OAKWORTH CAPITAL, INC.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2024

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MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Oakworth Capital, Inc.
Birmingham, Alabama

Opinion on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated financial statements of **Oakworth Capital, Inc. and Subsidiary**, 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 consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Oakworth Capital, Inc. and Subsidiary as of December 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We also have audited Oakworth Capital, Inc. and Subsidiary's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the Instructions for Preparation of Consolidated Reports of Condition and Income (Form FFIEC 051), as of December 31, 2024, based on criteria established in the *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, Oakworth Capital, Inc. and Subsidiaries 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 the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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 and Internal Control over Financial Reporting section of our report. We are required to be independent of Oakworth Capital, Inc. and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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, included in the accompanying Management's Report on Internal Control.

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

Auditor's Responsibilities for the Audit of the Financial Statements and Internal Control over Financial Reporting

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and about whether effective internal control over financial reporting was maintained in all material respects, and to issue an auditor's report that includes our opinions.

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 generally accepted auditing standards will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Definition and Inherent Limitations of Internal Control over Financial Reporting

A 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 preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. 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 Oakworth Capital, Inc. and Subsidiary's internal control over financial reporting included controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and controls over the preparation of schedules equivalent to basic financial statements in accordance with the Federal Financial Institutions Examination Council Instructions for Consolidated Reports of Condition and Income (call report instructions). A 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 entity; (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 that receipts and expenditures of the company 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 assessment 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.

Mauldin & Jenkins, LLC

Birmingham, Alabama
March 17, 2025

OAKWORTH CAPITAL, INC.
AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2024 AND 2023

Assets	2024	2023
Cash and due from banks	**$ 12,406,081**	$ 10,143,444
Interest-bearing deposits in banks	**112,610,297**	148,424,905
Federal funds sold	**950,469**	3,925,469
Securities available-for-sale (amortized cost $171,686,979 and $155,461,307)	**158,884,819**	143,947,103
Restricted equity securities	**1,123,200**	935,000
Loans	**1,455,237,795**	1,244,132,827
Less allowance for credit losses	**16,330,152**	14,651,700
Loans, net	**1,438,907,643**	1,229,481,127
Premises and equipment	**4,420,230**	4,681,027
Accrued interest receivable	**6,677,830**	6,283,803
Bank-owned life insurance	**19,717,316**	19,122,056
Right-of-use asset	**11,884,870**	13,361,495
Other assets	**21,358,302**	15,087,471
Total assets	**$ 1,788,941,057**	$ 1,595,392,900

Liabilities and Stockholders' Equity	2024	2023
Liabilities:		
Deposits:		
Noninterest-bearing	**$ 274,872,005**	$ 320,151,168
Interest-bearing	**1,321,864,035**	1,103,362,003
Total deposits	**1,596,736,040**	1,423,513,171
Accrued interest payable	**1,148,561**	1,070,257
Subordinated note	**34,295,625**	34,203,750
Other borrowings	**5,000,000**	-
Lease liability	**12,400,795**	13,627,676
Other liabilities	**14,563,681**	12,725,899
Total liabilities	**1,664,144,702**	1,485,140,753
Commitments and contingencies		
Stockholders' equity:		
Common stock, $5 par value, 10,000,000 shares authorized; 4,977,802 and 4,912,579 shares issued and 4,903,304 and 4,875,498 shares outstanding at December 31, 2024 and 2023, respectively	**24,889,010**	24,562,895
Capital surplus	**39,620,870**	37,079,939
Retained earnings	**71,792,871**	58,249,921
Accumulated other comprehensive loss	**(9,456,316)**	(8,504,967)
Treasury stock, 18,900 and 3,913 shares at cost, respectively	**(572,429)**	(119,003)
Unvested restricted stock	**(1,477,651)**	(1,016,638)
Total stockholders' equity	**124,796,355**	110,252,147
Total liabilities and stockholders' equity	**$ 1,788,941,057**	$ 1,595,392,900

See Notes to Consolidated Financial Statements.

OAKWORTH CAPITAL, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Interest income:		
Loans, including fees	**$ 96,123,641**	$ 73,583,096
Taxable securities	**3,472,136**	2,486,607
Non-taxable securities	**1,299,776**	1,137,820
Federal funds sold and interest-bearing deposits in banks	**4,174,486**	4,970,947
Total interest income	**105,070,039**	82,178,470
Interest expense:		
Deposits	**46,720,759**	32,489,569
Other borrowings	**3,648,275**	4,025,185
Total interest expense	**50,369,034**	36,514,754
Net interest income	**54,701,005**	45,663,716
Provision for credit losses	**2,922,155**	12,674,745
Net interest income after provision for credit losses	**51,778,850**	32,988,971
Other income:		
Service charges on deposit accounts	**1,246,210**	974,869
Wealth management and trust service fees	**12,596,116**	10,794,151
Other operating income	**2,283,065**	2,395,516
Total other income	**16,125,391**	14,164,536
Other expenses:		
Salaries and employee benefits	**31,145,307**	27,568,166
Equipment and occupancy expenses	**3,121,942**	2,640,159
Technology and processing expenses	**5,030,633**	4,177,016
Other operating expenses	**7,878,005**	6,864,803
Total other expenses	**47,175,887**	41,250,144
Income before income taxes	**20,728,354**	5,903,363
Income tax expense	**4,954,033**	1,228,493
Net income	**$ 15,774,321**	$ 4,674,870
Basic earnings per share	**$ 3.19**	$ 0.96
Diluted earnings per share	**$ 3.19**	$ 0.96

See Notes to Consolidated Financial Statements.

OAKWORTH CAPITAL, INC.
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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Net income	**$ 15,774,321**	$ 4,674,870
Other comprehensive (loss) income:		
Unrealized holding (losses) gains on securities available for sale arising during the period, net of (benefit) tax of $(336,607) and $794,571, respectively	**(951,349)**	2,245,684
Other comprehensive (loss) income	**(951,349)**	2,245,684
Comprehensive income	**$ 14,822,972**	$ 6,920,554

See Notes to Consolidated Financial Statements.

OAKWORTH CAPITAL, INC.
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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2024 AND 2023

	Common Stock		Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Unvested Restricted Stock	Total Stockholders' Equity
	Shares	Par Value						
Balance, December 31, 2022	4,874,140	$ 24,370,700	$ 34,956,919	$ 55,783,659	$ (10,750,651)	$ (468,996)	$ (133,611)	$ 103,758,020
Net income	-	-	-	4,674,870	-	-	-	4,674,870
Dividends declared	-	-	-	(2,208,608)	-	-	-	(2,208,608)
Exercise of stock options	6,600	33,000	104,544	-	-	-	-	137,544
Exercise of stock options - exchange	2,076	10,380	(10,320)	-	-	-	-	60
Stock-based compensation	-	-	1,416,120	-	-	-	-	1,416,120
Issuance of restricted stock	31,791	158,955	1,002,358	-	-	-	(1,161,313)	-
Forfeiture of restricted stock	(2,028)	(10,140)	(63,196)	-	-	-	73,336	-
Restricted stock compensation	-	-	-	-	-	-	204,950	204,950
Issuance of treasury stock	-	-	(326,486)	-	-	680,328	-	353,842
Purchase of treasury stock	-	-	-	-	-	(330,335)	-	(330,335)
Other comprehensive income	-	-	-	-	2,245,684	-	-	2,245,684
Balance, December 31, 2023	4,912,579	24,562,895	37,079,939	58,249,921	(8,504,967)	(119,003)	(1,016,638)	110,252,147
Net income	-	-	-	15,774,321	-	-	-	15,774,321
Dividends declared	-	-	-	(2,231,371)	-	-	-	(2,231,371)
Exercise of stock options	31,751	158,755	552,346	-	-	-	-	711,101
Exercise of stock options - exchange	4,481	22,405	(22,227)	-	-	-	-	178
Stock-based compensation	-	-	1,292,633	-	-	-	-	1,292,633
Issuance of restricted stock	31,287	156,435	783,918	-	-	-	(940,353)	-
Forfeiture of restricted stock	(2,296)	(11,480)	(65,739)	-	-	-	77,219	-
Restricted stock compensation	-	-	-	-	-	-	402,121	402,121
Purchase of treasury stock	-	-	-	-	-	(453,426)	-	(453,426)
Other comprehensive loss	-	-	-	-	(951,349)	-	-	(951,349)
Balance, December 31, 2024	4,977,802	$ 24,889,010	$ 39,620,870	$ 71,792,871	$ (9,456,316)	$ (572,429)	$ (1,477,651)	$ 124,796,355

See Notes to Consolidated Financial Statements.

OAKWORTH CAPITAL, INC.
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CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
OPERATING ACTIVITIES		
Net income	**$ 15,774,321**	$ 4,674,870
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and software amortization	**987,608**	810,546
Net amortization and accretion of bond premiums and discounts	**215,821**	191,248
Amortization of low-income housing tax credit investment	**-**	237,823
Provision for credit losses	**2,922,155**	12,674,745
Stock-based compensation	**1,292,633**	1,416,120
Restricted stock compensation	**402,121**	204,950
Increase in interest receivable	**(394,027)**	(2,020,731)
Increase in interest payable	**78,304**	230,150
Amortization of debt issuance costs	**91,875**	91,875
Increase (decrease) in income tax payable	**2,834,800**	(2,525,900)
Deferred income taxes	**(920,802)**	(1,364,550)
Increase in cash surrender value of life insurance contracts	**(595,260)**	(501,651)
Net other operating activities	**(1,211,602)**	4,691,689
Net cash provided by operating activities	**21,477,947**	18,811,184
INVESTING ACTIVITIES		
Net decrease in interest-bearing deposits in banks	**35,814,608**	29,693,646
Net decrease in federal funds sold	**2,975,000**	549,972
Purchase of securities available for sale	**(39,772,356)**	(20,045,150)
Proceeds from maturities, calls and paydowns of securities available for sale	**23,330,863**	10,996,771
Net purchase of restricted equity securities	**(188,200)**	(331,900)
Net increase in loans	**(216,957,279)**	(279,450,056)
Purchase of premises, equipment and software	**(690,060)**	(2,499,734)
Net cash used in investing activities	**(195,487,424)**	(261,086,451)
FINANCING ACTIVITIES		
Net increase in deposits	**173,222,869**	245,910,791
Proceeds from other borrowings	**5,000,000**	-
Exercise of stock options	**711,279**	137,604
Issuance of treasury stock	**-**	353,842
Purchase of treasury stock	**(453,426)**	(330,335)
Dividends paid	**(2,208,608)**	(2,185,980)
Net cash provided by financing activities	**176,272,114**	243,885,922
Net increase in cash and due from banks	**2,262,637**	1,610,655
Cash and due from banks at beginning of year	**10,143,444**	8,532,789
Cash and due from banks at end of year	**$ 12,406,081**	$ 10,143,444
SUPPLEMENTAL DISCLOSURE		
Cash paid during the year for:		
Interest	**$ 50,290,730**	$ 36,284,604
Income taxes	**$ 3,811,493**	$ 5,219,364
OTHER NONCASH TRANSACTIONS		
Transfer of loans to other real estate owned	**$ 5,372,423**	$ -

See Notes to Consolidated Financial Statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Oakworth Capital, Inc. (the "Company") is a bank holding company whose business is conducted by its wholly-owned subsidiary, Oakworth Capital Bank (the "Bank"). The Bank is a commercial bank headquartered in Birmingham, Jefferson County, Alabama. The Bank also maintains full-service branch and trust offices in Mobile, Alabama, the metropolitan area of Nashville, Tennessee, and in Charlotte, North Carolina. The Bank provides a full range of banking services in its primary market areas of Jefferson and Mobile Counties, Alabama, Davidson and Williamson Counties, Tennessee, and Mecklenburg County, North Carolina, as well as the surrounding areas.

