

2024
**ANNUAL
REPORT**



APOLLO BANCORP, INC.



President's Message

Dear Stockholders:

Net income totaled \$2,001,000 in 2024 compared with \$1,705,000 reported in 2023. Earnings per share totaled \$3.85 in 2024 which increased from \$3.28 in 2023. Net interest income, which is the bank's most significant driver of profitability, was slightly lower in 2024 than in 2023. However, the most notable change during 2024 was higher noninterest income.

Comparing 2024 with 2023, earnings on bank-owned life insurance increased \$493,000 as a result of new claims paid. Also, gas well royalties increased \$188,000 in 2024 from a de minimis amount in 2023 based on recent contracts and associated new drilling production.

Interest income and interest expense were both notably higher in 2024 compared with 2023, but net interest income decreased a slight 0.5%. Loan balances grew just 1.7% during 2024 in a market affected by higher interest rates and lower inventory of real estate available for financing following several years of double-digit growth.

The loan portfolio remains primarily secured by residential real estate, both investment properties and owner-occupied homes. Sound credit policies and flexible but diligent underwriting have continued to serve the bank well while maintaining strong asset quality with few watchlist credits and low delinquency. Additional provision for credit losses occurred in 2024 as the associated accounting standard model was updated with data from a larger peer group.

Deposit balances decreased by \$4.9 million, or 3.4%, in 2024 due to increased competition in the banking industry and attractive alternative investment options. More costly borrowings increased \$5.7 million in 2024 to replace deposit run-off. Also, existing customers showed increasing preference for higher yielding certificates of deposit. Nevertheless, the net interest margin still exceeded 4.0% in both 2024 and 2023 and compared favorably with industry peers.

Technology advancements included a recent migration from in-house data processing to a service center environment which will position the bank more competitively and lower its operational risk profile. Following reorganization in 2024, information technology and deposit operations staff completed numerous projects with more planned for post-migration. Despite significant technology investment, noninterest expenses increased 3.5% in 2024 compared with a 7.6% increase in 2023 as compensation expense moderated with staffing efficiencies and lower inflation.

The quarterly dividend was increased from \$0.56 to \$0.57 per share, or 1.8%, in the fourth quarter and represented the fifteenth consecutive annual increase. Dividends remain a priority and increased to \$2.25 for a 58% payout ratio in 2024 and approximates a 5.8% current yield. Also, a stock repurchase authorization was recently announced to support the company stock price given long-term earnings prospects.

Consistent earnings and sound lending practices continue to provide attractive shareholder returns. On behalf of the board of directors, your loyalty is deeply appreciated.

Sincerely,

Nelson L. Person
President and CEO



Directors and Officers

Board of Directors

John C. Dormire
Dickson K. Forbes
Robert E. Kelly, Jr.
Larry D. Loperfito
Nelson L. Person
Karen A. Stanford

Directors Emeritus

Antonio O. DiFilippo
Richard G. Hildebrand

Officers

Nelson L. Person, *President and Chief Executive Officer*
Stephanie A. Embry, *Executive Vice President and Chief Operating Officer*
T. J. Backus, *Vice President, Lending*
Julia M. Holmes, *Vice President, Risk Management and Secretary*
Robert J. Kopec, *Vice President, Residential Lending*
Daniel F. Schneider, *Vice President and Chief Information Officer*
Michelle M. Arbster, *Controller*
Sara J. Copeland, *Assistant Vice President, Loan Operations*
Joyce M. Corbin, *Assistant Secretary/Assistant Treasurer*
Daniel B. McAdoo, *Facilities Manager*
Megan L. Paiano, *Assistant Vice President, Deposit and Retail Operations*



Financial Summary

Financial Performance

Earnings Per Share (EPS), Dividends Paid Per Share (Dividends), Return on Average Assets (ROA) and Return on Average Equity (ROE) are presented below:

	2024	2023
EPS	\$3.85	\$3.28
Dividends	\$2.25	\$2.21
ROA	1.00%	0.89%
ROE	8.50%	7.51%

Balance Sheet Highlights

(in millions)

	2024	2023
Assets	\$201.2	\$198.4
Loans	\$174.8	\$171.8
Deposits	\$140.1	\$145.0
Capital	\$23.9	\$23.2



APOLLO BANCORP, INC.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders
Apollo Bancorp, Inc.

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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S.R. Snodgrass, P.C. d/b/a S.R. Snodgrass, A.C. in West Virginia



Responsibilities of Management for the Financial Statements (Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Other Information Included in Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the President's Message and Financial Summary but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.



Other Information Included in Annual Report (Continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

S.H. Snodgrass P.C.

Cranberry Township, Pennsylvania
March 4, 2025

APOLLO BANCORP, INC.
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2024	2023
ASSETS		
Cash and due from banks	\$ 3,916,188	\$ 2,869,920
Investment securities available for sale, at fair value	11,217,079	12,880,656
Loans	174,784,445	171,849,322
Less allowance for credit losses	1,418,361	1,235,496
Net loans	173,366,084	170,613,826
Premises and equipment, net	1,911,789	1,884,934
Bank-owned life insurance	5,456,344	5,524,360
Accrued interest and other assets	5,304,261	4,643,978
TOTAL ASSETS	\$ 201,171,745	\$ 198,417,674
LIABILITIES		
Deposits:		
Noninterest-bearing demand	\$ 61,954,675	\$ 64,914,480
Interest-bearing demand	3,963,654	4,513,371
Money market	2,221,639	2,388,438
Savings	56,169,306	62,723,392
Time	15,787,978	10,485,355
Total deposits	140,097,252	145,025,036
Short-term borrowings	32,800,000	27,150,000
Accrued interest and other liabilities	4,373,882	3,000,690
TOTAL LIABILITIES	177,271,134	175,175,726
STOCKHOLDERS' EQUITY		
Common stock, par value \$2; 2,000,000 shares authorized; 600,000 shares issued; 514,693 and 519,952 shares outstanding in 2024 and 2023, respectively	1,200,000	1,200,000
Capital surplus	3,615,097	3,615,097
Retained earnings	23,991,308	23,156,868
Accumulated other comprehensive loss	(1,351,667)	(1,363,637)
Treasury stock, at cost (85,307 and 80,048 shares in 2024 and 2023, respectively)	(3,554,127)	(3,366,380)
TOTAL STOCKHOLDERS' EQUITY	23,900,611	23,241,948
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 201,171,745	\$ 198,417,674

See accompanying notes to the consolidated financial statements.

APOLLO BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,	
	2024	2023
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans	\$ 8,597,796	\$ 7,564,006
Interest on deposits	48,166	77,003
Investment securities:		
Taxable interest	264,945	363,392
Tax-exempt interest	161,175	162,057
Dividend income	109,986	45,045
Total interest and dividend income	<u>9,182,068</u>	<u>8,211,503</u>
INTEREST EXPENSE		
Deposits	502,674	220,568
Short-term borrowings	1,535,778	808,951
Total interest expense	<u>2,038,452</u>	<u>1,029,519</u>
NET INTEREST INCOME	<u>7,143,616</u>	<u>7,181,984</u>
Provision for credit losses on loans	210,872	122,258
Provision (credit) for unfunded commitments	2,472	(18,153)
Total provision for credit loss expense	<u>213,344</u>	<u>104,105</u>
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	<u>6,930,272</u>	<u>7,077,879</u>
NONINTEREST INCOME		
Service charges on deposit accounts	989,145	983,608
Fiduciary income	-	95,071
Earnings on bank-owned life insurance	658,014	165,105
Other	277,630	71,414
Total noninterest income	<u>1,924,789</u>	<u>1,315,198</u>
NONINTEREST EXPENSE		
Compensation and employee benefits	3,703,452	3,702,492
Occupancy and equipment	567,481	598,326
Pennsylvania shares tax	167,315	159,636
Professional fees	323,538	317,435
Data processing	818,883	516,986
Federal Deposit Insurance Corporation assessment	135,050	129,382
Advertising	36,000	36,000
Other	882,796	950,325
Total noninterest expense	<u>6,634,515</u>	<u>6,410,582</u>
Income before income tax expense	2,220,546	1,982,495
Income tax expense	219,212	277,931
NET INCOME	<u>\$ 2,001,334</u>	<u>\$ 1,704,564</u>
EARNINGS PER SHARE	\$ 3.85	\$ 3.28
AVERAGE SHARES OUTSTANDING	519,665	519,952

See accompanying notes to the consolidated financial statements.

APOLLO BANCORP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,	
	2024	2023
Net income	\$ 2,001,334	\$ 1,704,564
Other comprehensive income:		
Unrealized holding (loss) gain on available-for-sale securities	(175,392)	485,633
Tax effect	36,832	(101,983)
Change in unrecognized cost for defined benefit pension plan	190,544	199,828
Tax effect	(40,014)	(41,964)
Total other comprehensive income	11,970	541,514
TOTAL COMPREHENSIVE INCOME	\$ 2,013,304	\$ 2,246,078

See accompanying notes to the consolidated financial statements.

