HELM BANK USA

FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

HELM BANK USA

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CBIZ CPAs P.C.

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Independent Auditors' Report

To the Board of Directors and Stockholders
Helm Bank USA

Report on the Audits of the Financial Statements and Internal Control Over Financial Reporting

Opinion

We have audited the financial statements of Helm Bank USA (the "Company"), which comprise the balance sheet as of December 31, 2024, and the statements of income, comprehensive income (loss), changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

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

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

Basis for Opinions

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

Prior Period Financial Statements

The financial statements of the Company as of and for the year ended December 31, 2023, were audited by Marcum LLP whose attest business assets were acquired by CBIZ CPAs P.C. on November 1, 2024, and whose report dated April 30, 2024, expressed an unmodified opinion on those statements, which included an emphasis of matter pertaining to the Company's change in method of accounting for the recognition and measurement of credit losses as of January 1, 2023 due to the adoption of FASB Accounting Standards Codification Topic 326, *Financial Instruments – Credit Losses*, disclosed in Note 2 to the financial statements.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management Report Regarding Statement of Management's Responsibilities, Compliance with Designated Laws and Regulations, and Management's Assessment of Internal Control Over Financial Reporting.

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

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

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

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of financial statements or an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances.

- Obtain an understanding of internal control over financial reporting relevant to the audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Definition and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), our audit of the Company's internal control over financial reporting included controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and controls over the preparation of schedules equivalent to basic financial statements in accordance with the Federal Financial Institutions Examination Council Instructions for Reports of Condition and Income (Call Report Instructions). A Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

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

Report on Other Legal and Regulatory Requirements

We were not engaged to, and we have not performed any procedures with respect to management's assertion regarding compliance with laws and regulations included in the accompanying Management Report Regarding Statement of Management's Responsibilities, Compliance with Designated Laws and Regulations, and Management's Assessment of Internal Control Over Financial Reporting. Accordingly, we do not express any opinion, or any other form of assurance, on management's assertion regarding compliance with designated laws and regulations.

CBIZ CPAs P.C.

Hartford, CT
April 25, 2025

HELM BANK USA

BALANCE SHEETS
DECEMBER 31,
(IN THOUSANDS, EXCEPT SHARE DATA)

ASSETS	2024	2023
CASH AND CASH EQUIVALENTS:		
Cash and due from banks	$ 32,703	$ 23,343
Interest-bearing cash deposits	28,668	27,647
TOTAL CASH AND CASH EQUIVALENTS	61,371	50,990
Securities available for sale, at fair value	330,795	452,254
Marketable equity securities, at fair value	884	893
Federal Home Loan Bank stock, at cost (restricted)	740	764
Loans	601,265	535,070
Allowance for credit losses	(10,806)	(9,247)
LOANS, NET OF ALLOWANCE FOR CREDIT LOSSES	590,459	525,823
Deferred tax asset, net	15,861	14,281
Property and equipment, net	110	223
Right-of-use asset	4,383	5,459
Accrued interest receivable and other assets	5,599	6,901
TOTAL ASSETS	**$ 1,010,202**	**$ 1,057,588**
LIABILITIES AND STOCKHOLDERS' EQUITY		
DEPOSITS:		
Demand deposits	$ 388,144	$ 528,946
Savings, NOW and money-market deposits	223,932	258,591
Time deposits	290,036	170,602
TOTAL DEPOSITS	902,112	958,139
Advance payments by borrowers for taxes and insurance	6,428	4,227
Lease liabilities	5,315	5,719
Accrued interest payable and other liabilities	7,097	5,033
TOTAL LIABILITIES	920,952	973,118
COMMITMENTS AND CONTINGENCIES (NOTE 16)		
STOCKHOLDERS' EQUITY:		
Common stock, $10 par value, 1,000,000 shares authorized; 900,000 shares issued and outstanding	9,000	9,000
Additional paid-in capital	8,800	8,800
Retained earnings	109,453	101,989
Accumulated other comprehensive loss, net of tax effect	(38,003)	(35,319)
TOTAL STOCKHOLDERS' EQUITY	89,250	84,470
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 1,010,202**	**$ 1,057,588**

The accompanying notes are an integral part of these financial statements.

HELM BANK USA

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31,
(IN THOUSANDS)

	2024	2023
INTEREST INCOME:		
Loans, including fees	$ 34,266	$ 26,639
Securities available for sale	14,127	16,543
Other	1,774	2,802
TOTAL INTEREST INCOME	50,167	45,984
INTEREST EXPENSE:		
Deposits	9,605	4,241
Other	509	113
TOTAL INTEREST EXPENSE	10,114	4,354
NET INTEREST INCOME	40,053	41,630
PROVISION FOR CREDIT LOSSES	1,673	867
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	38,380	40,763
NONINTEREST INCOME:		
Fee income on wire transfers	2,060	2,096
Service fees and charges on customer deposit accounts	954	920
Net realized loss on sales of debt securities available for sale (includes $1,749 and $806 accumulated other comprehensive loss reclassifications for unrealized net losses on debt securities available for sale, respectively)	(2,337)	(1,076)
Foreign currency transaction income	1,771	2,037
Credit card income	686	619
Net unrealized (loss) gain on marketable equity securities	(9)	12
Other	173	254
TOTAL NONINTEREST INCOME	3,298	4,862
NONINTEREST EXPENSES:		
Salaries and employee benefits	18,369	17,932
Representative offices	3,241	3,592
Data processing	1,575	1,490
Occupancy	2,166	1,632
Consulting fees	721	784
Professional fees	820	1,098
Information technology support	773	860
Software licenses	1,026	744
Depreciation and amortization	151	209
Other	2,903	2,978
TOTAL NONINTEREST EXPENSES	31,745	31,319
INCOME BEFORE PROVISION FOR INCOME TAXES	9,933	14,306
PROVISION FOR INCOME TAXES (includes $2,078 and $2,503 income tax benefit from reclassification items for the year ended December 31, 2024 and 2023)	2,469	3,005
NET INCOME	**$ 7,464**	**$ 11,301**

The accompanying notes are an integral part of these financial statements.

HELM BANK USA

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

2024				
NET INCOME			$	7,464
OTHER COMPREHENSIVE LOSS, NET OF TAX EFFECT				
Unrealized loss on securities				
Unrealized holding losses arising during period (net of tax effect of $1,490)	$	(4,433)		
Loss: reclassification adjustment for losses included in net income (net of tax effect of $588)		1,749		(2,684)
COMPREHENSIVE INCOME			**$**	**4,780**
2023				
NET INCOME			$	11,301
OTHER COMPREHENSIVE INCOME, NET OF TAX EFFECT				
Unrealized gain on securities				
Unrealized holding gains arising during period (net of tax effect of $2,234)	$	7,813		
Plus: reclassification adjustment for losses included in net income (net of tax effect of $269)		806		8,619
COMPREHENSIVE INCOME			**$**	**19,920**

The accompanying notes are an integral part of these financial statements.

HELM BANK USA

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), net of tax effect	Total Stockholders' Equity
BALANCES AT JANUARY 1, 2023	$ 9,000	$ 8,800	$ 91,007	$ (43,938)	$ 64,869
Cumulative effect of adoption of Topic 326	-	-	(319)	-	(319)
Net income	-	-	11,301	-	11,301
Other comprehensive income	-	-	-	8,619	8,619
BALANCES AT DECEMBER 31, 2023	9,000	8,800	101,989	(35,319)	84,470
Net income	-	-	7,464	-	7,464
Other comprehensive loss	-	-	-	(2,684)	(2,684)
BALANCES AT DECEMBER 31, 2024	**$ 9,000**	**$ 8,800**	**$ 109,453**	**$ (38,003)**	**$ 89,250**

The accompanying notes are an integral part of these financial statements.

