Consolidated Financial Statements
December 31, 2024 and 2023

US Metro Bancorp and Subsidiary

MOSSADAMS

Report of Independent Auditors

The Board of Directors and Stockholders
US Metro Bancorp and Subsidiary

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of US Metro Bancorp and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations, changes in comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of US Metro Bancorp 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 have also audited, in accordance with auditing standards generally accepted in the United States of America, US Metro Bancorp and Subsidiary's internal control over financial reporting as of December 31, 2024, based on criteria established in the Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated April 29, 2025, expressed an unmodified opinion.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about US Metro Bancorp 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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- 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 US Metro Bancorp 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.

Moss Adams LLP

Los Angeles, California
April 29, 2025

	2024	2023
ASSETS		
Cash and due from banks	$ 20,459,633	$ 13,090,735
Interest-bearing deposits in other banks	129,079,139	116,410,833
Cash and Cash Equivalents	149,538,772	129,501,568
Securities available-for-sale, at fair value	49,433,999	53,684,384
Federal Home Loan Bank stock (FHLB)	6,347,600	5,757,800
Loans held for sale	15,143,239	10,241,613
Loans:	1,171,892,248	1,020,933,178
Deferred loan origination costs, net of deferred fees and discounts	(10,650,125)	(10,095,507)
Allowance for credit losses	(14,105,628)	(12,960,751)
Net Loans	1,147,136,495	997,876,920
Accrued interest receivable	5,098,901	4,778,385
Premises and equipment, net	3,215,447	3,086,486
Deferred tax assets, net	9,299,919	9,223,685
Servicing assets, net	5,636,936	5,610,268
Prepaid expenses and other assets	6,434,470	6,499,947
TOTAL ASSETS	$ 1,397,285,778	$ 1,226,261,056
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Noninterest-bearing deposits	$ 211,060,367	$ 173,599,920
Interest-bearing deposits	1,016,116,494	889,880,773
Total Deposits	1,227,176,861	1,063,480,693
FHLB borrowings	25,000,000	25,000,000
Subordinated debt, net	25,682,686	25,626,170
Accrued interest payable and other liabilities	18,212,384	16,831,031
TOTAL LIABILITIES	1,296,071,931	1,130,937,894
SHAREHOLDERS' EQUITY		
US Metro Bancorp and Subsidiary Shareholders' Equity		
Preferred stock - 10,000,000 shares authorized, none outstanding in 2024 and 2023	-	-
Common stock - 50,000,000 shares authorized, no par value; issued and outstanding 16,520,000 in 2024 and 16,390,000 in 2023, respectively	52,068,710	51,670,680
Additional paid in capital	2,796,209	2,760,688
Accumulated other comprehensive loss	(7,427,274)	(7,610,322)
Retained earnings	53,566,709	48,407,456
Total US Metro Bancorp and Subsidiary Shareholders' Equity	101,004,354	95,228,502
Noncontrolling interest	209,493	94,660
Total Shareholders' Equity	101,213,847	95,323,162
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,397,285,778	$ 1,226,261,056

	2024	2023
INTEREST INCOME		
Interest and fees on loans	$ 72,262,247	$ 59,128,532
Interest on investment securities	910,883	980,771
Interest on interest-bearing deposits in other banks	7,676,236	6,204,934
Total Interest Income	80,849,366	66,314,237
INTEREST EXPENSE		
Interest on savings deposits, NOW, and money market accounts	13,973,919	9,407,103
Interest on time deposits	30,237,516	21,359,737
Interest on other borrowings	2,567,381	2,774,981
Total Interest Expense	46,778,816	33,541,821
NET INTEREST INCOME	34,070,550	32,772,416
Provision for credit losses	1,600,000	500,000
Net Interest Income After Provision for Credit Losses	32,470,550	32,272,416
NONINTEREST INCOME		
Service charges and fees	6,076,774	5,637,879
Net gain on sale of loans	6,247,889	7,248,890
Dividends on FHLB stock	547,318	442,369
Total Noninterest Income	12,871,981	13,329,138
NONINTEREST EXPENSE		
Salaries and employee benefits	24,495,446	21,595,091
Occupancy and equipment expenses	3,329,394	2,949,448
Other expenses	7,259,555	6,358,744
Total Noninterest Expense	35,084,395	30,903,283
INCOME BEFORE PROVISION FOR INCOME TAXES	10,258,136	14,698,271
Provision for income taxes	3,188,320	4,129,561
NET INCOME	7,069,816	10,568,710
Less: Net loss attributable to the noncontrolling interest	(67,937)	(46,374)
NET INCOME ATTRIBUTABLE TO US METRO BANCORP SHAREHOLDERS	$ 7,137,753	$ 10,615,084
EARNINGS PER SHARE - BASIC	$ 0.43	$ 0.65
EARNINGS PER SHARE - DILUTED	$ 0.43	$ 0.64

	2024	2023
Net Income	$ 7,137,753	$ 10,615,084
Other comprehensive income, net of tax		
Unrealized gain on securities		
Unrealized holding gain arising during period	197,543	1,915,847
Income tax expense related to items of other comprehensive income	(14,495)	(560,272)
Other comprehensive income	183,048	1,355,575
Comprehensive Income attributable to US Metro Bancorp	**$ 7,320,801**	**$ 11,970,659**

	Common Stock			Accumulated Other			
	Number of Shares	Amount	Additional Paid in Capital	Comprehensive Loss	Retained Earnings	Non-controlling Interest	Total
Balance at January 1, 2023	16,360,000	$ 51,588,207	$ 2,496,557	$ (8,965,897)	$ 39,759,172	$ 141,034	$ 85,019,073
Exercise of stock options	30,000	82,473	(12,873)	-	-	-	69,600
Share-based compensation	-	-	277,004	-	-	-	277,004
Change in other comprehensive income	-	-	-	1,355,575	-	-	1,355,575
Cash dividends paid	-	-	-	-	(1,966,800)	-	(1,966,800)
Net income (loss)	-	-	-	-	10,615,084	(46,374)	10,568,710
Balance at December 31, 2023	16,390,000	$ 51,670,680	$ 2,760,688	$ (7,610,322)	$ 48,407,456	$ 94,660	$ 95,323,162
Non-controlling interest capital contribution	-	-	-	-	-	182,770	182,770
Exercise of stock options	130,000	398,030	(74,530)	-	-	-	323,500
Share-based compensation	-	-	110,051	-	-	-	110,051
Change in other comprehensive income	-	-	-	183,048	-	-	183,048
Cash dividends paid	-	-	-	-	(1,978,500)	-	(1,978,500)
Net income (loss)	-	-	-	-	7,137,753	(67,937)	7,069,816
Balance at December 31, 2024	16,520,000	$ 52,068,710	$ 2,796,209	$ (7,427,274)	$ 53,566,709	$ 209,493	$ 101,213,847

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 7,069,816	$ 10,568,710
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization/accretion of premium/discount on securities	342,159	338,777
Amortization of right-of-use asset	1,721,924	1,586,256
Depreciation of premises and equipment	904,156	691,362
Accretion of deferred loan fees and costs, net	1,517,796	1,452,215
Amortization of servicing assets	903,485	643,982
Amortization of debt issance costs	56,516	56,516
Provision for credit losses	1,600,000	500,000
Proceeds from sale of loans held for sale	115,962,967	142,407,191
Origination of loans held for sale	(115,174,802)	(140,616,719)
Net gain on sale of loans	(6,247,889)	(7,248,890)
Deferred taxes	(90,729)	(223,777)
Share-based compensation expense	110,051	277,004
Change in accrued interest receivable	(320,516)	(1,320,517)
Change in prepaid expenses and other assets	(737,215)	(508,860)
Change in accrued interest payable and other liabilities	462,121	6,340,049
Net Cash Provided by Operating Activities	8,079,840	14,943,299
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of FHLB stock	(589,800)	(1,482,700)
Proceeds from matured or called securities	4,105,770	2,253,570
Net change in loans	(152,749,426)	(88,016,848)
Purchases of premises and equipment	(1,033,118)	(1,732,366)
Net Cash Used in Investing Activities	(150,266,574)	(88,978,344)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in deposits	163,696,168	87,214,916
Non-controlling interest capital contribution	182,770	-
Cash dividends paid	(1,978,500)	(1,966,800)
Proceeds from exercise of stock options	323,500	69,600
Net Cash Provided by Financing Activities	162,223,938	85,317,716
Net Increase in Cash and Cash Equivalents	20,037,204	11,282,671
Cash and Cash Equivalents, Beginning of year	129,501,568	118,218,897
Cash and Cash Equivalents, End of year	$ 149,538,772	$ 129,501,568
Supplemental Disclosures of Cash Flow Information:		
Interest paid	$ 44,971,488	$ 26,657,415
Taxes paid	$ 3,645,814	$ 4,591,886
Supplemental Disclosures of Non-Cash Flow Information:		
Right-of-use asset obtained in exchange for lease liabilities	$ 919,232	$ 16,768
Income tax (expense) benefit related to items of other comprehensive income	$ (14,495)	$ (560,272)

Note 1 – Organization and Nature of Business

US Metro Bancorp (the "Company") is a California corporation and is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended. The Company was incorporated on January 2, 2020, and acquired all of the outstanding shares of US Metro Bank (the "Bank") on April 6, 2020, by issuing one share of US Metro Bancorp stock for each previously issued and outstanding share of US Metro Bank stock. On October 1, 2021, the Bank formed a joint venture called Metro Home, LLC ("Metro Home") to originate and arrange for the servicing and brokering of mortgage loans secured by residential real estate. Metro Home began operations in May of 2022.

The Bank owns 51% of the voting interests of Metro Home, and therefore Metro Home is consolidated in the Company's consolidated financial statements. For consolidated subsidiaries that are less than wholly-owned, the third-party holdings of equity interests are referred to as noncontrolling interests. The portion of net income (loss) of Metro Home attributable to noncontrolling interests is presented as net income (loss) attributable to noncontrolling interests on the consolidated statements of operations. The portion of the shareholders' equity of Metro Home that is not owned by the Company is presented as noncontrolling interests on the consolidated balance sheets and consolidated statements of changes in shareholders' equity.