APOLLO BANCORP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance, January 1, 2023	\$ 1,200,000	\$ 3,615,097	\$ 22,592,397	\$ (1,905,151)	\$ (3,366,380)	\$ 22,135,963
Net income	-	-	1,704,564	-	-	1,704,564
Other comprehensive income	-	-	-	541,514	-	541,514
Cash dividends (\$2.21 per share)	-	-	(1,149,094)	-	-	(1,149,094)
Cumulative effect of adoption of ASU 2016-13	-	-	9,001	-	-	9,001
Balance, December 31, 2023	1,200,000	3,615,097	23,156,868	(1,363,637)	(3,366,380)	23,241,948
Net income	-	-	2,001,334	-	-	2,001,334
Other comprehensive income	-	-	-	11,970	-	11,970
Cash dividends (\$2.25 per share)	-	-	(1,166,894)	-	-	(1,166,894)
Purchased shares (5,259 shares)	-	-	-	-	(187,747)	(187,747)
Balance, December 31, 2024	<u>\$ 1,200,000</u>	<u>\$ 3,615,097</u>	<u>\$ 23,991,308</u>	<u>\$ (1,351,667)</u>	<u>\$ (3,554,127)</u>	<u>\$ 23,900,611</u>

See accompanying notes to the consolidated financial statements.

APOLLO BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2024	2023
OPERATING ACTIVITIES		
Net income	\$ 2,001,334	\$ 1,704,564
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, and accretion	369,486	370,746
Provision for credit losses	213,344	104,105
Earnings on bank-owned life insurance	(658,014)	(165,105)
Increase in accrued interest receivable	(22,063)	(63,133)
Increase in accrued interest payable	8,355	86,673
Deferred income taxes	(172,098)	(182,951)
Other, net	1,239,365	347,392
Net cash provided by operating activities	<u>2,979,709</u>	<u>2,202,291</u>
INVESTING ACTIVITIES		
Investment securities available for sale:		
Proceeds from maturities and principal repayments	1,428,642	3,663,407
Purchase of bank-owned life insurance	-	(3,000,000)
Proceeds from bank-owned life insurance	726,000	-
Redemption of restricted stock	1,093,600	955,100
Purchase of restricted stock	(1,250,000)	(2,102,000)
Net increase in loans	(3,062,033)	(16,968,047)
Purchase of premises and equipment, net	<u>(237,228)</u>	<u>(227,973)</u>
Net cash used for investing activities	<u>(1,301,019)</u>	<u>(17,679,513)</u>
FINANCING ACTIVITIES		
Net decrease in deposits	(4,927,781)	(11,761,610)
Net increase in short-term borrowings	5,650,000	25,650,000
Cash dividends paid	(1,166,894)	(1,149,094)
Purchase of treasury stock	<u>(187,747)</u>	<u>-</u>
Net cash (used for) provided by financing activities	<u>(632,422)</u>	<u>12,739,296</u>
Increase (decrease) in cash and cash equivalents	1,046,268	(2,737,926)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,869,920</u>	<u>5,607,846</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,916,188</u>	<u>\$ 2,869,920</u>

See accompanying notes to the consolidated financial statements.

APOLLO BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Basis of Presentation

Apollo Bancorp, Inc. (the “Company”) is a Pennsylvania corporation and is registered under the Bank Holding Company Act. The Company was organized to become the holding company of Apollo Trust Company (the “Bank”). Apollo Realty, Inc. is the wholly owned subsidiary of Apollo Trust Company. The Bank and its subsidiary derive substantially all their income from banking and bank-related services, which include interest earnings on residential real estate, commercial mortgage, commercial, and consumer loan financing as well as interest-earning investment securities and a variety of deposit and fiduciary services to its customers through seven locations. The Bank is a state-chartered bank located in Pennsylvania. The Board of Governors of the Federal Reserve System supervises the Company, while the Bank is subject to regulation and supervision by the Board of Governors of the Federal Reserve System and the Pennsylvania Department of Banking and Securities.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, the Bank, and its wholly owned subsidiary, Apollo Realty, Inc. All significant intercompany transactions have been eliminated in consolidation.

The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the Consolidated Balance Sheets date and reported amounts of revenues and expenses for the period. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, the valuation of deferred tax assets, and the fair value of financial instruments.

Investment Securities

Investment securities are classified at the time of purchase, based on management’s intention and ability, as securities available for sale. Debt securities classified as available for sale serve principally as a source of liquidity. Unrealized holding gains and losses for available-for-sale debt securities are reported as a separate component of stockholders’ equity, net of tax, until realized. Realized securities gains and losses are computed using the specific identification method. Interest and dividends on investment securities are recognized as income when earned.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses – Available-for-Sale Securities

The Bank measures expected credit losses on available-for-sale debt securities when the Bank does not intend to sell, or when it is not more likely than not that it will be required to sell, the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For available-for-sale debt securities that do not meet the aforementioned criteria, the Bank evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Bank considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this evaluation indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists, and an allowance for credit losses is recorded for the credit loss, equal to the amount that the fair value is less than the amortized cost basis. Economic forecast data is utilized to calculate the present value of expected cash flows. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income (loss).

The allowance for credit losses on available-for-sale debt securities is included within investment securities available for sale on the Consolidated Balance Sheets. Changes in the allowance for credit losses are recorded within provision for credit loss expense on the Consolidated Statement of Income. Losses are charged against the allowance when the Bank believes the collectability of an available-for-sale security is in jeopardy or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available-for-sale debt securities totaled \$101,470 at December 31, 2024, and is included within accrued interest and other assets on the Consolidated Balance Sheets. This amount is excluded from the estimate of expected credit losses. Available-for-sale debt securities are typically classified as nonaccrual when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about the further collectability of principal or interest. When available-for-sale debt securities are placed on nonaccrual status, unpaid interest credited to income is reversed.

Restricted Stock

Common stock of the Federal Home Loan Bank of Pittsburgh (FHLB), Federal Reserve Bank of Cleveland, and Atlantic Community Bankers Bank represents ownership interest in institutions that are wholly owned by other financial institutions. These equity securities are accounted for at cost and are classified with other assets.

The Bank is a member of the FHLB, and as such, is required to maintain a minimum investment in stock of the FHLB that varies with the level of advances outstanding. The stock is purchased from and sold to the FHLB based upon its \$100 par value. The stock does not have a readily determinable fair value, and as such, is classified as restricted stock, carried at cost, and evaluated for impairment as necessary. The stock's value is determined by the ultimate recoverability of the par value rather than by recognizing temporary declines. The determination of whether the par value will ultimately be recovered is influenced by criteria such as the following: (a) the significance of the decline in net assets of the FHLB as compared to the capital stock amount and the length of time this situation has persisted; (b) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance; (c) the impact of legislative and regulatory changes on the customer base of the FHLB; and (d) the liquidity position of the FHLB.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Stock (Continued)

Management evaluated the restricted stock and concluded that it was not impaired for the periods presented herein. Management considered regulatory capital ratios in excess of all regulatory capital requirements, liquidity and shares of stock continuing to be issued and redeemed at par value, and the payment of dividends.

Loans

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for credit losses and any deferred fees or costs. Accrued interest receivable totaled \$582,212 at December 31, 2024, and was reported in accrued interest and other assets on the Consolidated Balance Sheets and is excluded from the estimate of credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the yield (interest income) of the related loans. The Bank is amortizing these amounts over the contractual life of the loan. Premiums and discounts on purchased loans are amortized as adjustments to interest income using the effective yield method.

For all classes of loans receivable, the accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due and/or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed. Payments received on nonaccrual loans, generally is either applied against principal or reported as interest income on a cash basis, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time (generally six months), and the ultimate collectability of the total contractual principal and interest is no longer in doubt. The past-due status of all classes of loans receivable is determined based on contractual due dates for loan payments.

Allowance for Credit Losses – Loans

The allowance for credit losses (ACL) is a valuation reserve established and maintained by charges against income and is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. Loans, or portions thereof, are charged off against the ACL when they are deemed uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged off and expected to be charged off.

The ACL is an estimate of expected credit losses, measured over the contractual life of a loan, that considers the Company's historical loss experience, current conditions, and forecasts of future economic conditions. Determination of an appropriate ACL is inherently subjective and may have significant changes from period to period.

The methodology for determining the ACL has two main components: evaluation of expected credit losses for certain groups of homogeneous loans that share similar risk characteristics and evaluation of loans that do not share risk characteristics with other loans.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Bank has identified the following portfolio segments and measures the allowance for credit losses using the following methods: commercial, commercial real estate, residential real estate, construction real estate, and consumer loans. All of these related allowance for credit losses are measured utilizing the SCALE method. For loans collectively evaluated, management elected to use the Federal Reserve's SCALE model. The model uses call report data from peer banks that have an asset size greater than \$1 billion in assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses – Loans (Continued)

The Bank utilizes the UpScale model from the Invictus Group for the calculation and selects a peer group based on different filters such as a system-generated portfolio match score, asset size, and geographic distance from the Bank's operating footprint. The loss rates from the peer group include historical, qualitative adjustments and forecasts as calculated by the peer group banks. The Bank then adjusts the group historical loss factor to its historical losses and will adjust qualitative factors to address any specific current risks that exist in the Bank that would differ from peer group banks.