HELM BANK USA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,
(IN THOUSANDS)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 7,464	$ 11,301
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	1,673	867
Net (accretion) amortization of securities available for sale	(212)	(277)
Net amortization (accretion) of deferred loan fees	69	(504)
Net amortization of loan premiums	546	439
Depreciation and amortization of property and equipment	151	209
Amortization of right-of-use asset	1,076	645
Net realized loss on sales of securities available for sale	2,337	1,076
Net unrealized loss (gain) on marketable equity securities	9	(12)
Deferred income tax benefit	(655)	(64)
Net change in operating assets and liabilities:		
Accrued interest receivable and other assets	1,729	1,305
Lease liabilities	(404)	(645)
Accrued interest payable and other liabilities	2,064	279
NET CASH PROVIDED BY OPERATING ACTIVITIES	15,847	14,619
CASH FLOWS FROM INVESTING ACTIVITIES:		
Activity in securities available for sale:		
Sales	120,698	69,041
Maturities, prepayments and calls	18,839	13,660
Purchases	(24,239)	(45,999)
Net change in Federal Home Loan Bank stock, at cost (restricted)	24	(310)
Net change in loans	(66,924)	(65,827)
Additions to property and equipment	(38)	(81)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	48,360	(29,516)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in deposits	(56,027)	(58,168)
Net change in advance payments by borrowers for taxes and insurance	2,201	1,232
NET CASH USED IN FINANCING ACTIVITIES	(53,826)	(56,936)
NET CHANGE IN CASH AND CASH EQUIVALENTS	10,381	(71,833)
CASH AND CASH EQUIVALENTS, beginning of year	50,990	122,823
CASH AND CASH EQUIVALENTS, end of year	**$ 61,371**	**$ 50,990**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid on deposits and borrowed funds	**$ 10,653**	**$ 4,893**
Cash paid for income taxes	**$ 1,372**	**$ 4,485**
Capitalization of right-of-use asset under operating leases	**$ 23**	**$ 4,505**
Cummulative effect of adoption of Topic 326	**$ -**	**$ 319**

The accompanying notes are an integral part of these financial statements.

(IN THOUSANDS)

1. GENERAL

Nature of Operations

Helm Bank USA (the "Bank") is a State of Florida chartered commercial banking financial institution. The Bank provides a variety of financial products and services in Miami, Florida and through its representative office in Colombia and Venezuela (the latter one was closed as of December 31, 2023). The Bank is authorized by federal regulators and the State of Florida to conduct general banking business. The Bank is a member of the Federal Deposit Insurance Corporation (“FDIC”) and is supervised and regulated by the Office of Financial Regulation of the State of Florida (“OFR”) and by the FDIC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statement Presentation

The accounting policies and reporting practices of the Bank conform with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and to predominant practices in the banking industry.

Use of Estimates

In preparing the financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, valuation of foreclosed assets, valuation of deferred tax assets, and the fair value of financial instruments.

Concentrations of Credit Risk

Credit risk represents the maximum accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted and any collateral or security proved to be of no value. Concentrations of credit risk (whether on or off-balance sheet) arising from financial instruments exist in relation to certain groups of customers. A group concentration arises when a number of counterparties have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Bank does not have a significant exposure to any individual customer or counterparty.

The Bank’s loan portfolio is significantly concentrated in residential real estate loans. The Bank controls credit risk through credit approvals, credit limits, and monitoring procedures. The Bank performs ongoing credit evaluations of its customers’ financial condition. During 2024 and 2023, approximately 96% of the Bank’s loan portfolio was collateralized by residential real estate; of which approximately 81% for 2024 and 2023, respectively, is collateralized by condominiums and planned unit developments. Loans collateralized by real estate are located primarily in South Florida. Circumstances that negatively impact the South Florida real estate industry or the South Florida economy, in general, could adversely impact the Bank’s loan portfolio.

Loans outstanding to customers whose principal residence is outside the U.S. at December 31, 2024 and 2023 were $448,811 and $382,424, respectively. The following is a summary of the loan portfolio by country of customer residence at December 31:

	2024	**2023**
United States	25%	28%
Brazil	28	26
Colombia	14	14
Other	33	32
	100%	**100%**

(IN THOUSANDS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk (Continued)

Deposits outstanding from customers whose principal residence is outside the U.S. at December 31, 2024 and 2023 were $743,173 and $785,744, respectively. The following is a summary of total deposits by country of customer residence at December 31:

	2024	2023
Colombia	39%	40%
United States	17	18
British Virgin Islands	12	11
Ecuador	10	10
Other	22	21
	100%	**100%**

Deposits outstanding included one customer whose total relationship exceeded 10% of the Bank's total deposits. This customer's total relationship balance at December 31, 2024 and 2023 was $107,939 and $102,702, respectively, which represented 12% and 11%, respectively, of total deposits.

In the ordinary course of business, the Bank maintains deposits with other qualified financial institutions. The exposure to the Bank from these transactions is dependent upon the balances it keeps and the financial strength of the respective depository institution in situations where the balance with the financial institution exceeds the FDIC limit of insurance of $250.

Foreign Operations

The Bank's operations in various geographic regions expose the Bank to risks inherent in doing business in each of the countries in which the Bank transacts business. Operations in countries other than the United States are subject to various risks particular to each country. With respect to any particular country, these risks may include:

- Expropriation and nationalization of the Bank's assets or the Bank's customers in that country;
- Political and economic instability;
- Civil unrest, acts of terrorism, force majeure, war or other armed conflict;
- Natural disasters including those related to earthquakes, hurricanes, tsunamis and flooding;
- Inflation;
- Currency fluctuations, devaluations, conversion and expropriation restrictions;
- Confiscatory taxation or other adverse tax policies;
- Governmental activities that limit or disrupt markets, payments, or limit the movement of funds;
- Governmental activities that may result in the deprivation of contract rights; and
- Trade restrictions, economic embargoes and tariffs imposed by the United States and other countries.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents includes cash and due from banks, and interest-bearing cash deposits in banks with original maturity dates of ninety days or less.

The Bank was not required to maintain average balances on hand or with the Federal Reserve Bank at December 31, 2024 and 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Securities

The Bank determines the appropriate classification of its investments in debt securities at the time of purchase and reevaluates such determinations at each balance sheet date. Debt securities are classified as held to maturity when the Bank has the positive intent and ability to hold the securities to maturity. Debt securities for which the Bank does not have the intent or ability to hold to maturity are classified as available for sale. Debt securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses recognized in earnings. Debt securities not classified as held to maturity or as trading, are classified as available for sale, and are carried at fair market value, with the unrealized gains and losses, net of tax effect, included in the determination of comprehensive income (loss) and reported in stockholders' equity. At December 31, 2024 and 2023, all of the Bank's debt securities were classified as available for sale.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level yield method. Gains and losses on sales of securities are determined using the specific identification method.

The Bank follows Accounting Standards Update ("ASU") 2016-13, Measurement of Credit Losses on Financial Instruments ("Topic 326") that requires evaluation of available-for-sale securities for any expected losses with recognition of an allowance for credit losses, when applicable. For available-for-sale debt securities in an unrealized loss position, the Bank first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income.

For available-for-sale debt securities that do not meet the aforementioned criteria, the Bank evaluates at the individual security level whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance of credit losses on available-for-sale securities is recognized in other comprehensive income (loss).

Marketable Equity Securities

Marketable equity securities are carried at fair value with unrealized gains and losses included in earnings.

Federal Home Loan Bank Stock, at cost (restricted)

The Bank, as a member of the Federal Home Loan Bank ("FHLB") (Atlanta) system, is required to maintain an investment in capital stock of the FHLB. Based on redemption provisions of the FHLB, the stock has no quoted market value and is carried at cost. At its discretion, the FHLB may declare dividends on the stock. Management reviews for impairment based on the ultimate recoverability of the cost basis in the FHLB stock. At December 31, 2024 and 2023, the Bank owned 7,400 and 7,635 shares, respectively, with a carrying value of $740 and $764, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans, net

Loans are reported at their recorded investment, which is the outstanding principal balance plus accrued interest and net of any unearned income, such as deferred fees or costs, charge-offs, unamortized premiums or discounts on originated loans, and the allowance for credit losses. Interest on loans is recognized over the term of the loan and is calculated on principal amounts outstanding. Certain loan origination fees and costs are deferred and the net amount is recognized as an adjustment to interest income using the interest method over the contractual life of the loans.