Basis of Presentation and Accounting Estimates

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. Significant intercompany transactions and balances have been eliminated in consolidation.

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, the valuation of deferred taxes, credit losses on securities, and the fair value of financial instruments.

The determination of the adequacy of the allowance for credit losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions.

The Company's loans are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Company has a diversified loan portfolio, a substantial portion of its borrowers' ability to honor their contracts is dependent on local economic conditions.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Company to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Cash, Due From Banks and Cash Flows

For purposes of reporting cash flows, cash and due from banks includes cash on hand, cash items in process of collection, and amounts due from banks. Cash flows from interest-bearing deposits in banks, restricted equity securities, loans, federal funds sold, and deposits are reported net.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Securities

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

A debt security is placed on nonaccrual status at the time any principal or interest payments become more than 90 days delinquent or if full collection of interest or principal becomes uncertain. Accrued interest for a security placed on nonaccrual is reversed against interest income. There was no accrued interest related to debt securities reversed against interest income for the years ended December 31, 2024 and 2023.

The Company evaluates available-for-sale securities in an unrealized loss position to determine if credit-related losses exist. The Company first evaluates whether it intends to sell or more likely than not will be required to sell a security with losses security before recovering 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. If neither of the above criteria is met, the Company evaluates whether the decline in fair value is attributable to credit losses or resulted from other factors. If credit-related losses exist, the Company recognizes an allowance for credit losses, limited to the amount by which the fair value is less than the amortized cost basis. Any loss that has not been recorded through an allowance for credit losses is recognized in other comprehensive income (loss), net of tax. Accrued interest receivable on available-for-sale debt securities totaled $1,037,977 and $886,973 at December 31, 2024 and December 31, 2023, respectively, and was reported in accrued interest receivable on the consolidated balance sheets and is excluded from the estimate of credit losses.

Restricted Equity Securities

The Company, as a member of the Federal Home Loan Bank (FHLB) system, is required to maintain an investment in capital stock of the FHLB based upon its assets or outstanding advances. The stock is carried at cost as no readily available market exists. Management reviews for impairment based on the ultimate recoverability of the cost basis in this stock.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal balances less deferred fees and costs on originated loans and the allowance for credit losses. Interest income is accrued on the outstanding principal balance. Loan origination fees, net of certain direct origination costs, of consumer and installment loans are recognized at the time the loan is placed on the books. Loan origination fees for all other loans are deferred and recognized as an adjustment of the related loan yield over the life of the loan, using the straight-line method without anticipating prepayments.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans (continued)

The accrual of interest on loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due, or at the time the loan is 90 days past due, unless the loan is well-secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal and interest is considered doubtful. All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income, unless management believes that the accrued interest is recoverable through the liquidation of collateral. Interest income on nonaccrual loans is recognized on the cash basis, until the loans are returned to accrual status. Loans are returned to accrual status when all the principal and interest amounts are brought current and the loan has been performing according to the contractual terms generally for a period of not less than six months.

Allowance for Credit Losses – Loans

As described below under Recently Adopted Accounting Standards, the Company adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* effective January 1, 2023, which uses the current expected credit loss (CECL) model to determine the allowance for credit losses (ACL).

The CECL methodology recognizes lifetime expected credit losses immediately when a loan is originated or purchased. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of loans, excluding interest receivable, to present the net amount expected to be collected on the loans. Loans, or portions thereof, are charged off against the allowance when they are deemed uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, credit quality, or term, as well as for changes in macroeconomic conditions, such as changes in unemployment rates, property values or other relevant factors.

The allowance for credit losses is comprised of reserves measured on a collective (pool) basis based on a lifetime loss-rate model when similar risk characteristics exist. For purposes of determining the pool-basis reserve, representing all loans not assigned an individual reserve, loans are segregated by portfolio segment, then by class, to recognize differing risk profiles. Each class is assigned a historical loss rate. These historical loss rates are then modified to incorporate a reasonable and supportable forecast of future losses at the loan class level, as well as any necessary qualitative adjustments. These modified historical loss rates are multiplied by the outstanding principal balance of each loan to calculate a required reserve. The qualitative adjustments are utilized to address factors that are not present in historical loss rates and are otherwise unaccounted for in the quantitative process. Even though portions of the allowance may be allocated to specific loans, the entire allowance is available for any credit that, in management's judgment, should be charged off.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses - Loans (continued)

The following describe risk characteristics relevant to each of the portfolio segments and classes:

Real Estate - As discussed below, the Company offers various types of real estate loan products. All loans within this portfolio segment are particularly sensitive to the valuation of real estate:

- Loans for real estate construction and land development are repaid through cash flow related to the operations, sale or refinance of the underlying property. This portfolio class includes extensions of credit to real estate developers or investors where repayment is dependent on the sale of the real estate or income generated from the real estate collateral.

- 1-4 family first mortgage loans are repaid by various means such as a borrower's income, sale of the property, or rental income derived from the property.

- Commercial real estate mortgage loans include both owner-occupied commercial real estate loans and other commercial real estate loans such as commercial loans secured by income producing properties. Owner-occupied commercial real estate loans made to operating businesses are long-term financing of land and buildings and are repaid by cash flows generated from business operations. Real estate loans for income-producing properties such as apartment buildings, office and industrial buildings, and retail shopping centers are repaid from rent income derived from the properties.

- Other real estate mortgage loans include real estate loans secured by farmland, second liens, or multifamily residential properties. These are repaid by various means such as a borrower's income, sale of the property, or rental income derived from the property.

Commercial - The commercial loan portfolio segment includes commercial and financial loans. These loans include loans to commercial clients for use in normal business operations to finance working capital needs, equipment purchases, or expansion projects. Loans are repaid by business cash flows. Collection risk in this portfolio is driven by the creditworthiness of the underlying borrower, particularly cash flows from the clients' business operations.

Consumer - The consumer loan portfolio segment includes direct consumer installment loans and other revolving credit loans, overdrafts, automobile loans, and open end real estate loans, such as home equity lines. Loans in this portfolio are sensitive to unemployment and other key consumer economic measures.

In the event that collection of principal becomes uncertain, the Company has policies in place to reverse accrued interest in a timely manner. Therefore, the Company has made a policy election to exclude accrued interest from the measurement of ACL. Accrued interest receivable on loans is reported in accrued interest receivable on the consolidated balance sheets and totaled $5,639,853 and $5,396,830 at December 31, 2024 and 2023, respectively.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals and modifications unless the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses - Loans (continued)

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the difference between the fair value of the collateral and the amortized cost basis of the asset as of the measurement date. Fair value is generally calculated based on the value of the underlying collateral less estimated selling costs.

Off-Balance Sheet Credit Exposure

The Company also has off-balance sheet financial instruments, which include unfunded loan commitments and letters of credit. The Company minimizes these risks through underwriting guidelines and prudent risk management techniques. For off-balance sheet instruments, the allowance for credit losses is calculated in accordance with Topic 326*,* representing expected credit losses over the contractual period for which the Company is exposed to credit risk resulting from a contractual obligation to extend credit. No allowance is recognized if the Company has the unconditional right to cancel the obligation. The allowance is reported as a component of other liabilities within the consolidated balance sheets. Adjustments to the allowance for credit losses for unfunded commitments are reported in the income statement as a component of provision for credit losses. At December 31, 2024, $763,815 in allowance for credit losses has been recognized on off-balance sheet financial instruments reported in other liabilities on the consolidated balance sheets.

Other Real Estate Owned

Other real estate owned and other assets acquired through or in lieu of loan foreclosure are held for sale and are initially recorded at fair value less estimated costs to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less estimated costs to sell. Revenue and expenses from operations and changes in the valuation allowance are included in other noninterest income or other noninterest expenses on the accompanying consolidated statements of income. Other real estate owned is reported in other assets on the consolidated balance sheets and totaled $5,372,423 and $0 at December 31, 2024 and 2023, respectively. The other real estate owned at December 31, 2024, is one property and is not classified as residential real estate.

Premises and Equipment

Premises including leasehold improvements and equipment are carried at cost less accumulated depreciation. Depreciation is computed principally on the straight-line method over the estimated useful lives of the assets which range from 3-10 years for furniture, fixtures and equipment and 15-40 years for buildings. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations.

Leases

Leases are classified as operating or finance leases at the lease commencement date. The Company leases certain locations and equipment. The Company records leases on the balance sheet in the form of a lease liability for the present value of future minimum payments under the lease terms and a right-of-use asset equal to the lease liability adjusted for items such as deferred or prepaid rent, lease incentives, and any impairment of the right-of-use asset. The discount rate used in determining the lease liability is based upon incremental borrowing rates the Company could obtain for similar loans as of the date of commencement or renewal. The Company does not record leases on the consolidated balance sheets that are classified as short term (less than one year).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

At lease inception, the Company determines the lease term by considering the minimum lease term and all optional renewal periods that the Company is reasonably certain to renew. The lease term is also used to calculate straight-line rent expense. The depreciable life of leasehold improvements is limited by the estimated lease term, including renewals if they are reasonably certain to be renewed. The Company's leases do not contain residual value guarantees or material variable lease payments that will impact the Company's ability to pay dividends or cause the Company to incur additional expenses.