Historical credit loss experience is the basis for the estimation of expected credit losses, applying historical loss rates to pools of loans with similar risk characteristics. After consideration of the historic loss calculation, management applies qualitative adjustments to reflect the current conditions and reasonable and supportable forecasts not already reflected in the historical loss information at the balance sheet date. Reasonable and supportable forecast adjustment is based on management judgement. For periods beyond the Company's reasonable and supportable forecast, management reverts to historical loss rates utilizing a straight-line method. These modified historical loss rates are multiplied by the outstanding principal balance of each loan to calculate a required reserve.

The ACL for individual loans begins with the use of normal credit review procedures to identify whether a loan no longer shares similar risk characteristics with other pooled loans and therefore should be individually assessed. The Company evaluates all commercial loans that meet the following criteria: 1) when it is determined that foreclosure is probable, 2) substandard, doubtful, and nonperforming loans when repayment is expected to be provided substantially through the operation or sale of the collateral, and 3) when it is determined by management that a loan does not share similar risk characteristics with other loans. Specific reserves are established based on the following three acceptable methods for measuring the ACL: 1) the present value of expected future cash flows discounted at the loan's original effective interest rate; 2) the loan's observable market price; or 3) the fair value of the collateral when the loan is collateral-dependent. The Company's individual loan evaluations consist primarily of the fair value of collateral method because most of the Company's loans are collateral-dependent. Collateral values are discounted to consider disposition costs when appropriate. A specific reserve is established or a charge-off is taken if the fair value of the loan is less than the outstanding balance.

Bank-Owned Life Insurance

The Bank purchased insurance on the lives of certain Bank officers. The policies accumulate value to meet future liabilities, including payment of employee benefits. Increases in the cash surrender value are recorded as noninterest income in the Consolidated Statements of Income. The cash surrender value of bank-owned life insurance is recorded as an asset on the Consolidated Balance Sheets.

Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on both the straight-line over the estimated useful lives of the assets, which range from 5 to 15 years for furniture, fixtures, and equipment, and 7 to 39 years for buildings. Expenditures for maintenance and repairs are charged against income as incurred. Costs of major additions and improvements are capitalized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension and 401(k) Profit Sharing Plans

Pension benefits include contributions, determined actuarially, to a defined benefit retirement plan covering all eligible employees of the Bank. This plan was frozen effective January 1, 2015. Bank contributions to the 401(k) Profit Sharing Plan are based on compensation and elected deferral amounts of the plan participants.

Fiduciary Activities

Fiduciary assets (other than cash deposits) held by the Bank in fiduciary or agency capacities for its customers are not included in the accompanying Consolidated Balance Sheets, since such items are not assets of the Company or Bank. In accordance with industry practice, fees are recorded on a cash basis and approximate fees that would have been recognized on an accrual basis. In December of 2023, trust operations became inactive as part of a strategic decision. As a result there is no fiduciary income for the year ended December 31, 2024.

Advertising Costs

Advertising costs are generally expensed as the costs are incurred.

Income Taxes

The Company and its subsidiary file a consolidated federal income tax return. Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. Deferred income tax expenses or benefits are based on changes in a deferred tax asset or liability from period to period.

Comprehensive Income

Comprehensive income comprises unrealized holding gains (losses) on the available-for-sale securities portfolio and changes in unrecognized pension cost for the defined benefit pension plan.

Earnings Per Share

The Company currently maintains a simple capital structure; thus, there are no dilutive effects on earnings per share. Earnings per share are calculated by dividing net income by the weighted-average number of shares outstanding for the periods. Treasury shares are not deemed outstanding for earnings-per-share calculations.

Cash Flow Information

For the purposes of reporting cash flows, cash and cash equivalents include cash and due from banks with original maturities of less than 90 days.

Cash payments for interest in 2024 and 2023 were \$2,030,097 and \$942,846, respectively. Income tax payments totaled \$370,000 in 2024 and \$435,000 in 2023.

Reclassification

Certain items in the prior year's consolidated financial statements have been reclassified to conform to the current-year presentation. Such reclassifications did not affect consolidated net income or stockholders' equity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Revenue associated with financial instruments, including revenue from loans and securities and certain noninterest income streams such as fees associated with mortgage servicing rights, financial guarantees, derivatives, and certain credit card fees, are also not in scope of Accounting Standards Codification (ASC) 606. Noninterest revenue streams, such as trust and asset management income, deposit-related fees, and interchange fees, did not change significantly upon adoption of ASC 606. Noninterest revenue streams in scope of ASC 606 are discussed below.

Fiduciary Fees

Trust and asset management income is primarily comprised of fees earned from the management and administration of trusts and other customer assets. The Bank's performance obligation is generally satisfied over time, and the resulting annual fees are based on the average market value of assets held in the account as valued at the end of each month. Payment is generally received within a few days after the end of the month via a debit from the customers' accounts. The Bank does not earn performance-based incentives. Additional services, including, but not limited to, additional accounting and supervision of personal affairs for the elderly may be provided on a case-by-case basis. The Bank's performance obligation for these transactional-based services is generally satisfied, and related revenue recognized, at a point in time (i.e., as incurred). Payment is received shortly after services are rendered.

Service Charges

Service charges on deposit accounts consist of overdraft charges, monthly service fees, check orders, and other deposit account related fees. The Bank's performance obligation for monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Check orders and other deposit account related fees are largely transactional-based, and, therefore, the Bank's performance obligation is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately, or in the following month, through a direct charge to customers' accounts.

Debit Card Network Fees

The Bank earns interchange fees from debit cardholder transactions conducted primarily through the Mastercard payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, net of card network fees, concurrently with the transaction processing services provided to the cardholder.

Sale of Other Real Estate Owned (OREO)

The Bank records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of delivery of an executed deed. When the Bank finances the sale of OREO to the buyer, management assesses whether the buyer is committed to perform the buyer's obligation under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the OREO asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Bank adjusts the transaction price and related gain or loss on sale if a significant financing component is present.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment Reporting

ASC Topic 280 – *Segment Reporting* identifies operating segments as components of an enterprise which are evaluated regularly by the Company’s chief operating decision maker, president and chief executive officer, in deciding how to develop strategy, allocate resources and assess performance.

While the Company monitors the revenue streams of the various products and services, operations are managed, and financial performance is evaluated on an entity-wide basis. The Company provides a variety of financial services to individuals and small businesses in its primary market area through its branch network. Its primary deposit products are checking, savings and term certificate accounts, and its primary lending products are commercial, commercial and residential real estate and consumer loans.

Management has determined that the Company has one reportable segment consisting of community banking. operating segments are aggregated into one segment, as operating results for all segments are similar. Accordingly, all the financial service operations are considered by management to be aggregated in one reportable operating segment.

The accounting policies for the community banking segment are the same as those of our consolidated entity.

The chief operating decision maker assesses performance and decides how to allocate resources based on net income that also is reported on the income statement as consolidated net income. The measure of segment assets is reported on the balance sheet as total consolidated assets.

2. INVESTMENT SECURITIES AVAILABLE FOR SALE

The amortized cost and fair values of investment securities available for sale are summarized as follows at December 31:

	2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
U.S. government agency securities	\$ 1,723,332	\$ 212	\$ (88,283)	\$ -	\$ 1,635,261
Obligations of states and political subdivisions	10,270,943	2,139	(890,326)	-	9,382,756
Mortgage-backed securities:					
Government-sponsored entities	218,430	-	(19,368)	-	199,062
Total debt securities	<u>\$ 12,212,705</u>	<u>\$ 2,351</u>	<u>\$ (997,977)</u>	<u>\$ -</u>	<u>\$ 11,217,079</u>
	2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
U.S. government agency securities	\$ 2,208,307	\$ -	\$ (116,619)	\$ -	\$ 2,091,688
Obligations of states and political subdivisions	11,239,247	3,544	(696,922)	-	10,545,869
Mortgage-backed securities:					
Government-sponsored entities	253,336	-	(10,237)	-	243,099
Total debt securities	<u>\$ 13,700,890</u>	<u>\$ 3,544</u>	<u>\$ (823,778)</u>	<u>\$ -</u>	<u>\$ 12,880,656</u>

There were no sales of available-for-sale securities in 2024 or 2023.

2. INVESTMENT SECURITIES AVAILABLE FOR SALE (Continued)

The following tables show the Bank's gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31.

