance for Credit Losses – Available-For-Sale Securities

Management measures expected credit losses on available-for-sale debt securities on a collective basis by major security type. Accrued interest receivable on available-for-sale debt securities is excluded from the estimate of credit losses. For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available-for-sale that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are then compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income (loss).

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

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. Realized gains and losses on the sale of loans held for sale are determined using the specific-identification method and included in mortgage banking income.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for credit losses, and any deferred fees or costs on originated loans. Interest on loans is accrued and credited to income based on the unpaid principal balance. Loan-origination fees and direct origination costs are recognized as income or expense when received or incurred since capitalization of these fees and costs would not have a significant impact on the financial statements.

Note 1: Summary of Significant Accounting Policies (Continued)

Loans (Continued)

The accrual of interest on loans is discontinued when, in the opinion of management, there is an indication the borrower may be unable to make payments as they become due. Mortgage and commercial loans are placed on nonaccrual when a loan is 90 days past due, or when circumstances suggest the borrower will be unable to make future payments as they become due, unless the loans are well secured and in process of collection. When loans are placed on nonaccrual or charged off, all unpaid accrued interest is reversed against interest income. The interest on these loans is subsequently accounted for on either the cash basis or cost recovery method until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Credit Losses - Loans

The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. The Company's estimate is based on the amortized cost basis of the underlying loan and has made an accounting policy election to exclude accrued interest from the loan's amortized cost basis of the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

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

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. Management considers the following when assessing risk in the Company's loan portfolio segments:

- Commercial real estate loans are primarily secured by office and industrial buildings, warehouses, small retail shopping facilities, and various special purpose properties, including hotels and restaurants. Commercial real estate loans also include agricultural real estate loans, which are primarily for land acquisition. Financial information is obtained from the borrowers and/or the individual project to evaluate cash flows sufficiency to service debt and is periodically updated during the life of the loan. Loan performance may be adversely affected by factors impacting the general economy or conditions specific to the real estate market such as geographic location and/or property type.
- Construction and land development loans are secured by vacant land and/or property that are in the process of improvement, including (a) land development preparatory infrastructure improvements or (b) the on-site construction of industrial, commercial, residential, or farm buildings. Repayment of these loans can be dependent on the sale of the property to third parties or the successful completion of the improvements by the builder for an end user. In the event a loan is made on property that is not yet improved for the planned development, there is the risk that necessary approvals will not be granted or will be delayed. Construction loans also run the risk that improvements will not be completed on time or in accordance with specifications and projected costs.

Note 1: Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses - Loans (Continued)

- Other commercial loans, which include general agricultural loans, are primarily for working capital, physical asset expansion, asset acquisition loans, and other business reasons. These loans are made based primarily on historical and projected cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not behave as forecasted and collateral securing loans may fluctuate in value due to economic or individual performance factors. Financial information is obtained from the borrowers to evaluate cash flows sufficiency to service debt and is periodically updated during the life of the loan.
- Multifamily loans include loans to finance nonfarm properties with five or more units in structures primarily to accommodate households on a temporary or permanent basis. These loans are typically originated to finance the acquisition and operations of an apartment or condo building/complex. Multifamily loans are made based primarily on the historical and projected cash flow of the subject multifamily property, with assumptions made for vacancy rates. Cash flows and ultimate loan performance rely on the receipt of rental income from the tenants of the property who are themselves subject to fluctuations in national and local economic and unemployment trends.
- Residential first and junior mortgage and home equity lines of credit loans are affected by the local residential real estate market, the local economy, and, for variable rate loans, movement in indices tied to these loans. At the time of origination, the Company evaluates the borrower's repayment ability through a review of debt to income and credit scores. Appraisals are obtained to support the loan amount. Financial information is obtained from the borrowers and/or the individual project to evaluate cash flows sufficiency to service debt at the time of origination.
- Municipal loans are granted to local municipalities. The general economic condition of the municipality, sources of funding, and credit rating, if available, are evaluated when assessing municipal credits.
- Consumer and other loans may take the form of installment loans, credit card loans, demand loans, or single payment loans and are extended to individuals for household, family, and other personal expenditures. At the time of origination, the Company evaluates the borrower's repayment ability through a review of debt to income and credit scores.

Under the CECL model, loans that do not share similar risk characteristics with loans in their respective pools are individually evaluated for expected credit losses and are excluded from the collectively evaluated loan credit loss estimates. Management individually evaluates nonaccrual loans, collateral dependent loans, and other loans with evidence of credit deterioration. For loans individually evaluated, a specific reserve is estimated based on either the fair value of collateral or the discounted value of expected future cash flows.

Management evaluates substantially all collectively evaluated loans using the discounted cash flow methodology (“DCF”). DCF uses loan level attributes (such as interest rates and maturity dates,) as well as pool level inputs such as prepayment rates and probability of default and loss given default rate, to estimate credit losses over the contractual term of each collectively evaluated loan. Expected credit losses are determined by comparing the loans amortized cost with the expected future principal and interest cash flows. Individual loan level results are aggregated for collectively evaluated loans and are then adjusted for qualitative factors deemed appropriate by management.

Under the DCF, the Company utilizes peer benchmark historical data for historical loss rate calculations, and the lookback period for each collectively evaluated loan pool is determined by management based upon the estimated remaining life of the pool. Forecasted historical loss rates are calculated using peer benchmark historical data based on the lookback, forecast, and reversion period inputs by management. Management has elected to forecast probability of default rates over an 18-month period and then revert to a long-term average over the following 12 months on a straight-line basis.

Note 1: Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses - Loans (Continued)

The quantitative analysis described above is adjusted for current qualitative factors. The historical loss experience is determined quarterly by portfolio segment or loan class and is based on the loss history for each segment. This loss experience is supplemented with other economic factors based on the risks present for each portfolio segment or loan class. These economic factors include: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. Consideration is given to those current qualitative or environmental factors that are likely to cause estimated credit losses at the evaluation date to differ from the historical loss experience of each loan segment.

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

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

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on these off-balance sheet unfunded loan commitments is adjusted through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

Off-Balance-Sheet Financial Instruments

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

Premises and Equipment

Land is carried at cost. Buildings and equipment are carried at cost less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets.

Lease Accounting

The Company is a lessee in multiple noncancelable operating leases. If the contract provides the right to substantially all the economic benefits and the right to direct the use of the identified asset it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

Note 1: Summary of Significant Accounting Policies (Continued)

Lease Accounting (Continued)

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The discount rate used is the Company's incremental borrowing rate. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

For all underlying classes of assets, the Company has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Company recognizes short-term lease cost on a straight-line basis over the lease term.

The Company made an accounting policy election for all leases to not separate the lease components of a contract and its associated non-lease components, including its proportionate share of real estate taxes and maintenance expenses.

Other Investments

Other investments consist primarily of equity investments without a readily determinable fair value. Such investments are recorded at cost minus impairment plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment, with any changes recognized through net income. The Company attempts to identify relevant observable transaction prices at least annually, but for certain holdings no such transaction was observed.

The Company's investment in FHLB stock is included in other investments. The Company is required to hold FHLB stock as a member of the FHLB, and transfer of the stock is substantially restricted. The FHLB stock is pledged as collateral for outstanding FHLB advances.

Cash Value of Life Insurance

The Bank has purchased life insurance policies on certain key executives and board members. Cash value of life insurance 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.

Note 1: Summary of Significant Accounting Policies (Continued)

Foreclosed Assets

Assets acquired through or in lieu of loan foreclosure are held for sale and are initially recorded at fair value less costs to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are performed periodically by management, and the assets are carried at the lower of carrying amount or fair value less costs to sell. Revenue and expenses from operations are included in other noninterest expense.

Mortgage Servicing Rights

The Company services mortgage loans it originates on behalf of the FHLB or sells to third-party institutions. Servicing loans includes collecting monthly principal and interest payments from borrowers, passing such payments through to the third-party investors, and maintaining escrow accounts for taxes and insurance. When necessary, the Company also performs collection functions for delinquent loan payments, manages loan foreclosure proceedings, and disposes of foreclosed property. The Company generally earns a servicing fee of 25 basis points on the outstanding loan balance for performing these services, as well as fees and interest income from ancillary sources, such as late fees and float. Servicing fees, late fees, and other ancillary income earned each year are reported in the consolidated statements of income as a component of mortgage banking income.

