JSB FINANCIAL INC. | ANNUAL REPORT 2023

JSB FINANCIAL INC.

JSB Financial Inc. (JFI) was incorporated in West Virginia on March 2, 2023, and is the bank holding company for its wholly owned subsidiary, Jefferson Security Bank. Jefferson Security Bank was reorganized into a holding company structure pursuant to the Agreement and Plan of Share Exchange and Reorganization, dated March 15, 2023, approved by the shareholders on April 26, 2023 and effective July 31, 2023. JFI through Jefferson Security Bank offers a full range of banking products and services, including loans and deposits to individuals, agricultural businesses, small and medium-sized businesses, local government entities and nonprofit organizations through its main office and four full-service retail banking offices and one drive-thru banking office throughout its principal market in the eastern panhandle region of West Virginia in Jefferson and Berkeley Counties and Washington County, Maryland.

MISSION:

We are a community bank that partners with our customers to enhance their lives and enrich our communities through local decision-making.

VISION:

Be the bank of choice in the communities we serve.

Honoring Longtime Board Member Suellen D. Myers

On behalf of the Board of Directors, officers and staff of Jefferson Security Bank, we want to extend our sincere appreciation to Suellen D. Myers for her years of extraordinary service and dedication as a member of our Board of Directors. Ms. Myers joined the Board of Directors of Jefferson Security Bank in 2004 and served on the Executive Committee and Compensation and Benefits Committee. Over the past 20 years, her experience in agriculture and small business management, as well as her deep connection to our community, brought informed insights and guidance that proved to be invaluable to Jefferson Security Bank's growth and success.

Suellen's impact extends beyond the boardroom. She is a respected member in our community, known for her commitment to her small business, Willow Spring Farm, and her love of travel, horses, books and singing. We thank Ms. Myers for 20 years of dedicated service to Jefferson Security Bank and the communities we serve. Ms. Myers will retire from the Board of Directors following the Annual Shareholder's Meeting on April 24, 2024.

Suellen D. Myers

As the 155th anniversary of Jefferson Security Bank approaches in May of 2024, we are reminded of the numerous historical events that have brought us to this point. Of recent is the formation of JSB Financial Inc. in July of 2023. Following the shareholders' approval at last year's annual meeting, JSB Financial Inc. became the holding company of Jefferson Security Bank, its wholly owned subsidiary. With this achievement, we believe that we can operate under a structure that will allow us to focus on longer-term strategies that will position us to further drive revenue and earnings growth.

In review of 2023, the banking industry faced volatility resulting from the Federal Reserve's dramatic shift in monetary policy, persistent high inflation, broader economic uncertainty and isolated bank failures that caused industry-wide disruption. Despite these challenges, we delivered solid financial performance, as we recorded net income of $3.0 million, which was strong by historical standards, representing our third highest year of earnings since opening our doors in 1869. These results were driven by organic growth, higher interest rates, strong core deposits and careful expense management.

Total assets reached over $500 million as we ended 2023, representing an increase of almost 9% when compared to 2022. The expansion of our balance sheet was attributed to loan growth of $43.7 million, or 14%, when comparing 2023 to 2022. This growth was primarily related to the residential real estate portfolio, as mortgage originations remained strong in our markets. The credit quality strength of our loan portfolio was evidenced by historically low levels of past dues and problem assets. At December 31, 2023, there were no loans 90 days or more past due, one nonaccrual loan totaling $51 thousand and no other real estate owned. Additionally, net charge offs totaled only $2 thousand for 2023. We will continue to diligently monitor changes in credit quality and will maintain a disciplined approach to our underwriting standards and credit risk management practices.

Throughout the year, our ability to generate responsible loan growth to meet consumer demand was possible with effective liquidity management and core deposit growth. In total, deposits increased $11.3 million, or 3%, when compared to year-end 2022. This deposit growth came at a time when consumers were increasing their spending, competitive pricing accelerated and markets provided higher yielding investment alternatives. The stability in our deposits reflects the depth of our customer relationships and our commitment to understanding their needs and providing financial solutions that are relevant to their everyday lives.

With rising interest rates, deposits were, understandably, more expensive than in prior years. As a result, our net interest margin was impacted not only by the rapid repricing of deposits, but also by an overall shift in the composition of deposits from noninterest bearing to interest bearing. With the steady repricing of loans throughout the year, the net interest margin stabilized as we ended the fourth quarter of 2023. Additionally, we improved efficiencies across the company, which will contribute to our expense management efforts as we continue to reinvest in technology, employees and other strategic initiatives.