		2024					
		Less Than 12 Months		Greater Than 12 Months		Totals	
		Fair Value	Loss	Fair Value	Loss	Fair Value	Loss
U.S. government agency securities	\$	41,990	\$ (212)	\$ 1,552,087	\$ (88,071)	\$ 1,594,077	\$ (88,283)
Obligations of states and political subdivisions		1,435,136	(31,119)	6,981,264	(859,207)	8,416,400	(890,326)
Mortgage-backed securities:							
Government-sponsored entities		-	-	199,060	(19,368)	199,060	(19,368)
Total debt securities	\$	<u>1,477,126</u>	<u>\$ (31,331)</u>	<u>\$ 8,732,411</u>	<u>\$ (966,646)</u>	<u>\$ 10,209,537</u>	<u>\$ (997,977)</u>

		2023					
		Less Than 12 Months		Greater Than 12 Months		Totals	
		Fair Value	Loss	Fair Value	Loss	Fair Value	Loss
U.S. government agency securities	\$	-	\$ -	\$ 2,091,688	\$ (116,619)	\$ 2,091,688	\$ (116,619)
Obligations of states and political subdivisions		269,968	(757)	8,525,366	(696,165)	8,795,334	(696,922)
Mortgage-backed securities:							
Government-sponsored entities		-	-	243,099	(10,237)	243,099	(10,237)
Total debt securities	\$	<u>269,968</u>	<u>\$ (757)</u>	<u>\$ 10,860,153</u>	<u>\$ (823,021)</u>	<u>\$ 11,130,121</u>	<u>\$ (823,778)</u>

There were 40 securities that were in an unrealized loss position at December 31, 2024. The Bank has concluded that any impairment of its investment securities portfolio outlined in the above table is not other than temporary and is the result of interest rate changes, sector credit rating changes, or Bank-specific rating changes that are not expected to result in the noncollection of principal and interest during the period.

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

2. INVESTMENT SECURITIES AVAILABLE FOR SALE (Continued)

	Amortized Cost	Fair Value
Due in one year or less	\$ 9,316	\$ 9,263
Due after one year through five years	3,905,892	3,771,929
Due after five years through ten years	4,674,033	4,243,574
Due after ten years	3,623,464	3,192,313
Total	\$ <u>12,212,705</u>	\$ <u>11,217,079</u>

Investment securities with a carrying value of \$511,465 and \$1,019,620 were pledged to secure public deposits and other purposes as required by law at December 31, 2024 and 2023, respectively.

3. LOANS

Major classifications of loans are summarized as follows at December 31:

	2024	2023
Commercial	\$ 13,216,007	\$ 14,724,227
Commercial real estate	32,669,414	35,899,355
Residential real estate	126,388,111	118,354,880
Construction real estate	250,159	-
Consumer	2,221,635	2,820,772
	174,745,326	171,799,234
Less:		
Allowance for credit losses	1,418,361	1,235,496
Net deferred loan costs	(39,119)	(50,088)
Net loans	\$ <u>173,366,084</u>	\$ <u>170,613,826</u>

The Bank's primary business activity is with customers located within its identified trade area. Commercial, residential, and consumer loans are granted. Although the Bank had a diversified loan portfolio at December 31, 2024, loans outstanding to individuals and businesses are dependent upon economic conditions in its primary market area. The Bank has an industry concentration in loans to lessors of buildings and dwellings, with a balance of \$65,293,546 and \$63,435,128 at December 31, 2024 and 2023, respectively.

4. ALLOWANCE FOR CREDIT LOSSES

The following tables present, by portfolio segment, changes in the allowance for credit losses and the recorded investment in loans as of and for the years ended December 31, 2024 and 2023:

	Commercial		Residential	Construction				
December 31, 2024	<u>Commercial</u>	<u>Real Estate</u>	<u>Real Estate</u>	<u>Real Estate</u>	<u>Consumer</u>	<u>Unallocated</u>	<u>Total</u>	
Allowance for credit losses:								
Beginning balance	\$ 103,613	\$ 316,791	\$ 767,675	\$ -	\$ 47,417	\$ -	\$ 1,235,496	
Charge-offs	-	-	-	-	(29,783)	-	(29,783)	
Recoveries	-	-	153	-	1,623	-	1,776	
Provision	28,329	3,369	154,599	2,827	21,748	-	210,872	
Ending balance	<u>\$ 131,942</u>	<u>\$ 320,160</u>	<u>\$ 922,427</u>	<u>\$ 2,827</u>	<u>\$ 41,005</u>	<u>\$ -</u>	<u>\$ 1,418,361</u>	

		Commercial	Residential	Construction			
December 31, 2023	Commercial	Real Estate	Real Estate	Real Estate	Consumer	Unallocated	Total
Allowance for credit losses:							
Beginning balance	\$ 118,203	\$ 673,988	\$ 368,672	\$ -	\$ 26,521	\$ 2,874	1,190,258
Impact of adopting ASC 326	(27,731)	(378,935)	332,619	6,073	2,808	(2,874)	(68,040)
Charge-offs	-	-	-	-	(18,823)	-	(18,823)
Recoveries	-	-	338	-	9,505	-	9,843
Provision	13,141	21,738	66,046	(6,073)	27,406	-	122,258
Ending balance	\$ 103,613	\$ 316,791	\$ 767,675	\$ -	\$ 47,417	\$ -	\$ 1,235,496

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

The Bank offers an overdraft privilege program; the charge-offs, recoveries, and provision amounts are included in the consumer loan category.

Commercial loans, commercial real estate loans, and consumer loans are considered to be riskier than one-to-four family residential mortgage loans. Commercial real estate loans entail significant additional credit risks compared to one-to-four family residential mortgage loans, as they involve large loan balances concentrated with single borrowers or groups of related borrowers. In addition, the payment experience on loans secured by income-producing properties typically depends on successful operation of the related real estate project and/or business operation of the borrower and, therefore, may be subject to a greater extent to adverse conditions in the real estate market and in the general economy. Commercial loans involve a higher risk of default than residential mortgage loans of like duration since their repayment is generally dependent on successful operation of the borrower's business and sufficiency of collateral, if any. Although a borrower's ability to repay for both one-to-four family residential mortgage loans and consumer loans is highly dependent on personal income, as well as the local economy, especially employment levels, consumer loans, as a group, generally present a higher degree of risk because of the nature of collateral, if any.

Credit Quality Information

The following tables represent the commercial credit exposures by internally assigned credit risk ratings as of December 31, 2024 and 2023. The grading analysis estimates capability of a borrower to repay contractual obligations under the loan agreements as scheduled or at all. The Bank's internal credit risk rating system is based on experiences with similarly-rated loans.

The Bank's internally assigned credit risk ratings are as follows:

- Pass loans are protected by current net worth and paying capacity of an obligor or by the value of underlying collateral.
- Special Mention loans have a potential weakness or risk evident, which could cause a more serious problem if not corrected.
- Substandard loans have a well-defined weakness based on objective evidence and are characterized by a distinct possibility that the Bank would sustain some loss if the deficiencies are not corrected.
- Doubtful loans have all the weaknesses inherent in a substandard asset. In addition, these weaknesses make collection or liquidation in full highly questionable and improbable based on existing circumstances.
- Loss loans are considered uncollectible, or of such value that continuance as an asset is not warranted.

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

Credit Quality Information (Continued)

		Term Loans Amortized Costs Basis by Origination Year						
December 31, 2024		2024	2023	2022	2021	2020	Prior	Total
Commercial								
Risk Rating								
Pass	\$	2,484,362	\$ 2,868,421	\$ 4,573,597	\$ 133,043	\$ 2,956,706	\$ 199,878	\$ 13,216,007
Special Mention		-	-	-	-	-	-	-
Substandard		-	-	-	-	-	-	-
Doubtful		-	-	-	-	-	-	-
Total	\$	<u>2,484,362</u>	<u>\$ 2,868,421</u>	<u>\$ 4,573,597</u>	<u>\$ 133,043</u>	<u>\$ 2,956,706</u>	<u>\$ 199,878</u>	<u>\$ 13,216,007</u>
Commercial								
Current period gross charge-offs	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial Real Estate								
Risk Rating								
Pass	\$	1,233,830	\$ 5,599,908	\$ 4,150,308	\$ 7,210,490	\$ 1,478,509	\$ 12,225,410	\$ 31,898,455
Special Mention		-	-	-	-	-	-	-
Substandard		-	-	-	-	770,959	-	770,959
Doubtful		-	-	-	-	-	-	-
Total	\$	<u>1,233,830</u>	<u>\$ 5,599,908</u>	<u>\$ 4,150,308</u>	<u>\$ 7,210,490</u>	<u>\$ 2,249,468</u>	<u>\$ 12,225,410</u>	<u>\$ 32,669,414</u>
Commercial Real Estate								
Current period gross charge-offs	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction Real Estate								
Risk Rating								
Pass	\$	10,200	\$ 239,959	\$ -	\$ -	\$ -	\$ -	\$ 250,159
Special Mention		-	-	-	-	-	-	-
Substandard		-	-	-	-	-	-	-
Doubtful		-	-	-	-	-	-	-
Total	\$	<u>10,200</u>	<u>\$ 239,959</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,159</u>
Commercial Real Estate								
Current period gross charge-offs	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total								
Risk Rating								
Pass	\$	3,728,392	\$ 8,708,288	\$ 8,723,905	\$ 7,343,533	\$ 4,435,215	\$ 12,425,288	\$ 45,364,621
Special Mention		-	-	-	-	-	-	-
Substandard		-	-	-	-	770,959	-	770,959
Doubtful		-	-	-	-	-	-	-
Total	\$	<u>3,728,392</u>	<u>\$ 8,708,288</u>	<u>\$ 8,723,905</u>	<u>\$ 7,343,533</u>	<u>\$ 5,206,174</u>	<u>\$ 12,425,288</u>	<u>\$ 46,135,580</u>