Mortgage servicing rights are recognized as separate assets when rights are acquired through the origination of mortgage loans on behalf of the FHLB or through sale of mortgage loans. Mortgage servicing rights are recognized as a component of mortgage banking income and are measured at fair value at acquisition and at each subsequent reporting date. The fair value of mortgage servicing rights is estimated using market prices for comparable contracts, when available, or a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as costs to service, a discount rate, custodial earnings rate, ancillary income, default rates and losses, and prepayment speeds. The fair value of mortgage servicing rights may change because of changes in discount rates, prepayment expectations, default rates, and other factors. Changes in fair value are recognized each period and reported in the consolidated statements of income as a component of mortgage banking income.

Goodwill and Intangible Assets

Intangible assets attributable to the value of core deposits and customer lists acquired in purchase transactions are stated at cost less accumulated amortization. Intangible assets are amortized on a straight-line basis over the estimated lives of the assets. The excess of purchase price over fair value of net assets acquired (goodwill) is not amortized.

The Company evaluates whether goodwill and other intangible assets may be impaired at least annually and whenever events or changes in circumstances indicate it is more likely than not the fair value of the reporting unit or asset is less than its carrying amount.

Derivative Instruments and Hedging Activities

FASB ASC 815, Derivatives and Hedging (“ASC 815”), provides the disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how the entity accounts for derivative instruments and related hedged items, and (c) how derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows. Further, qualitative disclosures are required that explain the Company’s objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

Note 1: Summary of Significant Accounting Policies (Continued)

Derivative Instruments and Hedging Activities (Continued)

As required by ASC 815, the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply, or the Company elects not to apply hedge accounting.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) is shown on the consolidated statements of comprehensive income (loss). The Company's accumulated other comprehensive income (loss) is comprised of the unrealized gain (loss) on securities available for sale and is shown on the consolidated statements of stockholders' equity.

Income Taxes

Deferred tax assets and liabilities have been determined using the liability method. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the current enacted tax rates that will be in effect when these differences are expected to reverse. Provision (credit) for deferred taxes is the result of changes in the deferred tax assets and liabilities.

The Company may also recognize a liability for unrecognized tax benefits from uncertain tax positions. Unrecognized tax benefits represent the differences between a tax position taken or expected to be taken in a tax return and the benefit recognized and measured in the financial statements. Interest and penalties related to unrecognized tax benefits are classified as provision for income taxes.

Advertising

Advertising costs are expensed as incurred.

Rate Lock Commitments

The Company enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (rate lock commitments). Rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. Rate lock commitments are recorded only to the extent of fees received, since recording the estimated fair value of these commitments would not have a significant impact on the consolidated financial statements.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets through an agreement to repurchase them before their maturity.

Note 1: Summary of Significant Accounting Policies (Continued)

Reclassifications

From time-to-time it is necessary to make certain reclassifications to prior-year financial statements to conform to the current-year financial statements.

Earnings Per Share

Earnings per common share are computed based on the weighted average number of common shares outstanding during each year. There are no dilutive shares during 2024 and 2023.

New Accounting Pronouncements

The Company recently adopted the following Accounting Standard Updates (ASU) issued by the Financial Accounting Standards Board (FASB):

ASC 2023-02, Investments – Equity Method and Joint Ventures – This new accounting standard is effective for financial statements beginning in 2024 for calendar year-end public business entities. The standard expands the use of the proportional amortization method of accounting, currently only allowed for investments in low-income housing tax credit (LIHTC) structures, to equity investments in other tax credit structures. The adoption of this standard did not have an impact on the Company as the Company only has LIHTC investments with tax credits.

Subsequent Events

Subsequent events have been evaluated through March 14, 2025, which is the date the financial statements were available to be issued.

Note 2: Cash and Due From Banks

In the normal course of business, the Company maintains cash and due from bank balances with correspondent banks. Balances in these accounts may exceed the Federal Deposit Insurance Corporation's insured limit of $250. Management believes these financial institutions have strong credit ratings and that the credit risk related to these deposits is minimal.

The Company is required to maintain reserve balances on deposit with credit card and debit card servicing companies. The reserve balance is adjusted periodically based on the sales volume of cardholders. The total required reserve balance on deposit for the debit card and credit card servicing company as of December 31, 2024 and 2023, was $811.

Note 3: Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2024				
Securities Available for Sale:				
U.S. treasury securities	$ 6,863	$ -	$ 42	$ 6,821
U.S. government-sponsored mortgage-backed securities	128,688	39	14,656	114,071
U.S. government-sponsored agency securities	23,380	-	1,415	21,965
U.S. government-sponsored asset-backed securities	11,238	5	1,559	9,684
Obligations of states and local governments	157,346	62	14,830	142,578
Corporate securities	8,798	-	697	8,101
Total Securities Available for Sale	$ 336,313	$ 106	$ 33,199	$ 303,220
Securities Held to Maturity:				
Obligations of states and local governments	$ 1,615	$ -	$ 9	$ 1,606
Corporate securities	4,417	7	184	4,240
Total Securities Held to Maturity	$ 6,032	$ 7	$ 193	$ 5,846

Note 3: Securities (Continued)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2023				
Securities Available for Sale:				
U.S. treasury securities	$ 17,544	$ 2	$ 69	$ 17,477
U.S. government-sponsored mortgage-backed securities	119,114	78	14,465	104,727
U.S. government-sponsored agency securities	26,380	-	1,958	24,422
U.S. government-sponsored asset-backed securities	12,699	11	1,635	11,075
Obligations of states and local governments	169,011	462	11,422	158,051
Corporate securities	9,195	-	1,013	8,182
Total Securities Available for Sale	$ 353,943	$ 553	$ 30,562	$ 323,934
Securities Held to Maturity:				
Obligations of states and local governments	$ 1,615	$ -	$ 38	$ 1,577
Corporate securities	4,128	-	298	3,830
Total Securities Held to Maturity	$ 5,743	$ -	$ 336	$ 5,407

Fair values of securities are estimated based on financial models or prices paid for similar securities. It is possible interest rates could change considerably, resulting in a material change in the estimated fair value.

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

Note 3: Securities (Continued)

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
2024						
Available for sale						
U.S. treasury securities	$ 6,821	$ 42	$ -	$ -	$ 6,821	$ 42
U.S. government-sponsored mortgage-backed securities	35,055	630	69,146	14,026	104,201	14,656
U.S. government-sponsored agency securities	2,129	1	19,836	1,414	21,965	1,415
U.S. government-sponsored asset-backed securities	218	1	8,952	1,558	9,170	1,559
Obligations of state and local governments	22,590	290	95,981	14,540	118,571	14,830
Corporate securities	856	24	5,995	673	6,851	697
Totals	$ 67,669	$ 988	$ 199,910	$ 32,211	$ 267,579	$ 33,199
2023						
Available for sale						
U.S. treasury securities	$ 4,599	$ 2	$ 9,305	$ 67	$ 13,904	$ 69
U.S. government-sponsored mortgage-backed securities	18,972	188	78,886	14,277	97,858	14,465
U.S. government-sponsored agency securities	-	-	24,422	1,958	24,422	1,958
U.S. government-sponsored asset-backed securities	28	-	10,059	1,635	10,087	1,635
Obligations of state and local governments	21,096	216	97,449	11,206	118,545	11,422
Corporate securities	6,258	891	673	122	6,931	1,013
Totals	$ 50,953	$ 1,297	$220,794	$ 29,265	$271,747	$ 30,562

Note 3: Securities (Continued)

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

	Number of Securities	Aggregate Depreciation
U.S. treasury securities	2	0.6%
U.S. government-sponsored mortgage-backed securities	270	12.3%
U.S. government-sponsored agency securities	24	6.1%
U.S. government-sponsored asset-backed securities	31	14.5%
Obligations of state and local governments	370	11.1%
Corporate securities	23	9.2%
Total	720	11.0%

These unrealized losses relate principally to the changes in interest rates and are not due to changes in the financial condition of the issuer, the quality of any underlying assets, or applicable credit enhancements. Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company has determined that no allowance for credit losses is required on available for sale securities as of December 31, 2024 and 2023.

The Company regularly evaluates various attributes of securities held to maturity to determine the appropriateness of the allowance for credit losses. The credit quality indicators monitored differ depending on the security type. Corporate securities held to maturity are comprised of investments in subordinated debt and trust preferred securities issued by other financial institutions. The Company considers publicly available data and payment history to evaluate the financial condition of the issuer. The Company has one municipal bond classified as held to maturity. The municipality is within the Company's market area, and the Company regularly evaluates the financial status of the municipality based on credit ratings, payment history, and financial information from the municipality.

No held to maturity securities were past due or on nonaccrual status as of December 31, 2024 and 2023, and the Company has determined that no allowance for credit losses is required on held to maturity securities as of December 31, 2024 and 2023.