The Company provides a full range of banking services to commercial business and individual consumers through the Bank, a California state-chartered bank. The Company is headquartered in Garden Grove, California, with California branches in Anaheim, Fullerton, Torrance, Koreatown, and Fashion District in Los Angeles, a Washington branch in Lynnwood, and Loan Production Offices ("LPOs"), located in Corona, California, Fresno, California, Sacramento, California, and Dallas, Texas. The Bank was incorporated on April 21, 2006, and opened for business on September 15, 2006. The Bank's deposits are insured by the Federal Deposit Insurance Corporation (the "FDIC") up to the maximum regulatory limits and is subject to the supervision and regulation of the FDIC and the California Department of Financial Protection and Innovation ("DFPI").

Note 2 – Summary of Significant Accounting Policies

The accounting and reporting policies of the Company are in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and conform to practices within the banking industry. A summary of the significant accounting policies follows.

Consolidation

The consolidated financial statements include the accounts of US Metro Bancorp and its wholly owned subsidiary, US Metro Bank. Intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A material estimate that is particularly susceptible to significant changes in the near term relates to the determination of the allowance for credit losses.

Note 2 – Summary of Significant Accounting Policies (Continued)

The allowance for credit losses is the most significant accounting estimate reflected in the Company's consolidated financial statements. The allowance for credit losses includes charges to reduce the recorded balances of loans receivable to their estimated net realizable value, as appropriate. The allowance is based on estimates, and ultimate losses may vary from current estimates. These estimates for losses are based on individual assets and their related cash flow forecasts, sales values, independent appraisals, the volatility of certain real estate markets, and concern for disposing of real estate in distressed markets. Although management of the Company believes the estimates underlying the calculation of specific allowances are reasonable, there can be no assurances that the Company could ultimately realize these values. In addition to providing valuation allowances on specific assets where a decline in value of the collateral has been identified, the Company establishes a general allowance for current expected credit losses based on the overall portfolio composition, general market conditions, concentrations, prior loss experience, and forecasted future loan performance.

Other significant management judgments and accounting estimates reflected in the Company's consolidated financial statements include:

- Decisions regarding the timing and placement of loans on non-accrual;
- Determination, recognition, and measurement of gain on sale of loans and servicing assets;
- Determination and evaluation of deferred tax assets and liabilities;
- Determination of the fair value of stock option awards; and
- Determination of the fair value of financial instruments.

Concentrations of Credit Risk

Assets that subject the Company to concentrations of credit risk consist of loans and interest-bearing deposits in other banks. The Company has a significant business and geographic concentration in the Korean-American communities in Southern California and is affected by economic conditions in those areas and, to a lesser extent, the Republic of Korea. Growth in economic and business conditions in these market areas and in the Republic of Korea could have a material impact on the quality of the Company's loan portfolio or the demand for its products and services which, in turn, may have material positive or negative effects on the Company.

As of December 31, 2024 and 2023, the Company had cash deposits at other financial institutions in excess of FDIC insured limits. However, as the Company places these deposits with major financial institutions and monitors the financial condition of these institutions, management believes the risk of loss to be minimal.

Cash and Cash Equivalents

For the purpose of reporting cash flows, cash and cash equivalents include cash and interest-bearing deposits at other banks.

Cash and due from banks includes balances with the Federal Reserve Bank and other correspondent banks. The Federal Reserve Bank generally requires the Company to maintain a certain minimum balance at all times. The reserve requirements are based on a percentage of the Company's deposit liabilities.

Note 2 – Summary of Significant Accounting Policies (Continued)

Securities

Debt securities are classified as trading, available for sale (AFS) or held to maturity (HTM). Trading securities are reported at fair value, and unrealized gains and losses are recognized in earnings. AFS securities are reported at fair value, net of any allowance for credit losses and unrealized gains and losses are reported as a separate component of other comprehensive income (loss), net of income taxes. Securities for which management has the positive intent and ability to hold to maturity are classified as HTM and reported at amortized cost, net of any allowance for credit losses.

Interest income includes amortization of purchase premiums and discounts. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Effective January 1, 2023, the allowance for credit losses on investment securities is determined in accordance with Accounting Standards Codification ("ASC") Topic 326 ("ASC 326") – "Financial Instruments-Credit Losses."

For AFS securities, the Company performs a quarterly evaluation for securities in an unrealized loss position to determine if the decline in fair value below the security's amortized cost is credit related or non-credit related. In determining whether a security's decline in fair value is credit related, the Company considers a number of factors including, but not limited to: (i) the extent to which the fair value of the investment is less than its amortized cost; (ii) the financial condition and near-term prospects of the issuer; (iii) downgrades in credit ratings; (iv) payment structure of the security; (v) the ability of the issuer of the security to make scheduled principal and interest payments; and (vi) general market conditions which reflect prospects for the economy as a whole, including interest rates and sector credit spreads. If it is determined that the unrealized loss, or a portion thereof, is credit related, the Company records the amount of credit loss through a charge to provision for credit losses in current period earnings. However, the amount of credit loss recorded in the current period's earnings is limited to the amount of the total unrealized loss on the security, which is measured as the amount by which the security's fair value is below its amortized cost. If the Company intends to sell, or if it is more likely than not that the Company will be required to sell a security in an unrealized loss position before the recovery of its amortized cost basis, the total amount of the unrealized loss is recognized in the current period's earnings. Unrealized losses deemed non-credit related are recorded, net of tax, through accumulated other comprehensive income (loss).

A debt security is placed on nonaccrual status at the time any principal or interest payments become greater than 90 days delinquent. Interest accrued but not received when a security is placed on nonaccrual status is reversed against interest income. Accrued interest receivable on available-for-sale securities is excluded from the estimate of the required allowance for credit losses.

Note 2 – Summary of Significant Accounting Policies (Continued)

Federal Home Loan Bank Stock

The Company is a member of the Federal Home Loan Bank (FHLB) system. Members are required to own a certain amount of stock based on the level of borrowings and other factors and may be required to

purchase additional shares or redeem shares already owned. FHLB stock is carried at cost and periodically evaluated for impairment based on the ultimate recovery of par value. Both cash and stock dividends are reported as noninterest income.

Loans Held for Sale

The Company originates government guaranteed loans to customers under the Small Business Administration (SBA) program and U.S. Department of Agriculture (USDA) program. The SBA and USDA provides guarantees of 75% to 80% of each loan. For some of these loans, the Company sells the guaranteed portion of the loan to a third party and retains the unguaranteed portion in its own portfolio. Loans held for sale include government guaranteed loans and are reported at the lower of cost or fair value. Fair value is based on what secondary markets are currently offering for portfolios with similar characteristics.

Gains or losses on the sale of loans that are held for sale are recognized at the time of the sale, subject to the expiration of any warranty or recourse provisions, and determined by the difference between net sale proceeds and the net book value of the loans less the estimated fair value of any retained servicing asset and estimated discount recognized against the retained portion of the loan.

Servicing Assets

Servicing assets are recognized separately when they are retained through the sale of loans. Servicing assets are initially recorded at fair value and amortized in proportion to the estimated servicing income over the expected period. The valuation model uses assumptions that market participants would use in estimating cash flows from servicing assets, such as the cost to service, discount rates, and prepayment speeds. The Company compares the valuation model inputs and results to published industry data in order to validate the model results and assumptions. All classes of servicing assets are subsequently measured using the amortization method, which requires servicing assets to be amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

Servicing assets are evaluated for impairment based upon the fair value of the assets as compared to the carrying amount. Each right was evaluated on an individual basis using current assumptions on prepayment speeds and discounted rates. For the purpose of measuring impairment, the Company has identified each servicing asset with the underlying loan being serviced. A valuation allowance is recorded where the fair value is below the carrying amount of the asset. If the Company later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income. The fair values of servicing assets are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and changes in the discount rates.

Servicing fee income, which is included in the consolidated statements of operations in service charges and fees, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal and recorded as income when earned. The amortization of servicing assets and changes in the valuation allowance are netted against loan servicing fee income.

Note 2 – Summary of Significant Accounting Policies (Continued)

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from the Company, (2) the transferee obtains the rights (free of conditions that prevent it from taking advantage of that right, beyond a more than trivial benefit to the transferor) 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.

The Company sells certain portions of SBA guaranteed loans in the secondary market. These sales are recorded by the Company when control is surrendered and any warranty period or recourse provision expires. There were no warranty or recourse provisions outstanding at December 31, 2024, for loans previously sold.

Loans and Loan Fees

The Company originates commercial real estate loans, commercial and industrial loans, warehouse lines of credit, and consumer loans. The ability of the Company’s borrowers to honor their contracts is dependent upon many factors, including the real estate market and general economic conditions in the Company’s operating area.

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances reduced by any charge-offs or specific valuation accounts and net of deferred fees or costs on originated loans, or unamortized premiums or discounts on purchased loans. Loan origination fees and certain direct origination costs are capitalized and recognized as an adjustment of the yield of the related loan. Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status.

Loans on which the accrual of interest has been discontinued are designated as nonaccrual loans. The accrual of interest on loans is discontinued when principal or interest is past-due 90 days based on the contractual terms of the loan or when, in the opinion of management, there is reasonable doubt as to collectability. When loans are placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Income on nonaccrual loans is subsequently recognized only to the extent that cash is received and the loan's principal balance is deemed collectible. Interest accruals are resumed on such loans only when they are brought current with respect to interest and principal and when, in the judgment of management, the loans are estimated to be fully collectible as to all principal and interest.

Loans Purchased

The Company purchases loans as held for investment or participates in loans originated by other institutions from time to time. Subject to regulatory restrictions, the Company’s current loan policies allow all loan types to be purchased. The determination to purchase specific loans or pools of loans is based upon the Company’s investment needs and market opportunities and is subject to the Company’s underwriting policies, which require consideration of the financial condition of the borrower and the appraised value of the property, among other factors. Premiums or discounts incurred upon the purchase of loans are recognized in income using the level yield method over the estimated life of the loans, adjusted for actual prepayments. The Company purchased $22,067,427 and $45,640,465 of residential mortgage loans during the years ended December 31, 2024 and 2023, respectively.