The allowance for credit losses ("ACL") is an estimate that is deducted from the amortized cost basis of the financial asset to present the net carrying value at the amount expected to be collected on the financial assets. The allowance for credit losses reflects management's judgment of expected losses in the loan portfolio at the balance sheet date. Management uses a disciplined process and methodology to establish the allowance for credit losses each quarter. To determine the allowance for credit losses, the Bank estimates the reserves needed for each segment of the portfolio, including loans analyzed individually and loans analyzed on a pooled basis. Additions to the allowance for credit losses are made by charges to the provision for credit losses. Credit exposures deemed to be uncollectible are charged against the allowance for credit losses. Recoveries of previously charged-off amounts are credited to the allowance for credit losses.

For purposes of determining the allowance for credit losses, the Bank has segmented certain loans in the portfolio by product type. Loans are segmented into the following pools: residential real estate, commercial real estate, commercial and industrial, and consumer loans. The Bank also sub-segments these segments into classes based on the associated risks within those segments. Residential real estate loans are divided into the following four classes: revolving 1-4 family, single family residences, condominiums and planned unit developments. Commercial real estate loans are divided into the following four classes: other construction and development, multifamily residential, non-residential owner occupied, and non-residential investor owned. Commercial and industrial loans are divided into the following two classes: trucks and trailers and certificate of deposit ("CD") secured. Consumer loans are divided into the following two classes: credit cards and other consumer.

Expected credit losses are estimated over the contractual terms of the loans, adjusted for expected prepayments. Expected prepayments are generally estimated based on industry benchmark data. The contractual term excludes expected extensions, renewals, and modifications. The Bank has elected to exclude accrued interest receivable from amortized cost for the purpose of estimating the ACL. At December 31, 204 and 2023, accrued interest receivable totaled approximately $1,716 and $1,751, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans, net (continued)

For most portfolio segments, expected losses are estimated using econometric models. The models employ a factor-based methodology, leveraging data sets containing extensive historical loss and recovery information by industry, geography, product type, collateral type and obligor characteristics, to estimate probability of default (PD) and loss given default (LGD). PDs and LGDs are then conditioned on the reasonable and supportable economic forecast. Projected PDs and LGDs, determined based on pool level characteristics, are applied to estimated exposure at default, considering the contractual term and payment structure of loans, adjusted for expected prepayments, to generate estimates of expected loss. Additional recovery rate benchmark assumptions are employed to reduce expected losses accordingly. Expected loss rates are then conditioned on one reasonable and supportable economic forecast, sourced from the Federal Open Market Committee. Forecasted loss rates, determined based on pool level characteristics, are applied to each month for the life of the loan, considering the contractual term and payment structure of loans, adjusted for expected prepayments, to generate estimates of expected loss. The ACL estimate incorporates a reasonable and supportable economic forecast using externally developed macroeconomic scenarios applied in the models. The forecasts of future economic conditions are over a period of four quarters that has been deemed reasonable and supportable, and in periods where it can no longer develop reasonable and supportable forecasts, the Bank reverts to expected losses given long-term historical averages of the economic factors over the remaining life of the loans, calculated on a straight-line basis over a period of one year.

Management monitors differences between expected and actual incurred credit losses. This monitoring process includes periodic assessments by senior management of loan portfolios and the models used to estimate incurred losses in those portfolios.

The total allowance reflects management's estimate of credit losses inherent in the loan portfolio at the balance sheet date. The Bank considers the allowance for credit losses of $10,806 and $9,247 adequate to cover credit losses inherent in the loan portfolio at December 31, 2024 and 2023, respectively.

Regulatory agencies, as an integral part of their examination process, periodically review the allowance for credit losses. Such agencies may require the recognition of additions and/or decreases to the allowance for credit losses based on their judgment of information available at the time of their examination.

Consumer loans are generally fully or partially charged down to the fair value of the collateral securing the asset when:

- The loan is in excess of 120 days past due, unless collateral covering the loan has been repossessed;
- 90 days have lapsed since repossession of collateral;
- Management judges the asset to be uncollectible;
- Repayment is deemed to be protracted beyond reasonable time; or
- If after liquidation of the collateral, payment of any resulting deficiency by borrower or guarantor is highly improbable.

For real estate, and commercial and industrial loans the Bank's charge-off policies are as follows. A loan is charged-off when:

- The loan is classified as a loss by the Bank, and is considered uncollectible or of such little value that the continuance of the loan as an active asset is no longer warranted;
- The loan is classified as a loss by the regulatory authorities; or
- The loan is impaired and there is a known anticipated loss, the amount of the loss is charged-off.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans, net (continued)

In situations where, for economic or legal reasons related to a borrower's financial difficulties, management may grant a concession for other than an insignificant period of time to the borrower that would not otherwise be considered. The effect of most modifications made to borrowers experiencing financial difficulty are already included in the ACL because of the measurement methodologies used to estimate the allowance. These modified terms may include rate reductions, extensions of contractual term, principal forgiveness, payment forbearance, among others.

In order to monitor the credit quality of the loan portfolio, a credit-grading system has been developed. The Bank's grading analysis estimates the capability of the borrower to repay the contractual obligation of the loan agreements as scheduled or at all. The Bank's internal credit risk grading system is based on experiences with similarly graded loans. Credit risk grades are refreshed each quarter as they become available, at which time management analyzes the resulting scores, as well as other external statistics and factors, to track loan performances.

The Bank's internally assigned grades are as follows:

Pass - No change in credit rating of borrower and loan-to-value ratio of asset.

Especially Mentioned - Loans to borrowers displaying a preponderance of declining trends. While the situation has not deteriorated to work-out status, its present condition is unsatisfactory. Existing loans will be included in this group if, based on actual experience and other events, it is unlikely that they would be granted on similar terms.

Substandard - Work-out and/or non-performing loans with no principal loss anticipated.

Doubtful - Work-out and/or non-performing loans with weaknesses that make collection or liquidation in full highly questionable and improbable.

Loss - Loans considered uncollectible and of such little value that their continuance as bankable assets is not warranted.

Loans that do not typically share similar risk characteristics with other loans are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation. Collateral dependent loans are defined as those for which the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The Bank selected certain practical expedients such that estimates of expected credit losses for collateral dependent loans, whether or not foreclosure is probable, are based on the fair value of the collateral, adjusted for selling costs when repayment depends on sale of the collateral.

When the ultimate collectability of the total principal of a loan is in doubt and the loan is on nonaccrual status, all payments are applied to principal, under the cost recovery method. When the ultimate collectability of the total principal of an impaired loan is not in doubt and the loan is on nonaccrual status, contractual interest is credited to interest income when received, under the cash basis method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans, net (continued)

The Bank generally places loans on nonaccrual status when the full and timely collection of interest or principal becomes uncertain, part of the principal balance has been charged-off and no restructuring has occurred or the loans reach more than ninety days past due.

When management places a loan on nonaccrual status, the accrued unpaid interest receivable is reversed against interest income and the loan is accounted on the cash or cost recovery method, until it qualifies for return to accrual status. Generally, management returns a loan to accrual status when (a) all delinquent interest and principal become current under the terms of the loan agreement or (b) the loan is both well-secured and in the process of collection and collectability is no longer doubtful.

The Bank has determined that the entire balance of a loan is contractually delinquent for all classes if the minimum payment is not received by the specified due date on the borrower's statement. Interest and fees continue to accrue on past due loans until the date the loan goes into nonaccrual status, if applicable.

The Bank also estimates an allowance for unfunded lending commitments such as letters of credit, financial guarantees and unfunded loan commitments. Expected credit losses related to unfunded lending commitments are estimated using essentially the same methodologies employed to estimate expected credit losses of loans, adjusted by the expected funding rate. A funding rate is a measure of the rate at which available credit tends to be drawn for lines of credit. Management has analyzed its historical funding behavior at the segment level to determine an expected funding rate.