As of December 31, 2023, book value per share increased to $96.93 per share compared to $81.64 per share at December 31, 2022. This reflects an increase in total shareholders' equity from organic growth in capital levels through net income of $3.0 million combined with a decrease in accumulated other comprehensive loss from an improvement of the unrealized losses on the available for sale securities portfolio of $1.0 million. These positive changes were in part offset by the repurchase of shares of Jefferson Security Bank common stock pursuant to the exercise of appraisal rights in connection with the reorganization of Jefferson Security Bank into a holding company structure. The repurchase resulted in a reduction to total capital in the amount of $1.6 million.

All regulatory capital ratios exceeded the requirements to be considered well-capitalized as of December 31, 2023. Tier 1 leverage, Tier 1 capital, common equity Tier 1 capital and risk-based capital ratios were 7.65%, 12.40%, 12.40% and 13.65%, respectively, at December 31, 2023, compared to 8.09%, 13.61%, 13.61% and 14.84%, respectively, at December 31, 2022. The decline primarily reflects the impact to capital from the one-time repurchase of Jefferson Security Bank common stock referenced above. Our team actively manages our capital position to support business strategies and meet regulatory requirements at all times.

While 2023 was an eventful year, our results represent strength and stability amidst a challenging environment for the entire industry. As we look ahead, our priorities and commitments are clear. We have a long legacy built on trust. As such, we will continue to build on our strengths, navigate all challenges with agility and create an even stronger, resilient company. Our strategies prioritize a long-term vision that emphasizes the importance of being a preferred financial partner in our community. We understand that customers increasingly demand a seamless banking experience, so our current initiatives are focused on increasing efficiencies, relentlessly improving our operations and enhancing technologies, which will improve the customer experience. These efforts, along with our long-standing emphasis on building relationships that last, will create value for our customers, communities and shareholders. Our team is committed and accountable to executing these strategies and sustaining the momentum we have generated over the past several years.

In closing, I am proud to lead a team that is driven, mission focused and demonstrates a commitment to their responsibility to position us as a bank of choice in the communities we serve. I appreciate their tireless efforts, hard work, dedication and commitment to serving our customers and communities. Our team believes in the foundation of community banking, which is centered on cultivating meaningful partnerships with individuals, families and local businesses for the betterment, economic strength and vitality of our communities. I am extremely grateful for your confidence and loyalty over the years. Your continued trust and support of Jefferson Security Bank over the years has led us through many milestones and allowed us to continuously strengthen our impact. With the holding company in place, we are now in a better position to be competitive in the market and ensure that Jefferson Security Bank remains an independent community bank.

Cindy A. Kitner

Cindy A. Kitner, CPA
President and CEO

Back Row: Christian E. Asam; Brant M. Lowe; Suellen D. Myers; Dennis L. Barron; Kelvin L. Upson; Andrew McMillan, Jr, PhD.
Front Row: Frederick K. Parsons, Chair; Cindy A. Kitner, CPA, President and CEO; Monica W. Lingenfelter, Corporate Secretary; Eric J. Lewis, CPA, Vice Chair; ***Not pictured:*** Archibald R. (Rob) Hoxton, IV, CFP