Operating lease expense consists of a single lease cost allocated over the remaining lease term on a straight-line basis, variable lease payments not included in the lease liability, and any impairment of the right-of-use asset. Rent expense and variable lease expense are included in occupancy and equipment expense on the Company's consolidated statements of income. The Company's variable lease expense include rent escalators that are based on market conditions and include items such as common area maintenance, utilities, parking, property taxes, insurance and other costs associated with the lease. The amortization of the right-of-use asset arising from finance leases is expensed thru occupancy and equipment expense and the interest on the related lease liability is expensed thru interest expense on borrowings on the Company's consolidated statements of income.

The Company has elected to treat property leases that include both lease and non-lease components as a single component and account for it as a lease.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company - put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Derivative Instruments

All derivative instruments are recorded on the balance sheet at their respective fair values. The accounting for changes in fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and if so, on the reason for holding it. If the derivative instrument is not designated as a hedge, the gain or loss on the derivative instrument is recognized in earnings in the period of change. None of the derivative instruments utilized by the Company have been designated as a hedge. All derivative assets and liabilities are accounted for as trading assets or trading liabilities.

Income Taxes

Income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term "more likely than not" means a likelihood of more than 50 percent; the terms "examined" and "upon examination" also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets may be reduced by deferred tax liabilities and a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Treasury Stock

The Company's acquisition of shares of its common stock is recorded at cost as treasury stock and results in a reduction of stockholders' equity. When treasury shares are reissued, the Company uses a weighted average cost method and any difference in repurchase cost and reissuance price is recorded as an increase or reduction in capital surplus.

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing income available to common shareholders by the weighted-average number of shares of common stock outstanding for the period. Diluted EPS reflects the potential dilution that could occur if dilutive stock options were exercised and resulted in the issuance of common stock. Unvested share-based payment awards, which include the right to receive non-forfeitable dividends, are considered participating securities and therefore considered to be outstanding in the computation of earnings per share. For the years ended December 31, 2024 and 2023, earnings per share is calculated using the two class method, under which calculations (1) exclude from the numerator any dividends paid or owed on participating securities and any undistributed earnings considered to be attributable to participating securities and (2) exclude from the denominator the dilutive impact of the participating securities.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Earnings Per Share (Continued)

A reconciliation of the numerators and denominators of the earnings per common share and earnings per common share assuming dilution computations are presented below.

	Years Ended December 31,	
	2024	2023
Basic Earnings Per Share:		
Net income	**$ 15,774,321**	$ 4,674,870
Earnings allocated to participating securities	**(171,854)**	(25,071)
Net income allocated to common shareholders - basic	**$ 15,602,467**	$ 4,649,799
Weighted average common shares outstanding	**4,884,197**	4,859,818
Basic earnings per share	**$ 3.19**	$ 0.96
Diluted Earnings Per Share:		
Net income allocated to common shareholders	**$ 15,602,467**	$ 4,649,799
Earnings allocated to participating securities	**-**	-
Net income allocated to common shareholders - diluted	**15,602,467**	4,649,799
Weighted average common shares outstanding	**4,884,197**	4,859,818
Net dilutive effect of:		
Assumed exercises of potential common shares	**-**	-
Average shares and dilutive potential common shares	**4,884,197**	4,859,818
Diluted earnings per share	**$ 3.19**	$ 0.96

Stock Compensation Plans

At December 31, 2024 and 2023, the Company had options and warrants outstanding under two stock-based compensation plans (2011 Plan and 2016 Plan), and restricted stock outstanding under the previously mentioned 2016 Plan, which are all described in more detail in Note 8. The plans have been accounted for under the accounting guidance (FASB ASC 718, *Compensation - Stock Compensation*) which requires that the compensation cost relating to share-based payment transactions be recognized in the financial statements. That cost is measured based on the grant date fair value of the equity or liability instruments issued. The stock compensation accounting guidance covers a wide range of share-based compensation arrangements including stock options and warrants, restricted stock plans, performance-based awards, share appreciation rights, and employee share purchase plans.

The stock compensation accounting guidance requires that compensation cost for all stock awards be calculated and recognized over the employees' service period, generally defined as the vesting period. For awards with graded-vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. A Black-Scholes model is used to estimate the fair value of stock options, while the estimated market price of the Company's common stock at the date of grant is used for restricted stock awards and stock grants.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from Contracts with Clients

The Company adopted Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers (ASC 606)*, which provides guidance for reporting revenue from the Company's contracts to provide goods or services to clients. The guidance requires recognition of revenue to depict the transfer of goods or services to clients 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 excluded from the scope of ASC 606, including revenue generated from financial instruments, such as securities, loans and income from bank owned life insurance contracts. Revenue-generating transactions that are within the scope of ASC 606, classified within other income, are described as follows:

Service Charges on Deposit Accounts – represent service fees for monthly activity and maintenance on client accounts. Attributes can be transaction-based, item-based or time-based. Revenue is recognized when the Company's performance obligation is completed, which is generally monthly for maintenance services or when a transaction is processed. Payments for such performance obligations are generally received at the time the performance obligations are satisfied.

Wealth Management and Trust Service Fees – represents non-interest income generated from recurring fee-based investment management and fiduciary services. Wealth management and trust service fees are based on an agreed upon percentage of account market value that fluctuates with contributions, distributions, and asset pricing. Revenue is typically realized on a monthly basis for services rendered the previous month. In addition to the Company's primary fee-based revenue, income may also include one-time consulting and fiduciary service fees.

Bank Card Fees – bank card related fees primarily include interchange income from client use of consumer and business debit cards. Interchange income is a fee paid by a merchant bank to the card-issuing bank through the interchange network. Interchange fees are set by the credit card associations and are based on cardholder purchase volumes. The Company records interchange income as transactions occur. This income is included in other operating income on the consolidated statements of income.

Other operating income primarily includes both transaction-based fees and account maintenance fees. Transaction-based fees are recognized at the time the transaction is executed as that is the point in time the Company fulfills the client's request. Other account maintenance fees are recognized over time, usually on a monthly basis, as the Company's performance obligation for services is satisfied.

Comprehensive Income (Loss)

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

Fair values of financial instruments are estimates using relevant market information and other assumptions, as more fully disclosed in Note 14. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect the estimates.

Assets Under Management

Property and funds held by the Company in a fiduciary or other capacity for the benefit of its clients are not included in the accompanying consolidated financial statements since such items are not assets of the Company. Income earned from fees charged against assets under management, including money management services, is recognized in the Company's consolidated statements of income.

Recently Adopted Accounting Standards

On January 1, 2023, the Company adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures.

In addition, for available-for-sale debt securities, this methodology replaces the other-than-temporary impairment model and requires the recognition of an allowance for reductions in a security's fair value attributable to declines in credit quality, instead of a direct write-down of the security when a valuation decline is determined to be other-than-temporary. There was no financial impact related to this implementation.

ASU No. 2022-02 – *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures* ("ASU 2022-02"). ASU 2022-02 eliminates the troubled debt restructuring (TDR) measurement and recognition guidance and requires that entities evaluate whether the modification represents a new loan or a continuation of an existing loan consistent with the accounting for other loan modifications. Additional disclosures relating to modifications to borrowers experiencing financial difficulty are required under ASU 2022-02. The Company adopted this ASU effective January 1, 2023 on a prospective basis.

Subsequent Event

The Company has evaluated all transactions, events, and circumstances for consideration or disclosure through March 17, 2025, the date these financial statements were available to be issued, and has reflected or disclosed those items within the consolidated financial statements and related footnotes as deemed appropriate.

NOTE 2. SECURITIES

The amortized cost and fair value of securities available-for-sale with gross unrealized gains and losses at December 31, 2024 and 2023 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Securities Available-for-Sale					
December 31, 2024:					
U.S. Treasury securities	**$ 16,951,788**	**$ -**	**$ (591,189)**	**$ -**	**$ 16,360,599**
U.S. Government-sponsored enterprises (GSEs)	**8,861,155**	**10,270**	**(183,274)**	**-**	**8,688,151**
Mortgage-backed GSE securities	**70,029,268**	**9,206**	**(3,713,993)**	**-**	**66,324,481**
State and municipal securities	**75,844,768**	**107,774**	**(8,440,954)**	**-**	**67,511,588**
Total available-for-sale	**$ 171,686,979**	**$ 127,250**	**$ (12,929,410)**	**$ -**	**$ 158,884,819**
Securities Available-for-Sale					
December 31, 2023:					
U.S. Treasury securities	$ 30,882,910	$ -	$ (1,345,176)	$ -	$ 29,537,734
U.S. Government-sponsored enterprises (GSEs)	2,555,933	25,767	(51,302)	-	2,530,398
Mortgage-backed GSE securities	46,870,138	36,610	(3,199,063)	-	43,707,685
State and municipal securities	75,152,326	330,127	(7,311,167)	-	68,171,286
Total available-for-sale	$ 155,461,307	$ 392,504	$ (11,906,708)	$ -	$ 143,947,103

The amortized cost and fair value of securities available-for-sale as of December 31, 2024 by contractual maturity are shown below. Actual maturities may differ from contractual maturities in mortgage-backed securities because the mortgages underlying the securities may be called or repaid with or without penalty. Therefore, these securities are not included in the maturity categories in the following summary:

	Securities Available-for-Sale	
	Amortized Cost	Fair Value
Due in less than one year	$ 7,283,402	$ 7,191,869
Due from one to five years	20,349,841	19,456,981
Due from five to ten years	22,948,019	20,658,592
Due after ten years	51,076,449	45,252,896
Mortgage-backed securities	70,029,268	66,324,481
	$ 171,686,979	$ 158,884,819

NOTE 2. SECURITIES (Continued)

The Company did not sell any securities during the years ended December 31, 2024 and 2023.

Securities with an approximate carrying value of $2,575,000 and $1,650,000 at December 31, 2024 and 2023, respectively, were pledged to secure certain derivative instruments or for other purposes required or permitted by law.

The following tables summarizes the gross unrealized losses and fair value of the Company's investments for which an ACL has not been recorded, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2024 and 2023.