Note 2 – Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses for Loans

Effective January 1, 2023, the Company accounts for credit losses on loans in accordance with ASC 326 – "Financial Instruments-Credit Losses". The allowance for credit losses for loans ("ACL") is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. The provision for credit losses on loans (which is a component of the provision for credit losses on the consolidated statements of operations) reflects the amount required to maintain the ACL at an appropriate level based upon management's evaluation of the adequacy of collective and individual loss reserves. The Company's methodologies for determining the adequacy of ACL are set forth in a formal policy and take into consideration the need for an ACL for loans evaluated on a collective pool basis which have similar risk characteristics, as well as allowances that are tied to individual loans that do not share risk characteristics and are individually evaluated. The Company increases its ACL by charging the provision for credit losses on the consolidated statements of operations. Losses related to specific assets are applied as a reduction of the carrying value of the assets and charged against the ACL when management believes the non-collectability of a loan balance is confirmed. Recoveries on previously charged off loans are credited to the ACL.

Management assesses the adequacy of the ACL on a monthly basis and undertakes a more comprehensive evaluation quarterly. The ACL is estimated using relevant information from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts and is maintained at a level sufficient to provide for expected credit losses over the life of the loan, including expected prepayments, based on evaluating historical credit loss experience and making adjustments to historical loss information for differences in the specific risk characteristics in the current loan portfolio and economic conditions.

The ACL is measured on a collective pool basis when similar risk characteristics exist. In estimating the component of the ACL for loans that share common risk characteristics, loans are pooled by loan type based primarily on collateral type and loan purpose. For loans evaluated collectively as a pool, the ACL is calculated using a Discount Cash Flow ("DCF") method. The DCF method estimates expected cash flows over the life of loan, and the ACL reflects the difference between the amortized cost basis and the present value of the expected cash flows. The DCF method was chosen due to the periodic nature of its models, which allow for effective incorporation of a reasonable and supportable forecast in a directionally consistent and objective manner. Also, peer data for certain inputs, including probability of default/loss given default ("PD/LGD") and prepayment/curtailment rates, integral to DCF models are readily available and were utilized to establish loan loss rates.

The Company incorporates forecasts based on economic conditions within the PD component of the DCF models utilized to estimate the ACL. Management utilizes quarterly projections from the Federal Open Market Committee ("FOMC") on change in the year-over-year national gross domestic product ("GDP") growth rate and national unemployment rate and applies regression analysis to determine PD rates over the forecasted period. Management determined a period of four quarters to be reasonable and supportable and reverted to long-term historical PD rates on a straight-line basis over four quarters for models under the base scenario and eight quarters for models under the max-loss scenario. The Company employs base scenario models in both its quantitative and qualitative factors, while max-loss scenario models are only utilized for qualitative assessments.

The calculation of the ACL is adjusted using qualitative factors that serve to compensate for additional areas of uncertainty inherent in the portfolio that are not directly reflected in historical loss data and forecasts based on macro-economic data. To quantify these risks, the Company incorporates a qualitative scorecard that benchmarks loss rates from both base and max-loss scenarios. Utilizing the benchmarks, qualitative adjustment allocations are made by loan segment with consideration to the following nine factors, which

Note 2 – Summary of Significant Accounting Policies (Continued)

are referenced under the Federal Financial Institutions Examination Council (“FFIEC”) Interagency Policy Statement on the Allowance for Credit Losses:

- Changes in lending policies and procedures, including changes in underwriting standards and collections, charge offs, and recovery practices;
- Changes in international, national, regional, and local conditions;
- Changes in the nature and volume of the portfolio and terms of loans;
- Changes in the experience, depth, and ability of lending management;
- Changes in the volume and severity of past due loans and other similar conditions;
- Changes in the quality of the organization's loan review system;
- Changes in the value of underlying collateral for collateral dependent loans;
- The existence and effect of any concentrations of credit and changes in the levels of such concentrations;
- The effect of other external factors, such as competition, legal and regulatory requirements, and on the level of estimated credit losses.

Loans, such as non-accrual loans, that do not share risk characteristics with other loans in the portfolio are individually evaluated for a required ACL and are not included in the collective evaluation. Expected credit losses for loans evaluated individually are measured based on the present value of expected future cash flows discounted at the loan’s effective interest rate or, when the Company determines that sale or foreclosure is probable, the expected credit loss is measured based on the observable market price or the fair value of the collateral as of the reporting date, less estimated selling costs. Collateral may consist of various forms of real property, including commercial real estate properties, residential real estate properties, inventory, equipment, and land. The Company assesses these loans on each reporting date to determine whether repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulty. In general, to ensure collateral values are reflective of the current market the Company obtains updated appraisals every twelve months from a qualified independent appraiser.

If the observable market price or fair value of the collateral is less than the amortized cost basis of the individually-evaluated loan, the Company will recognize an ACL or partial charge off as the difference between the observable market price or fair value of the collateral, less costs to sell, and the amortized cost basis of the loan. Subsequent changes in the expected credit losses for loans evaluated individually are included within the provision for credit losses in the same manner in which the expected credit loss initially was recognized or as a reduction in the provision that would otherwise be reported.

Portfolio segmentation is defined as the level at which an entity develops and documents a systematic methodology to determine its ACL. The method for determining the ACL described above is used to determine the ACL in each portfolio segment in the Company’s loan portfolio. The Company has designated the following portfolio segments of loans:

Commercial Real Estate Loans: Commercial real estate loans are those for which the Company holds commercial real estate property as collateral. These loans are primarily underwritten based on the cash flows of the business or property and secondarily on the value of the real estate. The primary risks associated with commercial real estate loans include the borrower’s inability to pay, material decreases in the value of the real estate that is being held as collateral, and significant increases in interest rates, which may make the real estate loan unprofitable to the borrower. Real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy.

Commercial and Industrial Loans: Commercial and industrial loans are loans that are secured by business assets including inventory, receivables, machinery, and equipment. Risk associated with commercial loans arises primarily due to the difference between expected and actual cash flows of the borrowers. In addition,

Note 2 – Summary of Significant Accounting Policies (Continued)

the recoverability of the Company's investment in these loans is also dependent on other factors primarily dictated by the type of collateral securing these loans, and occasionally upon other borrower assets and guarantor assets. The fair value of the collateral securing these loans may fluctuate as market conditions change.

Warehouse Lines of Credit: Warehouse lines of credit are loans that are secured by the actual residential mortgage notes originated by the borrowers. Risk associated with these loans relates to salability of the originated mortgages as the primary source of repayment will come from the sale of the loans to the investors. As warehouse lines are turned quickly and underlying collateral is not held for extended periods of time, fluctuation to market conditions is not a material risk.

Residential Mortgage Loans: These loans are made to consumers and are secured by residential real estate. The primary risks of residential mortgage loans include the borrower's inability to pay, material decreases in the value of the real estate that is being held as collateral, and significant increases in interest rates, which may reduce the borrower's ability to make the required principal and interest payments.

The process of assessing the adequacy of the ACL is necessarily subjective. Further, and particularly in times of economic downturns, it is reasonably possible that future credit losses may exceed historical loss levels and may also exceed management's current estimates of expected credit losses within the loan portfolio. As such, there can be no assurance that future charge offs will not exceed management's current estimate of what constitutes a reasonable ACL.

Modified Loans to Troubled Borrowers

From time to time, the Company will modify certain loans in order to alleviate temporary difficulties in a borrower's financial condition or constraints on a borrower's ability to repay the loan, and to minimize potential losses to the Company. Such modifications may include changes in the amortization terms of the loan, reductions in interest rates, acceptance of interest only payments, and in limited cases, reductions to the outstanding loan balance. Effective January 1, 2023, the Company eliminates the accounting guidance for trouble debt restructurings ("TDRs") and enhances disclosures for modified loans to troubled borrowers in accordance with ASC 326 – "Financial Instruments-Credit Losses". On a prospective basis modified loans to troubled borrowers will no longer be individually evaluated for a required ACL and the amortized cost basis will be adjusted to reflect any material impact of such modifications. Management carefully monitors all borrowers experiencing financial difficulties and is selective in granting concessions. See "Note 4 – Loans and Allowance for Credit Losses" to the consolidated financial statements for more details.

Off-Balance Sheet Credit Exposure

In the ordinary course of business, the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the consolidated financial statements when they are funded. They involve, to varying degrees, elements of credit risk in excess of amounts recognized in the consolidated balance sheets. Losses could be experienced when the Company is contractually obligated to make a payment under these instruments and must seek repayment from the borrower, which may not be as financially sound in the current period as they were when the commitment was originally made. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Company enters into credit arrangements that generally provide for the termination of advances in the event of a covenant violation or other event of default. 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 Company evaluates each customer's creditworthiness on a case-by-case basis. The

Note 2 – Summary of Significant Accounting Policies (Continued)

amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterparty. The commitments are collateralized by the same types of assets used as loan collateral.

The estimate of the ACL for off-balance sheet commitments provides for current estimated credit losses for the unused portion of collective pools of off- balance sheet credit exposures expected to be funded, except for unconditionally cancellable commitments for which no allowance for credit losses is required under ASC 326. The ACL for off-balance sheet commitments includes factors that are consistent with the ACL methodology for loans using the expected loss factors and an estimated utilization or funding rate. To prevent confounding results or high levels of volatility due to limited observations within the Company's specific loan portfolio history, peer bank benchmarks were utilized to determine funding rates by loan segment. Changes in the ACL for off-balance sheet commitments are reported as a component of provision for credit losses in the consolidated statements of operations and the allowance for credit losses for off-balance sheet commitments is included in other liabilities in the consolidated balance sheets.

Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives, which range from three to seven years for furniture and equipment. Leasehold improvements are amortized using the straight-line method over the estimated useful lives of the improvements or the remaining lease term, whichever is shorter.

Expenditures for improvements or major repairs are capitalized and those for ordinary repairs and maintenance are charged to operations as incurred.