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

Credit Quality Information (Continued)

	Term Loans Amortized Costs Basis by Origination Year							
December 31, 2023	2023	2022	2021	2020	2019	Prior	Total	
Commercial								
Risk Rating								
Pass	\$ 3,760,703	\$ 6,091,841	\$ 298,819	\$ 3,982,888	\$ 340,008	\$ 249,968	\$ 14,724,227	
Special Mention	-	-	-	-	-	-	-	
Substandard	-	-	-	-	-	-	-	
Doubtful	-	-	-	-	-	-	-	
Total	<u>\$ 3,760,703</u>	<u>\$ 6,091,841</u>	<u>\$ 298,819</u>	<u>\$ 3,982,888</u>	<u>\$ 340,008</u>	<u>\$ 249,968</u>	<u>\$ 14,724,227</u>	
Commercial								
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Commercial Real Estate								
Risk Rating								
Pass	\$ 5,811,597	\$ 4,771,743	\$ 8,136,749	\$ 2,652,535	\$ 2,344,008	\$ 12,038,787	\$ 35,755,419	
Special Mention	-	-	-	-	-	-	-	
Substandard	-	-	-	-	-	143,936	143,936	
Doubtful	-	-	-	-	-	-	-	
Total	<u>\$ 5,811,597</u>	<u>\$ 4,771,743</u>	<u>\$ 8,136,749</u>	<u>\$ 2,652,535</u>	<u>\$ 2,344,008</u>	<u>\$ 12,182,723</u>	<u>\$ 35,899,355</u>	
Commercial Real Estate								
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total								
Risk Rating								
Pass	\$ 9,572,300	\$ 10,863,584	\$ 8,435,568	\$ 6,635,423	\$ 2,684,016	\$ 12,288,755	\$ 50,479,646	
Special Mention	-	-	-	-	-	-	-	
Substandard	-	-	-	-	-	143,936	143,936	
Doubtful	-	-	-	-	-	-	-	
Total	<u>\$ 9,572,300</u>	<u>\$ 10,863,584</u>	<u>\$ 8,435,568</u>	<u>\$ 6,635,423</u>	<u>\$ 2,684,016</u>	<u>\$ 12,432,691</u>	<u>\$ 50,623,582</u>	

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

Credit Quality Information (Continued)

For residential real estate and consumer loans, the Bank evaluates credit quality based on whether the loan is considered performing or nonperforming. Loans are generally considered to be nonperforming when they become 90 days past due unless they are well secured and/or in the process of collection. There were no revolving loans in the portfolio at December 31, 2024, and 2023, that had been converted to term. The following tables present the balances of residential real estate and consumer loans by classes of loan portfolio based on payment performance:

	Term Loans Amortized Costs Basis by Origination Year						Revolving Loans Amortized Cost Basis	Total
	2024	2023	2022	2021	2020	Prior		
December 31, 2024								
Residential real estate								
Payment Performance								
Performing	2,381,391	\$ 20,357,200	\$ 18,858,239	\$ 14,828,247	\$ 15,637,944	\$ 27,328,626	\$ 26,996,464	\$ 126,388,111
Nonperforming	-	-	-	-	-	-	-	-
Total	<u>\$ 2,381,391</u>	<u>\$ 20,357,200</u>	<u>\$ 18,858,239</u>	<u>\$ 14,828,247</u>	<u>\$ 15,637,944</u>	<u>\$ 27,328,626</u>	<u>\$ 26,996,464</u>	<u>\$ 126,388,111</u>
Residential real estate								
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consumer								
Payment Performance								
Performing	\$ 468,127	\$ 881,869	\$ 529,981	\$ 86,083	\$ 117,108	\$ 809	\$ 137,658	\$ 2,221,635
Nonperforming	-	-	-	-	-	-	-	-
Total	<u>\$ 468,127</u>	<u>\$ 881,869</u>	<u>\$ 529,981</u>	<u>\$ 86,083</u>	<u>\$ 117,108</u>	<u>\$ 809</u>	<u>\$ 137,658</u>	<u>\$ 2,221,635</u>
Consumer								
Current period gross charge-offs	\$ 29,783	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,783
Total								
Payment Performance								
Performing	\$ 2,849,518	\$ 21,239,069	\$ 19,388,220	\$ 14,914,330	\$ 15,755,052	\$ 27,329,435	\$ 27,134,122	\$ 128,609,746
Nonperforming	-	-	-	-	-	-	-	-
Total	<u>\$ 2,849,518</u>	<u>\$ 21,239,069</u>	<u>\$ 19,388,220</u>	<u>\$ 14,914,330</u>	<u>\$ 15,755,052</u>	<u>\$ 27,329,435</u>	<u>\$ 27,134,122</u>	<u>\$ 128,609,746</u>

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

Credit Quality Information (Continued)

December 31, 2023	Term Loans Amortized Costs Basis by Origination Year						Revolving	Total
	2023	2022	2021	2020	2019	Prior	Loans Amortized Cost Basis	
Residential real estate								
Payment Performance								
Performing	\$ 19,891,516	\$ 20,442,218	\$ 15,893,497	\$ 19,587,676	\$ 8,228,912	\$ 27,466,246	\$ 6,844,815	\$ 118,354,880
Nonperforming	-	-	-	-	-	-	-	-
Total	<u>\$ 19,891,516</u>	<u>\$ 20,442,218</u>	<u>\$ 15,893,497</u>	<u>\$ 19,587,676</u>	<u>\$ 8,228,912</u>	<u>\$ 27,466,246</u>	<u>\$ 6,844,815</u>	<u>\$ 118,354,880</u>
Residential real estate								
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consumer								
Payment Performance								
Performing	\$ 1,373,203	\$ 800,507	\$ 216,431	\$ 248,955	\$ 48,650	\$ 1,457	\$ 131,569	\$ 2,820,772
Nonperforming	-	-	-	-	-	-	-	-
Total	<u>\$ 1,373,203</u>	<u>\$ 800,507</u>	<u>\$ 216,431</u>	<u>\$ 248,955</u>	<u>\$ 48,650</u>	<u>\$ 1,457</u>	<u>\$ 131,569</u>	<u>\$ 2,820,772</u>
Consumer								
Current period gross charge-offs	\$ 18,060	\$ -	\$ -	\$ 763	\$ -	\$ -	\$ -	\$ 18,823
Total								
Payment Performance								
Performing	\$ 21,264,719	\$ 21,242,725	\$ 16,109,928	\$ 19,836,631	\$ 8,277,562	\$ 27,467,703	\$ 6,976,384	\$ 121,175,652
Nonperforming	-	-	-	-	-	-	-	-
Total	<u>\$ 21,264,719</u>	<u>\$ 21,242,725</u>	<u>\$ 16,109,928</u>	<u>\$ 19,836,631</u>	<u>\$ 8,277,562</u>	<u>\$ 27,467,703</u>	<u>\$ 6,976,384</u>	<u>\$ 121,175,652</u>

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

Age Analysis of Past-Due Loans by Class

The following tables show an aging analysis of past-due loans as of December 31, 2024 and 2023:

December 31, 2024	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total Loans
Commercial	\$ -	\$ -	\$ -	\$ -	\$ 13,216,007	\$ 13,216,007
Commercial real estate	-	135,811	49,054	184,865	32,484,549	32,669,414
Residential real estate	20,513	-	167,511	188,024	126,200,087	126,388,111
Construction real estate	-	-	-	-	250,159	250,159
Consumer	-	3,573	-	3,573	2,218,062	2,221,635
Total	<u>\$ 20,513</u>	<u>\$ 139,384</u>	<u>\$ 216,565</u>	<u>\$ 376,462</u>	<u>\$ 174,368,864</u>	<u>\$ 174,745,326</u>

December 31, 2023	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total Loans
Commercial	\$ -	\$ -	\$ -	\$ -	\$ 14,724,227	\$ 14,724,227
Commercial real estate	-	-	-	-	35,899,355	35,899,355
Residential real estate	282,908	-	187,262	470,170	117,884,710	118,354,880
Consumer	-	15,312	1,303	16,615	2,804,157	2,820,772
Total	<u>\$ 282,908</u>	<u>\$ 15,312</u>	<u>\$ 188,565</u>	<u>\$ 486,785</u>	<u>\$ 171,312,449</u>	<u>\$ 171,799,234</u>