	Less Than Twelve Months		Twelve Months or More		
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Total Unrealized Losses
December 31, 2024:					
U.S. Treasury securities	**$ -**	**$ -**	**$ (591,189)**	**$ 16,360,599**	**$ (591,189)**
U.S. Government-sponsored enterprises (GSEs)	**(135,963)**	**4,590,975**	**(47,311)**	**468,466**	**(183,274)**
Mortgage-backed GSE securities	**(649,879)**	**32,680,095**	**(3,064,114)**	**32,567,530**	**(3,713,993)**
State and municipal securities	**(254,012)**	**11,904,908**	**(8,186,942)**	**51,358,544**	**(8,440,954)**
Total securities	**$ (1,039,854)**	**$ 49,175,978**	**$ (11,889,556)**	**$ 100,755,139**	**$ (12,929,410)**
December 31, 2023:					
U.S. Treasury securities	$ -	$ -	$ (1,345,176)	$ 25,537,734	$ (1,345,176)
U.S. Government-sponsored enterprises (GSEs)	-	-	(51,302)	528,669	(51,302)
Mortgage-backed GSE securities	(20,512)	2,987,464	(3,178,551)	35,647,790	(3,199,063)
State and municipal securities	(85,550)	8,418,987	(7,225,617)	46,812,046	(7,311,167)
Total securities	$ (106,062)	$ 11,406,451	$ (11,800,646)	$ 108,526,239	$ (11,906,708)

There were 209 securities in an unrealized loss position, all of which were caused by interest rate changes.

At December 31, 2024, no ACL has been recognized on available-for-sale securities in an unrealized loss position as management does not believe any of the securities are impaired due to reasons of credit quality. This is based upon an analysis of the underlying risk characteristics, including credit ratings, and other qualitative factors related to available-for-sale securities and in consideration of historical credit loss experience and internal forecasts. The issuers of these securities continue to make timely principal and interest payments under the contractual terms of the securities. Furthermore, the Company does not have the intent to sell any of the securities classified as available-for-sale in the table above and believes that it is more likely than not that they will not have to sell any such securities before a recovery of cost. The unrealized losses are due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the securities approach their maturity date or repricing date or if market yields for such investments decline.

NOTE 3. LOANS

The composition of loans is summarized as follows:

	December 31, 2024	December 31, 2023
Real estate mortgages:		
Construction and land development	**$ 118,837,741**	$ 106,374,879
1-4 family first mortgage	**21,441,428**	24,970,618
Commercial	**422,356,155**	353,360,368
Other	**58,215,312**	66,871,400
Commercial	**605,142,816**	499,917,726
Consumer, HELOCS and other	**231,986,321**	195,167,180
	1,457,979,773	1,246,662,171
Net deferred loan fees	**(2,741,978)**	(2,529,344)
Allowance for credit losses	**(16,330,152)**	(14,651,700)
Loans, net	**$ 1,438,907,643**	$ 1,229,481,127

Credit Risk Management

The loan review function is involved in the credit risk management process and assesses the accuracy of risk ratings, the quality of the portfolio and the estimation of inherent credit losses in the loan portfolio. This comprehensive process also assists in the prompt identification of problem credits. The Company has taken a number of measures to manage the portfolios and reduce risk, particularly in the higher risk portfolios.

The Company employs a credit risk management process with defined policies, accountability and routine reporting to manage credit risk in the loan portfolio segments. Credit risk management is guided by a comprehensive Board approved Loan Policy that provides for a consistent and prudent approach to underwriting and approvals of credits. Within the Loan Policy, procedures exist that elevate the approval requirements as credits become larger and more complex. All loans are individually underwritten, risk-rated, approved, and monitored.

Responsibility and accountability for adherence to underwriting policies and accurate risk ratings lies in each portfolio segment. For the consumer portfolio segment, the risk management process focuses on managing clients who become delinquent in their payments. For the commercial and real estate portfolio segments, the risk management process focuses on underwriting new business and, on an ongoing basis, monitoring the credit of the portfolios. To ensure problem credits are identified on a timely basis, a specific portfolio review occurs at least once each year to assess the larger adversely rated credits for proper risk rating and accrual status.

Credit quality and trends in the loan portfolio segments are measured and monitored regularly. Detailed reports, by product, collateral, accrual status, etc., are reviewed by the Chief Credit Officer and the Directors Loan Committee.

NOTE 3. LOANS (Continued)

Credit Risk Management (Continued)

A description of the general characteristics of the risk grades used by the Company is as follows:

- **"Pass"**: There are five risk grades that are considered "pass". Risk grade 1 is reserved for loans secured by cash collateral on deposit with no risk of principal deterioration. Risk grade 2 is reserved for loans secured by readily marketable collateral, or loans within guidelines to clients with liquid financial statements. A liquid financial statement is generally a financial statement with substantial liquid assets, particularly relative to the debts. These loans have excellent sources of repayment, with no significant identifiable risk of collection, and conform in all respects to Company policy, guidelines, underwriting standards, and Federal and State regulations. Risk grade 3 is reserved for the Company's high quality loans. These loans have excellent sources of repayment, with no significant identifiable risk of collection and conform to Company policy, underwriting standards and product guidelines. Risk grade 4 is given to acceptable loans that have adequate sources of repayment, with little identifiable risk of collection. Risk grade 5 is given to acceptable loans that show signs of weakness in either adequate sources of repayment or collateral but have demonstrated mitigating factors that minimize the risk of delinquency or loss.

- **"Watch" or "Special Mention"**: Watch or special mention loans include the following characteristics: 1) loans within guideline tolerances or with exceptions of any kind that have not been mitigated by other economic or credit factors; 2) loans that are currently performing satisfactorily but with potential weaknesses that may, if not corrected, weaken the asset or inadequately protect the Company's position at some future date (potential weaknesses can be the result of deviations from prudent lending practices); 3) loans where adverse economic conditions that develop subsequent to the loan origination that don't jeopardize liquidation of the debt but do substantially increase the level of risk may also warrant this rating.

- **"Substandard"**: A substandard loan is inadequately protected by the current sound net worth and paying capacity of the borrower or the collateral pledged, if any. Loans classified as substandard must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt; they are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

- **"Doubtful"**: Loans classified doubtful have all the weaknesses inherent in the loans classified substandard, plus the added characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions, and values highly questionable and improbable. However, these loans are not yet rated as loss because certain events may occur which could salvage the debt. The ability of the client to service the debt is extremely weak, overdue status is constant, the debt has been placed on nonaccrual status, and no definite repayment schedule exists. Doubtful is a temporary grade where a loss is expected but is not presently quantified with any degree of accuracy. Once the loss position is determined, the amount is charged off. There are no loans with a doubtful rating in the Company's portfolio as of December 31, 2024 or 2023.

- **"Loss"**: Loans classified loss are considered uncollectable and of such little value that their continuance as active assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off the loan even though partial recovery may be realized in the future. Probable loss portions of the doubtful assets are to be charged against the allowance for credit losses. There are no loans with a loss rating in the Company's portfolio as of December 31, 2024 or 2023.

NOTE 3. LOANS (Continued)

Credit Risk Management (Continued)

The following tables summarize the risk categories of the Company's loan portfolio based upon the most recent analysis performed as of December 31, 2024 and 2023:

	Term Loans Amortized Cost Basis by Origination Year						
	2024	2023	2022	2021	Prior	Revolving Loans	Total
As of December 31, 2024							
Real estate mortgages							
Risk rating							
Pass	$ 109,709,272	$ 155,479,671	$ 140,399,915	$ 66,276,487	$ 131,621,729	$ 5,159,097	$ 608,646,171
Special mention	-	-	1,112,725	3,386,906	3,204,834	4,500,000	12,204,465
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total real estate mortgage loans	$ 109,709,272	$ 155,479,671	$ 141,512,640	$ 69,663,393	$ 134,826,563	$ 9,659,097	$ 620,850,636
Real estate mortgages Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial							
Risk rating							
Pass	$ 149,666,314	$ 77,589,074	$ 103,602,358	$ 13,214,616	$ 24,177,536	$ 219,383,520	$ 587,633,418
Special mention	-	11,622,000	446,889	383,887	2,932,484	1,799,138	17,184,398
Substandard	-	325,000	-	-	-	-	325,000
Doubtful	-	-	-	-	-	-	-
Total commercial loans	$ 149,666,314	$ 89,536,074	$ 104,049,247	$ 13,598,503	$ 27,110,020	$ 221,182,658	$ 605,142,816
Commercial Current period gross write-offs	$ -	$ 479,888	$ -	$ -	$ -	$ -	$ 479,888
Consumer							
Risk rating							
Pass	$ 240,800	$ 1,219,908	$ 535,827	$ 160,220	$ 4,577,646	$ 225,076,210	$ 231,810,611
Special mention	-	-	-	-	-	175,710	175,710
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total consumer and other	$ 240,800	$ 1,219,908	$ 535,827	$ 160,220	$ 4,577,646	$ 225,251,920	$ 231,986,321
Consumer Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Gross Loans							
Risk rating							
Pass	$ 259,616,386	$ 234,288,653	$ 244,538,100	$ 79,651,323	$ 160,376,911	$ 449,618,827	$ 1,428,090,200
Special mention	-	11,622,000	1,559,614	3,770,793	6,137,318	6,474,848	29,564,573
Substandard	-	325,000	-	-	-	-	325,000
Doubtful	-	-	-	-	-	-	-
Total gross loans	$ 259,616,386	$ 246,235,653	$ 246,097,714	$ 83,422,116	$ 166,514,229	$ 456,093,675	$ 1,457,979,773
Gross Loans Current period gross write-offs	$ -	$ 479,888	$ -	$ -	$ -	$ -	$ 479,888

NOTE 3. LOANS (Continued)

Credit Risk Management (Continued)

	Term Loans Amortized Cost Basis by Origination Year					
	2023	**2022**	**2021**	**Prior**	**Revolving Loans**	**Total**
As of December 31, 2023						
Real estate mortgages						
Risk rating						
Pass	$ 142,302,281	$ 151,324,532	$ 82,844,846	$ 152,740,724	$ 11,461,619	$ 540,674,002
Special mention	-	-	457,508	4,986,273	115,031	5,558,812
Substandard	-	5,344,451		-	-	5,344,451
Doubtful	-	-	-	-	-	-
Total real estate mortgage loans	$ 142,302,281	$ 156,668,983	$ 83,302,354	$ 157,726,997	$ 11,576,650	$ 551,577,265
Real estate mortgages						
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -
Commercial						
Risk rating						
Pass	$ 120,319,283	$ 110,049,764	$ 19,222,346	$ 41,813,735	$ 203,940,277	$ 495,345,405
Special mention	-	-	572,321	-	4,000,000	4,572,321
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	
Total commercial loans	$ 120,319,283	$ 110,049,764	$ 19,794,667	$ 41,813,735	$ 207,940,277	$ 499,917,726
Commercial						
Current period gross write-offs	$ -	$ 9,714,846	$ -	$ -	$ -	$ 9,714,846
Consumer						
Risk rating						
Pass	$ 1,952,155	$ 642,395	$ 885,567	$ 4,556,718	$ 187,130,345	$ 195,167,180
Special mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Total consumer and other	$ 1,952,155	$ 642,395	$ 885,567	$ 4,556,718	$ 187,130,345	$ 195,167,180
Consumer						
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -
Gross Loans						
Risk rating						
Pass	$ 264,573,719	$ 262,016,691	$ 102,952,759	$ 199,111,177	$ 402,532,241	$ 1,231,186,587
Special mention	-	-	1,029,829	4,986,273	4,115,031	10,131,133
Substandard	-	5,344,451	-	-	-	5,344,451
Doubtful	-	-	-	-	-	-
Total gross loans	$ 264,573,719	$ 267,361,142	$ 103,982,588	$ 204,097,450	$ 406,647,272	$ 1,246,662,171
Gross Loans						
Current period gross write-offs	$ -	$ 9,714,846	$ -	$ -	$ -	$ 9,714,846