Leases

The Company enters into leases in the normal course of business, primarily related to office space and Company branches. The Company's leases have remaining terms ranging from nine months to six years, some of which include renewal options to extend the lease for up to five years. The Company's leases do not include residual value guarantees or covenants. The Company includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain the Company will exercise the option. In addition, the Company has elected to account for any non-lease components in its real estate leases as part of the associated lease component. The Company has also elected not to recognize leases with original lease terms of 12 months or less (short-term leases) on the Company's consolidated balance sheets.

Leases are classified as operating or finance leases at the lease commencement date. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. The Company uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known. The Company's incremental borrowing rate is based on the FHLB amortizing advance rate, adjusted for the lease term and other factors for similar assets and credit quality.

Note 2 – Summary of Significant Accounting Policies (Continued)

Advertising Costs

The Company expenses the costs of advertising in the period as incurred.

Income Taxes

The Company uses the asset and liability method to account for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences of differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases (temporary differences). Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the year in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes in the year of enactment. A valuation allowance is established to the extent that it is more likely than not that the benefits associated with the deferred tax assets will not be fully realized.

The Company had no unrecognized tax benefits at December 31, 2024 and 2023.

The Company recognizes interest accrued and penalties related to unrecognized tax benefits in the provision for income taxes on the consolidated statements of operations. During the years ended December 31, 2024 and 2023, the Company recognized no interest and penalties.

The Company is no longer subject to examinations by U.S. federal taxing authorities for years ended before December 31, 2021, and by state authorities for years ended before December 31, 2020.

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 consolidated balance sheets, such items, along with net income, are components of comprehensive income (loss).

Financial Instruments

In the ordinary course of business, the Company has entered into off-balance-sheet financial instruments consisting of commitments to extend credit and standby letters of credit as described in Note 13. Such financial instruments are recorded in the consolidated financial statements when they are funded or related fees are incurred or received.

Earnings Per Share ("EPS")

Basic EPS excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if options or other contracts to issue common stock were exercised or converted into common stock or would result in the issuance of common stock. For diluted EPS, the weighted-average number of common shares included stock options under the treasury method. For the years ended December 31, 2024 and 2023, the dilutive effect of stock options under the treasury method was 91,645 and 141,846, respectively. At December 31, 2024 and 2023, there were 340,000 and 470,000, respectively, of common stock equivalents that were dilutive. No shares were considered antidilutive at December 31, 2024 and 2023.

Note 2 – Summary of Significant Accounting Policies (Continued)

Share Based Compensation

The Company recognizes compensation expense for awards of stock options to employees and directors based on the grant-date fair value of those awards. The fair value of each option granted is estimated on the date of grant using the Black-Scholes options-pricing model. The assumptions used in this model include an estimate of expected volatility, which is based on the historical volatility of the price of similar bank stocks, and an estimate of the expected option term, which is based on consideration of the vesting period and contractual term of the option. In addition, the Company estimates the number of options expected to be forfeited based on historical forfeiture rates. The risk-free interest rates are equal to the U.S. Treasury yield at the time of the grant and commensurate with the expected term of the grant. Expense is recognized over the vesting period of the options. The Company's stock compensation plan and related assumptions used in determining the fair value of awards are discussed in Note 15.

Revenue Recognition

All of the Company's revenue from contracts with customers that falls within the scope of Accounting Standards Codification (ASC) 606 is recognized within noninterest income.

A description of the Company's revenue streams accounted for under ASC 606 follows:

Debit and ATM Interchange Fee Income, Net

Debit and ATM interchange income represent fees earned when a debit card issued by the Company is used. The Company earns interchange fees from debit cardholder transactions through the Visa payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder. The performance obligation is satisfied and the fees are earned when the cost of the transaction is charged to the cardholders' debit card. Certain expenses directly associated with the credit and debit card are recorded on a net basis with the interchange income. The debit and ATM interchange fee income is included in service charges and fees in the consolidated statements of operations.

Service Charges and Fees on Deposit Accounts

The Company earns fees from its deposit customers for account maintenance, transaction-based, and overdraft services. Account maintenance fees consist primarily of account fees and analyzed account fees charged on deposit accounts on a monthly basis. The performance obligation is satisfied and the fees are recognized on a monthly basis as the service period is completed. Transaction-based fees on deposit accounts are charged to deposit customers for specific services provided to the customer, such as non-sufficient funds fees, overdraft fees, and wire fees. The performance obligation is completed as the transaction occurs and the fees are recognized at the time each specific service is provided to the customer.

Note 2 – Summary of Significant Accounting Policies (Continued)

Subsequent Events

Subsequent events are events or transactions that occur after the consolidated balance sheet date but before the consolidated financial statements are issued or are available to be issued. The Company recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Company's consolidated financial statements do not reflect subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheet but arose after the consolidated balance sheet date and before the consolidated financial statements are issued or are available to be issued.

The Company closed its private placement of $15.9 million aggregate principal amount of 6% fixed interest rate subordinated debt notes on March 31, 2025. The proceeds have been used to redeem the $10.0 million March 2020 subordinated notes and the remaining $5.9 million has been down streamed to the Bank to support its organic growth.

The Company has evaluated subsequent events through April 29, 2025, which is the date the consolidated financial statements were available to be issued.

Recent Accounting Guidance Not Yet Effective

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-09 – "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." The amendments in this ASU address investor requests for more transparency about income tax information through improvements to income tax disclosures. The ASU enhances existing requirements that an entity disclose a tabular reconciliation, using both reporting currency amounts and percentages, of the entity's reported income tax expense and the amount computed by multiplying income from continuing operations before income taxes by the applicable statutory Federal income tax rate by including specific categories in the rate reconciliation table and requiring additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5% of the amount computed by multiplying pretax income or loss by the applicable statutory income tax rate). The ASU also includes requirements to disclose the amount of income taxes paid (net of refunds received) disaggregated by Federal, state, and foreign taxes and the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes paid are equal to or greater than 5% of total income taxes paid. The amendments in this ASU are effective, on a prospective basis, for annual periods beginning after December 31, 2024. Early adoption is permitted. The amendments in this ASU will not affect the Company's consolidated balance sheets or consolidated statements of income, however the required disclosures will be added to the Company's notes to consolidated financial statements after the ASU is adopted.

In November 2024, the FASB issued ASU 2024-03 – "Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses." The amendments in this update require companies to disclose, in the notes to financial statements, specified information about certain costs and expenses at each interim and annual reporting period. The provisions of this ASU become effective for the Company for all annual and interim periods beginning January 1, 2027. The adoption of ASU No. 2024-03 is not expected to have a material impact on the Company's consolidated financial statements.

Note 3 – Securities

The following is a summary of securities available for sale as of the dates indicated:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
December 31, 2024				
U.S. government agency and sponsored agency obligations:				
Mortgage-backed securities	$ 25,759,321	$ -	$ (4,761,752)	$ 20,997,569
Debt securities	7,488,477	-	(500,527)	6,987,950
Collateralized mortgage obligations	4,983,655	-	(1,335,892)	3,647,763
Municipal securities	21,591,067	-	(3,790,350)	17,800,717
Total securities available for sale	**$ 59,822,520**	**$ -**	**$ (10,388,521)**	**$ 49,433,999**
December 31, 2023				
U.S. government agency and sponsored agency obligations:				
Mortgage-backed securities	$ 29,142,313	$ -	$ (4,705,182)	$ 24,437,131
Debt securities	7,539,703	-	(698,481)	6,841,222
Collateralized mortgage obligations	5,390,542	-	(1,309,857)	4,080,685
Municipal securities	22,197,891	-	(3,872,545)	18,325,346
Total securities available for sale	**$ 64,270,449**	**$ -**	**$ (10,586,065)**	**$ 53,684,384**

Securities available for sale with market value of $30,616,117 and $34,364,917, as of December 31, 2024 and 2023, respectively, were pledged to secure advances from the Federal Reserve Bank, Bank Term Funding Program.

The amortized cost and estimated fair value of investment securities at December 31, 2024, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities due to the right to call or prepay obligations.

Note 3 – Securities (Continued)

	Available for Sale	
	Amortized Cost	Estimated Fair Value
Within one year	$ 3,461,364	$ 3,373,881
Over one year through five years	13,913,900	12,815,446
Over five years through ten years	3,958,327	3,301,967
Over ten years	38,488,929	29,942,705
Total	**$ 59,822,520**	**$ 49,433,999**

The following table shows the Company's securities available for sale that have been in a continuous unrealized loss position as of the dates indicated:

	Less Than 12 Months			12 Months or More			Total		
	Gross Unrealized Loss	Estimated Fair Value	Number of Securities	Gross Unrealized Loss	Estimated Fair Value	Number of Securities	Gross Unrealized Loss	Estimated Fair Value	Number of Securities
December 31, 2024									
U.S. government agency and sponsored agency obligations:									
Mortgage-backed securities	$ -	$ -	-	$ (4,761,753)	$ 20,997,569	14	$ (4,761,753)	$ 20,997,569	14
Debt securities	-	-	-	(500,527)	6,987,950	6	(500,527)	6,987,950	6
Collateralized mortgage obligations	-	-	-	(1,335,892)	3,647,763	4	(1,335,892)	3,647,763	4
Municipal securities	-	-	-	(3,790,349)	17,800,717	39	(3,790,349)	17,800,717	39
Total	**$ -**	**$ -**	**-**	**$ (10,388,521)**	**$ 49,433,999**	**63**	**$ (10,388,521)**	**$ 49,433,999**	**63**
December 31, 2023									
U.S. government agency and sponsored agency obligations:									
Mortgage-backed securities	$ -	$ -	-	$ (4,705,182)	$ 24,437,131	15	$ (4,705,182)	$ 24,437,131	15
Debt securities	-	-	-	(698,481)	6,841,222	6	(698,481)	6,841,222	6
Collateralized mortgage obligations	-	-	-	(1,309,857)	4,080,685	4	(1,309,857)	4,080,685	4
Municipal securities	-	-	-	(3,872,545)	18,325,346	40	(3,872,545)	18,325,346	40
Total	**$ -**	**$ -**	**-**	**$ (10,586,065)**	**$ 53,684,384**	**65**	**$ (10,586,065)**	**$ 53,684,384**	**65**

At December 31, 2024 and 2023, there were no AFS securities that were on nonaccrual status. All securities in the portfolio were current with their contractual principal and interest payments. Accrued interest receivable related to AFS securities was $243,029 and $252,585 at December 31, 2024 and 2023, respectively.