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

	Available for Sale		Held to Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 21,823	$ 21,675	$ 1,615	$ 1,606
Due after one year through five years	56,916	55,184	996	964
Due after five years through ten years	60,584	55,011	3,421	3,276
Due after ten years	57,064	47,595	-	-
Subtotal	196,387	179,465	6,032	5,846
Mortgage-related securities	128,688	114,071	-	-
Asset-backed securities	11,238	9,684	-	-
Total	$ 336,313	$ 303,220	$ 6,032	$ 5,846

Note 3: Securities (Continued)

During the year ended December 31, 2024, gross proceeds from the sale of available-for-sale securities totaled $5,387. As a result of these sales, gross gains totaled $49 and there were no losses. During the year ended December 31, 2023, gross proceeds from the sales of available-for-sale securities totaled $10,762. As a result of these sales, gross gains totaled $24 and gross losses totaled $43.

As of December 31, 2024, the amortized cost and estimated fair value of securities pledged to secure public deposits and for other purposes required or permitted by law was $45,913 and $42,780, respectively. As of December 31, 2023, the amortized cost and estimated fair value of securities pledged to secure public deposits and for other purposes required or permitted by law was $51,770 and $49,462, respectively.

Note 4: Loans

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

	2024	2023
Commercial:		
Commercial real estate	$ 929,350	$ 918,143
Construction and land development	99,145	276,821
Commercial other	246,422	266,458
Multifamily	563,639	383,420
Residential:		
First mortgages	418,791	436,422
Junior mortgages and home equity lines of credit	75,903	61,315
Consumer and other:		
Credit cards	6,352	6,128
Municipal	19,871	29,731
Other	53,429	38,458
Subtotals	2,412,902	2,416,896
Allowance for credit losses	(24,172)	(23,996)
Loans, net	$ 2,388,730	$ 2,392,900

At December 31, 2024 and 2023, deposit accounts totaling $657 and $496, respectively, were in an overdraft position and reclassified as loans.

Note 4: Loans (Continued)

Analysis of the allowance for credit losses for the years ended December 31, 2024 and 2023, follows:

	Commercial	Residential	Consumer and Other	Total
Balance at January 1, 2023	$ 17,687	$ 5,157	$ 260	$ 23,104
Provision (credit) for credit losses	-	-	-	-
Loans charged off	(143)	-	(420)	(563)
Recoveries of loans previously charged off	34	3	71	108
Adoption of ASU No. 2016-13	462	465	420	1,347
Balance at December 31, 2023	$ 18,040	$ 5,625	$ 331	$ 23,996
Provision (credit) for credit losses	3,535	(145)	11	3,401
Loans charged off	(3,256)	-	(162)	(3,418)
Recoveries of loans previously charged off	141	2	50	193
Balance at December 31, 2024	$ 18,460	$ 5,482	$ 230	$ 24,172

A loan is considered to be collateral dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The following table presents collateral dependent loans by portfolio segment and collateral type for years ended December 31, 2024 and 2023.

	Collateral Type		
	Real Estate	Other Business Assets	Total
2024			
Commercial	$ 36,563	$ 6,352	$ 42,915
Residential	3,091	-	3,091
Consumer and Other	-	-	-
Total	39,654	6,352	46,006
2023			
Commercial	$ 7,045	$ 3,054	$ 10,099
Residential	1,859	-	1,859
Consumer and Other	-	-	-
Total	8,904	3,054	11,958

Note 4: Loans (Continued)

In addition to the allowance for credit losses on loans, the Company has established an allowance for off-balance sheet unfunded loan commitments. This reserve is maintained at a level that management believes is sufficient to absorb losses arising from unfunded loan commitments and is determined quarterly based on similar methodology used for loans. Upon adoption of CECL on January 1, 2023, the Company recorded an allowance for credit losses on unfunded commitments totaling $1,700. The allowance was $1,397 and $1,700 as of December 31, 2024 and 2023. The Company recognized a credit of $303 to the provision for credit losses related to unfunded commitments for year ended December 31, 2024.

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

Commercial, multifamily, and municipal loans are generally evaluated using the following internally prepared ratings:

- "Pass" ratings are assigned to loans with adequate collateral and debt service ability such that collectability of the contractual loan payments is highly probable.
- "Watch/Special mention" ratings are assigned to loans where management has some concern that the collateral or debt service ability may not be adequate, though the collectability of the contractual loan payments is still probable.
- "Substandard" ratings are assigned to loans that do not have adequate collateral and/or debt service ability such that collectability of the contractual loan payments is no longer probable.
- "Doubtful" ratings are assigned to loans that do not have adequate collateral and/or debt service ability, and collectability of the contractual loan payments is unlikely.

Single-family residential real estate and consumer loans are generally evaluated based on whether the loan is performing according to the contractual terms of the loan.

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

Note 4: Loans (Continued)

	2024	2023	2022	2021	Prior	Revolving	Total
As of December 31, 2024							
Commercial real estate:							
Risk rating							
Pass	57,221	71,909	125,849	153,053	390,529	10,312	808,873
Special mention	2,139	5,714	12,140	4,670	61,306	2,037	88,006
Substandard	-	-	-	15,482	16,989	-	32,471
Doubtful	-	-	-	-	-	-	-
Total commercial real estate	59,360	77,623	137,989	173,205	468,824	12,349	929,350
Total commercial real estate charged off	-	-	-	-	43	-	43
Construction and land development:							
Risk rating							
Pass	41,674	20,147	7,390	2,228	4,290	16,356	92,085
Special mention	-	-	2,159	-	847	-	3,006
Substandard	-	200	-	-	3,854	-	4,054
Doubtful	-	-	-	-	-	-	-
Total construction and land development	41,674	20,347	9,549	2,228	8,991	16,356	99,145
Total construction and land development charged off	-	-	-	-	-	-	-
Commercial - other:							
Risk rating							
Pass	30,537	29,723	30,693	26,661	38,337	72,872	228,823
Special mention	781	1,983	1,480	64	1,984	3,730	10,022
Substandard	2,407	23	4,605	-	519	23	7,577
Doubtful	-	-	-	-	-	-	-
Total commercial - other	33,725	31,729	36,778	26,725	40,840	76,625	246,422
Total commercial - other charged off	-	248	260	-	722	1,983	3,213
Multifamily							
Risk rating							
Pass	5,964	84,667	204,274	118,591	122,700	3,201	539,397
Special mention	-	20,160	-	-	3,828	-	23,988
Substandard	-	-	-	-	254	-	254
Doubtful	-	-	-	-	-	-	-
Total multifamily	5,964	104,827	204,274	118,591	126,782	3,201	563,639
Total multifamily charged off	-	-	-	-	-	-	-
Municipal:							
Risk rating							
Pass	10,880	432	2,326	2,881	3,352	-	19,871
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total municipal	10,880	432	2,326	2,881	3,352	-	19,871
Total municipal charged off	-	-	-	-	-	-	-

Note 4: Loans (Continued)

	2024	2023	2022	2021	Prior	Revolving	Total
As of December 31, 2024							
Residential real estate							
Payment performance							
Performing	29,434	58,107	108,465	111,750	113,888	68,774	490,418
Nonperforming	-	-	1,270	341	2,312	353	4,276
Total residential real estate	29,434	58,107	109,735	112,091	116,200	69,127	494,694
Total residential real estate charged off	-	-	-	-	-	-	-
Credit card and other							
Payment performance							
Performing	12,271	11,869	1,488	8,716	10,673	14,735	59,752
Nonperforming	-	8	2	5	-	14	29
Total credit card and other	12,271	11,877	1,490	8,721	10,673	14,749	59,781
Total credit card and other charged off	-	16	8	1	28	109	162
Total loans	193,308	304,942	502,141	444,442	775,662	192,407	2,412,902
Total loans charged off	-	264	268	1	793	2,092	3,418