NOTE 3. LOANS (Continued)

Credit Risk Management (Continued)

Collateral Dependent Loans

The Company classifies a loan as collateral dependent when the borrower is experiencing financial difficulty, and expected repayment is to be provided substantially through the operation or sale of the collateral. The following table summarizes collateral dependent loans, which are individually evaluated to determine expected credit losses. The following tables summarize collateral dependent loans as of December 31, 2024 and 2023 under CECL:

	Real Estate	**Other**	**Total**	**ACL**
December 31, 2024:				
Real estate mortgages:				
Construction and land development	**$ -**	**$ -**	**$ -**	**$ -**
1-4 family first mortgage	**-**	**-**	**-**	**-**
Commercial	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**
Commercial	**-**	**325,000**	**325,000**	**-**
Consumer, HELOCS and other	**-**	**-**	**-**	**-**
Total:	**$ -**	**$ 325,000**	**$ 325,000**	**$ -**

	Real Estate	Other	Total	ACL
December 31, 2023:				
Real estate mortgages:				
Construction and land development	$ -	$ -	$ -	$ -
1-4 family first mortgage	-	-	-	-
Commercial	-	-	-	-
Other	5,344,451	-	5,344,451	-
Commercial	-	-	-	-
Consumer, HELOCS and other	-	-	-	-
Total:	$ 5,344,451	$ -	$ 5,344,451	$ -

NOTE 3. LOANS (Continued)

Past Due and Nonaccrual Loans

A loan is considered past due if any required principal and interest payments have not been received as of the date such payments were required to be made under the terms of the loan agreement. Generally, loans are placed on non-accrual when there is a clear indication that the borrower's cash flow may not be sufficient to meet payments as they become due, which is generally when a loan is 90 days past due. The following tables present the aging of the recorded investment in loans by portfolio segments and classes as of December 31, 2024 and 2023:

		Past Due Status (Accruing Loans)					
	Current	30-89 Days	90+ Days	Total Past Due	Nonaccrual without ACL	Nonaccrual with ACL	Total
December 31, 2024							
Real estate mortgages:							
Construction and land development	**$ 118,837,741**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 118,837,741**
1-4 family first mortgage	**21,441,428**	**-**	**-**	**-**	**-**	**-**	**21,441,428**
Commercial	**422,356,155**	**-**	**-**	**-**	**-**	**-**	**422,356,155**
Other	**58,215,312**	**-**	**-**	**-**	**-**	**-**	**58,215,312**
Commercial	**604,817,816**	**-**	**-**	**-**	**325,000**	**-**	**605,142,816**
Consumer and other	**231,986,321**	**-**	**-**	**-**	**-**	**-**	**231,986,321**
Total:	**$ 1,457,654,773**	**$ -**	**$ -**	**$ -**	**$ 325,000**	**$ -**	**$ 1,457,979,773**
December 31, 2023							
Real estate mortgages:							
Construction and land development	$ 106,374,879	$ -	$ -	$ -	$ -	$ -	$ 106,374,879
1-4 family first mortgage	24,970,618	-	-	-	-	-	24,970,618
Commercial	353,360,368	-	-	-	-	-	353,360,368
Other	61,526,949	-	-	-	5,344,451	-	66,871,400
Commercial	499,917,726	-	-	-	-	-	499,917,726
Consumer and other	195,167,180	-	-	-	-	-	195,167,180
Total:	$ 1,241,317,720	$ -	$ -	$ -	$ 5,344,451	$ -	$ 1,246,662,171

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

NOTE 3. LOANS (Continued)

Allowance for Credit Losses

The following tables detail activity in the allowance for credit losses by portfolio segment for the years ended December 31, 2024 and 2023. As described in *Note 1: Summary of Significant Accounting Policies*, the Company adopted ASU 2016-13 on January 1, 2023, which replaced the existing incurred loss methodology with the CECL methodology. Under the incurred loss methodology, reserves for credit losses were recognized only when the losses were probable or had been incurred; under CECL, the Company is required to recognize the full amount of expected credit losses for the lifetime of the loan, based on historical experience, current conditions, and reasonable and supportable forecasts. The Company did not have an aggregate effect of modification resulting from adoption of ASU 2016-13. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

	Real Estate	Commercial	Consumer	Unallocated	Total
December 31, 2024					
Allowance for credit losses:					
Balance, beginning of year	**$ 5,712,878**	**$ 5,350,795**	**$ 3,588,027**	**$ -**	**$ 14,651,700**
Provision (credit) for credit losses	**(205,320)**	**3,571,072**	**(1,207,412)**	**-**	**2,158,340**
Loans charged off	**-**	**(479,888)**	**-**	**-**	**(479,888)**
Recoveries of loans previously charged off	**-**	**-**	**-**	**-**	**-**
Balance, end of year	**$ 5,507,558**	**$ 8,441,979**	**$ 2,380,615**	**$ -**	**$ 16,330,152**

	Real Estate	Commercial	Consumer	Unallocated	Total
December 31, 2023					
Allowance for credit losses:					
Balance, beginning of year	$ 4,907,788	$ 4,411,603	$ 1,884,186	$ 488,224	$ 11,691,801
Impact of adoption of ASC 326	-	-	-	-	-
Provision (credit) for credit losses	805,090	10,654,038	1,703,841	(488,224)	12,674,745
Loans charged off	-	(9,714,846)	-	-	(9,714,846)
Recoveries of loans previously charged off	-	-	-	-	-
Balance, end of year	$ 5,712,878	$ 5,350,795	$ 3,588,027	$ -	$ 14,651,700

Related Party Loans

In the ordinary course of business, the Company has granted loans to certain related parties, including directors, executive officers, and their affiliates. The interest rates on these loans were substantially the same as rates prevailing at the time of the transaction and repayment terms are customary for the type of loan. Changes in related party loans are as follows:

	Years Ended December 31,	
	2024	2023
Balance, beginning of year	**$ 35,604,203**	$ 23,368,914
Advances	**34,146,741**	33,481,020
Repayments	**(32,932,955)**	(21,245,731)
Balance, end of year	**$ 36,817,989**	$ 35,604,203

NOTE 4. PREMISES AND EQUIPMENT

Premises and equipment is summarized as follows:

	December 31,	
	2024	2023
Leasehold improvements	**$ 5,299,868**	$ 5,125,004
Furniture and equipment	**4,053,912**	3,612,418
Construction-in-progress	**76,872**	25,000
	9,430,652	8,762,422
Accumulated depreciation	**(5,010,422)**	(4,081,395)
	$ 4,420,230	$ 4,681,027

Depreciation expense for the years ended December 31, 2024 and 2023 totaled $950,856 and $786,847, respectively.

Leases

850 Shades Cahaba, LLC

During 2015 the Company invested in 850 Shades Cahaba, LLC ("Shades Cahaba"). Shades Cahaba was organized as a limited liability company under the laws of the State of Alabama. Shades Cahaba was formed for the purpose of acquiring and operating the property located at 850 Shades Creek Parkway in Birmingham, Alabama. The Company invested $1,138,000 into Shades Cahaba during 2015 giving the Company 25% ownership.

A company that holds a variable interest in an entity is required to consolidate the entity if the company's interest in the variable interest entity (VIE) is such that the company will absorb a majority of the VIE's expected losses and/or receive a majority of the VIE's expected residual returns, if they occur. In such cases, the company is the primary beneficiary of the VIE.

The Company has determined that it is not the primary beneficiary of Shades Cahaba, and thus this entity is not subject to consolidation. The Company uses the equity method of accounting to account for its investment in Shades Cahaba. The investment in Shades Cahaba is included in other assets in the consolidated balance sheets.

The property owned by 850 Shades Cahaba, LLC became the Company's headquarters in January 2018.

The Company leases their banking facility in Birmingham, Alabama under an operating lease agreement from Shades Cahaba. The lease term expires in 2032 and requires a fixed monthly payment for the designated square footage. The Company has evaluated the lease and determined it to be an operating lease.

The Company leases office space in Mobile, Alabama under an operating lease agreement from an unrelated entity. The lease term expires in 2025. The lease requires a fixed monthly payment for the designated square footage. The Company has evaluated the lease and determined it to be an operating lease.

The Company leases office space in Brentwood, Tennessee under an operating lease agreement from an unrelated entity. The lease term expires in 2030. The lease requires a fixed monthly payment. The lease payment is based on the designated square footage. The Company has evaluated the lease and determined it to be an operating lease.

NOTE 4. PREMISES AND EQUIPMENT (Continued)

Leases (Continued)

The Company leases office space in Charlotte, North Carolina under an operating lease agreement from an unrelated entity. The lease term expires in 2035. The lease commenced in June 2023. The lease payment is based on the designated square footage. The Company has evaluated the lease and determined it to be an operating lease.

The Company leases real estate property for branches and office space under non-cancelable operating leases. The right-of-use assets and lease liabilities were measured and recorded with an assumed discount rate of 2.10%, the federal funds rate (implicit borrowing rate) on the date of adoption. The right-of-use assets and lease liabilities recorded as of December 31, 2024 were $11,844,870 and $12,672,901, with a deferred rent component of $272,106 net against the lease liability on the consolidated balance sheets. The right-of-use assets and lease liabilities recorded as of December 31, 2023 were $13,361,495 and $13,945,133, with a deferred rent component of $317,457 net against the lease liability on the consolidated balance sheets.

Rental expense for all leases totaled approximately $1,906,000 and $1,722,000 and for the periods ended December 31, 2024 and 2023, respectively.