There were no collateral dependent AFS securities at December 31, 2024 and 2023.

The Company did not record an allowance for credit losses for AFS securities as of December 31, 2024 and 2023. In situations where a security's estimated fair value was below its amortized cost, such declines were deemed non-credit related and recorded as an adjustment to accumulated other comprehensive income, net of tax. Non-credit related declines in the fair value of AFS securities can be attributed to changes in interest rates and other market-related factors. There was no provision for credit losses recognized for AFS securities during the year ended December 31, 2024 and 2023.

Note 4 – Loans and Allowance for Credit Losses

The composition of the Company's loan portfolio as of December 31 was as follows:

	2024	2023
Commercial real estate loans	$ 829,406,974	$ 740,394,239
Commercial and industrial loans	68,639,561	45,161,623
Warehouse lines of credit	62,415,759	27,909,010
Residential mortgage loans	211,347,451	207,371,524
Overdrafts	82,503	96,782
Total Gross Loans	1,171,892,248	1,020,933,178
Deferred loan origination costs, net of fees and discounts	(10,650,125)	(10,095,507)
Allowance for credit losses (ACL)	(14,105,628)	(12,960,751)
Total Loans Net of ACL and Deferred Loan Fees	$ 1,147,136,495	$ 997,876,920

Accrued interest on loans was $4,656,127 and $4,338,585 at December 31, 2024 and 2023, respectively. The amortized cost basis of the Company's loan portfolio at December 31, 2024, was as follows:

	Total Gross Loans	Net Deferred	Amortized Cost
Commercial real estate loans	$ 829,406,974	$ (11,508,699)	$ 817,898,275
Commercial and industrial loans	68,639,561	(158,538)	68,481,023
Warehouse lines of credit	62,415,759	10,217	62,425,976
Residential mortgage loans	211,347,451	1,006,895	212,354,346
Overdrafts	82,503	-	82,503
Total Balance	$ 1,171,892,248	$ (10,650,125)	$ 1,161,242,123

Note 4 – Loans and Allowance for Credit Losses (Continued)

The following tables present the activity in the allowance for credit losses for 2024 and 2023, and the recorded investment in loans and method for determining the allowance for credit losses as of December 31, 2024 and 2023 by portfolio segment.

2024	Commercial Real Estate	Commercial and Industrial	Warehouse Lines of Credit	Residential Mortgage	Overdraft	Total
Allowance for Credit Losses:						
Beginning of year	$ 9,046,562	$ 1,355,819	$ 139,036	$ 2,415,100	$ 4,234	$ 12,960,751
Provisions	1,941,731	27,988	87,834	(455,495)	(2,058)	1,600,000
Charge-offs	(227,723)	(336,344)	-	-	-	(564,067)
Recoveries	106,779	2,165	-	-	-	108,944
End of Year	$ 10,867,349	$ 1,049,628	$ 226,870	$ 1,959,605	$ 2,176	$ 14,105,628
Reserves:						
Individually Evaluated	$ 424,746	$ 4,581	$ -	$ -	$ -	$ 429,327
Collectively Evaluated	10,442,603	1,045,047	226,870	1,959,605	2,176	13,676,301
Total	$ 10,867,349	$ 1,049,628	$ 226,870	$ 1,959,605	$ 2,176	$ 14,105,628
Loans:						
Individually Evaluated	$ 8,547,341	$ 257,949	$ -	$ -	$ -	$ 8,805,290
Collectively Evaluated	820,859,633	68,381,612	62,415,759	211,347,451	82,503	1,163,086,958
Total	$ 829,406,974	$ 68,639,561	$ 62,415,759	$ 211,347,451	$ 82,503	$ 1,171,892,248

2023	Commercial Real Estate	Commercial and Industrial	Warehouse Lines of Credit	Residential Mortgage	Overdraft	Total
Allowance for Credit Losses:						
Beginning of year	$ 10,965,523	$ 985,775	$ 105,323	$ 819,591	$ 77	$ 12,876,289
Adoption of ASC 326	-	-	-	-	-	-
Provisions	(1,530,621)	247,243	33,713	1,595,509	4,157	350,001
Charge-offs	(622,792)	-	-	-	-	(622,792)
Recoveries	234,452	122,801	-	-	-	357,253
End of Year	$ 9,046,562	$ 1,355,819	$ 139,036	$ 2,415,100	$ 4,234	$ 12,960,751
Reserves:						
Individually Evaluated	$ -	$ 8,023	$ -	$ -	$ -	$ 8,023
Collectively Evaluated	9,046,562	1,347,796	139,036	2,415,100	4,234	12,952,728
Total	$ 9,046,562	$ 1,355,819	$ 139,036	$ 2,415,100	$ 4,234	$ 12,960,751
Loans:						
Individually Evaluated	$ 441,725	$ 35,624	$ -	$ -	$ -	$ 477,349
Collectively Evaluated	739,952,514	45,125,999	27,909,010	207,371,524	96,782	1,020,455,829
Total	$ 740,394,239	$ 45,161,623	$ 27,909,010	$ 207,371,524	$ 96,782	$ 1,020,933,178

Note 4 – Loans and Allowance for Credit Losses (Continued)

As of December 31, 2024, there were 11 collateral dependent commercial real estate loans and one collateral dependent commercial and industrial loan, totaling $8,786,629. Loans outstanding by collateral type are as follows:

	Car Wash	Hotel/Motel	Retail	Restaurant	Others	Total
Commercial real estate loans	$ 4,585,199	$ 930,795	$ 900,431	$ 713,716	$ 1,417,200	$ 8,547,341
Commercial and industrial loans	-	-	-	-	$ 239,288	239,288
Warehouse lines of credit	-	-	-	-	-	-
Residential mortgage loans	-	-	-	-	-	-
Overdrafts	-	-	-	-	-	-
	$ 4,585,199	$ 930,795	$ 900,431	$ 713,716	$ 1,656,488	$ 8,786,629

The reserves associated with those loans at December 31, 2024, were as follows:

	Car Wash	Hotel/Motel	Retail	Restaurant	Others	Total
Commercial real estate loans	$ -	$ 326,399	$ -	$ -	$ 98,347	$ 424,746
Commercial and industrial loans	-	-	-	-	-	-
Warehouse lines of credit	-	-	-	-	-	-
Residential mortgage loans	-	-	-	-	-	-
Overdrafts	-	-	-	-	-	-
	$ -	$ 326,399	$ -	$ -	$ 98,347	$ 424,746

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, collateral adequacy, credit documentation, and current economic trends, among other factors. The Company analyzes loans individually when the loan no longer shares risk characteristics with the other loans in the pool. This individual analysis typically includes larger, non-homogeneous loans such as commercial real estate loans, commercial and industrial loans, and warehouse lines of credit. This analysis is performed on an ongoing basis as new information is obtained.

The Company uses the following definitions for risk rating classification ratings:

Pass – Loans classified as pass include larger non-homogeneous loans not meeting the risk rating definitions above and smaller homogeneous loans not assessed on an individual basis.

Special Mention – Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard – Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Note 4 – Loans and Allowance for Credit Losses (Continued)

The following table presents the amortized cost basis of loans based on the risk classification categories of loans by vintage year, as well as the gross charge-offs by year of origination for the year ended December 31, 2024 and 2023:

December 31, 2024	2024	2023	2022	Prior	Revolving	Total
Commercial real estate:						
Pass	$ 163,956,362	$ 94,403,816	$ 156,172,697	$ 347,033,747	$ 24,858,846	$ 786,425,468
Special mention	-	537,734	1,991,118	13,602,184	-	16,131,036
Substandard	-	3,904,858	8,297,618	3,139,295	-	15,341,771
Total	163,956,362	98,846,408	166,461,433	363,775,226	24,858,846	817,898,275
Current period gross charge-offs	-	149,105	-	78,617	-	227,722
Commercial and industrial:						
Pass	$ 10,315,396	$ 5,212,835	$ 940,689	$ 7,915,877	$ 40,896,156	$ 65,280,953
Special mention	-	-	-	69,223	-	69,223
Substandard	-	225,121	-	2,905,726	-	3,130,847
Total	10,315,396	5,437,956	940,689	10,890,826	40,896,156	68,481,023
Current period gross charge-offs	-	336,345	-	-	-	336,345
Warehouse lines of credit:						
Pass	$ -	$ -	$ -	$ -	$ 62,425,976	$ 62,425,976
Special mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Total	-	-	-	-	62,425,976	62,425,976
Current period gross charge-offs	-	-	-	-	-	-
Residential mortgage:						
Pass	$ 22,325,181	$ 34,747,934	$ 120,718,437	$ 34,562,794	$ -	$ 212,354,346
Special mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Total	22,325,181	34,747,934	120,718,437	34,562,794	-	212,354,346
Current period gross charge-offs	-	-	-	-	-	-
Overdrafts:						
Total	82,503	-	-	-	-	82,503
Current period gross charge-offs	-	-	-	-	-	-
Total loans	$ 196,679,442	$ 139,032,298	$ 288,120,559	$ 409,228,846	$ 128,180,978	$ 1,161,242,123
Total current period gross charge-offs	$ -	$ 485,450	$ -	$ 78,617	$ -	$ 564,067

Note 4 – Loans and Allowance for Credit Losses (Continued)