	2023	2022	2021	Prior	Revolving	Total
As of December 31, 2023						
Commercial real estate:						
Risk Rating						
Pass	36,190	117,092	192,300	452,069	7,072	804,723
Special mention	4,354	3,947	18,372	81,888	1,776	110,337
Substandard	-	-	1,606	1,477	-	3,083
Doubtful	-	-	-	-	-	-
Total commercial real estate	40,544	121,039	212,278	535,434	8,848	918,143
Total commercial real estate charged off	-	-	-	-	-	-
Construction and land development:						
Risk Rating						
Pass	81,633	117,758	32,492	9,294	17,721	258,898
Special mention	-	12,724	-	1,077	-	13,801
Substandard	200	-	-	3,922	-	4,122
Doubtful	-	-	-	-	-	-
Total construction and land development	81,833	130,482	32,492	14,293	17,721	276,821
Total construction and land development charged off	-	-	-	-	-	-
Commercial - other:						
Risk Rating						
Pass	42,397	44,957	34,426	52,749	72,495	247,024
Special mention	1,790	5,133	864	3,011	4,365	15,163
Substandard	513	552	-	3,157	49	4,271
Doubtful	-	-	-	-	-	-
Total commercial - other	44,700	50,642	35,290	58,917	76,909	266,458
Total commercial - other charged off	-	-	-	143	-	143

Note 4: Loans (Continued)

	2023	2022	2021	Prior	Revolving	Total
As of December 31, 2023						
Multifamily						
Risk Rating						
Pass	25,569	100,476	95,401	149,972	2,699	374,117
Special mention	-	-	-	9,160	-	9,160
Substandard	-	-	143	-	-	143
Doubtful	-	-	-	-	-	-
Total multifamily	25,569	100,476	95,544	159,132	2,699	383,420
Total multifamily charged off	-	-	-	-	-	-
Municipal:						
Risk Rating						
Pass	631	16,332	3,574	4,194	5,000	29,731
Special mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Total municipal	631	16,332	3,574	4,194	5,000	29,731
Total municipal charged off	-	-	-	-	-	-
Residential real estate						
Payment performance						
Performing	64,939	119,000	121,886	132,757	55,758	494,340
Nonperforming	-	953	352	1,936	156	3,397
Total residential real estate	64,939	119,953	122,238	134,693	55,914	497,737
Total residential real estate charged off	-	-	-	-	-	-
Credit card and other						
Payment performance						
Performing	4,855	2,533	8,174	14,000	15,022	44,584
Nonperforming	-	-	-	2	-	2
Total credit card and other	4,855	2,533	8,174	14,002	15,022	44,586
Total credit card and other charged off	92	23	55	250	-	420
Total loans	263,071	541,457	509,590	920,665	182,113	2,416,896
Total loans charged off	92	23	55	393	-	563

Note 4: Loans (Continued)

Loan aging information as of December 31 follows:

	Current Loans	Loans Past Due 30-89 Days	Loans Past Due 90+ Days	Total Loans
2024				
Commercial real estate	$ 926,710	$ 267	$ 2,373	$ 929,350
Construction and land development	99,085	60	-	99,145
Commercial - Other	243,690	756	1,976	246,422
Multifamily	563,385	-	254	563,639
Residential first mortgages	415,764	2,225	802	418,791
Residential junior liens and home equity lines	75,293	140	470	75,903
Credit cards	6,297	36	19	6,352
Municipal	19,871		-	19,871
Other consumer	53,417	2	10	53,429
Totals	$ 2,403,512	$ 3,486	$ 5,904	$ 2,412,902

	Current Loans	Loans Past Due 30-89 Days	Loans Past Due 90+ Days	Total Loans
2023				
Commercial real estate	$ 917,457	$ 214	$ 472	$ 918,143
Construction and land development	276,821	-	-	276,821
Commercial - Other	263,582	1,020	1,856	266,458
Multifamily	383,420	-	-	383,420
Residential first mortgages	433,394	1,948	1,080	436,422
Residential junior liens and home equity lines	60,806	474	35	61,315
Credit cards	6,124	2	2	6,128
Municipal	29,731	-	-	29,731
Other consumer	38,456	-	2	38,458
Totals	$ 2,409,791	$ 3,658	$ 3,447	$ 2,416,896

Note 4: Loans (Continued)

Information regarding nonaccrual loans during the year ended December 31 follows:

	Nonaccrual Loans With No Allowance for Credit Loss	Nonaccrual Loans With an Allowance for Credit Loss	Total Nonaccrual Loans	Total Nonaccrual Loans at Beginning of Year	Amortized Cost Basis of Loans 90+ Days Past Due Not on Nonaccrual
2024					
Commercial real estate	$ 2,851	$ 364	$ 3,215	$ 1,629	$ -
Construction and land development	-	-	-	-	-
Commercial - Other	2,202	3,566	5,768	4,789	136
Multifamily	254	-	254	256	-
Residential first mortgages	2,258	-	2,258	1,542	-
Residential junior liens and home equity lines	642	-	642	271	-
Credit cards	-	-	-	-	19
Municipal	-	-	-	-	-
Other consumer	10	-	10	2	-
Totals	$ 8,217	$ 3,930	$ 12,147	$ 8,489	$ 155
2023					
Commercial real estate	$ 1,629	$ -	$ 1,629	$ 4,365	$ -
Construction and land development	-	-	-	-	-
Commercial - Other	2,738	2,051	4,789	2,937	233
Multifamily	256	-	256	-	-
Residential first mortgages	1,542	-	1,542	1,731	211
Residential junior liens and home equity lines	271	-	271	246	-
Credit cards	-	-	-	-	2
Municipal	-	-	-	-	-
Other consumer	2	-	2	79	-
Totals	$ 6,438	$ 2,051	$ 8,489	$ 9,358	$ 446

Interest income recognized on nonaccrual loans was not significant during the years ended December 31, 2024 and 2023.

Note 4: Loans (Continued)

The following table presents the amortized cost basis of loans at December 31, 2024 and 2023, that were both experiencing financial difficulty and modified during the year ended December 31, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below.

	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Total Class of Financing Receivable
2024					
Residential first mortgages	$ -	$ -	$ 196	$ -	$ 0
Totals	$ -	$ -	$ 196	$ -	0.0%
2023					
Commercial real estate	$ -	$ 45	$ -	$ -	0.0%
Commercial - other	-	2,906	-	-	1.1%
Totals	$ -	$ 2,951	$ -	$ -	0.1%

There was no financial effect of the loan modifications presented above.

The Company has committed to lend additional amounts totaling $0 to the borrowers included in the previous table.

None of the loans listed in the previous table are past due as of December 31, 2024.

No troubled loan modifications defaulted in 2024 or 2023 within 12 months of the modification date.

Note 5: Derivative Instruments and Hedging Activities

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its assets and liabilities and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. As of December 31, 2024 and 2023, the Company had no derivatives designated as hedging instruments.

Note 5: Derivative Instruments and Hedging Activities (Continued)

Non-designated Hedges

Derivatives not designated as hedges are not speculative and result from a service the Company provides to certain customers. The Company executes interest rate swaps with commercial banking customers to facilitate their respective risk management strategies. Those interest rate swaps are simultaneously hedged by offsetting derivatives that the Company executes with a third party, such that the Company minimizes its net risk exposure resulting from such transactions. As the interest rate derivatives associated with this program do not meet the strict hedge accounting requirements, changes in the fair value of both the customer derivatives and the offsetting derivatives are recognized directly in earnings.

The table below presents the effect of the Company's derivative financial instruments that are not designated as hedging instruments on the income statement as of December 31, 2024 and 2023.

	Derivative Assets		Derivative Liabilities	
	As of December 31, 2024			
	Notional Amount	Fair Value	Notional Amount	Fair Value
Derivatives not designated as hedging instruments				
Interest rate products	$ 49,223	$ 1,297	$ 49,223	$ 1,302
Other derivatives	3,908	2		
Total derivatives not designated as hedging instruments	$ 53,131	$ 1,299	$ 49,223	$ 1,302

	Derivative Assets		Derivative Liabilities	
	As of December 31, 2023			
	Notional Amount	Fair Value	Notional Amount	Fair Value
Derivatives not designated as hedging instruments				
Interest rate products	$ 33,357	$ 1,614	$ 33,357	$ 1,624
Other derivatives	3,908	4		
Total derivatives not designated as hedging instruments	$ 37,265	$ 1,618	$ 33,357	$ 1,624

Fair Value Hedges

All fair value hedges were terminated during 2022 when the fair value hedges had unrealized gains of $3,642. The unrealized gain as of the termination dates is being amortized into income over the remaining term of the original swap. As of December 31, 2024, $3,098 remains to be recognized. Recognized income totaled $205 for the years ended December 31, 2024 and 2023.

Note 6: Premises and Equipment

An analysis of premises and equipment at December 31 follows:

	2024	2023
Land and improvements	$ 7,390	$ 7,390
Buildings and improvements	47,025	46,355
Furniture and equipment	14,372	14,378
Subtotals	68,787	68,123
Accumulated depreciation	(31,668)	(30,006)
Premises and equipment, net	$ 37,119	$ 38,117

Depreciation of premises and equipment charged to operating expense totaled $2,742 and $2,854 in 2024 and 2023, respectively.