	December 31, 2024
Weighted-average remaining lease term for operating leases	7.64 years
Weighted-average discount rate for operating leases	2.10%

Future minimum payments for operating leases with initial or remaining terms of one year or more as of December 31, 2024 were as follows:

2025	$ 1,708,788
2026	1,699,091
2027	1,746,983
2028	1,822,876
2029	1,892,369
Thereafter	5,502,801
Total lease payments	14,372,908
Less: imputed interest	(1,700,007)
Present value of operating lease liabilities	$ 12,672,901

NOTE 5. DEPOSITS

The major classifications of deposits are as follows:

	December 31, 2024	December 31, 2023
Noninterest-bearing demand	**$ 274,872,005**	$ 320,151,168
Interest-bearing demand	**1,237,384,086**	1,025,366,751
Savings	**44,849,348**	43,333,083
Certificates of deposit of $250,000 or more	**19,763,349**	26,929,834
Other certificates of deposit	**19,867,252**	7,732,336
	$ 1,596,736,040	$ 1,423,513,172

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

2025	$ 39,500,408
2026	18,644
2027	101,713
2028	9,836
	$ 39,630,601

Deposits from related parties held by the Company at December 31, 2024 and 2023 amounted to approximately $63,357,000 and $51,657,000, respectively.

NOTE 6. BORROWINGS

Subordinated Note

On August 19, 2022, Oakworth Capital, Inc. ("the Company") entered into a Subordinated Note Purchase Agreement (the "Purchase Agreement") with the purchasers signatory thereto providing for a private placement of $35.0 million in aggregate principal amount of 6.00% fixed-to-floating rate Subordinated Notes due September 1, 2032 (the "Notes"). The Notes were issued by the Company to the purchasers at a price equal to 100% of their face amount. Interest on the Notes will accrue from August 19, 2022, and the Company will pay interest semi-annually on March 1st and September 1st of each year, beginning on March 1, 2023, until the Notes mature. The Notes will bear interest at a fixed rate of 6.00% per year, from and including August 19, 2022 to, but excluding, September 1, 2027. From and including September 1, 2027, to but excluding the maturity date or early redemption date, the interest rate will reset quarterly at a variable rate equal to the then current three-month term SOFR plus 327 basis points. The Notes may not be prepaid by the Company prior to August 19, 2027. From and after August 19, 2027, the Company may prepay all or, from time to time, any part of the Notes at 100% of the principal amount (plus accrued interest) without penalty, subject to any requirement under Federal Reserve Board regulations to obtain prior approval from the Board of Governors of the Federal Reserve System before making any prepayment. The Notes may also be prepaid by the Company at any time after the occurrence of an event that would preclude the Notes from being included in the Tier 2 Capital of the Company. The Purchase Agreement contains customary representations and warranties, events of default, and affirmative and negative covenants including the requirement that, subject to certain limitations, the Company restructure any portion of the Notes that ceases to be deemed Tier 2 Capital. The Company used the proceeds for general corporate purposes, including investment in the Bank to fund growth. The Notes are reported net of unamortized issuance costs of $704,375 and $796,250 as of December 31, 2024 and 2023, respectively.

NOTE 6. BORROWINGS (Continued)

Other Borrowings

On March 19, 2024, the Company established a 12-month term, revolving line of credit in the amount of $15,000,000 with First National Banker's Bank. Terms of the debt require quarterly interest payments over the 12-month term at a variable interest rate of 30-Day SOFR plus 2.75%, adjusted monthly. On December 30, 2024, the Company drew $5,000,000 on the line of credit. At maturity, the balance may either be repaid or converted to a term loan. Collateral on the line of credit is the pledge of 100% of the outstanding stock in Oakworth Capital Bank.

NOTE 7. AVAILABLE FUNDING

Credit availability with the Federal Home Loan Bank is secured by a blanket floating lien on qualifying 1-4 family multifamily residential mortgages, home equity lines of credit, and commercial real estate loans. As of December 31, 2024, the Company had qualifying loans available to pledge totaling approximately $228,425,000. As of December 31, 2024, the amount that was available to be borrowed from the Federal Home Loan Bank was approximately $140,265,000. As of December 31, 2024 and 2023, no advances from the Federal Home Loan Bank were outstanding.

The Company also has accommodations which allow the purchase of federal funds from several correspondent banks on an overnight basis at prevailing overnight market rates. These accommodations are subject to various restrictions as to their term and availability, and in most cases, must be repaid in less than one month. At December 31, 2024 and 2023, the Company had no amounts outstanding under these arrangements. The Company may borrow up to $85,000,000 under these arrangements as of December 31, 2024.

NOTE 8. EMPLOYEE AND DIRECTOR BENEFITS

Profit Sharing Plan

The Company sponsors a 401(k) profit sharing plan covering substantially all full-time employees subject to certain age requirements. Contributions to the plan charged to expense totaled $665,620 and $544,192 for the years ended December 31, 2024, and 2023, respectively.

Stock Options

The Company issues and/or has outstanding stock options from two plans: the 2011 Stock Option Plan (2011 Plan), and the 2016 Equity Award Plan (2016 Plan). The 2011 Plan was frozen as of December 31, 2019 and no further options will be granted from this plan; however, options remain outstanding from this plan. The 2011 Plan allows for grants to directors, key employees and others of options to purchase shares of common stock of the Company. Options were granted as incentive stock options or nonqualified stock options depending on the eligibility of the recipient. Option prices and terms were determined by a committee appointed by the Board of Directors. The 2011 Plan provided for a total of 240,000 stock options to purchase common shares of the Company.

NOTE 8. EMPLOYEE AND DIRECTOR BENEFITS (Continued)

Stock Options (Continued)

The 2016 Equity Award Plan (2016 Plan) may grant directors, key employees and others options to purchase shares of common stock of the Company. Options may be granted as incentive stock options or nonqualified stock options depending on the eligibility of the recipient. The 2016 Plan may also grant restricted stock, restricted stock units, stock appreciation rights, or any other right determined by a committee appointed by the Board of Directors. At December 31, 2022, the 2016 Plan included a limit on issuance of no more than 100,000 restricted shares and/or restricted share units in aggregate. In March 2023, the Board of Directors voted to eliminate the restriction in anticipation of utilizing restricted stock awards in place of stock option awards in certain instances. Option and grant prices and terms are determined by a committee appointed by the Board of Directors. During the 2021 Annual Stockholders meeting, approval was given to make available an additional 500,000 shares to be granted under this plan. The 2016 Plan provides for a total of 1,500,000 shares of common stock be available for grant. As of December 31, 2024, and 2023, there are 356,560 and 429,725 awards under this plan available to be granted, respectively.

Other pertinent information related to the options is as follows:

	Number	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Year Ended December 31, 2024:				
Outstanding at beginning of year	**1,117,091**	**$ 35.88**		
Granted	**63,962**	**30.43**		
Exercised	**(48,301)**	**22.19**		
Forfeited	**(6,978)**	**35.81**		
Expired	**(12,810)**	**38.38**		
Outstanding at end of year	**1,112,964**	**$ 32.54**	**4.73**	**$ 2,272,915**
Exercisable at December 31, 2024	**841,018**	**$ 32.38**	**3.87**	**$ 1,848,819**
Year Ended December 31, 2023:				
Outstanding at beginning of year	1,127,961	$ 35.29		
Granted	68,182	38.56		
Exercised	(45,051)	22.52		
Forfeited	(20,070)	39.23		
Expired	(13,931)	39.55		
Outstanding at end of year	1,117,091	$ 35.88	5.30	$ 1,288,857
Exercisable at December 31, 2023	787,296	$ 34.58	4.35	$ 1,284,622

The fair market value of options vested during the year ended December 31, 2024 and 2023 totaled $1,592,421 and $1,695,083, respectively.

NOTE 8. EMPLOYEE AND DIRECTOR BENEFITS (Continued)

Restricted Stock

The Company may issue restricted stock from the 2016 Plan (discussed in this note under "Stock Options"). Recipients of restricted stock do not pay any cash consideration to the Company for the shares. The restriction is based upon continuous service.

Restricted stock consists of the following:

	Restricted Shares	Weighted-Average Grant Date Fair Value
Year Ended December 31, 2024:		
Balance, at beginning of year	**33,168**	**$ 36.74**
Granted	**31,287**	**30.06**
Vested	**(6,551)**	**36.85**
Forfeited	**(2,296)**	**33.63**
Unvested balance, at end of year	**55,608**	**$ 33.09**
Year Ended December 31, 2023:		
Balance, at beginning of year	4,555	$ 38.33
Granted	31,791	36.53
Vested	(1,150)	38.38
Forfeited	(2,028)	36.16
Unvested balance, at end of year	33,168	$ 36.74

Stock-Based Compensation

The fair value of each stock option award is estimated on the date of grant using a Black-Scholes-Merton valuation model that uses the assumptions noted in the following table. Expected volatilities are based on an average of traded community banks. The Company considers historical data and peer group data to estimate option exercise and employee termination within the valuation model; separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected term of options granted is based on the short-cut method and represents the period of time that the options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

The fair value of stock options were based upon the following weighted-average assumptions for grants during the years ended December 31, 2024 and 2023:

	2024	2023
Dividend yield	**2.00%**	2.00%
Weighted-average stock price volatility	**37.54%**	33.33 %
Expected life in years	**7.55 years**	7.36 years
Annual rate of forfeiture for stock options	**5.94%**	5.00%
Weighted-average risk-free interest rate	**3.84%**	3.46%
Weighted-average grant-date fair value	**$11.42**	$12.78

NOTE 8. EMPLOYEE AND DIRECTOR BENEFITS (Continued)

Stock-Based Compensation (Continued)

For the years ended December 31, 2024 and 2023, the Company recognized $1,292,633 and $1,416,120, respectively, in stock-based compensation expense related to stock option awards. As of December 31, 2024 and 2023, there was $2,263,968 and $2,687,058, respectively, of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted. That cost is expected to be recognized over a weighted-average period of 2.70 years.

Restricted Stock Compensation

Compensation expense for restricted stock is based on the estimated market price of the Company stock at the time of the grant and amortized on a straight-line basis over the vesting period. Unvested restricted stock is shown as a reduction of stockholder's equity until earned. As of December 31, 2024, unvested restricted stock totaled $1,477,651 and is expected to be recognized over a weighted-average period of 3.63 years. Total compensation expense recognized for the restricted stock granted to employees and directors for the year ended December 31, 2024 and 2023, was $402,121 and $204,950, respectively.