December 31, 2023	2023	2022	2021	Prior	Revolving	Total
Commercial real estate:						
Pass	$ 108,131,145	$ 176,629,102	$ 239,734,621	$ 166,435,183	$ 19,366,066	$ 710,296,117
Special mention	-	2,235,964	3,633,466	8,332,470	-	14,201,900
Substandard	1,173,214	1,795,268	326,864	1,652,296	-	4,947,642
Total	109,304,359	180,660,334	243,694,951	176,419,949	19,366,066	729,445,659
Current period gross charge-offs	-	-	-	622,792	-	622,792
Commercial and industrial:						
Pass	$ 7,379,818	$ 1,111,686	$ 8,055,272	$ 6,676,014	$ 18,737,898	$ 41,960,688
Special mention	-	-	-	3,007,740	-	3,007,740
Substandard	-	-	-	51,581	-	51,581
Total	7,379,818	1,111,686	8,055,272	9,735,335	18,737,898	45,020,009
Current period gross charge-offs	-	-	-	-	-	-
Warehouse lines of credit:						
Pass	$ -	$ -	$ -	$ -	$ 27,917,306	$ 27,917,306
Special mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Total	-	-	-	-	27,917,306	27,917,306
Current period gross charge-offs	-	-	-	-	-	-
Residential mortgage:						
Pass	$ 43,243,882	$ 128,436,165	$ 36,677,868	$ -	$ -	$ 208,357,915
Special mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Total	43,243,882	128,436,165	36,677,868	-	-	208,357,915
Current period gross charge-offs	-	-	-	-	-	-
Overdrafts:						
Total	96,782	-	-	-	-	96,782
Current period gross charge-offs	-	-	-	-	-	-
Total loans	$ 160,024,841	$ 310,208,185	$ 288,428,091	$ 186,155,284	$ 66,021,270	$ 1,010,837,671
Total current period gross charge-offs	$ -	$ -	$ -	$ 622,792	$ -	$ 622,792

Note 4 – Loans and Allowance for Credit Losses (Continued)

The following tables present the amortized cost in and the aging of past due loans by class as of December 31:

2024	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Current	Total	Nonaccrual
Loans:						
Commercial real estate	$ 4,687,133	$ 4,750,350	$ 7,024,001	$ 801,436,791	$ 817,898,275	$ 7,551,006
Commercial and industrial	101,128	-	225,121	68,154,774	68,481,023	225,121
Warehouse lines of credit	-	-	-	62,425,976	62,425,976	-
Residential mortgage	675,730	-	-	211,678,616	212,354,346	-
Overdrafts	-	-	-	82,503	82,503	-
	$ 5,463,991	$ 4,750,350	$ 7,249,122	$ 1,143,778,660	$ 1,161,242,123	$ 7,776,127

2023	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Current	Total	Nonaccrual
Loans:						
Commercial real estate	$ 3,481,741	$ -	$ -	$ 725,963,918	$ 729,445,659	$ 399,655
Commercial and industrial	35,878	-	-	44,984,131	45,020,009	-
Warehouse lines of credit	-	-	-	27,917,306	27,917,306	-
Residential mortgage	-	-	-	208,357,915	208,357,915	-
Overdrafts	-	-	-	96,782	96,782	-
	$ 3,517,619	$ -	$ -	$ 1,007,320,052	$ 1,010,837,671	$ 399,655

As of December 31, 2024, the Company had 11 non-accrual commercial real estate loans totaling $7,551,006 in amortized cost and one non-accrual commercial and industrial loan with an amortized cost of $225,121. As of December 31, 2023, the Company had a single non-accrual commercial real estate loan with an amortized cost of $399,655.

There was no foregone interest on nonaccrual loans for the year ended December 31, 2024 and 2023. As of December 31, 2024, there were no loans that were past due by 90 days or more that were not classified as nonaccrual.

Note 4 – Loans and Allowance for Loan Losses (Continued)

Prior to the adoption of ASC 326 on January 1, 2023, the Company classified loans as impaired when, based on current information and events, it was probable that the Company would be unable to collect all amounts due according to the contractual terms of the loan agreement or it was determined that the likelihood of the Company receiving all scheduled payments, including interest, when due was remote. Credit losses on impaired loans were determined separately based on the guidance in ASC 310. Beginning January 1, 2023, the Company accounts for credit losses on all loans in accordance with ASC 326, which eliminates the concept of an impaired loan within the context of determining credit losses.

Loan Modifications

In certain instances, the Company may make modifications to the terms of loans to borrowers that are experiencing financial distress by providing a term extension, a payment deferral, a reduction of the contractual interest rate on the loan, or a partial forgiveness of principal (or a combination of these modifications). When principal forgiveness is provided to a borrower, the amount of forgiveness is charged off against the ACL. The Company made two modifications to the terms of loans to borrowers that are experiencing financial difficulties during the year ended December 31, 2024. The following table presents the recorded investment in modifications due to financial difficulties by type as of December 31, 2024:

2024	Principal forgiveness	Interest rate reduction	Delay in collection	Term extension	Other	Total
Loans:						
Commercial real estate	$ -	$ -	$ 1,147,595	$ -	$ -	$ 1,147,595
Commercial and industrial	-	-	-	-	-	-
Warehouse lines of credit	-	-	-	-	-	-
Residential mortgage	-	-	-	-	-	-
Overdrafts	-	-	-	-	-	-
	$ -	$ -	$ 1,147,595	$ -	$ -	$ 1,147,595

There were no modifications due to financial difficulties during the year ended December 31, 2023.

Note 5 – Sales of SBA and USDA Loans and Servicing Rights

The Company was servicing $532,592,958 and $501,212,163 of SBA and USDA loans previously sold as of December 31, 2024 and 2023, respectively. For 2024 and 2023, the Company recorded servicing fee income of $4,751,841 and $4,428,720, respectively.

The activity for servicing assets that are measured at amortized cost and the related valuation allowance, fair value, and key assumptions used to estimate the fair value were as follows as of and for the years ended December 31:

	2024	2023
Carrying amount at beginning of year	$ 5,610,268	$ 4,828,243
Addition from SBA/USDA loan sales	930,153	1,426,007
Amortization	(903,485)	(643,982)
Carrying amount at end of year	$ 5,636,936	$ 5,610,268
Fair value, beginning of year	$ 10,277,762	$ 9,744,683
Fair value, end of year	$ 10,310,081	$ 10,277,762
Discount rate	12.75% to 13.70%	13.91% to 14.93%
Prepayment speeds	12.16% to 12.33%	12.07% to 12.18%

Fair value is estimated by discounting future cash flows from the servicing assets using discount rates that approximate current market rates over the expected lives of the loans being serviced. For the purpose of measuring impairment, the Company has identified each servicing asset with the underlying loan being serviced. A valuation allowance is recorded where the fair value is below the carrying amount of asset.

Note 6 – Premises and Equipment

Premises and equipment at December 31 were as follows:

	2024	2023
Furniture, fixtures, and equipment	$ 2,972,576	$ 3,832,830
Leasehold improvements	5,011,671	4,219,206
Work-in-process	527,117	912,680
	8,511,364	8,964,716
Less: Accumulated depreciation and amortization	(5,295,917)	(5,878,230)
	$ 3,215,447	$ 3,086,486

Total depreciation expense for the years ended December 31, 2024 and 2023, was $904,156 and $691,362, respectively.

Note 7 – Deposits

Interest-bearing deposits at December 31 consisted of the following:

	2024	2023
Negotiable order of withdrawal ("NOW")	$ 62,366,086	$ 28,166,344
Savings	7,171,786	4,651,498
Money market	314,905,707	301,463,670
Time certificate of deposit accounts $250,000 or under	213,285,349	205,082,294
Time certificate of deposit accounts over $250,000	418,387,566	350,516,967
	$ 1,016,116,494	$ 889,880,773

As of December 31, 2024 and 2023, all noninterest-bearing deposits were demand deposits.

The maturity of time certificates deposit accounts as of December 31 was as follows:

	2024	2023
Three months or less	$ 181,063,486	$ 137,460,200
Over three months through one year	440,841,393	397,058,241
One year to three years	9,768,036	21,080,820
Total Time Deposits	$ 631,672,915	$ 555,599,261

Note 8 – Federal Home Loan Bank Borrowings

As part of its asset-liability management, the Company utilizes FHLB borrowings to supplement the deposit source of funds. Therefore, there may be fluctuations in these balances depending on the short-term liquidity and longer-term financing needs of the Company.

Advances from the FHLB outstanding at December 31 consisted of the following:

	2024		2023	
	Amount	Weighted-Average Rate	Amount	Weighted-Average Rate
Due within one year	$ 25,000,000	4.16%	$ -	-
Due over one year through two years	-	-	25,000,000	4.16%
	$ 25,000,000	4.16%	$ 25,000,000	4.16%

Note 8 – Federal Home Loan Bank Borrowings (Continued)

The borrowing capacity under the borrowing agreement was $360,622,949 and $330,309,646 as of December 31, 2024 and 2023, respectively. Borrowing capacity is based on the lower of the value of the collateral or 25 percent of the Bank's total assets. The terms of this credit facility require the Bank to pledge to the FHLB eligible collateral of at least 100 percent of outstanding advances. As of December 31, 2024, the Bank pledged loans to the FHLB secured by real estate with an aggregate unpaid principal balance of $797,485,643. At December 31, 2023, the Bank pledged loans to the FHLB secured by real estate with an aggregate unpaid principal balance of $714,639,187. The Bank also had a FHLB letter of credit of $55,000,000 and $35,000,000 as of December 31, 2024 and 2023, respectively, to secure public deposits.

Note 9 – Subordinated Debt

In March of 2020, the Company closed a private offering of $10,000,000 of subordinated debt to third-party investors. The maturity of the debt is March 31, 2030, and may be prepaid by the Company only after the fifth anniversary of the issuance date at a price equal to 100% of the then outstanding principal and accrued but unpaid interest. The debt has an initial fixed interest rate of 5.25% until March of 2025, and then will convert to a floating rate which will reset quarterly and is currently defined as three-month of Secured Overnight Financing Rate ("SOFR") plus 4.68%. Interest payments are due on the notes every May 15 and November 15 during the fixed rate period, and quarterly on February 15, May 15, August 15, and November 15 thereafter. Principal is due in full at maturity.