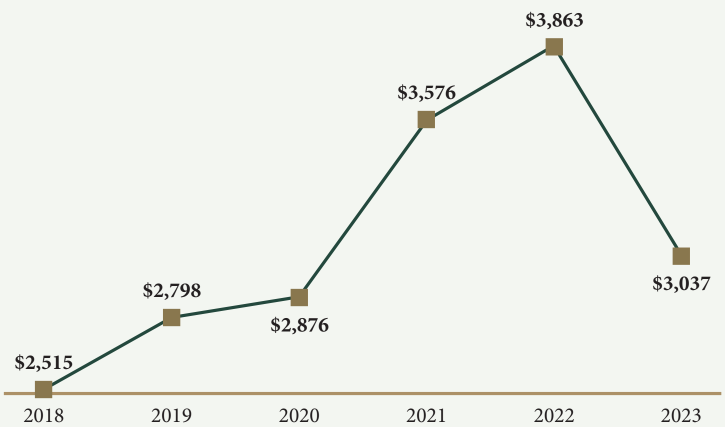
EXECUTIVE OFFICERS

Jenna L. Kesecker, CPA,
Executive Vice President and Chief Financial Officer

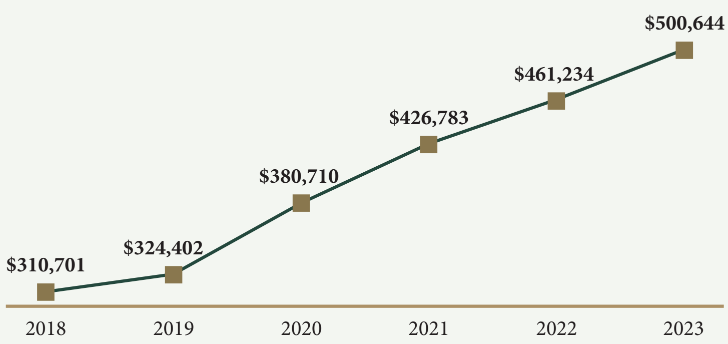
Cindy A. Kitner, CPA,
President and Chief Executive Officer

Karl "Jeff" Keller,
Executive Vice President, Chief Administrative Officer

NET INCOME
(in thousands)



TOTAL ASSETS
(in thousands)



GROWTH RATIOS
(compared to 2022)

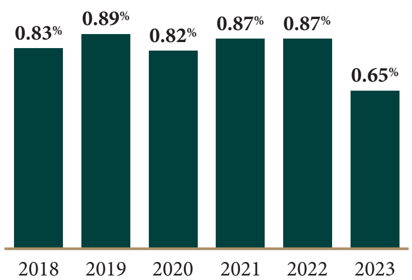
14.35% Loans (net)

8.54% Assets

2.72% Deposits

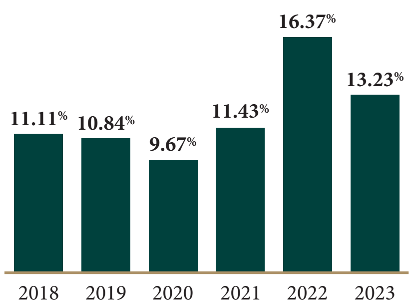
SELECT RATIOS
(2018–2023)

0.65%



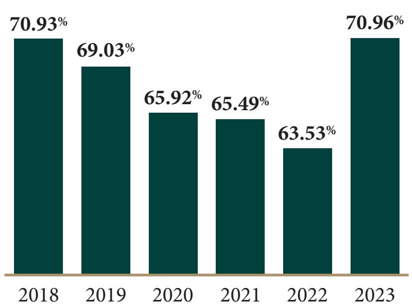
Return on Average Assets

13.23%



Return on Average Equity

70.96%



Efficiency Ratio

Our employees

make building community happen by **volunteering** at over **25 local organizations** and **non-profits**.

building

Employee Jeans Days

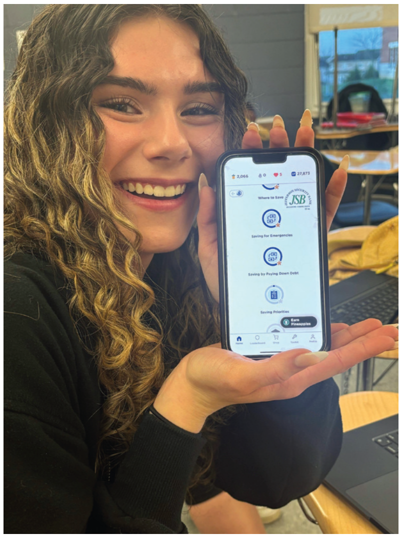
Raised over **$4,100** for **15 local charities**.

Top 200 Community Banks

Top 200 Community Banks by *American Banker* for the **fourth year in a row**.

AMERICAN BANKER
2023 Top 200 Community Banks

Zogo, Gamified Financial Literacy



704 USERS

93% of users agree that Zogo has **improved their financial literacy**.

Banzai, in the Classroom

Giving students access to **financial literacy education**.

6 active schools

28 teachers served

community

Donations

Over **$50,000** donated to organizations that **directly serve** those in need.

Independent Auditor's Report

To the Board of Directors and Shareholders
JSB Financial Inc.

Opinion
We have audited the consolidated financial statements JSB Financial Inc. and subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income (loss), changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Emphasis of Matter
As discussed in Note 1 to the financial statements, the Company has changed its method of accounting for credit losses in 2023 due to the adoption of Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments,* including all related amendments. Our opinion is not modified with respect to this matter.