Bank-Owned Life Insurance

Investments in bank-owned life insurance programs are recorded at their respective cash surrender values. The cash surrender value and net interest earned on the related policies amounted to $19,717,316 and $595,260, respectively as of and for the year ended December 31, 2024 and $19,122,056 and $501,651, respectively, as of and for the year ended December 31, 2023.

Loans Receivable

The Company has entered into loan agreements with certain members of the management team. Upon the formation of the Bank in 2008, the initial management team was granted ten-year stock options, and these loans were made in connection with the exercise of those stock options. The loans have a ten-year term and a stated interest rate based on the applicable Federal long-term rate in effect at inception, of 2.89% from inception through May 31, 2020. On June 1, 2020, a change in terms agreement adjusted the stated rate to 0.58% to reflect the then-current interest rate environment. Principal and interest are due annually. The carrying value of the loans was $1,073,540 and $1,288,220 at December 31, 2024 and 2023, respectively, and is included in other assets on the consolidated balance sheets.

NOTE 9. INCOME TAXES

Income tax expense consists of the following:

	Years Ended December 31,	
	2024	2023
Current	**$ 5,874,835**	$ 2,355,220
Deferred	**(920,802)**	(1,364,550)
Federal tax credit investment amortization	**-**	237,823
Income tax expense	**$ 4,954,033**	$ 1,228,493

The Company's income tax differs from the amounts computed by applying the federal income tax statutory rates to income before income taxes. A reconciliation of the differences is as follows:

	Years Ended December 31,	
	2024	2023
Income tax at federal statutory rate	**$ 4,352,954**	$ 1,239,706
Tax-exempt interest	**(224,517)**	(213,455)
State tax	**670,991**	230,880
Stock-based compensation	**136,946**	113,614
Federal tax credits	**-**	(96,064)
Other	**17,659**	(46,188)
Income tax expense	**$ 4,954,033**	$ 1,228,493

The components of deferred income taxes are as follows:

	December 31,	
	2024	2023
Deferred income tax assets:		
Allowance for credit losses	**$ 4,467,508**	$ 3,829,222
Pre-opening and organization expenses	**2,020**	(19,687)
Stock-based compensation	**1,152,736**	976,981
Net operating loss carryforward	**107,807**	122,193
Deferred compensation	**137,861**	104,033
Deferred fees	**827,452**	661,044
Federal tax credits	**-**	168,661
Unrealized loss on securities available-for-sale	**3,345,845**	3,009,237
Other	**210,982**	255,816
	10,252,211	9,107,500
Deferred income tax liabilities:		
Depreciation	**(761,103)**	(873,802)
	(761,103)	(873,802)
Net deferred income tax assets	**$ 9,491,108**	$ 8,233,698

NOTE 9. INCOME TAXES (Continued)

At December 31, 2024, the Company has available net operating loss carryforwards of approximately $956,000 for federal tax purposes. If unused, the federal net operating loss carryforwards will begin to expire in 2027.

The federal and state income tax returns of the Company for 2021, 2022, and 2023 are subject to examination, generally for three years after they were filed.

The Company is invested in a partnership that generates federal low-income housing tax credits. The investment is being amortized into income tax expense over ten years, the expected term of the tax credits, using a proportional amortization method as allowed under ASU No. 2014-01, *Accounting for Investments in Qualified Affordable Housing Projects*. The investment was fully amortized in 2023. The resulting tax benefit of the amortization is recorded in deferred income taxes and totaled $0 and $49,943 for the years ended December 31, 2024 and 2023, respectively. Federal low-income housing tax credits generated from the partnership totaled $0 and $283,944 for the years ended December 31, 2024 and 2023, respectively, and are recorded as a reduction of current income tax expense. The following table summarizes the Company's net benefit from the investment in this tax credit.

	Years Ended December 31,	
	2024	2023
Federal low-income housing tax credit	**$ -**	$ 283,944
Amortization of federal tax credit investment	**-**	(237,823)
Tax benefit of amortization included in deferred income taxes	**-**	49,943
Total federal tax credit benefit, net	**$ -**	$ 96,064

NOTE 10. COMMITMENTS AND CONTINGENCIES

Loan Commitments

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 clients. These financial instruments include commitments to extend credit and standby letters of credit. They involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amount recognized in the balance sheets. The majority of all commitments to extend credit are variable rate instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments as it does for on-balance sheet instruments. At December 31, 2024, $763,815 in allowance for credit losses has been recognized on off-balance sheet financial instruments, through a provision to credit losses, to mitigate the potential financial impact of commitments that may be called upon in the future. The allowance is adjusted periodically to reflect changes in the Company's risk exposure and evolving market conditions and is recorded in other liabilities on the consolidated balance sheet. A summary of the Company's commitments is as follows:

	December 31,	
	2024	2023
Commitments to extend credit	**$ 608,612,000**	$ 562,620,000
Standby letters of credit	**8,908,000**	7,459,000
	$ 617,520,000	$ 570,079,000

NOTE 10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Loan Commitments (Continued)

Commitments to extend credit are agreements to lend to a client as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the party. Collateral held varies, but may include accounts receivable, inventory, property and equipment, residential real estate and income-producing commercial properties.

Letters of credit are conditional commitments issued by the Company to guarantee the performance of a client to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to clients. Collateral held varies as specified above and is required in instances which the Company deems necessary.

At December 31, 2024 and 2023, the carrying amount of liabilities related to the Company's obligation to perform under letters of credit was insignificant. The Company has not been required to perform on any letters of credit, and the Company has not incurred any losses on letters of credit for the years ended December 31, 2024 and 2023.

Contingencies

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

NOTE 11. CONCENTRATIONS

The Company originates primarily commercial, commercial real estate, residential real estate, and consumer loans to clients in Jefferson and Mobile Alabama Counties, Davidson and Williamson Tennessee Counties, and Mecklenburg County, North Carolina and surrounding areas. The ability of the majority of the Company's clients to honor their contractual loan obligations is dependent on the economy in these areas. Forty-three percent of the Company's outstanding loan portfolio is composed of real estate type loans, of which a substantial portion is secured by real estate in the Company's market area. Forty-one percent of the Company's loan portfolio consists of commercial and industrial type loans.

The Company is prohibited from extending credit to any single borrower or group of related borrowers on a secured basis in excess of 20% of capital, as defined, or approximately $36,664,000, or on an unsecured basis in excess of 10% of capital, as defined, or approximately $18,332,000. In addition, internal Company policies may further limit the extension of credit to any single borrower or group of related borrowers.

NOTE 12. REGULATORY MATTERS

The Bank is subject to certain restrictions on the amount of dividends that may be declared without prior regulatory approval. At December 31, 2024, approximately $44,407,000 of retained earnings was available for dividend declaration without regulatory approval.

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

Regulatory capital rules include a capital conservation buffer designed to absorb losses during periods of economic stress. The capital conservation buffer must be composed entirely of Common Equity Tier 1 capital (CET1). The capital conservation buffer of 2.5% is added on top of each of the minimum risk-based capital ratios. Banking institutions with risk-based capital ratios above the minimum but below the capital conservation buffer will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of Total, Tier 1 and CET1 capital to risk-weighted assets, as defined, and of Tier 1 capital to average total assets (leverage ratio), as defined. Management believes, as of December 31, 2024 and 2023 the Bank met all capital adequacy requirements to which it is subject.

As of December 31, 2024, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum Total, Tier 1 and CET1 risk-based capital ratios and Tier 1 leverage capital ratios as set forth in the following table and not be subject to any formal enforcement action. There are no conditions or events since that notification that management believes has changed the Bank's category.

The Bank's actual capital amounts and ratios as of December 31, 2024 and 2023 are presented in the tables below. The Company's capital amounts and ratios are not required to be disclosed based on the size of the total assets of the Company.

NOTE 12. REGULATORY MATTERS (Continued)

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

	Actual		For Capital Adequacy Purposes[1]		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in Thousands)			
December 31, 2024:						
Total Capital to Risk Weighted Assets	**$ 183,196**	**11.590%**	**$ 165,968**	**10.500%**	**$ 158,065**	**10.000%**
Tier I Capital to Risk Weighted Assets	**$ 166,102**	**10.508%**	**$ 134,355**	**8.500%**	**$ 126,452**	**8.000%**
CET1 Capital to Risk Weighted Assets	**$ 166,102**	**10.508%**	**$ 110,645**	**7.000%**	**$ 102,742**	**6.500%**
Tier I Capital to Average Total Assets	**$ 166,102**	**9.505%**	**$ 69,901**	**4.000%**	**$ 87,376**	**5.000%**
December 31, 2023:						
Total Capital to Risk Weighted Assets	$ 156,261	10.727%	$ 152,957	10.500%	$ 145,674	10.000%
Tier I Capital to Risk Weighted Assets	$ 141,609	9.721%	$ 123,823	8.500%	$ 116,539	8.000%
CET1 Capital to Risk Weighted Assets	$ 141,609	9.721%	$ 101,972	7.000%	$ 94,688	6.500%
Tier I Capital to Average Total Assets	$ 141,609	9.307%	$ 60,863	4.000%	$ 76,078	5.000%

[1] Includes the capital conservation buffer.

NOTE 13. DERIVATIVE INSTRUMENTS

Derivative instruments are reported at fair value in other assets and other liabilities in the accompanying consolidated balance sheets. The accounting for changes in the fair value of a derivative depends on whether it has been designated and qualifies as part of a hedging relationship. For derivatives not designated as hedges, the gain or loss is recognized in current earnings. The Company has entered into interest rate swaps (swaps) to facilitate client transactions in connection with their financing needs. Upon entering into swaps with borrowers, the Company enters into offsetting positions with counterparties to minimize risk to the Company. These back-to-back swaps qualify as derivatives, but are not designated as hedging instruments. As a result, these instruments are classified as trading assets and liabilities.

Interest rate swap contracts involve the risk of dealing with borrowers and counterparties and their ability to meet contractual terms. When the fair value of a derivative instrument contract is positive, this generally indicates that the counterparty or client owes the Company, and results in credit risk to the Company.

When the fair value of a derivative instrument contract is negative, the Company owes the client or counterparty and therefore, has no credit risk.