In October of 2020, the Company closed another offering of $16,000,000 of subordinated debt to third-party investors. The maturity date of these debt instruments is November 1, 2030. The debt is not prepayable prior to the fifth anniversary of the issuance date of the notes, except in certain circumstances (such as if the debt no longer qualifies as Tier 2 capital). After the fifth anniversary of the issuance of the debt, the balance may be redeemed in full by the Company at any time for a price equal to 100% of the then outstanding principal and accrued but unpaid interest. The debt has an initial fixed interest rate of 5.65% until October 2025, and then will convert to a floating rate which will reset quarterly and is defined as three-month term SOFR plus 5.43%. Interest payments are due on the notes every May 1 and November 1 during the fixed rate period, and quarterly on February 1, May 1, August 1, and November 1 thereafter. Principal is due in full at maturity.

Debt issuance costs of $317,314 and $373,830 were netted against the outstanding subordinated debt balances on the consolidated balance sheets as of December 31, 2024 and 2023, respectively. The amortization of debt issuance cost was $56,516 for the years ended December 31, 2024 and 2023.

Note 10 – Federal Funds Line of Credit

The Company had Federal fund lines of credit of $20.0 million and $7.2 million with Pacific Coast Bankers Bank and The Independent Bankers' Bank, respectively, at December 31, 2024 and 2023. There were no borrowings outstanding under any of these lines of credit at December 31, 2024 and 2023.

Note 11 – Other Expenses

A summary of other noninterest expense for the years ended December 31 is as follows:

	2024	2023
Outside services	$ 2,448,991	$ 2,050,307
Regulatory assessment	837,186	645,571
Professional services	1,359,475	1,083,467
Corporate expense	994,379	924,205
Business development	551,071	672,243
Office supplies and communication	345,501	405,038
Operating losses	18,365	15,909
Other	704,587	562,004
Total Other Expenses	$ 7,259,555	$ 6,358,744

Note 12 – Income Taxes

The asset and liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Income tax expense consists of the following for the years ended December 31:

	2024	2023
Currently payable		
Federal	$ 2,110,193	$ 2,732,118
State	1,168,856	1,621,220
	3,279,049	4,353,338
Deferred taxes	(90,729)	(223,777)
	$ 3,188,320	$ 4,129,561

The effective tax rate of the Company’s provision for income taxes differs from the federal statutory rate as follows:

	2024	2023
Federal Statutory Rate	21.00%	21.00%
State and Local Income Taxes, Net of Federal Effect	10.37	7.37
Permanent Items	0.23	0.40
	31.60%	28.77%

Note 12 – Income Taxes (Continued)

The following is a summary of the components of the net deferred tax asset and liability accounts recognized in the accompanying consolidated balance sheets at December 31:

	2024	2023
Deferred Tax Assets		
Allowance for credit losses	$ 3,508,933	$ 3,751,058
Net operating loss carryforward	1,147,500	1,266,334
State tax accrual difference	242,511	337,288
Share-based compensation	329,283	348,048
Deferred lease liability	1,400,626	1,567,301
Unrealized loss on securities	3,023,120	3,057,648
Other	818,087	292,212
Off-balance-sheet reserve	106,375	107,076
	10,576,435	10,726,965
Deferred Tax Liabilities		
Property and equipment	31,999	(11,990)
Deferred lease asset	(1,308,515)	(1,491,290)
	(1,276,516)	(1,503,280)
Net Deferred Tax Assets	$ 9,299,919	$ 9,223,685

The Company has net operating loss carryforwards of approximately $3,825,000 for Federal income and approximately $4,422,000 for California franchise tax purposes. Net operating loss carryforwards, to the extent not used, will expire through 2034. Net operating loss carryforwards are limited by Section 382 of the Internal Revenue Code and benefits not expected to be realized due to the limitation have been excluded from the deferred tax asset and net operating loss carryforward amounts noted above.

Note 13 – Commitments and Contingencies

Financial Instruments with Off-Balance-Sheet Risk

The Company is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments consist of commitments to extend credit. These instruments involve, to varying degrees, elements of credit in excess of the amounts recognized in the consolidated balance sheets. The Company’s exposure to credit loss in the event of nonperformance by the other parties to the financial instruments for these commitments is represented by the contractual amounts of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Note 13 – Commitments and Contingencies (Continued)

The following is a summary of contractual or notional amount of off-balance-sheet financial instruments that represent credit risk at December 31:

	2024	2023
Financial instruments whose contract amounts represents credit risks:		
Commitments to extend credit	$ 68,420,387	$ 65,502,666
Standby letters of credit	4,028,402	509,882
	$ 72,448,789	$ 66,012,548

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any conditions established in the contract. Commitments and letters of credit generally have variable rates that are tied to the prime rate. Commitments generally have fixed expiration dates of not more than 12 months and may require payment of a fee. Since many of the commitments are not expected to be drawn upon, the total commitment amounts may not represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis.

The amount of collateral obtained, if deemed necessary by the Company upon an extension of credit, is based on management's credit evaluation. Collateral held varies, but may include marketable investment securities, accounts receivable, inventory, property, plant, and equipment, and real estate.

As of December 31, 2024 and 2023, the Company had an allowance for credit losses for off-balance sheet commitments of $370,000, which was included in other liabilities on the consolidated balance sheets. The provision for credit losses associated with the allowance for off-balance sheet commitments was $0 and $150,000 for the years ended December 31, 2024 and December 31, 2023, respectively.

Legal

The Company from time to time is subject to legal proceedings and claims arising in the ordinary course of business. The Company, based on available information and status of those claims or proceedings, does not believe that the aggregate potential liability resulting from such proceedings would have a material adverse effect on the Company’s financial condition or results of operations.

Lease Commitments

All leases for corporate offices and branch locations are classified as operating leases. The amount of the lease liability and right-of-use asset is impacted by the lease term and the discount rate applied to determine the present value of future lease payments. The remaining terms of operating leases range from 9 months to 6 years. Most leases include one or more options to renew, with renewal terms that can extend the lease term by varying amounts. The exercise of renewal options is at the sole discretion of the Company. Renewal option periods were not included in the measurement of right-of-use assets and lease liabilities as they are not considered reasonably certain of being exercised.

The balance of right-of-use assets and lease liabilities are included in prepaid expenses and other assets and accrued interest payable and other liabilities, respectively, on the consolidated balance sheets.

Note 13 – Commitments and Contingencies (Continued)

The consolidated balance sheets and supplemental information at December 31 are shown below:

	2024	2023
Operating Lease Right-of-Use Asset	$ 4,551,374	$ 5,153,133
Operating Lease Liability	$ 4,871,758	$ 5,415,783
Weighted-Average Remaining Lease Term, in Years	2.97	3.68
Weighted-Average Discount Rate	3.52%	3.27%

The Company elected, for all classes of underlying assets, not to separate lease and non-lease components and instead to account for them as a single lease component.

Rent expenses totaled $1,931,912 and $1,768,706 for the years ended December 31, 2024 and 2023, respectively.

The future annual minimum lease payments under these operating leases were as follows:

Year Ending	Amount
2025	1,839,602
2026	1,742,220
2027	1,059,392
2028	357,751
2029	100,360
Thereafter	-
Total undiscounted lease payments	5,099,325
Less: imputed interest	(227,567)
Net lease liabilities	$ 4,871,758

Cash paid, and included in cash flows from operating activities, for amounts included in the measurement of lease liability for the years ended December 31, 2024 and 2023, was $1,721,924 and $1,586,255, respectively.

Note 14 – Regulatory Capital Requirements

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 and the Company. 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. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Note 14 – Regulatory Capital Requirements (Continued)

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of Common Equity Tier 1, Total, and Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets. Each of these components is defined in the regulations. Management believes that the Company and the Bank met all capital adequacy requirements to which it is subject as of December 31, 2024 and 2023.

Effective January 1, 2020, the Federal banking agencies jointly issued a final rule on the Community Bank Leverage Ratio ("CBLR"), which provides for an optional, simplified measure of capital adequacy for qualifying community banking organizations, consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (the "Economic Growth Act"). Qualifying community banking organizations are defined as having less than $10 billion in total consolidated assets and that meet the following risk-based qualifying criteria: a CBLR of greater than nine percent; off-balance-sheet exposure of twenty-five percent or less of total consolidated assets; and not an advanced-approaches institution. Such a community banking organization would not be subject to other risk-based and leverage capital requirements (including the Basel III and Basel IV requirements), and would be considered to have met the "well-capitalized" ratio requirements. The CBLR is determined by dividing a financial institution's tangible equity capital by its average total consolidated assets. The rule further describes what is included in tangible equity capital and average total consolidated assets. Qualifying banks may opt into and out of the CBLR framework at any time. While the Bank is a qualifying community banking organization, it has not opted into the CBLR framework at this time.

In April 2020, the federal banking agencies issued an interim final rule that makes temporary changes to the CBLR framework, pursuant to section 4012 of the Coronavirus Aid, Relief, and Economic Stability ("CARES") Act, and a second interim final rule that provides a graduated increase in the community bank leverage ratio requirement after the expiration of the temporary changes implemented pursuant to section 4012 of the CARES Act.

To be categorized as well-capitalized, banks must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the following table. At December 31, 2024 and 2023, the most recent regulatory notifications categorized the Bank as well capitalized. There are no conditions or events since that notification that management believes have changed the institution's category. The Bank's actual capital amounts and ratios are presented in the table below:

Note 14 – Regulatory Capital Requirements (Continued)

	Actual		Amount of Capital Required: Adequately Capitalized		Amount of Capital Required: To Be Well-Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2024:						
Total Capital (to risk-weighted assets)	$144,628,761	12.86%	$90,000,231	8.0%	$112,500,289	10.0%
Tier 1 Capital (to risk-weighted assets)	130,561,125	11.61%	67,500,173	6.0%	90,000,231	8.0%
Common Equity Tier 1 Capital (to risk-weighted assets)	130,561,125	11.61%	50,625,130	4.5%	73,125,188	6.5%
Tier 1 Capital (to average assets)	130,561,125	9.37%	55,708,236	4.0%	69,635,295	5.0%
As of December 31, 2023:						
Total Capital (to risk-weighted assets)	$137,523,285	14.24%	$77,282,526	8.0%	$ 96,603,158	10.0%
Tier 1 Capital (to risk-weighted assets)	125,432,393	12.98%	57,961,895	6.0%	77,282,526	8.0%
Common Equity Tier 1 Capital (to risk-weighted assets)	125,432,393	12.98%	43,471,421	4.5%	62,792,052	6.5%
Tier 1 Capital (to average assets)	125,432,393	10.29%	48,769,688	4.0%	60,962,110	5.0%

Note 15 – Employee Benefit Plans

401(k) Plan

The Company has adopted a defined 401(k) Plan ("Plan") for the benefit of its employees in November 2006. Under the Plan, employees will be permitted to designate a certain percentage of their pre-tax wages to be deposited into their 401(k) account. The Company will match a portion of every dollar contributed, up to the maximum permitted by law. Enrollment to the Plan is at open enrollment and after 180 days of uninterrupted service with the Company. The Board of Directors determines contributions to the Plan annually. The Company contributed $977,340 and $746,462 to the Plan in 2024 and 2023, respectively.