Nonperforming Loans

The following tables present the nonperforming loans as of December 31:

	2024				
	Nonaccrual with No ACL	Nonaccrual with ACL	Total Nonaccrual	Loans Past Due Over 90 Days Still Accruing	Total Nonperforming
Commercial	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial Real Estate	-	-	-	49,054	49,054
Residential Real Estate	-	-	-	167,511	167,511
Construction Real Estate	-	-	-	-	-
Consumer	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 216,565</u>	<u>\$ 216,565</u>

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

Nonperforming Loans (Continued)

	2023				
	Nonaccrual with No ACL	Nonaccrual with ACL	Total Nonaccrual	Loans Past Due Over 90 Days Still Accruing	Total Nonperforming
Commercial	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial Real Estate	-	-	-	-	-
Residential Real Estate	-	-	-	187,262	187,262
Construction Real Estate	-	-	-	-	-
Consumer	-	-	-	1,303	1,303
Total	\$ -	\$ -	\$ -	\$ 188,565	\$ 188,565

Modifications to Borrowers Experiencing Financial Difficulty

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

In some cases, the Bank provides multiple types of concessions on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted.

Upon the Bank's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written-off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount. ASC 310-10-50-44 indicates qualitative information should be disclosed, by portfolio segment, regarding how the defaults are factored into determining the allowance for credit losses.

There were no modifications made during the years ended December 31, 2024, and 2023.

5. PREMISES AND EQUIPMENT

Major classifications of premises and equipment are summarized as follows at December 31:

	2024	2023
Land and land improvements	\$ 880,591	\$ 827,756
Bank buildings	4,560,490	4,523,712
Leasehold improvements	50,348	50,348
Furniture, fixtures, and equipment	1,972,305	2,413,080
	<u>7,463,734</u>	<u>7,814,896</u>
Less accumulated depreciation	5,551,945	5,929,962
Total	<u>\$ 1,911,789</u>	<u>\$ 1,884,934</u>

Depreciation charged to operations was \$205,260 and \$214,978 in 2024 and 2023.

6. DEPOSITS

Time deposits at December 31, 2024, mature \$12,353,866, \$1,582,494, \$991,302, \$554,618, and \$305,698 during 2025, 2026, 2027, 2028, and 2029, respectively.

Time deposits include certificates of deposit in denominations of \$250,000 or more. Such deposits aggregated \$2,305,548 and \$1,514,268 at December 31, 2024 and 2023, respectively.

7. SHORT-TERM BORROWINGS

Short-term borrowings are from the FHLB. The outstanding balances and related information for short-term borrowings are summarized as follows:

	2024	2023
Balance, December 31	\$ 32,800,000	\$ 27,150,000
Maximum month-end balance during the year	32,800,000	27,150,000
Average balance during the year	27,357,358	10,519,784
Average year-end interest rate	4.71%	5.68%
Average interest rate during the year	5.61%	7.69%

Average balances outstanding during the year represent daily average balances, and average interest rates represent interest expenses divided by average balance.

8. OTHER BORROWINGS

The Bank maintains an Open RepoPlus credit arrangement, which is renewable annually, with the FHLB. The line maintains a variable rate of interest that may be reset daily at the FHLB's discretion. The Bank's maximum borrowing capacity under the credit arrangement with the FHLB as of December 31, 2024, was approximately \$81 million. All borrowings from the FHLB are secured by a blanket lien on qualified collateral, defined principally as investment securities and mortgage loans that are owned by the Bank, free and clear of any liens or encumbrances, and the Bank's investment in FHLB stock.

8. OTHER BORROWINGS (Continued)

The Bank may request a Federal Reserve advance secured by acceptable collateral. The Bank's maximum borrowing capacity with the Federal Reserve Bank as of December 31, 2024, is approximately \$589,000. The Bank did not have outstanding advances at December 31, 2024 and 2023.

The Bank also maintains a \$4 million federal funds line of credit with another financial institution. The Bank did not have outstanding borrowings related to this line of credit at December 31, 2024 and 2023.

In addition, the Company maintains a line of credit at the Bank, which is eliminated during consolidation. The Company did not have an outstanding balance at December 31, 2024 and 2023.

9. INCOME TAXES

The provision for income taxes consists of the following for the year ended December 31:

	2024	2023
Federal income tax	\$ 394,427	\$ 464,015
State income tax	(3,117)	(3,133)
Deferred	(172,098)	(182,951)
Total	<u>\$ 219,212</u>	<u>\$ 277,931</u>

9. INCOME TAXES (Continued)

The tax effects of deductible and taxable temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities, respectively, are as follows at December 31:

	2024	2023
Deferred tax assets:		
Allowance for loan losses	\$ 250,132	\$ 211,731
Deferred compensation	532,056	389,551
Net unrealized loss on securities	209,081	172,249
Lease liability	25,502	30,663
Unfunded commitments	8,225	7,706
Total deferred tax assets	<u>1,024,996</u>	<u>811,900</u>
Deferred tax liabilities:		
Prepaid pension expense	(232,528)	(192,723)
Deferred loan costs	(8,215)	(10,518)
Premises and equipment	(66,930)	(55,090)
Right-of-use asset	(25,502)	(30,663)
Total deferred tax liabilities	<u>(333,175)</u>	<u>(288,994)</u>
Net deferred tax asset	<u>\$ 691,821</u>	<u>\$ 522,906</u>

The reconciliation of the federal statutory rate and the Company's effective income tax rate is as follows:

	2024			2023	
	Amount	% of Pretax Income		Amount	% of Pretax Income
Provision at statutory rate	\$ 466,297	21.0 %	\$	415,723	21.0 %
State income taxes	(2,462)	(0.1)		(2,539)	(0.1)
Effect of tax-exempt income	(122,610)	(5.5)		(116,253)	(5.9)
Bank-owned life insurance	(138,183)	(6.2)		-	-
Other, net	16,170	0.7		(19,000)	(1.1)
Actual tax expense and effective rate	<u>\$ 219,212</u>	<u>9.9 %</u>	\$	<u>277,931</u>	<u>13.9 %</u>

9. INCOME TAXES (Continued)

U.S. generally accepted accounting principles prescribe a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions should be recognized in the consolidated financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information.

A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met. U.S. generally accepted accounting principles also provides guidance on the accounting for and disclosure of unrecognized tax benefits, interest, and penalties.

There is currently no liability for uncertain tax positions and no known unrecognized tax benefits. The Company recognized, when applicable, interest and penalties related to unrecognized tax benefits in the provision for income taxes in the Consolidated Statements of Income. The Company's federal and state income tax returns for taxable years through 2020 have been closed for purposes of examination by the Internal Revenue Service and the Pennsylvania Department of Revenue.

10. EMPLOYEE BENEFITS

The Bank sponsors a trustee, noncontributory defined benefit pension plan (the "Plan") covering certain employees and officers. The Plan calls for benefits to be paid to eligible employees at retirement based primarily upon years of service with the Bank and compensation rates. The Bank's funding policy is to make annual contributions, if needed, based upon the funding formula developed by the Plan's actuary.

Effective January 1, 2015, a Plan amendment was approved that froze all employee participation and benefit accruals under the Plan. Compensation received after the Plan freeze date will not be recognized for any purpose under the Plan.

10. EMPLOYEE BENEFITS (Continued)

The following table sets forth the change in Plan assets and benefit obligation at December 31:

	2024	2023
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 1,455,788	\$ 1,347,391
Interest cost	78,748	76,168
Actuarial loss	(35,433)	46,945
Benefits paid	(14,716)	(14,716)
Benefit obligation at end of year	<u>1,484,387</u>	<u>1,455,788</u>
Change in Plan assets:		
Fair value of Plan assets at beginning of year	2,373,512	2,105,747
Actual return on Plan assets	232,867	282,481
Benefits paid	(14,716)	(14,716)
Fair value of Plan assets at end of year	<u>2,591,663</u>	<u>2,373,512</u>
Funded status	<u>\$ 1,107,276</u>	<u>\$ 917,724</u>
Amounts recognized in accumulated other comprehensive loss consist of:		
Net loss	\$ 715,344	\$ 905,888

The accumulated benefit obligation for the defined benefit pension plan was \$1,484,387 and \$1,455,788 at December 31, 2024 and 2023, respectively.

Components of Net Periodic Benefit

	2024	2023
Interest cost	\$ 78,748	\$ 76,168
Expected return on Plan assets	(164,468)	(145,812)
Net amortization and deferral	86,712	110,104
Net periodic benefit cost	<u>\$ 992</u>	<u>\$ 40,460</u>

10. EMPLOYEE BENEFITS (Continued)

Assumptions

The weighted-average assumptions used to determine benefit obligations at December 31 are as follows:

	2024	2023
Discount rate	5.50 %	5.50 %
Rate of compensation increase	N/A	N/A

The weighted-average assumptions used to determine net periodic cost for years ended December 31 are as follows:

	2024	2023
Discount rate	5.50 %	5.50 %
Expected long-term return on Plan assets	7.00	7.00

The long-term rate of return on Plan assets gives consideration to returns currently being earned on Plan assets, as well as future rates expected to be earned.