Note 7: Leases

The Company leases various branch locations under operating leases. The leases entered into include one or more options to renew. The renewal terms can extend the lease term from 3 to 15 years. The exercise of lease renewal options is at the Company's sole discretion. Renewal option periods are included in the measurement of the Right-of-Use (ROU) asset and lease liability when the exercise is reasonably certain to occur. As of December 31, 2024, the Company has recorded an ROU asset totaling $3,887, which is included in other assets. As of December 31, 2024, the Company has also recorded a lease obligation liability totaling $3,970, which is included in other liabilities.

The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments plus, for one of the Company’s leases, variable payments. The Company’s office space leases require it to make variable payments for the Company’s proportionate share of the building’s property taxes, insurance, and common area maintenance. These variable lease payments are not included in lease payments used to determine the lease liability and are recognized as variable lease costs when incurred.

Lease expenses totaled $664 at December 31, 2024 and $708 at December 31, 2023 and the majority of the expenses are related to operating lease costs.

The weighted-average lease term totaled 7.7 and 9.1 years as of December 31, 2024 and 2023. The weighted-average discount rate totaled 3.84% and 3.89% as of December 31, 2024 and 2023.

Scheduled maturities of remaining lease liabilities, included within other liabilities on the consolidated balance sheet, as of December 31, 2024 is as follows:

Note 7: Leases (Continued)

2025	$ 604
2026	597
2027	609
2028	621
2029	538
Thereafter	1,643
Total future lease payments	4,612
Less: amount representing future interest	(642)
Total	$ 3,970

Note 8: Other Investments

Other investments consisted of the following at December 31:

	2024	2023
FHLB stock	$ 11,465	$12,711
Bankers' Bank stock	8,652	8,198
S.B.C.P Capital Trust II, III, and IV	660	660
Tax credit partnerships	10,619	10,257
Qualified investment fund	437	442
SBA loan investment fund	500	500
Other	6,929	4,789
Totals	$ 39,262	$ 37,557

The Company's investments in tax credit partnerships are considered equity-method investments. The Company reduces the investment balance as tax credits are realized. The investment is evaluated for impairment on an annual basis. The Company recognized $1,219 and $96 in amortization expense related to these investments for years ending December 31, 2024 and 2023.

The remaining investments are considered equity investments without a readily determinable market value. The following table details the changes in the carrying amount of equity securities without a readily determinable market value, both annually and cumulatively, as of and for the years ended December 31:

	2024	2023
Carrying Value, end of year	$ 28,643	$27,300
Impairments and downward adjustments	(8)	(17)
Upward adjustments	944	586

Adjustments in fair value have been recorded based on observed transaction prices from sales of identical securities. The Company makes reasonable efforts to observe transaction prices, but for some investments no such transactions have been observed. During 2024 and 2023, the Company purchased additional equity securities totaling $443 and $7,540.

Note 9: Mortgage Servicing

Loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage and other loans serviced for others were $1,057,484 and $1,060,229 at December 31, 2024 and 2023, respectively. The following is a summary of changes in the balance of mortgage servicing rights for the years ending December 31:

	2024	2023
Beginning balance	$ 11,001	$ 11,270
Fair value adjustment	(620)	(269)
Ending balance	$ 10,381	$ 11,001

The estimated fair value of mortgage servicing rights was determined using a valuation model that calculates the present value of expected future servicing and ancillary income, net of expected servicing costs. The model incorporates various assumptions, such as discount rates and prepayment speeds based on market data from independent organizations.

Information about the estimated fair value of mortgage servicing rights at December 31, 2024 and 2023 follows:

	2024	2023
Range of discount rates	9.7% to 11.6%	9.8% to 11.8%
Range of prepayment speeds	5.0% to 14.3%	5.2% to 12.1%

Note 10: Foreclosed Assets

An analysis of the activity in foreclosed assets for the years ended December 31 is as follows:

	2024	2023
Balance at beginning	$ -	$ -
Other real estate acquired	229	104
Sales of other real estate	-	(104)
Balance at end	$ 229	$ -

As of December 31, 2024 and 2023, the Company had no residential real estate foreclosed assets and there were no residential real estate loans in the process of foreclosure.

Expenses related to foreclosed assets include the following for the years ended December 31:

	2024	2023
Net (gain) loss on sales	$ -	$ 11
Operating and maintenance expenses, net of rental income	12	11
Total expense	$ 12	$ 22

Net operating and maintenance expenses are included in other noninterest expense on the income statement.

Note 11: Intangible Assets and Goodwill

The gross carrying amount and accumulated amortization of intangible assets and goodwill for the years ended December 31 are as follows:

	2024		2023	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Core deposit intangible	$ 41,027	$ 15,556	$ 41,027	$ 9,429
Customer list	$ 935	$ 686	$ 935	$ 553
Goodwill	$ 28,544	$ -	$ 28,544	$ -

Intangible assets include the core deposit and customer list intangibles. Amortization expense totaled $6,260 for the years ended December 31, 2024 and 2023, respectively.

The following table shows the estimated future amortization expense for the core deposit intangible and customer list. The projections of amortization expense are based on existing asset balances as of December 31, 2024:

2025	$ 6,260
2026	5,966
2027	5,584
2028	5,584
2029	2,326
Thereafter	-
Total	$ 25,720

Note 12: Deposits

The composition of deposits at December 31 is as follows:

	2024	2023
Non-interest-bearing demand	$ 533,389	$ 544,828
Interest-bearing demand	728,528	719,672
Savings	446,056	330,270
Money market	521,471	483,630
Time	368,961	343,147
Total deposits	$ 2,598,405	$ 2,421,547

Time deposits of $250 or more totaled $75,707 and $70,654 at December 31, 2024 and 2023, respectively.

Deposits from a large corporation totaled 4.9% and 5.9% of total deposits as of December 31, 2024 and 2023, respectively.

Note 12: Deposits (Continued)

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

2025	$	331,725
2026		30,652
2027		2,918
2028		1,835
2029		1,831
Thereafter		-
Total	$	368,961

Note 13: Borrowed Funds

Borrowed funds consist of the following at December 31:

	2024		2023	
	Weighted Average Rates	Amount	Weighted Average Rates	Amount
FHLB fixed rate advances	4.48%	203,850	4.62%	223,000
Bankers' Bank variable rate loan	6.75%	4,661	7.75%	4,661
Bankers' Bank fixed term loans	3.71%	25,371	3.70%	27,138
FRB Bank Term Funding Loan	-	-	4.88%	30,000
Totals		$ 233,882		$ 284,799

Following is a summary of scheduled principal maturities and fixed term advances as of December 31, 2024:

	Fixed-Rate Maturities		Variable Rate Maturities	
	Weighted Average Rate	Amount	Weighted Average Rate	Amount
2025	4.49%	$ 118,833		$ -
2026	4.48%	61,900		-
2027	4.61%	26,223		-
2028	3.48%	1,368		-
2029	3.49%	1,419		-
Thereafter	3.43%	19,478	6.75%	4,661
Total		$ 229,221		$ 4,661

Actual maturities may differ from the scheduled principal maturities because of call options on the various advances. Rates in the table above are based on rates that were effective as of December 31, 2024.

The Company prepaid FHLB advances totaling $35,000 and $11,500 for the years ended December 31, 2024 and 2023. Prepayment penalties of $6 and $0 were recognized as a component of other noninterest expense on the consolidated income statement for the years ended December 31, 2024 and 2023.

Note 13: Borrowed Funds (Continued)

The Company has a master contract agreement with the FHLB that provides for borrowing up to the lesser of 20 times the FHLB stock owned, a determined percentage of the book value of the Company's qualifying loans, or a determined percentage of the Company's assets. The FHLB provides both fixed and floating rate advances. Floating rates are tied to short-term market rates of interest. Advances with call provisions permit the FHLB to request payment beginning on the call date and quarterly thereafter. FHLB advances are subject to a prepayment penalty if they are repaid prior to maturity. The Company pledged $1,690,529 and $1,579,621 of qualifying loans as of December 31, 2024 and 2023, respectively. FHLB advances are also secured by $11,465 of FHLB stock owned by the Company at December 31, 2024, and $12,711 as of December 31, 2023.

The available borrowings are further reduced by letters of credit issued for the benefit of municipal depositors for balances in excess of insured amounts. These letters of credit totaled $113,689 as of December 31, 2024 and $153,500 as of December 31, 2023. The available borrowings are further reduced by the credit enhancement provided under the Mortgage Partnership Finance Program of $2,046 and $1,502 at December 31, 2024 and 2023, respectively (see Note 18).