Stock Option Plan

The Company's 2006 Stock Option Plan ("2006 Plan") was approved by its shareholders in November 2006. Under the terms of the 2006 Plan, officers and key employees, may be granted both nonqualified and incentive stock options. Directors and organizers, who are not also an officer or employee, may only be granted nonqualified stock options. The 2006 Plan provides 594,000 shares of common stock at a price not less than 100 percent of the fair value of the stock on the date of grant. As of December 31, 2024 and 2023, there were no options available to be granted under the terms of the 2006 Plan. Stock options expire no later than ten years from the date of the grant and generally vest over three to five years. The 2006 Plan provides for accelerated vesting if there is a change of control, as defined by the plan.

Note 15 – Employee Benefit Plans

The Company's 2017 Omnibus Stock Incentive Plan ("2017 Plan") was approved by its shareholders in May 2017. Under the terms of the 2017 Plan, officers, key employees, and consultants of the Company may be granted both nonqualified and incentive stock options. Directors and organizers, who are not also an officer or an employee, may only be granted nonqualified stock options. The 2017 Plan provides 3,226,000 shares of common stock at a price not less than 100 percent of the fair value of the stock on the date of grant. As of December 31, 2024, there were 1,773,500 options available to be granted under the terms of the 2017 Plan. Stock options expire no later than ten years from the date of the grant and generally vest over two to three years. The 2017 Plan provides for accelerated vesting if there is a change of control, as defined by the plan.

There were no options granted in 2024. The fair value of each option granted in 2023 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2024	2023
Dividend yield	-	3.60%
Expected life	-	5.5 Years
Expected volatility	-	28.68% - 28.87%
Risk-free interest rate	-	2.35% - 4.84%
Weighted-average grant date fair value	-	\$0.49 - \$0.68

Since the Company has a limited amount of historical stock activity, the expected volatility is based on the historical volatility of similar banks that have a longer trading history. The expected term represents the estimated average period of time that the options remain outstanding. Since the Company does not have sufficient historical data on the exercise of stock options, the expected term is based on the "simplified" method that measures the expected term as the average of the vesting period and the contractual term. The risk free rate of the return reflects the grant date interest rate offered for zero coupon U.S. Treasury bonds over the expected term of the options.

A summary of the status of the Company's stock option plan as of December 31 and changes during the year ending is presented below:

	2024			**2023**		
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
Outstanding at beginning of year	1,655,000	$ 3.71		1,070,000	$ 3.55	
Granted	-	-		720,000	3.89	
Exercised	(130,000)	2.49		(30,000)	2.32	
Forfeitures	(22,500)	3.85		(35,000)	4.62	
Expired	-	-		(70,000)	3.21	
Outstanding at end of year	1,502,500	$ 3.82	6.66 Years	1,655,000	$ 3.71	7.28 Years
Options exercisable at end of year	1,329,990	$ 3.81	6.39 Years	1,280,000	$ 3.65	6.58 Years

Note 15 – Employee Benefit Plans (Continued)

The Company recognized share-based compensation costs of $110,051 and $277,004 during the years ended December 31, 2024 and 2023, respectively. The Company did not recognize any income tax benefits related to share-based compensation in 2024 and 2023. As of December 31, 2024, unrecognized compensation expense related to unvested stock options was $81,590 which is expected to be recognized over a remaining weighted-average vesting period of 1.1 years. The aggregate intrinsic value of stock options outstanding and exercisable at December 31, 2024 and 2023, was $254,300 and $342,500, respectively.

Note 16 – Related Party Transactions

As of December 31, 2024 and 2023, the Company's consolidated balance sheets included deposits from executive officers and directors totaling $25,818,883 and $32,912,783, respectively. There were no loans outstanding to executive officers and directors as of December 31, 2024 and 2023.

The Company occasionally purchases loans from Sun West Mortgage Company, Inc. ("Sun West") that is owned by the same individual that owns a minority interest in Metro Home. During the years ended December 31, 2024 and 2023, the Company didn't purchase any residential mortgage loans from Sun West which also continues to service the purchased loans.

As of December 31, 2024 and 2023, Sun West had lines of credits of $25 million with the Company for general working capital needs. The outstanding balances as of December 31, 2024 and 2023 were $20,000,000 and $16,800,000, respectively, and are included in the warehouse line of credit loan balance. The term of the lines of credits was 1-year with a variable interest rate of 1-month term SOFR plus 1.90%. Sun West also maintained 2 custodial accounts with the Company, and the balances were $811,451 and $267,834, as of December 31, 2024 and 2023, respectively.

In management's opinion, the terms and conditions associated with these arrangements are comparable to those of transactions with unaffiliated parties.

Note 17 – Fair Value of Financial Instruments

Fair value measurements establish a fair value hierarchy, which requires an entity to maximize the use of observable input and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as 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.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use pricing an asset and liability.

Off-Balance-Sheet Financial Instruments

The fair value of commitments to extend credit and standby letters of credit is estimated using the fees currently charged to enter into similar agreements. The fair value of these financial instruments is not material.

Note 17 – Fair Value of Financial Instruments (Continued)

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

The Company did not have any financial instruments that were carried at fair value on a non-recurring basis at December 31, 2024 and 2023.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

	Fair Value Measurements Using			Total
2024	Level 1	Level 2	Level 3	Fair Value
Securities available for sale:				
U.S. government agency and sponsored agency obligations:				
Mortgage-backed securities	$ -	$ 20,997,567	$ -	$ 20,997,567
Debt securities	-	6,987,950	-	6,987,950
Collateralized mortgage obligations	-	3,647,763	-	3,647,763
Municipal securities	-	17,800,717	-	17,800,717
Total securities available for sale	$ -	$ 49,433,997	$ -	$ 49,433,997
2023				
Securities available for sale:				
U.S. government agency and sponsored agency obligations:				
Mortgage-backed securities	$ -	$ 24,437,131	$ -	$ 24,437,131
Debt securities	-	6,841,222	-	6,841,222
Collateralized mortgage obligations	-	4,080,685	-	4,080,685
Municipal securities	-	18,325,346	-	18,325,346
Total securities available for sale	$ -	$ 53,684,384	$ -	$ 53,684,384

Available-for-sale securities are recorded at fair value on a recurring basis. When available, quoted market prices (Level 1 inputs) are used to determine the fair value of available-for-sale securities. If quoted market prices are not available, management obtains pricing information from a reputable third-party service provider, who may utilize valuation techniques that use current market-based or independently sourced parameters, such as dealer-quoted prices, interest rates, benchmark yield curves, prepayment speeds, probability of default, loss severity, and credit spreads (Level 2 inputs). Level 2 securities primarily include mortgage-backed securities, collateralized mortgage obligations, U.S. government agency securities, and municipal bonds in markets that are active. In determining the fair value of the securities categorized as Level 2, the Company obtains reports from an investment accounting service provider detailing the fair value of each investment security held as of each reporting date. The investment accounting service provider obtains prices from nationally recognized pricing services. The Company reviews the prices obtained for reasonableness based on its understanding of the marketplace, and also considers any credit issues related to the bonds. As the Company has not made any adjustments to the market quotes provided to it and as they are based on observable market data, they have been categorized as Level 2 within the fair value hierarchy. For the years ended December 31, 2024 and 2023, there were no transfers between Level 1, 2, and 3 classifications for assets or liabilities measured at fair value on a recurring basis.

Note 17 – Fair Value of Financial Instruments (Continued)

The following table represents fair values of financial instruments at December 31, 2024 and 2023:

2024	Carrying Amount	Fair Value Measurements Using: Level 1	Level 2	Level 3
Assets				
Cash and due from banks	$ 20,459,633	$ 20,459,633	$ -	$ -
Interest-bearing deposits in other banks	129,079,139	129,079,139	-	-
Securities available for sale	49,433,999	-	49,433,999	-
Federal Home Loan Bank stock	6,347,600	-	6,347,600	-
Loans held for sale	15,121,046	-	15,121,046	-
Loans, net	1,147,158,688	-	-	1,144,195,954
Servicing assets	5,636,936	-	10,310,081	-
Accrued interest receivable	5,098,901	5,098,901	-	-
Liabilities				
Demand deposits	211,060,367	211,060,367	-	-
Interest-bearing deposits	1,016,116,494	378,753,886	637,071,000	-
Accrued interest payable	10,240,877	10,240,877	-	-
Subordinated debt	25,682,686	-	-	25,857,445

2023	Carrying Amount	Fair Value Measurements Using: Level 1	Level 2	Level 3
Assets				
Cash and due from banks	$ 13,090,735	$ 13,090,735	$ -	$ -
Interest-bearing deposits in other banks	116,410,833	116,410,833	-	-
Securities available for sale	53,684,384	-	53,684,384	-
Federal Home Loan Bank stock	5,757,800	-	5,757,800	-
Loans held for sale	10,241,613	-	10,241,613	-
Loans, net	997,876,920	-	-	993,697,023
Servicing assets	5,610,268	-	10,277,762	-
Accrued interest receivable	4,778,385	4,778,385	-	-
Liabilities				
Demand deposits	173,599,920	173,599,920	-	-
Interest-bearing deposits	889,880,773	330,755,834	557,613,539	-
Accrued interest payable	8,433,548	8,433,548	-	-
Subordinated debt	25,626,170	-	-	24,225,100