Plan Assets

The Bank's defined benefit pension plan weighted-average asset allocations at December 31 by asset category are as follows:

	2024	2023
Equities	68.76 %	65.80 %
Fixed income	30.84	33.62
Cash and cash equivalents	0.40	0.58
Total	<u>100.00 %</u>	<u>100.00 %</u>

The Bank believes that the Plan's risk and liquidity position are, in large part, a function of the asset class mix. The Bank desires to utilize a portfolio mix that results in a balanced investment strategy. The target allocations are as follows: equities, 65 percent, and fixed income, 35 percent.

10. EMPLOYEE BENEFITS (Continued)

Plan Assets (Continued)

The following tables set forth, by level within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2024 and 2023:

	December 31, 2024			
	Level I	Level II	Level III	Total
Assets:				
Cash and cash equivalents	\$ 10,288	\$ -	\$ -	\$ 10,288
Mutual funds – equity:				
Large-cap value	176,651	-	-	176,651
Large-cap core	255,394	-	-	255,394
Mid-cap core	196,716	-	-	196,716
Small-cap core	203,675	-	-	203,675
International core	247,793	-	-	247,793
International value	156,259	-	-	156,259
Large-cap growth	366,794	-	-	366,794
Small/mid-cap growth	-	-	-	-
Mutual funds – fixed income:				
Fixed income – U.S. core	-	-	-	-
Intermediate duration	799,259	-	-	799,259
Common/collective trusts – equity:				
Large-cap value	-	178,834	-	178,834
Total assets at fair value	<u>\$ 2,412,829</u>	<u>\$ 178,834</u>	<u>\$ -</u>	<u>\$ 2,591,663</u>

	December 31, 2023			
	Level I	Level II	Level III	Total
Assets:				
Cash and cash equivalents	\$ 13,750	\$ -	\$ -	\$ 13,750
Mutual funds – equity:				
Large-cap value	157,566	-	-	157,566
Large-cap core	207,829	-	-	207,829
Mid-cap core	173,609	-	-	173,609
Small-cap core	183,592	-	-	183,592
International core	244,313	-	-	244,313
International value	153,082	-	-	153,082
Large-cap growth	281,209	-	-	281,209
Small/mid-cap growth	-	-	-	-
Mutual funds – fixed income:				
Fixed income – U.S. core	-	-	-	-
Intermediate duration	797,710	-	-	797,710
Common/collective trusts – equity:				
Large-cap value	-	160,652	-	160,652
Total assets at fair value	<u>\$ 2,212,660</u>	<u>\$ 160,652</u>	<u>\$ -</u>	<u>\$ 2,373,312</u>

10. EMPLOYEE BENEFITS (Continued)

Investment Securities

The fair value of investment securities is equal to the available quoted market price. If no quoted market price is available, fair value is estimated using the quoted market price for similar securities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Cash Flows

The following benefit payments that reflect expected future service, as appropriate, are expected to be paid:

	Pension Benefit
2025	\$ 65,441
2026	67,051
2027	89,651
2028	99,831
2029	100,330
2030 through 2034	530,811

The payment streams are based upon the normal form of payment, which is a monthly annuity benefit.

11. 401(k) PROFIT SHARING PLAN

The Bank sponsors a qualified Section 401(k) deferred compensation plan for all eligible employees. An annual profit-sharing contribution to the plan is determined each year by the Board of Directors. Bank contributions to the 401(k) Profit Sharing Plan are based on compensation and elected deferral amounts of the plan participants. The contributions amounted to \$91,093 and \$94,180 for 2024 and 2023, respectively.

12. SUPPLEMENTAL RETIREMENT PLANS

The Bank maintains supplemental retirement plans (SRPs). The SRPs require the Bank to make monthly payments to the affected individuals upon retirement. There was no expense recognized in 2024 and 2023. At December 31, 2024 and 2023, \$506,710 and \$449,061, respectively, have been accrued under the SRPs.

13. NON-QUALIFIED RETIREMENT PLANS

The Bank maintains non-qualified retirement plans for certain current and former officers and directors. Supplemental executive retirement plans provide additional benefit payments for eligible officers upon meeting vesting requirements that will require the Bank to make payments to the participating individuals subsequent to retirement. In addition, the Bank also maintains compensation deferral plans for officers and directors. Expenses for these non-qualified retirement plans were \$506,710 and \$449,601 for the years ended December 31, 2024 and 2023, respectively. The Bank has total accrued liabilities of \$2,533,600 and \$1,855,007 for the years ended December 31, 2024 and 2023, respectively.

14. COMMITMENTS

In the normal course of business, there are various outstanding commitments and contingent liabilities that are not reflected in the accompanying consolidated financial statements. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party.

These commitments comprised the following at December 31:

	<u>2024</u>	<u>2023</u>
Commitments to extend credit	\$ 8,950,550	\$ 9,608,696
Standby letters of credit and financial guarantees	<u>-</u>	<u>2,500</u>
Total	<u>\$ 8,950,550</u>	<u>\$ 9,611,196</u>

The instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Balance Sheets. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. The amount of collateral obtained, as deemed necessary, is based upon management's credit evaluation in compliance with the lending policy guidelines.

Since many of the credit line commitments are expected to expire without being fully drawn upon, the total contractual amounts do not necessarily represent future funding requirements.

Standby letters of credit and financial guarantees represent conditional commitments issued to guarantee performance of a customer to a third party. The coverage period for these instruments is typically a one-year period, with renewal option subject to prior approval by management. For secured letters of credit, the collateral is typically Bank deposit instruments.

As of December 31, 2024, the allowance for credit losses on unfunded commitments was \$39,165.

15. REGULATORY RESTRICTIONS

Loans

Federal law prevents the Company from borrowing from the Bank unless the loans are secured by specified collateral. Further, such secured loans are limited in amount to 10 percent of the Bank's common stock and capital surplus.

Dividend Limitation

The Bank is subject to dividend restrictions by both the Board of Governors of the Federal Reserve System and the Pennsylvania Department of Banking and Securities. Under the Board of Governors of the Federal Reserve System, the Bank is subject to a dividend restriction that generally limits the amount of dividends that can be paid by a state member bank. Nonobjection of the Board of Governors of the Federal Reserve System is required if the total of all dividends declared by a state member bank in any calendar year exceeds net profits, as defined for the year, combined with its retained net profits for the two preceding calendar years less any required transfers to surplus. The Pennsylvania Banking Code also restricts the availability of capital funds for the payment of dividends by all state-chartered banks to the surplus of the Bank. Accordingly, at December 31, 2024, the balance in the Bank's capital surplus account totaling \$3,400,000 is unavailable for dividends.

15. REGULATORY RESTRICTIONS (Continued)

Regulatory Capital Requirements

Federal regulations require the Company and Bank to maintain minimum amounts of capital. Specifically, the Company and the Bank are required to maintain certain minimum dollar amounts and ratios of total capital, common equity Tier 1 capital, and Tier 1 capital to risk-weighted assets, and Tier 1 capital to average total assets.

In addition to the capital requirements, the Federal Deposit Insurance Corporation Improvement Act (FDICIA) established five capital categories ranging from “well capitalized” to “critically undercapitalized.” Should any institution fail to meet the requirements to be considered “adequately capitalized,” it would become subject to a series of increasingly restrictive regulatory actions.

As of December 31, 2024 and 2023, the Federal Deposit Insurance Corporation categorized the Company and the Bank as well capitalized under the regulatory framework for prompt corrective action. To be classified as a well-capitalized financial institution, total risk-based, common equity Tier 1, Tier 1 risk-based, and Tier 1 leverage capital ratios must be at least 10 percent, 6.5 percent, 8 percent, and 5 percent, respectively.

The following table sets forth the Company’s capital position and minimum requirements as of December 31.

	2024			2023		
	Amount	Ratio		Amount	Ratio	
Total capital <u>(to risk-weighted assets)</u>						
Actual	\$ 26,708,280	21.36	% \$	25,874,808	20.77	%
For capital adequacy purposes	10,004,480	8.00		9,966,080	8.00	
To be well capitalized	12,505,600	10.00		12,457,600	10.00	
Common equity Tier 1 capital <u>(to risk-weighted assets)</u>						
Actual	\$ 25,252,280	20.19	% \$	24,602,808	19.75	%
For capital adequacy purposes	5,627,520	4.50		5,605,920	4.50	
To be well capitalized	8,128,640	6.50		8,097,440	6.50	
Tier 1 capital <u>(to risk-weighted assets)</u>						
Actual	\$ 25,252,280	20.19	% \$	24,602,808	19.75	%
For capital adequacy purposes	7,503,360	6.00		7,474,560	6.00	
To be well capitalized	10,004,480	8.00		9,966,080	8.00	
Tier 1 capital <u>(to average assets)</u>						
Actual	\$ 25,252,280	12.54	% \$	24,602,808	12.46	%
For capital adequacy purposes	8,052,480	4.00		7,895,560	4.00	
To be well capitalized	10,065,600	5.00		9,869,450	5.00	

15. REGULATORY RESTRICTIONS (Continued)

Regulatory Capital Requirements (Continued)

The following table sets forth the Bank's capital position and minimum requirements as of December 31.