At December 31, 2024, the Company’s available and unused portion of this borrowing agreement totaled $573,691, based on collateral pledged. Additional FHLB stock would need to be purchased to utilize this amount.

At December 31, 2024, the Company had the following credit agreements in place:

- Term loan with Bankers’ Bank which matures in September 2030. The rate on the loan is 3.75% as of December 31, 2024, and is fixed for the life of the loan. The loan calls for quarterly principal and interest payments with a final payment of all unpaid principal and interest due at maturity. As of December 31, 2024, $23,950 was outstanding on this loan.

- A fixed rate term loan with Bankers’ Bank. The fixed rate loan requires quarterly payments of $184 including interest at 3.10%. The note matures in January 2027. As of December 31, 2024, $1,421 was outstanding on this loan.

- A variable rate loan with Bankers’ Bank that requires quarterly interest payments at prime less 0.75% (6.75% at December 31, 2024). The note matures in January 2027. As of December 31, 2024, $4,661 was outstanding on this loan.

- A $12,000 revolving line of credit with Bankers’ Bank available for general corporate purposes. The available balance was $12,000 as of December 31, 2024, and it matured on January 17, 2025. The stated interest rate was prime rate minus 0.75%. The line of credit was renewed in January 2025 for $12,000. The stated interest rate is prime rate minus 0.75% (6.75% at December 31, 2024). The note matures January 2026.

- An additional $25,035 is available through the Federal Reserve Discount Window Program. The Company had $27,380 in securities pledged to the program as of December 31, 2024. The Company transferred the securities pledged to the Discount Window Program from the Federal Reserve Bank Term Funding Program in 2024, due to the discontinuation of the Bank Term Funding Program. The outstanding balance of the Bank Term Funding Program loan as of December 31, 2023, was $30,000.

Note 14: Subordinated Debentures

In September 2005, the Company issued to S.B.C.P. Capital Trust II an adjustable rate junior subordinated debenture for $4,382, due September 15, 2035. The junior subordinated debenture has a floating rate of three-month SOFR plus 1.45%, with the rate resetting on each succeeding quarterly payment date. The

Note 14: Subordinated Debentures (Continued)

effective interest rate was 6.07% and 7.10% as of December 31, 2024 and 2023, respectively. The junior subordinated debenture is redeemable by the Company, subject to the receipt by the Company of prior approval from the Federal Reserve Bank (FRB), if then required under applicable capital guidelines or policies of the FRB. The Company may redeem the debenture on any March 15, June 15, September 15, and December 15.

In December 2006, the Company issued to S.B.C.P. Capital Trust III an adjustable rate junior subordinated debenture for $10,310, due December 15, 2036. The junior subordinated debenture has a floating rate of three-month SOFR plus 1.73%. The effective interest rate was 6.35% and 7.38% as of December 31, 2024 and 2023, respectively. The junior subordinated debenture is redeemable by the Company, subject to the receipt by the Company of prior approval from the FRB, if then required under applicable capital guidelines or policies of the FRB. The Company may redeem the debenture on any March 15, June 15, September 15, and December 15.

In July 2007, the Company issued to S.B.C.P. Capital Trust IV an adjustable rate junior subordinated debenture for $7,217, due September 15, 2037. The junior subordinated debenture has a floating rate of three-month SOFR plus 1.57%. As of December 31, 2024 and 2023, the effective interest rate was 6.19% and 7.22%. The junior subordinated debenture is redeemable by the Company, subject to the receipt by the Company of prior approval from the FRB, if then required under applicable capital guidelines or policies of the FRB. The Company may redeem the debenture on any March 15, June 15, September 15, and December 15.

The Company has fully and unconditionally guaranteed all of the obligations of S.B.C.P. Capital Trusts II, III, and IV. The guarantee covers the quarterly distributions and payments on liquidation or redemption of the trust preferred securities, but only to the extent of funds held by the trusts. The trust preferred securities qualify under the risk-based capital guidelines as Tier 1 capital, up to 25% of total Tier 1 capital, for regulatory purposes.

Note 15: Income Taxes

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

	2024	2023
Current tax expense:		
Federal	$ (323)	$ 2,884
State	-	-
Total current	(323)	2,884
Deferred tax expense:		
Federal	1,353	(44)
State	(4,928)	-
Total deferred	(3,575)	(44)
Valuation allowance	4,928	1,073
Total provision for income taxes	$ 1,030	$ 3,913

Note 15: Income Taxes (Continued)

A summary of the sources of differences between income taxes at the federal statutory rate and the provision for income taxes for the years ended December 31 follows:

	2024		2023	
	Amount	% of Pretax Income	Amount	% of Pretax Income
Tax expense at statutory rate	$ 3,408	21.0 %	$ 4,359	21.0 %
Increase (decrease) in taxes resulting from:				
Tax-exempt interest	(745)	(4.6)	(687)	(3.3)
Cash surrender value of life insurance	(313)	(1.9)	(337)	(1.6)
Tax credits	(1,114)	(6.8)	(1,121)	(5.4)
State tax refund	(4,928)	(30.4)	-	-
Valuation allowance	4,928	30.4	1,073	5.2
Other	(206)	(1.3)	626	2.9
Total provision for income taxes	$ 1,030	6.4 %	$ 3,913	18.8 %

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

	2024	2023
Deferred tax assets:		
Allowance for credit losses	$ 6,966	$ 6,537
Deferred compensation	1,173	1,070
Merger related fair value adjustments	2,080	3,159
State net operating losses	5,471	166
Unrealized losses on securities	6,601	5,397
Other	1,508	410
Total deferred tax assets	23,799	16,739
Deferred tax liabilities:		
Premises and equipment	3,300	1,112
Other investments	2,563	2,491
Mortgage servicing rights	2,828	2,997
Other	1,407	1,217
Total deferred tax liabilities	10,098	7,817
Less valuation allowance	6,001	1,073
Net deferred tax asset	$ 7,700	$ 7,849

The Company has state net operating loss carryforwards totaling approximately $2,668 that may be applied against future state taxable income and expires in 2031.

The state of Wisconsin passed a law in 2023 eliminating state tax income derived from loans to small business Wisconsin residents with a commercial or agricultural purpose. Small business is currently defined as any loan with an origination balance of $5 million or less. As a result, the Company is not expected to have state income

Note 15: Income Taxes (Continued)

tax expense going forward. The deferred tax asset valuation of as of December 31, 2024 and 2023 was $6,001 and $1,073.

Note 16: Deferred Compensation

The Company has phantom stock and other deferred compensation plans with key officers. The Company accrues a phantom stock benefit for all participating officers based on a percentage of salary as certain levels of return on equity are met. The balance of deferred compensation, included in other liabilities, at December 31, 2024 and 2023, was $3,533 and $3,927, respectively. The amount charged to operations was $68 and $464 for 2024 and 2023, respectively, and is included in salaries and benefits.

Although not part of the deferred compensation plan, the Company has purchased life insurance on the officers that could provide funding for the payment of benefits. The cash value of the life insurance as of December 31, 2024 and 2023, was $54,471 and $52,968, respectively.

Note 17: Employee Benefits Plans

The Company has a 401(k) profit sharing plan. Employees are allowed to defer a portion of their compensation subject to certain limitations. The Company makes discretionary profit-sharing contributions to the plan on behalf of the employees. Contributions totaled $0 for 2024 and 2023.

The Company has a trusteed non-contributory Employee Stock Ownership (ESOP) covering substantially all employees. Company contributions to the ESOP are discretionary and determined annually. The ESOP had no outstanding indebtedness at any time during 2024 or 2023 and all ESOP shares have been fully allocated. The Company's safe harbor discretionary match contribution was $1,206 and $1,271 to the ESOP in 2024 and 2023, respectively, and was used to recover repurchase obligations.

Note 18: Commitments, Contingencies, and Credit Risk

Financial Instruments With Off-Balance-Sheet Credit Risk

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

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

The following commitments were outstanding at December 31:

	Notional Amount	
	2024	2023
Commitments to Extend Credit	$500,870	$539,760
Standby Letters of Credit	9,089	9,120
Credit Enhancement Under the FHLB of Chicago Mortgage Partnership Finance Program	2,046	1,502

Note 18: Commitments, Contingencies, and Credit Risk (Continued)

Commitments to extend credit are agreements to lend to a customer at fixed or variable rates as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The amount of collateral obtained upon extension of credit is based on management's credit evaluation of the customer. Collateral held varies but may include accounts receivable; inventory; property, plant, and equipment; real estate; and stocks and bonds.