Provision for credit losses related to the loan portfolio and unfunded lending commitments are reported in the statements of income. At December 31, 2024 and 2023, the provision for unfunded lending commitments amounted to $65, respectively, and is included in accrued interest payable and other liabilities on the accompanying balance sheets.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in foreclosed assets, net in the accompanying statements of income.

Property and Equipment, net

Property and equipment are carried at cost, less accumulated depreciation and amortization computed on the straight-line method over the estimated useful lives of the assets or the expected terms of the leases if shorter. The estimated useful lives of these assets are as follow:

Leasehold improvements	Shorter of life or term of lease
Furniture, fixtures and equipment	3 - 7 years

Maintenance and repairs are charged to expense as incurred; improvements and betterments are capitalized. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gains or losses are included in the results of operations for the respective period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Bank's long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet. The Bank did not recognize an impairment charge during the years ended December 31, 2024 and 2023.

Leases

The Bank determines if an arrangement contains a lease at inception based on whether or not the Bank has the right to control the asset during the control period and other facts and circumstances.

Lessee

The Bank evaluates the classification of leases as operating or finance at inception. Leases that meet one or more of the following criteria will be classified as finance leases:

- The lease agreement contains provision where the lessee has the option to purchase the asset, and the portion is reasonably certain to be exercised.
- The ownership of the leased asset is transferred to the Bank at the end of the lease period.
- The duration of the lease encompasses at least 75% of the useful life of the leased assets.
- The present value of the minimum lease payments under the lease represent at least 90% of the fair value of the leased asset.
- The asset is so specialized in nature that it provides no alternative use to the lessor after the lease term.

All other leases are classified as operating leases.

The Bank is the lessee in a lease contract when the Bank obtains the right to control the asset. Operating and finance lease right-of-use ("ROU") assets represent the Bank's right to use an underlying asset for the lease term, and lease liabilities represent the Bank's obligation to make lease payments arising from the lease, both of which are recognized based on the present value of the future minimum lease payments over the lease term at the implementation date or the lease commencement date for leases that the Bank entered into subsequent to the standard's implementation. The Bank determines the lease term by assuming the exercise of renewal options that are reasonably certain. As most of the Bank's leases do not provide an implicit interest rate, the Bank utilizes the risk-free rate for the period comparable to the lease term as of the implementation date or the commencement date for lease agreements that the Bank entered into subsequent to the implementation date, in determining the present value of future payments.

Leases with a lease term of 12 months or less at inception are not recorded on the Bank's balance sheet and are expensed on a straight-line basis over the lease term in the Bank's statement of income. Additionally, the Bank does not record ROU assets and the related lease liabilities for leases where the greater of the ROU asset or related lease liability is less than $1.

Interest Income

Interest income is recognized as earned, based upon the principal amount outstanding, on an accrual basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

Advertising costs are expensed as incurred. For the years ended December 31, 2024 and 2023, advertising costs amounted to $348 and $389, respectively, and are included in other noninterest expenses on the accompanying statements of income.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Bank recognizes positions taken or expected to be taken in a tax return in accordance with existing accounting guidance on income taxes which prescribes a recognition threshold and measurement process. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other noninterest expense, respectively.

Foreign Currency Adjustments

The Bank's functional currency for all operations worldwide is the U.S. dollar. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred.

Interest Rate Risk

The Bank's performance is dependent to a large extent on its net interest income, which is the difference between income on interest-earning assets and its interest expense on interest-bearing liabilities. The Bank, like most financial institutions, is affected by changes in general interest rate levels and by other economic factors beyond its control. Interest rate risk arises from mismatches between the dollar amount of repricing or maturing assets and liabilities (the interest rate sensitivity gap). More liabilities repricing or maturing than assets over a given time frame is considered liability-sensitive, or a negative gap. An asset-sensitive position will generally enhance earnings in a rising interest rate environment and will negatively impact earnings in a falling interest rate environment, while a liability-sensitive position will generally enhance earnings in a falling interest rate environment and negatively impact earnings in a rising interest rate environment. Fluctuations in interest rates are not predictable or controllable. The Bank has attempted to structure its asset and liability management strategies to mitigate the impact on net interest income resulting from changes in market interest rates.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains on securities available for sale, and unrealized losses related to factors other than credit on securities.

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in NOTE 18. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect the estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

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

The majority of the Bank's revenue-generating transactions are not subject to ASC 606, including revenue generated from financial instruments, such as loans, investment securities, and sales of investment securities, which are accounted for under the applicable U.S. GAAP for such financial instruments. Revenue generating activities that are within the scope of ASC 606 are components of noninterest income which include certain fees such as card income, wire transfer fees, foreign currency transaction income, and service fees and charges on customer deposit accounts.

Subsequent Events

The Bank has evaluated the accompanying financial statements for subsequent events and transactions through April 25, 2025, the date these financial statements were available for issuance.

Based on FASB ASC 855, Subsequent Events, no other matters were identified requiring accounting or disclosure, including changes in liquidity, compliance with regulatory capital, material deposit concentration withdrawals, material delinquencies in loans or other need to sell investment securities in an unrealized loss position.

Recently Adopted Accounting Pronouncements

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued Topic 326 which replaced the current incurred loss impairment methodology in U.S. GAAP with a methodology that reflects the expected credit losses. The update is intended to provide financial statement users with more decision-useful information about expected credit losses. The ASU is also intended to reduce the complexity of the guidance of impairment of financial instrument by decreasing the number of credit impairment models that entities use to account for debt instruments. The current expected credit loss (CECL) model applies to most debt instruments (other than those measured at fair value), trade receivables, lease receivables, reinsurance receivables that result from insurance transactions, financial guarantee contracts, and loan commitments. However, securities available for sale are outside the model's scope. The FASB also issued amendments to the update with transition relief intended to improve comparability of financial statement information for some entities, to decrease costs for some financial statement preparers, and to clarify some disclosures. In March 2022, the FASB also issued ASU 2022-02 which eliminates accounting for TDRs by creditors while enhancing disclosure for certain loan refinancing and restructurings. Topic 326 was adopted by the Bank effective January 1, 2023 on a modified retrospective basis and modifications were adopted on a prospective basis.

(IN THOUSANDS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements

Measurement of Credit Losses on Financial Instruments

As a result of the adoption, the Bank recorded has the following effect on the Bank's financial statements:

	Pre-adoption ASU	As reported under new ASU	Impact of ASU
Assets			
Allowance for credit losses	$ (8,118)	$ (8,437)	$ (319)
Liabilities			
Reserve for unfunded lending commitments	65	65	-
Stockholders' equity			
Retained earnings	$ 91,007	$ 90,688	$ (319)

Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued ASU 2019-12, Income Taxes, designed to reduce the complexity in accounting for income taxes by removing certain exceptions and changing or clarifying certain recognition and other requirements. The guidance was adopted by the Bank effective January 1, 2023 and did not have an effect on the Bank's financial statements.

Receivables – Nonrefundable Fees and Other Costs

In October 2020, the FASB issued ASU 2020-08, Codification Improvements to Subtopic 310-20, Receivables - Nonrefundable Fees and Other Costs, to clarify that an entity should reevaluate callable debt securities for each reporting period. The guidance was adopted by the Bank effective January 1, 2023 and did not have an effect on the Bank's financial statements.

(IN THOUSANDS)

3. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank may grant loans to employees, directors and other related parties. There were no loans to employees, directors or other related parties outstanding at December 31, 2024 and 2023.

Deposits from related parties held by the Bank at December 31, 2024 and 2023 were $332,154 and $81,302 respectively.

Interest earned and paid on loans and deposits during the years ended December 31 were as follows:

	For Year Ended December 31, 2024	For Year Ended December 31, 2023
Interest paid on related party deposits	$ 99	$ 186

The interest rates on related party transactions were as follows during the years ended December 31:

	2024	2023
Deposits	0.00 - 4.75%	0.00 - 4.75%

The Bank has a service agreement with an entity related by virtue of common ownership to purchase various support services, which renews annually. During the years ended December 31, 2024 and 2023, the Bank incurred fees under this service agreement of $222 and $265, respectively, which are included in consulting fees on the accompanying statements of income.