	2024			2023	
	Amount	Ratio		Amount	Ratio
Total capital <u>(to risk-weighted assets)</u>					
Actual	\$ 23,024,734	18.41 %	\$	21,980,746	17.64 %
For capital adequacy purposes	10,004,480	8.00		9,966,080	8.00
To be well capitalized	12,505,600	8.00		12,457,600	10.00
Common equity Tier 1 capital <u>(to risk-weighted assets)</u>					
Actual	\$ 21,568,734	17.50 %	\$	20,708,746	16.62 %
For capital adequacy purposes	5,627,520	4.50		5,605,920	4.50
To be well capitalized	8,128,640	6.50		8,097,440	6.50
Tier 1 capital <u>(to risk-weighted assets)</u>					
Actual	\$ 21,568,734	17.25 %	\$	20,708,746	16.62 %
For capital adequacy purposes	7,503,360	6.00		7,474,560	6.00
To be well capitalized	10,004,480	8.00		9,966,080	8.00
Tier 1 capital <u>(to average assets)</u>					
Actual	\$ 21,568,734	10.75 %	\$	20,708,746	10.50 %
For capital adequacy purposes	8,023,840	4.00		7,887,560	4.00
To be well capitalized	10,029,800	5.00		9,859,450	5.00

16. FAIR VALUE MEASUREMENTS

The following disclosures show the hierarchal disclosure framework associated with the level of pricing observations utilized in measuring assets and liabilities at fair value. The three broad levels defined by U.S. generally accepted accounting principles are as follows:

- Level I: Quoted prices are available in active markets for identical assets or liabilities as of the reported date.
- Level II: Pricing inputs are other than the quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities includes items for which quoted prices are available but traded less frequently and items that are fair valued using other financial instruments, the parameters of which can be directly observed.
- Level III: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the use of observable market data, when available.

The following tables present the assets reported on the Consolidated Balance Sheets at their fair value as of December 31, 2024 and 2023, by level within the fair value hierarchy. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

		December 31, 2024			
		Level I	Level II	Level III	Total
Assets measured on a recurring basis:					
U.S. government agency securities	\$	-	\$ 1,635,261	\$ -	\$ 1,635,261
Obligations of states and political subdivisions		-	9,382,756	-	9,382,756
Mortgage-backed securities:					
Government-sponsored entities		-	199,062	-	199,062
Total	\$	<u>-</u>	<u>\$ 11,217,079</u>	<u>\$ -</u>	<u>\$ 11,217,079</u>
		December 31, 2023			
		Level I	Level II	Level III	Total
Assets measured on a recurring basis:					
U.S. government agency securities	\$	-	\$ 2,091,688	\$ -	\$ 2,091,688
Obligations of states and political subdivisions		-	10,545,869	-	10,545,869
Corporate securities					
Mortgage-backed securities:					
Government-sponsored entities		-	243,099	-	243,099
Total	\$	<u>-</u>	<u>\$ 12,880,656</u>	<u>\$ -</u>	<u>\$ 12,880,656</u>

There were no assets measured on a nonrecurring basis at December 31, 2024 and 2023.

17. FAIR VALUE DISCLOSURE OF FINANCIAL INSTRUMENTS

The fair value of the Bank's financial instruments not recorded at fair value on a recurring basis is as follows:

December 31, 2024					
	Carrying Value	Level I	Level II	Level III	Fair Value
Financial assets:					
Net loans	\$ 173,366,084	\$ -	\$ -	\$ 164,492,182	\$ 164,492,182
Financial liabilities:					
Deposits	\$ 140,097,252	\$ 124,249,321	\$ -	\$ 15,677,398	\$ 139,926,719
December 31, 2023					
	Carrying Value	Level I	Level II	Level III	Fair Value
Financial assets:					
Net loans	\$ 170,613,826	\$ -	\$ -	\$ 156,725,838	\$ 156,725,838
Financial liabilities:					
Deposits	\$ 145,025,036	\$ 134,476,865	\$ -	\$ 10,255,214	\$ 144,732,079

For cash and cash equivalents, restricted stock, bank-owned life insurance, accrued interest receivable, short-term borrowings, and accrued interest payable, the carrying value is a reasonable estimate of fair value, and considered a Level I measurement.

18. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the changes in accumulated other comprehensive income (loss) by component net of tax for the years ended December 31, 2024 and 2023:

	Unrealized Gains (Losses) on Available-for-Sale Securities		Unrecognized Pension Costs	Total
Balance as of December 31, 2022	\$	(1,031,635)	\$ (873,516)	\$ (1,905,151)
Other comprehensive income before reclassification		383,650	70,882	454,532
Amount reclassified from accumulated other comprehensive income (loss)		-	86,982	86,982
Balance as of December 31, 2023		(647,985)	(715,652)	(1,363,637)
Other comprehensive (loss) income before reclassification		(138,560)	82,028	(56,532)
Amount reclassified from accumulated other comprehensive income (loss)		-	68,502	68,502
Balance as of December 31, 2024	\$	<u>(786,545)</u>	\$ <u>(565,122)</u>	\$ <u>(1,351,667)</u>

18. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (Continued)

The following tables present significant amounts reclassified out of each component of accumulated other comprehensive income (loss) for the years ended December 31, 2024 and 2023:

	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)	Affected Line Item in the Consolidated Statements of Income
December 31, 2024		
Unrecognized pension costs	\$ 86,712	Other noninterest expense
	(18,210)	Income tax expense
	<u>\$ 68,502</u>	Net of tax
December 31, 2023		
Unrecognized pension costs	\$ 110,104	Other noninterest expense
	(23,122)	Income tax expense
	<u>\$ 86,982</u>	Net of tax

19. LEASES

The Bank leases one office location under an operating lease. Several assumptions and judgments were made when applying the requirements of Topic 842 to the Bank's existing lease commitments, including the allocation of consideration in the contracts between lease and nonlease components, determination of the lease term, and determination of the discount rate used in calculating the present value of the lease payments.

The lease cost associated with the operating leases for the year ended December 31, 2024 and 2023, amounted to \$32,400 and \$28,800. The right-of-use asset associated with operating leases amounted to \$121,468 and \$146,016 at December 31, 2024 and 2023. The lease liability associated with operating leases amounted to \$121,468 and \$146,016 at December 31, 2024 and 2023.

Management considers the Bank's historical pattern of exercising renewal options on leases and the positive performance of the leased locations, when determining whether it is reasonably certain that the leases will be renewed. If management concludes that there is reasonable certainty about the renewal option, it is included in the calculation of the remaining term of each applicable lease. The discount rate utilized in calculating the present value of the remaining lease payments for each lease was the Federal Home Loan Bank of Pittsburgh advance rate corresponding to the original maturity of the lease. The following table presents the remaining lease term and discount rate for the leases outstanding at December 31, 2024.

	<u>Operating</u>
Remaining term	48 months
Discount Rate	4.17%
Undiscounted cash flows due in:	<u>Operating</u>
2025	32,400
2026	32,400
2027	32,400
2028	<u>32,400</u>
Total undiscounted cash flows	129,600
Discount on cash flows	<u>(8,132)</u>
Total lease liability	<u>\$ 121,468</u>

20. SUBSEQUENT EVENTS

The Company assessed events occurring subsequent to December 31, 2024, through March 4, 2025, for potential recognition and disclosure in the consolidated financial statements. No events have occurred that would require adjustment to or disclosure in the consolidated financial statements that were issued March 4, 2025.



Locations

Main Office

201 North Warren Avenue
Apollo, PA 15613

Second Street Drive Thru

312 North Second Street
Apollo, PA 15613

Allegheny Township Office

501 Hyde Park Road
Leechburg, PA 15656

North Apollo Office

2113 River Road
North Apollo, PA 15673

North Washington Office

697 Sportsman Drive
Apollo, PA 15613

Spring Church Office

1696 State Route 56
Spring Church, PA 15686

Loan Office

1250 Freeport Road
Pittsburgh, PA 15238

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Apollo Bancorp, Inc. common stock is traded
Over-the-Counter on OTC Pink under the symbol APLO.
Recent trades and current bid-ask prices may be viewed at:

otcm Markets.com

Apollo Bancorp, Inc. also serves as its own stock transfer agent.



APOLLO BANCORP, INC.