Standby letters of credit are conditional lending commitments issued by the Company to guarantee the performance of a customer to a third party. Generally, all standby letters of credit issued have expiration dates within one year. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company generally holds collateral supporting these commitments. Standby letters of credit are not reflected in the consolidated financial statements, since recording the fair value of these guarantees would not have a significant impact on the consolidated financial statements.

The Company participates in the FHLB Mortgage Partnership Finance Program (the "Program"). In addition to entering into forward commitments to sell mortgage loans to a secondary market agency, the Company enters into firm commitments to deliver loans to the FHLB through the Program. Under the Program, loans are funded by the FHLB, and the Company receives an agency fee reported as a component of gain on sale of loans. The Company had firm commitments outstanding to deliver loans through the Program at December 31, 2024. Once delivered to the Program, the Company provides a contractually agreed-upon credit enhancement and performs servicing of the loans. Under the credit enhancement, the Company is liable for losses on loans delivered to the Program after application of any mortgage insurance and a contractually agreed-upon credit enhancement provided by the Program subject to an agreed-upon maximum. The Company received a fee for this credit enhancement. The Company does not anticipate that any credit losses will be incurred in excess of anticipated credit enhancement fees.

Legal Contingencies

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

Concentration of Credit Risk

The majority of the Company's loans, commitments, and standby letters of credit have been granted to customers in the Company's market area. The concentrations of credit by type are set forth in Note 4. Standby letters of credit were granted primarily to commercial borrowers.

Note 19: Related-Party Transactions

A summary of loans to directors, executive officers, principal stockholders, and their affiliates is as follows for the years ended December 31:

	2024	2023
Balance at beginning	$ 103,791	$ 51,038
New Loans	7,040	56,117
Adjustments related to changes in related parties	10,917	-
Repayments	(14,247)	(3,364)
Balance at end	$ 107,501	$ 103,791

Deposits from directors, executive officers, principal stockholders, and their affiliates totaled $53,484 and $31,873 as of December 31, 2024 and 2023, respectively.

Note 20: Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the financial statements.

As of December 31, 2024, the Bank was considered well capitalized under the regulatory framework for prompt corrective action. The Bank must maintain minimum regulatory capital ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

As of December 31, 2024 and 2023, the Bank's reported capital ratios under the Basel III capital requirements which required the Bank to maintain minimum amounts and ratios of Common Equity Tier 1, Tier 1, Total capital to risk-weighted assets, and of Tier 1 capital to average assets to ensure capital adequacy.

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

	Actual		For Capital Adequacy Purposes			To Be Well Capitalized Under Prompt Corrective Action	
	Amount	Ratio	Amount	Ratio		Amount	Ratio
2024-Lake Ridge Bank							
Common Equity Tier 1 (to risk-weighted assets)	$287,130	10.9%	$ 118,469	4.5%	≥	$ 171,122	6.5%
Total capital (to risk weighted assets)	$312,700	11.9%	$ 210,611	8.0%	≥	$ 263,264	10.0%
Tier 1 capital (to risk weighted assets)	$287,130	10.9%	$ 157,959	6.0%	≥	$ 210,611	8.0%
Tier 1 capital (to average assets)	$287,130	9.5%	$ 121,536	4.0%	≥	$ 151,921	5.0%
2023-Lake Ridge Bank							
Common Equity Tier 1 (to risk-weighted assets)	$270,691	10.2%	$ 119,633	4.5%	≥	$ 172,804	6.5%
Total capital (to risk weighted assets)	$296,387	11.1%	$ 212,681	8.0%	≥	$ 265,852	10.0%
Tier 1 capital (to risk weighted assets)	$270,691	10.2%	$ 159,511	6.0%	≥	$ 212,681	8.0%
Tier 1 capital (to average assets)	$270,691	9.2%	$ 118,310	4.0%	≥	$ 147,888	5.0%

Note 21: Fair Value Measurements

Some assets, such as securities available for sale, are measured at fair value on a recurring basis under accounting principles generally accepted in the United States. Other assets, such as individually evaluated loans and foreclosed assets, may be measured at fair value on a nonrecurring basis. Following is a description of the valuation methodology and significant inputs used for each asset measured at fair value on a recurring or nonrecurring basis, as well as the classification of the asset within the fair value hierarchy.

Note 21: Fair Value Measurements (Continued)

Securities available for sale - Securities available for sale are classified as Level 2 measurements within the fair value hierarchy. Level 2 securities include U.S. government and agency securities and mortgage and asset-backed securities. The fair value measurement of a Level 2 security is obtained from an independent pricing service and is based on recent sales of similar securities and other observable market data. Level 3 securities include most corporate securities, which are not actively traded in a market. Fair values of Level 3 securities are calculated using discounted cash flow models that incorporate various assumptions, including expected cash flows and market credit spreads. When comparable sales are available, these are used to validate the models used.

Loans - Loans are not measured at fair value on a recurring basis. However, loans individually evaluated may be measured at fair value on a nonrecurring basis. The fair value measurement of an individually evaluated loan that is collateral dependent is based on the fair value of the underlying collateral. All other individually evaluated loan measurements are based on the present value of expected future cash flows discounted at the applicable effective interest rate and, thus, are not fair value measurements. Fair value measurements of underlying collateral utilize some observable market data, such as independent appraisals reflecting recent comparable sales; however, they also include significant management estimates about assumptions market participants would use to measure fair value and are therefore considered Level 3 measurements.

Appraisals for collateral-dependent individually evaluated loans are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. Once received, a member of the Loan Department reviews the assumptions and approaches utilized in the appraisal as well as the overall fair value measurement and compares it to other data sources, such as recent market data or industry-wide statistics. On a regular basis, the Company compares the actual selling price of collateral that has been sold to the most recent appraised value to determine what additional adjustment should be made to appraised values to arrive at fair value. Recent analysis performed indicated that a discount of 10% to 20% should be applied to appraisals, depending on the type and value of the property.

Other investments – Other investments are not measured at fair value on a recurring basis. However, the balance of other investments are adjusted when observable transaction prices are observed on identical shares. Management considers such observations to constitute a Level 2 measurement.

Foreclosed assets - Real estate and other property acquired through or in lieu of loan foreclosure are not measured at fair value on a recurring basis. However, foreclosed assets are initially measured at fair value (less estimated costs to sell) when they are acquired and may also be measured at fair value (less estimated costs to sell) if they become subsequently impaired. The fair value measurement for each asset may be obtained from an independent appraiser or prepared internally. Fair value measurements obtained from independent appraisers generally utilize a market approach based on sales of comparable assets and/or an income approach. Such measurements are usually considered Level 2 measurements. However, management routinely evaluates fair value measurements of independent appraisers by comparing actual selling prices to the most recent appraisals. If management determines significant adjustments should be made to the independent appraisals based on these evaluations, these measurements are considered Level 3 measurements. Fair value measurements prepared internally are based on management's comparisons to sales of comparable assets but include significant unobservable data and are therefore considered Level 3 measurements.

Appraisals for foreclosed assets are performed by certified general appraisers (for commercial properties and other personal properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. Once received, a member of the Loan Department reviews the assumptions and approaches utilized in the appraisal as well as the overall fair value measurement and compares it to other data sources, such as recent market data or industry-wide statistics. On a regular basis, the Company compares the actual selling price of collateral that has been sold to the most recent

Note 21: Fair Value Measurements (Continued)

appraised value to determine what additional adjustment should be made to appraised values to arrive at fair value. Recent analysis performed indicated that a discount of 10% to 20% should be applied to appraisals, depending on the type and value of the property.

Derivatives - Derivative instruments are classified as Level 2 measurements within the fair value hierarchy. The fair value measurement of a derivative instrument is based on a discounted cash flow model that utilizes observable market data, such as market interest rates and interest rate curves.

Mortgage servicing rights - Mortgage servicing rights are measured at fair value on a recurring basis. Serviced loan pools are stratified by year of origination, and a fair value measurement is obtained for each stratum from an independent firm. The measurement is based on recent sales of mortgage servicing rights with similar characteristics. Since the fair value measurement is based on observable market data, it is considered a Level 2 measurement.