The Bank leases office space to a related party (NOTE 7).

Directors' fees amounted to $254 and $248 for the years ended December 31, 2024 and 2023, respectively.

4. SECURITIES

The amortized cost and fair value of debt securities, with gross unrealized gains and losses, follows at:

December 31, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Securities Available for Sale					
Debt securities:					
U.S. Government-sponsored enterprises (GSEs)	$ 72,252	$ -	$ (16,347)	$ -	$ 55,905
U.S. Treasury notes	40,719	-	(1,563)	-	39,156
Municipal bonds	55,125	-	(9,207)	-	45,918
GSE residential mortgage-backed	213,469	10	(23,663)	-	189,816
Total securities available for sale	**$ 381,565**	**$ 10**	**$ (50,780)**	**$ -**	**$ 330,795**

December 31, 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Securities Available for Sale					
Debt securities:					
U.S. Government-sponsored enterprises (GSEs)	$ 80,066	$ -	$ (16,404)	$ -	$ 63,662
U.S. Treasury notes	45,272	-	(1,221)	-	44,051
Municipal bonds	121,802	704	(8,105)	-	114,401
GSE residential mortgage-backed	252,297	53	(22,210)	-	230,140
Total securities available for sale	**$ 499,437**	**$ 757**	**$ (47,940)**	**$ -**	**$ 452,254**

(IN THOUSANDS)

4. SECURITIES (CONTINUED)

The amortized cost and fair value of available for sale debt securities by contractual maturity follows at:

	December 31, 2024	
	Amortized Cost	Fair Value
Securities Available for Sale		
Within 1 year	$ 30	$ 30
After 1 year through 5 years	73,883	69,643
After 5 years through 10 years	84,137	69,646
Over 10 years	223,515	191,476
Total securities available for sale	**$ 381,565**	**$ 330,795**

For the years ended December 31, 2024 and 2023, proceeds from sales of securities available for sale amounted to $120,698 and $69,042, respectively. Gross realized gains were $88 and $636 for the years ended December 31, 2024 and 2023, respectively. Gross realized losses were $2,425 and $1,712 for the years ended December 31, 2024 and 2023, respectively.

The following table shows the gross unrealized losses and fair value of the Bank's securities available for sale with unrealized losses that are not deemed to be other-than-temporarily impaired aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2024 and 2023.

	Less than Twelve Months		Over Twelve Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2024						
U.S. Government-sponsored enterprises (GSEs)	$ -	$ -	$ 55,759	$ (16,492)	$ 55,759	$ (16,492)
U.S. Treasury notes	-	-	39,302	(1,418)	39,302	(1,418)
Municipal bonds	-	-	45,093	(9,207)	45,093	(9,207)
GSE residential mortgage-backed	32,201	(646)	153,624	(23,017)	185,825	(23,663)
Total securities available for sale	**$ 32,201**	**$ (646)**	**$ 293,778**	**$ (50,134)**	**$ 325,979**	**$ (50,780)**

	Less than Twelve Months		Over Twelve Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2023						
U.S. Government-sponsored enterprises (GSEs)	$ -	$ -	$ 63,662	$ (16,404)	$ 63,662	$ (16,404)
U.S. Treasury notes	-	-	44,051	(1,221)	44,051	(1,221)
Municipal bonds	755	(108)	78,202	(7,997)	78,957	(8,105)
GSE residential mortgage-backed	29,314	(672)	185,706	(21,538)	215,020	(22,210)
Total securities available for sale	**$ 30,069**	**$ (780)**	**$ 371,621**	**$ (47,160)**	**$ 401,690**	**$ (47,940)**

There were 271 and 321 securities that were in a continuous loss position at December 31, 2024 and 2023, respectively, for a period of more than 12 months. There were 37 and 23 securities that were in a loss position at December 31, 2024 and 2023, respectively, for a period of less than 12 months.

4. SECURITIES (CONTINUED)

At December 31, 2024 and 2023, the Bank reviewed available for sale debt securities that had an unrealized loss position and evaluated whether the decline in fair value of a debt security resulted from credit losses or other factors under Topic 326. The Bank does not have the intent to sell these securities and it is more likely than not the Bank will not be required to sell the securities before recovery of the securities' amortized cost basis. This conclusion is based upon considering the Bank's cash and working capital requirements and contractual and regulatory obligations, none of which the Bank believes would cause the sale of the securities. Management considers these declines in values to be temporary in nature. In reaching this decision, management considered factors, including the severity of the declines below cost, recent trends in fair values, and the existence of guarantees behind the underlying collateral of the instruments. It is not anticipated that these securities would be settled at a price that is less than the amortized cost of the Bank's investment. Based on this review, management believes that the unrealized losses have resulted from other factors not deemed credit-related and no allowance for credit loss was recorded.

In determining the risk of loss for available for sale securities, the Bank considered that GSE debt securities, GSE mortgage-backed securities, municipal bonds and U.S. treasury notes are either fully guaranteed or issued by a government sponsored enterprise, which has a credit rating and perceived credit risk comparable to the U.S. government. Each of these securities is performing according to its terms and, in the opinion of management, will continue to perform according to its terms. Based on this review, management believes that the unrealized losses have resulted from other factors not deemed credit-related and no allowance for credit loss was recorded.

The Bank's marketable equity securities, with carrying values of $884 and $893 for the years ended December 31, 2024 and 2023, respectively, consisted exclusively of two Community Reinvestment Act ("CRA") related mutual funds. There were unrealized losses of $116 and $107 on the mutual funds at December 31, 2024 and 2023, respectively. The (increase) decrease in the unrealized loss of ($9) and $12 in 2024 and 2023, respectively, is included in other noninterest income in the accompanying statements of income.

(IN THOUSANDS)

5. LOANS, NET

Loans classified by segment and class are summarized as follows at December 31:

	2024	2023
Residential Real Estate	$ 571,314	$ 511,215
Commercial Real Estate	8,155	7,359
Commercial and Industrial	4,570	1,920
Consumer	13,776	11,551
	597,815	532,045
Unamortized loan premiums	4,397	4,040
Net deferred loan fees	(947)	(1,015)
Allowance for credit losses	(10,806)	(9,247)
	$ 590,459	**$ 525,823**

A reconciliation of the recorded investment in loans is as follows at December 31:

	2024	2023
Gross loans	$ 597,815	$ 532,045
Accrued interest receivable	1,716	1,751
Unamortized loan premiums	4,398	4,040
Net deferred loan fees	(947)	(1,015)
Recorded investment in loans	**$ 602,982**	**$ 536,821**

There were no outstanding advances under existing lines of credit (NOTE 10) and no loans pledged as of December 31, 2024 and 2023.

During 2024 and 2023, the Bank purchased $2,905 and $21,317, respectively, in residential real estate loans for which there was, at acquisition, no evidence of deterioration of credit quality since origination. The purchase premium amounted to $37 and $65 for 2024 and 2023, respectively.