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

Other Information Included in the Annual Report

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

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

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
March 21, 2024

JSB FINANCIAL INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2023 and 2022

	2023	2022
ASSETS		
Cash and due from financial institutions	$ 4,102,982	$ 4,237,734
Interest bearing deposits with depository institutions	5,150,512	46,571
Cash and cash equivalents	9,253,494	4,284,305
Securities available for sale, at fair value	70,386,209	80,538,785
Securities held to maturity, at amortized cost, net of allowance for credit losses of $0 (fair value of $46,077,750 - 2023; $44,051,303 - 2022)	48,336,613	47,914,134
Restricted securities, at cost	1,298,200	1,221,100
Loans, net of allowance for credit losses of $3,800,440 - 2023; $3,459,889 - 2022	347,911,321	304,244,564
Accrued interest receivable	1,389,674	1,267,495
Premises and equipment, net	4,938,995	5,155,653
Bank owned life insurance	7,660,616	7,474,372
Other assets	9,468,537	9,133,475
Total assets	$ 500,643,659	$ 461,233,883
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits		
Interest bearing	$ 313,404,790	$ 283,985,390
Noninterest bearing	112,652,044	130,777,238
Total deposits	426,056,834	414,762,628
Federal Reserve Bank borrowings	28,000,000	- -
Federal Home Loan Bank advances	18,119,600	21,389,600
Federal funds purchased	- -	9,000
Accrued interest payable	424,810	60,985
Other accrued expenses and other liabilities	3,084,103	2,500,862
Total liabilities	475,685,347	438,723,075
Shareholders' Equity		
Common stock, $10 par value; 300,000 shares authorized; issued and outstanding, 257,483 shares at December 31, 2023 and 275,746 at December 31, 2022.	2,574,830	2,757,460
Additional paid-in capital	2,574,830	2,757,460
Retained earnings	33,922,578	32,984,068
Accumulated other comprehensive (loss), net	(14,113,926)	(15,988,180)
Total shareholders' equity	24,958,312	22,510,808
Total liabilities and shareholders' equity	$ 500,643,659	$ 461,233,883

See accompanying notes to consolidated financial statements

JSB FINANCIAL INC.
CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2023 and 2022

	2023	2022
Interest and dividend income		
Loans, including fees	$ 15,795,868	$ 12,337,855
Securities:		
Taxable	1,921,821	1,681,154
Nontaxable	1,079,822	1,097,800
Dividends and other interest	188,231	115,633
Total interest and dividend income	18,985,742	15,232,442
Interest expense		
Deposits	4,809,415	2,177,593
Borrowings		
Federal Home Loan Bank	1,163,846	84,514
Federal Reserve Bank	696,314	- -
Other borrowings	1,305	273
Total interest expense	6,670,880	2,262,380
Net interest income	12,314,862	12,970,062
Provision for credit losses	292,000	630,000
Net interest income after provision for credit losses	12,022,862	12,340,062
Noninterest income		
Service charges on deposit accounts	501,170	490,991
ATM and debit card fees and other service charges	1,521,604	1,453,695
Realized gain on securities, net	1,432	- -
Income from bank owned life insurance	186,243	179,139
Other	114,249	97,416
Total noninterest income	2,324,698	2,221,241
Noninterest expense		
Salaries and employee benefits	5,333,003	5,040,910
Occupancy	1,234,132	1,193,604
Advertising and marketing	268,030	224,200
ATM and debit card expense	629,811	518,207
Data processing	1,316,756	1,101,738
Postage and stationery supplies	214,342	222,540
Professional services	472,057	394,324
FDIC and state assessments	371,611	233,142
Director fees	161,400	159,500
Other	687,730	773,759
Total noninterest expense	10,688,872	9,861,924
Income before income tax expense	3,658,688	4,699,379
Income tax expense	622,014	836,791
Net income	$ 3,036,674	$ 3,862,588
Basic and diluted earnings per common share	$ 11.15	$ 14.01

JSB FINANCIAL INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the Years Ended December 31, 2023 and 2022

	2023	2022
Net income	$ 3,036,674	$ 3,862,588
Other comprehensive income (loss), net of tax:		
Unrealized holding gains (losses) on available for sale securities arising during period	1,018,127	(7,578,621)
Reclassification adjustment for securities gains included in net income	(1,074)	- -
Unrealized holding losses on securities transferred from available for sale to held to maturity	- -	(7,107,644)
Amortization of unrealized holding losses on available for sale securities transferred to held to maturity	471,586	172,727
Change in pension benefits	459,721	99,099
Reclassification adjustment for change in pension benefits included in net income	12,364	82,080
Change in supplemental executive retirement benefits	(125,534)	559,295
Reclassification adjustment for change in supplemental executive retirement benefits included in net income	39,064	71,347
Total other comprehensive income (loss)	1,874,254	(13,701,717)
Comprehensive income (loss)	$ 4,910,928	$ (9,839,129)