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

		Recurring Fair Value Measurements Using		
	Assets / Liabilities Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets / Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2024				
Assets - Securities available for sale	$ 303,220	$ -	$ 301,970	$ 1,250
Assets - Mortgage servicing rights	10,381	-	10,381	-
Assets - Derivatives	1,299	-	1,299	-
Total	$ 314,900	$ -	$ 313,650	$ 1,250
Liabilities - Derivatives	$ 1,302	$ -	$ 1,302	$ -
2023				
Assets - Securities available for sale	$ 323,934	$ -	$ 322,684	$ 1,250
Assets - Mortgage servicing rights	11,001	-	11,001	-
Assets - Derivatives	1,618	-	1,618	-
Total	$ 336,553	$ -	$ 335,303	$ 1,250
Liabilities - Derivatives	$ 1,624	$ -	$ 1,624	$ -

Note 21: Fair Value Measurements (Continued)

The following reconciles the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended December 31:

	2024	2023
Balance at beginning	$ 1,250	$ 10,246
Purchases, issuances, maturities, and settlements	-	(8,996)
Balance at end	$ 1,250	$ 1,250

Information regarding the fair value of assets measured at fair value on a nonrecurring basis as of December 31 follows:

		Nonrecurring Fair Value Measurements Using		
	Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2024				
Loans	$ 1,323	$ -	$ -	$ 1,323
Other investments	13,369	-	13,369	-
Total	$ 14,692	$ -	$ 13,369	$ 1,323
2023				
Loans	$ 1,291	$ -	$ -	$ 1,291
Other investments	10,410	-	10,410	-
Total	$ 11,701	$ -	$ 10,410	$ 1,291

Collateral dependent loans with a carrying amount of $2,936 were written down to their estimated fair value of $1,323. As a result, the Company recognized a specific valuation allowance of $1,613 as of December 31, 2024. As of December 31, 2023, collateral dependent loans with a carrying amount of $2,760 were written down to their estimated fair value of $1,291 with a specific valuation allowance totaling $1,469.

Other investments with a carrying value of $10,675 were written up to their value of $11,619 as of December 31, 2024, based on observed transaction prices. As a result, the Company recorded upward adjustments through income totaling $944. Other investments with a carrying value of $1,758 were written down as of December 31, 2024, to their estimated fair value of $1,750 based on observed transaction prices. As a result, the Company recorded downward adjustments through income of $8. Other investments with a carrying value of $9,720 were written up to their estimated fair value of $10,307 as of December 31, 2023, based on observed transaction prices. As a result, the Company recorded net upward adjustments through income totaling $586. Other investments with a carrying value of $119 were written down to their estimated fair value of $103 based on observed transaction prices. As a result, the Company recorded downward adjustments through income totaling $16.

Note 21: Fair Value Measurements (Continued)

The following presents quantitative information about nonrecurring Level 3 fair value measurements at December 31:

Asset	Fair Value	Valuation Technique (s)	Unobservable Input(s)	Standard range of discount
2024				
Individually evaluated loans	$ 1,323	Market and/or income approach	Management discount on appraised values	5%-10%
2023				
Individually evaluated loans	$ 1,291	Market and/or income approach	Management discount on appraised values	5%-10%

The Company estimates fair value of all financial instruments regardless of whether such instruments are measured at fair value.

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

			Fair Value Hierarchy		
	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
2024					
Financial assets:					
Cash and cash equivalents	$ 210,498	$ 210,498	$ 210,498	$ -	$ -
Other interest-bearing deposits	1,485	1,485	-	1,485	-
Securities available for sale	303,220	303,220	-	301,970	1,250
Securities held to maturity	6,032	5,846	-	-	5,846
Loans held for sale	1,106	1,106	-	1,106	-
Loans, net	2,388,730	2,305,435	-	-	2,305,435
Other investments	39,262	39,262	-	13,369	25,893
Accrued interest receivable	11,109	11,109	11,109	-	-
Derivatives	1,299	1,299	-	1,299	-
Cash value of life insurance	54,471	54,471	54,471	-	-
Total financial assets	$ 3,017,212	$ 2,933,731	$ 276,078	$ 319,229	$2,338,424
Financial liabilities:					
Deposits	$ 2,598,405	$ 2,330,899	$ -	$ -	$2,330,899
Derivatives	1,302	1,302	-	1,302	-
Borrowed funds	233,882	233,842	-	-	233,842
Subordinated debentures	21,909	21,909	-	-	21,909
Accrued interest payable	3,172	3,172	3,172	-	-
Total financial liabilities	$ 2,858,670	$ 2,591,124	$ 3,172	$ 1,302	$2,586,650

Note 21: Fair Value Measurements (Continued)

	Carrying Value	Estimated Fair Value	Fair Value Hierarchy Level 1	Level 2	Level 3
2023					
Financial assets:					
Cash and cash equivalents	$ 48,956	$ 48,956	$ 48,956	$ -	$ -
Other interest-bearing deposits	1,976	1,976	-	1,976	-
Securities available for sale	323,934	323,934	-	322,684	1,250
Securities held to maturity	5,743	5,407	-	-	5,407
Loans held for sale	534	534	-	534	-
Loans, net	2,392,900	2,285,568	-	-	2,285,568
Other investments	37,557	39,327	-	10,410	28,917
Accrued interest receivable	11,315	11,315	11,315	-	-
Derivatives	1,618	1,618	-	1,618	-
Cash value of life insurance	52,968	52,968	52,968	-	-
Total financial assets	$ 2,877,501	$ 2,771,603	$ 113,239	$ 337,222	$2,321,142
Financial liabilities:					
Deposits	$ 2,421,547	$ 2,419,308	$ -	$ -	$2,419,308
Derivatives	1,624	1,624	-	1,624	-
Borrowed funds	284,799	285,534	-	-	285,534
Subordinated debentures	21,910	21,910	-	-	21,910
Accrued interest payable	3,722	3,722	3,722	-	-
Total financial liabilities	$ 2,733,602	$ 2,732,098	$ 3,722	$ 1,624	$2,726,752

Limitations – The fair value of a financial instrument is the current amount that would be exchanged between market participants, other than in a forced liquidation. Air value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. Consequently, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

Fair value estimates are made at a specific point in time based upon 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 instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgements regarding future expected loss experienced, current economic conditions, risk characteristics, and other factors. These estimates are subjective in nature and involve uncertainties and matters that could affect the estimates. Fair value estimates are based on existing on- and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business. Deposits with no stated maturities are defined as having a fair value equivalent to the amount payable on demand. This prohibits adjusting fair value derived from retaining those deposits for an expected future period of time. This component, commonly referred to as a deposit base intangible, is neither considered in the above amounts nor is it recorded as an intangible asset on the balance sheets. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

Lake Ridge
BANCORP, INC.™

March 14, 2025

MANAGEMENT'S REPORT REGARDING STATEMENT OF MANAGEMENT'S RESPONSIBILITES, COMPLIANCE WITH DESIGNATED LAWS AND REGULATIONS, AND MANGAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors and Audit Committee of
Lake Ridge Bancorp, Inc. and Subsidiaries

Statement of Management's Responsibilities
The management of Lake Ridge Bancorp, Inc. and Subsidiaries ("the Company") is responsible for preparing the Company's annual financial statements in accordance with generally accepted accounting principles; for designing, implementing and maintaining an adequate internal control structure and procedures for financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the Federal Financial Institutions Examination Council Instructions for Reports of Condition and Income ("Call Report Instructions"); and for complying with the Federal laws and regulations pertaining to insider loans and the Federal and State laws and regulations pertaining to dividend restrictions.

Management's Assessment of Compliance with Designated Laws and Regulations
The management of the Company has assessed the Company's compliance with the Federal laws and regulations pertaining to insider loans and the Federal and State laws and regulations pertaining to dividend restrictions during the fiscal year that ended on December 31, 2024. Based upon its assessment, management has concluded that the Company complied with the Federal laws and regulations pertaining to insider loans and the Federal and State laws and regulations pertaining to dividend restrictions during the fiscal year that ended on December 31, 2024.

Management's Assessment of Internal Control Over Financial Reporting
The Company's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, i.e., the Federal Financial Institutions Examination Council Consolidated Reports of Condition and Income (the "Call Report. The Bank's or The Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory purposes, and that receipts

and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Bank or the Company and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the Bank's or the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the Call Report Instructions, as of December 31, 2024, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in the 2013 *Internal Control-Integrated Framework.* Based upon its assessment, management has concluded that, as of December 31, 2024, the Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with Call Report Instructions, is effective based on the criteria established in the 2013 *Internal Control-Integrated Framework*.

The Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the Call Report, as of December 31, 2024, has been audited by Wipfli LLP, an independent accounting firm, as stated in their report dated March 14, 2025.

Lake Ridge Bancorp, Inc. and Subsidiaries

Jim Tubbs
Chief Executive Officer

Tim Ryan
Chief Financial Officer