(IN THOUSANDS)

5. LOANS, NET (CONTINUED)

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

For the Year Ended December 31, 2024

	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Consumer	Total
Allowance for credit losses:					
Beginning balance	$ 9,046	$ 50	$ 8	$ 143	$ 9,247
Charge-offs	(17)	-	(1)	(272)	(290)
Recoveries	24	-	25	128	177
Provision (reversal)	1,532	-	-	140	1,672
Ending balance	**$ 10,585**	**$ 50**	**$ 32**	**$ 139**	**$ 10,806**
Ending balance: individually evaluated for impairment	$ -	$ -	$ -	$ 1	$ 1
Ending balance: collectively evaluated for impairment	$ 10,585	$ 50	$ 32	$ 138	$ 10,805
Recorded investment in loans:					
Ending balance	**$ 576,337**	**$ 8,211**	**$ 4,603**	**$ 13,831**	**$ 602,982**
Ending balance: individually evaluated for impairment	$ 7,217	$ 185	$ 3	$ 1	$ 7,406
Ending balance: collectively evaluated for impairment	$ 569,120	$ 8,026	$ 4,600	$ 13,830	$ 595,576

(IN THOUSANDS)

5. LOANS, NET (CONTINUED)

For the Year Ended December 31, 2023

	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Consumer	Total
Allowance for credit losses:					
Beginning balance	$ 7,744	$ 69	$ 21	$ 284	$ 8,118
Impact of Topic 326 implementation	349	5	(12)	(23)	319
Charge-offs	(18)	-	(73)	(60)	(151)
Recoveries	31	-	-	63	94
Provision (reversal)	940	(24)	72	(121)	867
Ending balance	**$ 9,046**	**$ 50**	**$ 8**	**$ 143**	**$ 9,247**
Ending balance: individually evaluated for impairment	$ -	$ -	$ -	$ 30	$ 30
Ending balance: collectively evaluated for impairment	$ 9,046	$ 50	$ 8	$ 113	$ 9,217
Recorded investment in loans:					
Ending balance	**$ 515,865**	**$ 7,419**	**$ 1,990**	**$ 11,549**	**$ 536,823**
Ending balance: individually evaluated for impairment	$ 6,921	$ 192	$ -	$ 82	$ 7,195
Ending balance: collectively evaluated for impairment	$ 508,944	$ 7,227	$ 1,990	$ 11,467	$ 529,628

(IN THOUSANDS)

5. LOANS, NET (CONTINUED)

The following tables represent credit exposures at recorded investment by internally assigned grades for the years ended December 31, 2024 and 2023:

For the Year Ended December 31, 2024

		Pass	Especially Mentioned	Substandard	Total
Pool 3	Single family residences	$ 109,232	$ -	$ 779	$ 110,011
Pool 4	Condominiums	218,863	-	2,263	221,126
Pool 5	Planned unit developments	240,916	160	4,124	245,200
Pool 1	Other construction and development	3,010	-	-	3,010
Pool 6	Multifamily residential	2,032	190	23	2,245
Pool 7	Non-residential owner occupied	589	-	192	781
Pool 8	Non-residential investor owned	2,175	-	-	2,175
Pool 10	Trucks and trailers	17	-	3	20
Pool 12	CD secured	4,583	-	-	4,583
Pool 13	Credit cards	2,339	-	-	2,339
Pool 9	Other consumer	11,492	-	-	11,492
	Total	**$ 595,248**	**$ 350**	**$ 7,384**	**$ 602,982**

For the Year Ended December 31, 2023

		Pass	Especially Mentioned	Substandard	Total
Pool 3	Single family residences	$ 98,451	$ 811	$ -	$ 99,262
Pool 4	Condominiums	204,285	2,596	-	206,881
Pool 5	Planned unit developments	206,132	3,511	79	209,722
Pool 1	Other construction and development	2,248	-	-	2,248
Pool 6	Multifamily residential	1,704	-	-	1,704
Pool 7	Non-residential owner occupied	764	200	239	1,203
Pool 8	Non-residential investor owned	2,264	-	-	2,264
Pool 10	Trucks and trailers	133	52	-	185
Pool 12	CD secured	1,805	-	-	1,805
Pool 13	Credit cards	1,975	-	-	1,975
Pool 9	Other consumer	9,574	-	-	9,574
	Total	**$ 529,335**	**$ 7,170**	**$ 318**	**$ 536,823**

(IN THOUSANDS)

5. LOANS, NET (CONTINUED)

The following tables present performing and nonperforming loans at recorded investment based on payment activity for the years ended December 31, 2024 and 2023. Payment activity is reviewed by management on a monthly basis to determine how loans are performing.

Nonperforming loans also include certain loans that have been modified with economic difficulties where economic concessions have been granted to borrowers. These concessions typically result from the Bank's loss mitigation activities and could include reductions in the interest rate, payment extensions, forbearance or other actions.

For the Year Ended December 31, 2024

		Performing	Nonperforming	Total
Pool 3	Single family residences	$ 109,232	$ 779	$ 110,011
Pool 4	Condominiums	217,298	3,828	221,126
Pool 5	Planned unit developments	240,245	4,955	245,200
Pool 1	Construction and development	3,010	-	3,010
Pool 6	Multifamily residential	2,245	-	2,245
Pool 7	Non-residential owner occupied	781	-	781
Pool 8	Non-residential investor owned	2,175	-	2,175
Pool 10	Trucks and trailers	20	-	20
Pool 12	CD secured	4,583	-	4,583
Pool 13	Credit cards	2,339	-	2,339
Pool 9	Other consumer	11,488	4	11,492
	Total	**$ 593,416**	**$ 9,566**	**$ 602,982**

For the Year Ended December 31, 2023

		Performing	Nonperforming	Total
Pool 3	Single family residences	$ 98,451	$ 811	$ 99,262
Pool 4	Condominiums	204,344	2,537	206,881
Pool 5	Planned unit developments	206,211	3,511	209,722
Pool 1	Construction and development	2,248	-	2,248
Pool 6	Multifamily residential	1,704	-	1,704
Pool 7	Non-residential owner occupied	1,203	-	1,203
Pool 8	Non-residential investor owned	2,264	-	2,264
Pool 10	Trucks and trailers	185	-	185
Pool 12	CD secured	1,805	-	1,805
Pool 13	Credit cards	1,975	-	1,975
Pool 9	Other consumer	9,466	110	9,576
	Total	**$ 529,856**	**$ 6,969**	**$ 536,825**

(IN THOUSANDS)

5. LOANS, NET (CONTINUED)

Following are tables which include an aging analysis of the recorded investment in past due loans as of December 31, 2024 and 2023:

	For the Year Ended December 31, 2024	30-89 Days Past Due	>90 days and Accruing	Nonaccrual	Total Past Due	Current	Total Loans
Pool 3	Single family residences	$ 411	$ -	$ 779	$ 1,190	$ 108,821	$ 110,011
Pool 4	Condominiums	3,491	-	3,828	7,319	213,807	$ 221,126
Pool 5	Planned unit developments	1,689	-	4,955	6,644	238,556	$ 245,200
Pool 1	Construction and development	-	-	-	-	3,010	$ 3,010
Pool 6	Multifamily residential	-	-	-	-	2,245	$ 2,245
Pool 7	Non-residential owner occupied	224	-	-	224	557	$ 781
Pool 8	Non-residential investor owned	-	-	-	-	2,175	$ 2,175
Pool 10	Trucks and trailers	5	-	-	5	15	$ 20
Pool 12	CD secured	-	-	-	-	4,583	$ 4,583
Pool 13	Credit cards	21	-	-	21	2,318	$ 2,339
Pool 9	Other consumer	99	-	4	103	11,389	$ 11,492
	Total	**$ 5,940**	**$ -**	**$ 9,566**	**$ 15,506**	**$ 587,476**	**$ 602,982**

	For the Year Ended December 31, 2023	30-89 Days Past Due	>90 days and Accruing	Nonaccrual	Total Past Due	Current	Total Loans
Pool 3	Single family residences	$ 94	$ -	$ 811	$ 905	$ 98,357	$ 99,262
Pool 4	Condominiums	302	-	2,537	2,839	204,042	206,881
Pool 5	Planned unit developments	3,418	-	3,511	6,929	202,793	209,722
Pool 1	Construction and development	-	-	-	-	2,248	2,248
Pool 6	Multifamily residential	-	-	-	-	1,704	1,704
Pool 7	Non-residential owner occupied	239	-	-	239	964	1,203
Pool 8	Non-residential investor owned	-	-	-	-	2,264	2,264
Pool 10	Trucks and trailers	11	-	-	11	174	185
Pool 12	CD secured	79	-	-	79	1,726	1,805
Pool 13	Credit cards	42	-	-	42	1,933	1,975
Pool 9	Other consumer	261	-	110	371	9,203	9,574
	Total	**$ 4,446**	**$ -**	**$ 6,969**	**$ 11,415**	**$ 525,408**	**$ 536,823**

(IN THOUSANDS)

5. LOANS, NET (CONTINUED)

Non accrual loans segregated by class at December 31, 2024, are as follows:

		Non accrual	Non accrual loans with no related allowance	Intest income recognized
Pool 3	Single family residences	$ 779	$ 779	$ -
Pool 4	Condominiums	3,828	3,828	-
Pool 5	Planned unit developments	4,955	4,955	-
Pool 1	Construction and development	-	-	-
Pool 6	Multifamily residential	-	-	-
Pool 7	Non-residential owner occupied	-	-	-
Pool 8	Non-residential investor owned	-	-	-
Pool 10	Trucks and trailers	-	-	-
Pool 12	CD secured	-	-	-
Pool 13	Credit cards	-	-	-
Pool 9	Other consumer	4	4	-
	Total	**$ 9,566**	**$ 9,566**	**$ -**

As of December 31, 2024 and 2023, the recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process amounted to $120 and $395, respectively.