A summary of the Company's interest rate swaps is included in the following table:

	December 31, 2024		December 31, 2023	
	Notional Amount	**Estimated Fair Value**	Notional Amount	Estimated Fair Value
Interest rate swap agreements:				
Pay variable/receive fixed swaps	**$ 47,645,860**	**$ 812,970**	$ 53,675,816	$ 1,901,898
Pay fixed/receive variable swaps	**47,645,860**	**(812,970)**	53,675,816	(1,901,898)
	$ 95,291,720	**$ -**	$ 107,351,632	$ -

NOTE 14. FAIR VALUE OF ASSETS AND LIABILITIES

Determination of Fair Value

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the *Fair Value Measurements and Disclosures* topic (FASB ASC 820), the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair 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.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

Fair Value Hierarchy

In accordance with this guidance, the Company groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 - Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

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

Cash and Due From Banks, Federal Funds Sold and Interest-Bearing Deposits in Banks: The carrying amounts of these short-term instruments approximate fair values based on the short-term nature of the assets.

NOTE 14. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

Fair Value Hierarchy (Continued)

Securities available-for-sale: Where quoted prices are available in an active market, management classifies the securities within level 1 of the valuation hierarchy. Securities are defined as both long and short positions. Level 1 securities include highly liquid government bonds and exchange-traded equities.

If quoted market prices are not available, management estimates fair values using pricing models and discounted cash flows that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, and credit spreads. Examples of such instruments, which would generally be classified within level 2 of the valuation hierarchy, include GSE obligations, and municipal securities. Mortgage-backed securities are included in level 2 if observable inputs are available. In certain cases where there is limited activity or less transparency around inputs to the valuation, those securities are classified in level 3.

Restricted Equity Securities: The carrying amount of restricted equity securities with no readily determinable fair value approximates fair value based on the redemption provisions of the issuers which is cost.

Loans: For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fair value for other loans (for example, commercial real estate, mortgage loans, commercial and industrial loans) are estimated using discounted cash flow analyses, using market interest rates for comparable loans. Fair values for nonperforming loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.

Bank-Owned Life Insurance: The carrying amount of bank-owned life insurance approximates fair value.

Deposits: The fair values disclosed for demand deposits (for example, interest and noninterest checking, savings, and certain types of money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies market interest rates on comparable instruments to a schedule of aggregated expected monthly maturities on time deposits.

Subordinated Notes and Other Borrowings: Current market rates for debt with similar terms and remaining maturities are used to estimate fair value of existing debt. Fair value of long-term debt is based on quoted market prices or dealer quotes for the identical liability when traded as an asset in an active market. If a quoted market price is not available, an expected present value technique is used to estimate fair value.

Accrued Interest: The carrying amount of accrued interest approximates fair value.

Trading Assets and Liabilities: The Company has derivative instruments in the form of interest rate swap agreements accounted for as trading assets and liabilities and carried at fair value. The fair value of these instruments is based on information obtained from a third party financial institution. The Company reflects these instruments within level 3 of the valuation hierarchy.

Off-Balance Sheet Credit-Related Instruments: Fair values for off-balance sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing.

NOTE 14. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents financial assets and liabilities measured at fair value on a recurring basis:

	Assets/Liabilities Measured at Fair Value	Fair Value Measurements Using: Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
At December 31, 2024:				
Securities available-for-sale	**$ 158,884,819**	**$ 16,360,599**	**$ 142,524,220**	**$ -**
Trading assets	**812,970**	**-**	**-**	**812,970**
Trading liabilities	**(812,970)**	**-**	**-**	**(812,970)**
At December 31, 2023:				
Securities available-for-sale	$ 143,947,103	$ 29,537,734	$ 114,409,369	$ -
Trading assets	1,901,898	-	-	1,901,898
Trading liabilities	(1,901,898)	-	-	(1,901,898)

Assets Measured at Fair Value on a Nonrecurring Basis

Certain assets may be recorded at fair value on a nonrecurring basis. These nonrecurring fair value adjustments typically are a result of the application of the lower of cost or market accounting or a write-down occurring during the period.

The following table presents assets measured at fair value on a nonrecurring basis that were still held on the Consolidated Balance Sheets as of the dates presented and the level within the fair value hierarchy each is classified:

	Level 1	Level 2	Level 3	Total
December 31, 2024				
Individually analyzed loans	$ -	$ -	$ 325	$ 325
Other Real Estate	-	-	5,372	5,372
Total	$ -	$ -	$ 5,697	$ 5,697

The following methods and assumptions are used by the Company to estimate the fair values of the Company's financial assets measured on a nonrecurring basis:

Individually Analyzed Loans: Loans considered individually analyzed under ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, are loans for which, based on current information and events, it is probable that the Company will be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement. Individually analyzed loans can be measured based on the present value of expected payments using the loan's original effective rate as the discount rate, the loan's observable market price, or the fair value of the collateral less estimated selling costs if the loan is collateral dependent.

NOTE 14. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

Nonrecurring Fair Value Measurements (Continued)

The fair value of individually analyzed loans are primarily measured based on the value of the collateral securing these loans. Impaired loans are typically classified within level 3 of the fair value hierarchy. Collateral may be real estate and/or business assets including equipment, inventory, and/or accounts receivable. The Company determines the value of the collateral based on independent appraisals performed by qualified licensed appraisers. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Appraised values are discounted for costs to sell and may be discounted further based on management's historical knowledge, changes in market conditions from the date of the most recent appraisal, and/or management's expertise and knowledge of the customer and the customer's business. Such discounts by management are subjective and are typically significant unobservable inputs for determining fair value. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the same factors discussed above.

Other real estate: Other real estate is comprised of commercial and residential real estate obtained in partial or total satisfaction of loan obligations. Other real estate acquired in settlement of indebtedness is recorded at the fair value of the real estate less estimated costs to sell. Subsequently, it may be necessary to record nonrecurring fair value adjustments for declines in fair value. Fair value, when recorded, is determined based on appraisals by qualified licensed appraisers and adjusted for management's estimates of costs to sell. Accordingly, values for other real estate are classified as Level 3.

The following table presents information as of December 31, 2024 and 2023 about significant unobservable inputs (Level 3) used in the valuation of assets measured at fair value on a nonrecurring basis:

Financial instrument	Valuation Technique	Significant Unobservable Inputs	Range of Inputs
Individually analyzed loans	Appraised value of collateral less estimated costs to sell	Estimated costs to sell	5-10%
Other real estate	Appraised value of collateral less estimated costs to sell	Estimated costs to sell	5-10%

NOTE 14. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

Fair Value of Financial Instruments

The carrying amount and estimated fair value of the Company's financial instruments as of December 31, 2024 and 2023 were as follows:

	December 31, 2024		December 31, 2023	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial assets:				
Cash and due from banks, interest-bearing deposits in banks, and federal funds sold	**$ 125,966,847**	**$ 125,966,847**	$ 162,493,818	$ 162,493,818
Securities available-for-sale	**158,884,819**	**158,884,819**	143,947,103	143,947,103
Restricted equity securities	**1,123,200**	**1,123,200**	935,000	935,000
Loans, net	**1,438,907,643**	**1,411,981,506**	1,229,481,127	1,180,886,180
Accrued interest receivable	**6,677,830**	**6,677,830**	6,283,803	6,283,803
Bank-owned life insurance	**19,717,316**	**19,717,316**	19,122,056	19,122,056
Trading assets	**812,970**	**812,970**	1,901,898	1,901,898
Financial liabilities:				
Deposits	**1,596,736,040**	**1,596,591,494**	1,423,513,171	1,422,192,455
Borrowings	**39,295,625**	**35,313,127**	34,203,750	30,749,035
Accrued interest payable	**1,148,561**	**1,148,561**	1,070,257	1,070,257
Trading liabilities	**812,970**	**812,970**	1,901,898	1,901,898

NOTE 15. PARENT COMPANY ONLY FINANCIAL STATEMENTS

The following information presents the condensed balance sheets of Oakworth Capital, Inc. as of December 31, 2024 and 2023 and the condensed statements of income and cash flows for the years then ended.

CONDENSED BALANCE SHEETS

	2024	2023
Assets		
Cash	**$ 9,143,319**	$ 22,988,640
Investment in subsidiary	**156,767,857**	133,241,210
Loans receivable	**1,073,540**	1,288,220
Other assets	**1,795,355**	769,548
Total assets	**$ 168,780,071**	$ 158,287,618
Liabilities and stockholders' equity		
Accrued interest payable	**$ 700,000**	$ 700,000
Subordinated note	**34,295,625**	34,203,750
Other borrowings	**5,000,000**	-
Dividends declared	**2,231,371**	2,208,608
Other liabilities	**1,756,720**	10,923,113
Total liabilities	**43,983,716**	48,035,471
Stockholders' equity	**124,796,355**	110,252,147
Total liabilities and stockholders' equity	**$ 168,780,071**	**$** 158,287,618

CONDENSED STATEMENTS OF INCOME

	2024	2023
Income		
Miscellaneous income	**$ 6,295**	$ 7,526
Total income	**6,295**	7,526
Expense		
Interest expense on borrowings	**$ 2,191,874**	2,186,042
Equipment expense	**127,494**	20,919
Other operating expense	**367,302**	280,353
Total expense	**2,686,670**	2,487,314
Loss before income tax benefit and undistributed earnings of subsidiary	**(2,680,375)**	(2,479,788)
Income tax benefit	**(671,454)**	(622,844)
Loss before undistributed earnings of subsidiary	**(2,008,921)**	(1,856,944)
Undistributed earnings of subsidiary	**17,783,242**	6,531,814
Net income	**$ 15,774,321**	$ 4,674,870

NOTE 15. PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

CONDENSED STATEMENTS OF CASH FLOWS

	2024	2023
OPERATING ACTIVITIES		
Net income	$ 15,774,321	$ 4,674,870
Adjustments to reconcile net income to net cash provided by operating activities:		
Undistributed earnings of subsidiary	(17,783,242)	(6,531,814)
Decrease in loans receivable	214,680	214,589
Increase (decrease) in interest payable	-	(75,833)
Amortization of debt issuance costs	91,875	91,875
Net other operating activities	(9,827,828)	(37,523)
Net cash used in operating activities	(11,530,194)	(1,663,836)
INVESTING ACTIVITIES		
Investment in bank subsidiary	(5,000,000)	-
Purchase of premises, equipment, and software	(364,372)	(25,000)
Net cash used in investing activities	(5,364,372)	(25,000)
FINANCING ACTIVITIES		
Proceeds from other borrowings	5,000,000	-
Exercise of stock options	711,279	137,604
Issuance of treasury stock	-	353,842
Purchase of treasury stock	(453,426)	(330,335)
Dividends paid	(2,208,608)	(2,185,980)
Net cash provided by (used in) financing activities	3,049,245	(2,024,869)
Decrease in cash	(13,845,321)	(3,713,705)
Cash at beginning of year	22,988,640	26,702,345
Cash at end of year	$ 9,143,319	$ 22,988,640