As of and during the years ended December 31, 2024 and 2023, there were no financing receivables with financial difficulties modified within the previous twelve months.

(IN THOUSANDS)

6. PROPERTY AND EQUIPMENT, NET

A summary of the cost and accumulated depreciation and amortization of property and equipment follows at December 31:

	2024	2023
Leasehold improvements	$ 2,581	$ 2,543
Furniture, fixtures and equipment	1,174	1,174
	3,755	3,716
Less: Accumulated depreciation and amortization	(3,645)	(3,494)
	$ 110	**$ 223**

Depreciation and amortization expense amounted to $151 and $209 for the years ended December 31, 2024 and 2023, respectively. There were no disposals of property and equipment during the years ended December 31, 2024 and 2023.

7. OPERATING LEASES

The Bank leases some of its operating equipment and office facilities for various terms under long-term, non-cancelable operating lease agreements. The leases expire at various dates through 2028 and provide for renewal options ranging from one to three years. In the normal course of business, it is expected that these leases will be renewed or replaced.

During 2023, the Bank closed its representative office in Venezuela.

The Bank entered into a sublease agreement with a related party for office space, which expires September 30, 2028.

Some of the leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Also, the agreements generally require the Bank to pay executory costs (taxes, insurance, and repairs).

Total operating lease costs were approximately $2,331 and $1,545 for the years ended December 31, 2024 and 2023, respectively. Cash amounts included in the measurement of the operating lease liability was approximately $663 and $645 for the years ended December 31, 2024 and 2023, respectively. Operating lease ROU assets obtained in exchange for operating lease obligations were approximately $23 and $4,505 for the years ended December 31, 2024 and 2023, respectively.

Information associated with the measurement of the remaining operating lease obligations as of December 31, 2024 is as follows:

Weighted average remaining lease term in years	3.92
Weighted average discount rate for operating leases	4.37%

The Bank subleases office space and parking lot facilities to related party through an operating agreement expiring in 2028. Sublease income totaled $222 and $207 for the years ended December 31, 2024 and 2023, respectively.

(IN THOUSANDS)

7. OPERATING LEASES (CONTINUED)

Estimated future minimum lease payments, exclusive of taxes and other charges, are as follows:

Year Ended December 31,	Annual Amount	Sublease Amounts	Net Minimum Payment
2025	$ 973	$ 58	$ 915
2026	1,818		1,818
2027	1,873		1,873
2028	1,390		1,390
Total operating lease payments	6,054	58	5,996
Less: Imputed interest	739	-	739
	$ 5,315	**$ 58**	**$ 5,257**

8. ACCRUED INTEREST RECEIVABLE AND OTHER ASSETS

Accrued interest receivable and other assets consist of the following at December 31:

	2024	2023
Accrued interest receivable - loans	$ 1,716	$ 1,751
Accrued interest receivable - securities	1,542	2,396
Prepaids	1,339	1,752
Income tax receivable	-	501
Other	1,002	501
	$ 5,599	**$ 6,901**

9. DEPOSITS

The aggregate amount of time deposits in denominations of $250, or more, was approximately $217,000 and $133,000 at December 31, 2024 and 2023, respectively.

Scheduled maturities of time deposits are as follows:

Year Ending December 31,	
2025	$ 282,684
2026	7,243
2027	109
	$ 290,036

The aggregate amount of deposits reclassified as loan balances at December 31, 2024 and 2023 was immaterial.

(IN THOUSANDS)

10. BORROWINGS

FHLB Advances

The Bank has an available line of credit with the FHLB of Atlanta at an interest rate that adjusts daily. Borrowings under the line are limited to 25% of the Bank's total assets at December 31, 2024 and 2023. All borrowings from the FHLB of Atlanta are secured by a blanket lien on the carrying value of first mortgage loans on residential property, which amounted to $374,713 and $320,598 at December 31, 2024 and 2023, respectively. There were no outstanding balances as of December 31, 2024 and 2023.

Interest expense was approximately $501 and $113 for the years ended December 31, 2024 and 2023.

Federal Funds Purchased and Other Lines

The Bank has federal funds purchased and other unsecured lines with other depository institutions, which allow the Bank to borrow short term funds as needed to manage liquidity. The Bank's available lines totaled $72 at December 31, 2024 and 2023, respectively. There were no outstanding balances as of December 31, 2024 and 2023.

11. ACCRUED INTEREST PAYABLE AND OTHER LIABILITIES

Accrued interest payable and other liabilities consist of the following at December 31:

	2024	2023
Accruals	$ 1,828	$ 3,869
Income tax payable	596	-
Accrued interest	3,374	776
Other	1,299	388
	$ 7,097	**$ 5,033**

12. REVENUE RECOGNITION

The Bank generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Because performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgement involved in applying ASC 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers.

All of the Bank's revenue from contracts with customers within the scope of ASC 606 is included in noninterest income on the accompanying statements of income. The following is a description of the Bank's revenue streams accounted for under ASC 606:

Credit card income – Card income includes annual, late and over-limit fees as well as fees earned from interchange, cash advances and other miscellaneous transactions and is presented net of direct costs. Interchange fees are recognized upon settlement of the credit and debit card payment transactions and are generally determined on a percentage basis for credit cards and fixed rates for debit cards based on the corresponding payment network's rates. Substantially all card fees are recognized at the transaction date, except for certain time-based fees such as annual fees, which are recognized over 12 months. Card income amounted to $686 and $619 for the years ended December 31, 2024 and 2023, respectively.

Fee income on wire transfers – Wire transfer and other remittance fees consist of fees earned for funds transfer services. The Bank's obligation is satisfied at the time of the funds transfer services. Fee income on wire transfers amounted to $2,060 and $2,096 for the years ended December 31, 2024 and 2023, respectively.

(IN THOUSANDS)

12. REVENUE RECOGNITION (CONTINUED)

Service fees and charges on customer deposit accounts – The Bank earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include but are not limited to services such as ATM use fees, stop payment charges, statement rendering, ACH fees, are recognized at the time the transaction is executed as that is the point in time the Bank fulfills the customer's request. Maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Bank satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance. Service fees and charges on customer deposit accounts amounted to $954 and $920 for the years ended December 31, 2024 and 2023, respectively.

Foreign currency transaction income – The Bank earns and recognizes income from foreign exchange transactions at the time the transaction is executed as that is the point in time the Bank fulfills the customer's request. Foreign currency transaction income amounted to $1,771 and $2,037 for the years ended December 31, 2024 and 2023, respectively.

Gain/loss on sale of foreclosed assets – The Bank records a gain or loss from the sale of foreclosed assets when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. There are no ASC 606 implications unless the Bank finances the sale of the foreclosed asset. There are no instances of the Bank financing the sale of its foreclosed properties as of December 31, 2024 and 2023.

13. INCOME TAXES

Allocation of federal and state income taxes between current and deferred portions is as follows for the years ended December 31:

	2024	2023
Current tax provision:		
Federal	$ 2,355	$ 2,329
State	769	740
	3,124	3,069
Deferred tax provision:		
Federal	(463)	(50)
State	(192)	(14)
	(655)	(64)
Total	**$ 2,469**	**$ 3,005**

The actual income tax expense for 2024 and 2023 differs from the statutory tax expense for the year (computed by applying the U.S. federal corporate tax rate of 21% to income before provision from income taxes) as follows for the years ended December 31:

	2024	2023
Federal income taxes, at statutory rate	$ 2,086	$ 3,004
State income taxes, net of federal tax benefit	430	401
Tax-exempt interest	(278)	(563)
Other permanent differences	285	112
Change in Florida tax rate	(54)	51
Total	**$ 2,469**	**$ 3,005**

(IN THOUSANDS)

13. INCOME TAXES (CONTINUED)

The Bank's deferred tax assets (liabilities) are as follows at December 31:

	2024	2023
Deferred tax assets (liabilities):		
Net unrealized loss on securities available for sale	$ 12,767	$ 11,864
Allowance for credit losses	2,811	2,373
Depreciation and amortization	169	150
Other	114	(106)
Deferred tax asset, net	**$ 15,861**	**$ 14,281**

In assessing the realizability of deferred tax assets, management considered whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

The U.S. Federal jurisdiction and Florida are the major tax jurisdictions where the Bank files income tax returns. The Bank is no longer subject to U.S. Federal or State examinations by tax authorities for years before 2021.

For the years ended December 31, 2024 and 2023, the Bank did not have any unrecognized tax benefits as a result of tax positions taken during a prior period or during the current period. No interest or penalties have been recorded as a result of tax uncertainties.

14. REGULATORY MATTERS

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

Quantitative measures established by regulatory capital standards to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the following table) of total, Tier 1 and common equity Tier 1 capital (as defined) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). Unrealized gains and losses on available for sale securities are excluded from the Bank's capital ratio calculation. Management believes, as of December 31, 2024 and 2024, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2024 and 2023, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain minimum total risk-based, Tier 1 risk-based, common equity Tier 1 risk-based capital, and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution's category.

(IN THOUSANDS)

14. REGULATORY MATTERS (CONTINUED)

The Bank's actual capital amounts and ratios as of December 31, 2024 and 2023 are presented in the following table:

	Actual			Minimum Capital Requirement			Minimum to be Well Capitalized Under Prompt Corrective Action Provisions		
		Amount	Ratio		Amount	Ratio		Amount	Ratio
2024									
Total risk-based capital (to risk weighted assets)	$	132,564	31.62%	$	33,541	8.00%	$	41,927	10.00%
Tier 1 capital (to risk weighted assets)		127,254	30.35%		25,156	6.00%		33,541	8.00%
Common equity tier 1 capital (to risk weighted assets)		127,254	30.35%		18,867	4.50%		27,252	6.50%
Tier 1 capital (to average total assets)		127,254	11.88%		42,841	4.00%		53,551	5.00%
2023									
Total risk-based capital (to risk weighted assets)	$	125,084	29.81%	$	33,564	8.00%	$	41,955	10.00%
Tier 1 capital (to risk weighted assets)		119,790	28.55%		25,173	6.00%		33,564	8.00%
Common equity tier 1 capital (to risk weighted assets)		119,790	28.55%		18,880	4.50%		27,271	6.50%
Tier 1 capital (to average total assets)		119,790	10.79%		44,416	4.00%		55,521	5.00%

The Bank's payment of dividends is subject to the limitations set by state banking regulations.

(IN THOUSANDS)

15. COMMITMENTS AND CONTINGENCIES

Financial Instruments with Off-Balance Sheet Risk

The Bank is a party to credit-related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include standby letters of credit and commitments to extend credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheets.

The Bank's exposure to credit loss is represented by the contractual amount of these commitments. The Bank follows the same credit policies in making commitments as it does for on balance-sheet instruments. At December 31, 2024 and 2023, the following financial instruments were outstanding whose contract amounts represent credit risk:

	2024	2023
Unfunded commitments under lines of credit	$ 2,806	$ 3,205
Standby letters of credit	1,246	1,246
Commitments to grant loans	7,974	1,820
	$ 12,026	**$ 6,271**

Unfunded commitments under lines of credit are commitments for possible future extensions of credit to existing customers. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if deemed necessary by the Bank, is based on management's credit evaluation of the customer.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank generally holds collateral supporting those commitments, and at December 31, 2024 and 2023 such collateral amounted to $1,246 each year.

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 commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts may not necessarily represent future cash requirements.

The amount of collateral obtained, if deemed necessary by the Bank, is based on management's credit evaluation of the customer.

Litigation

Various legal claims also arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Bank's financial statements.

16. DEFINED CONTRIBUTION RETIREMENT PLAN

The Bank has a defined contribution retirement plan (the "Plan") (a 401k plan) covering substantially all eligible employees. The Plan includes a provision that the employer may contribute to the accounts of eligible employees for whom a salary deferral is made. For the years ended December 31, 2024 and 2023, the Bank contributed $479 and $440, respectively, into the Plan.

17. FAIR VALUES OF ASSETS AND LIABILITIES

Determination of Fair Value

The Bank uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Bank's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

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

Fair Value Hierarchy

The Bank groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

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

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

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

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Bank's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There have been no changes in the methodologies used at December 31, 2024 and 2023.

(IN THOUSANDS)

17. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

Fair Value Hierarchy (continued)

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

Securities

Where quoted prices are available in an active market, the Bank classifies the securities within level 1 of the valuation hierarchy. Securities are defined as both long and short positions. Level 1 securities included highly liquid government bonds and marketable equity securities.

If quoted market prices are not available, the Bank estimates fair values using pricing models and discounted cash flows that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, and credit spreads. Governments-sponsored enterprise obligations, corporate and municipal bonds, and mortgage-backed securities are included in level 2 since observable inputs are available.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at December 31, 2024			
Securities Available for Sale	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities:				
GSE's	$ 52,905	$ -	$ 52,905	$ -
U.S. Treasury notes	42,156	42,156	-	-
Municipal bonds	45,918	-	45,918	-
GSE residential mortgage-backed	189,816	-	189,816	-
Total securities available for sale	330,795	42,156	288,639	-
Marketable equity securities	884	884	-	-
Total securities	**$ 331,679**	**$ 43,040**	**$ 288,639**	**$ -**

	Fair Value Measurements at December 31, 2023			
Securities Available for Sale	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities:				
GSE's	$ 63,662	$ -	$ 63,662	$ -
U.S. Treasury notes	44,051	44,051	-	-
Municipal bonds	114,401	-	114,401	-
GSE residential mortgage-backed	230,140	-	230,140	-
Total securities available for sale	452,254	44,051	408,203	-
Marketable equity securities	893	893	-	-
Total securities	**$ 453,147**	**$ 44,944**	**$ 408,203**	**$ -**

There were no liabilities measured at fair value at December 31, 2024 and 2023.

(IN THOUSANDS)

17. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Under certain circumstances, the Bank makes adjustments to fair value for its assets and liabilities although they are not measured at fair value on an ongoing basis. The following table presents the financial instruments carried on the balance sheets by caption and by level in the fair value hierarchy at December 31, 2024 and 2023, for which a nonrecurring change in fair value has been recorded:

	Fair Value Measurements at December 31, 2024			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Loans	$ 1	$ -	$ -	$ 1
Total assets at fair value	**$ 1**	**$ -**	**$ -**	**$ 1**

	Fair Value Measurements at December 31, 2023			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Loans	$ 24	$ -	$ -	$ 24
Total assets at fair value	**$ 24**	**$ -**	**$ -**	**$ 24**

Impaired Loans

Loans applicable to write downs of impaired loans are estimated using he appraised value of the underlying collateral discounted as necessary due to management's estimates of changes in economic conditions. The Bank's impaired loans are classified in Level 3 of the fair value hierarchy since the valuation technique requires inputs that are both significant and unobservable.

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

18. ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss at December 31, 2024 and 2023 are as follows:

	2024	2023
Unrealized loss on available-for-sale securities	$ (50,770)	$ (47,183)
Income tax effect	12,767	11,864
Accumulated other comprehensive loss, net of tax	**$ (38,003)**	**$ (35,319)**