See accompanying notes to consolidated financial statements

JSB FINANCIAL INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Years Ended December 31, 2023 and 2022

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Total Shareholders' Equity
Balance at December 31, 2021	$ 2,757,460	$ 2,757,460	$ 29,728,121	$ (2,286,463)	$ 32,956,578
Net income	- -	- -	3,862,588	- -	3,862,588
Other comprehensive loss	- -	- -	- -	(13,701,717)	(13,701,717)
Cash dividends on common stock - $2.20 per share	- -	- -	(606,641)	- -	(606,641)
Balance at December 31, 2022	$ 2,757,460	$ 2,757,460	$ 32,984,068	$ (15,988,180)	$ 22,510,808
Adoption of new accounting standard (ASU 2016-13)	- -	- -	(213,816)	- -	(213,816)
Net income	- -	- -	3,036,674	- -	3,036,674
Other comprehensive income	- -	- -	- -	1,874,254	1,874,254
Repurchase of 18,263 shares of common stock	(182,630)	(182,630)	(1,250,132)	- -	(1,615,392)
Cash dividends on common stock - $2.30 per share	- -	- -	(634,216)	- -	(634,216)
Balance at December 31, 2023	$ 2,574,830	$ 2,574,830	$ 33,922,578	$ (14,113,926)	$ 24,958,312

See accompanying notes to consolidated financial statements

JSB FINANCIAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Net income	$ 3,036,674	$ 3,862,588
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	430,100	425,275
Provision for credit losses on loans	260,000	630,000
Provision for credit losses on unfunded commitments	32,000	- -
Deferred income tax (benefit) expense	(14,221)	48,714
Net amortization of securities	382,038	612,037
Net gain on sale of securities available for sale	(1,432)	- -
Net loss on fixed assets	2,745	- -
Income from bank owned life insurance	(186,243)	(179,139)
Net change in:		
Accrued interest receivable	(122,179)	(170,526)
Accrued interest payable	363,825	(7,296)
Other assets	(273,696)	(496,167)
Other accrued expenses and other liabilities	261,992	235,576
Net cash provided by operating activities	4,171,603	4,961,062
Cash flows from investing activities		
Net increase in loans	(44,009,067)	(60,066,221)
Purchase of securities available for sale	- -	(18,270,689)
Proceeds from the sale of securities available for sale	1,215,038	- -
Proceeds from calls, maturities and principal paydowns of securities available for sale	10,083,717	18,033,239
Proceeds from calls, maturities and principal paydowns of securities held to maturity	35,587	126,648
Net purchase of restricted securities	(77,100)	(941,600)
Property and equipment expenditures, net	(216,187)	(383,539)
Net cash used in investing activities	(32,968,012)	(61,502,162)
Cash flows from financing activities		
Net increase in interest bearing deposits	29,419,400	8,147,845
Net (decrease) increase in noninterest bearing deposits	(18,125,194)	15,933,369
Net (decrease) increase in Federal Funds purchased	(9,000)	9,000
Net increase in Federal Reserve Bank borrowings	28,000,000	- -
Net (decrease) increase in Federal Home Loan Bank advances	(3,270,000)	21,389,600
Repurchase of common stock	(1,615,392)	- -
Dividends paid	(634,216)	(606,641)
Net cash provided by financing activities	33,765,598	44,873,173
Net change in cash and cash equivalents	4,969,189	(11,667,927)
Cash and cash equivalents at beginning of year	4,284,305	15,952,232
Cash and cash equivalents at end of year	$ 9,253,494	$ 4,284,305

See accompanying notes to consolidated financial statements

JSB FINANCIAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022
(Continued)

	2023	2022
Supplemental disclosures:		
Interest paid	$ 6,307,055	$ 2,269,677
Income taxes paid	734,578	781,053
Supplementary Disclosures Noncash Activities:		
Change in unrealized holding gains (losses) on available for sale securities	1,356,070	(10,104,827)
Securities transferred from available for sale to held to maturity, at fair value	- -	46,548,904
Unrealized holding losses as of transfer date on securities transferred from available for sale to held to maturity	- -	(9,476,859)
Amortization of unrealized holding losses on securities transferred from available for sale to held to maturity	628,781	230,303
Change in pension benefits	629,448	241,571
Change in supplemental executive retirement benefits	(115,294)	840,856

See accompanying notes to consolidated financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: JSB Financial Inc. (JFI, the Company) was incorporated in West Virginia on March 2, 2023 and is the banking holding company for its wholly owned subsidiary, Jefferson Security Bank (the Bank). Jefferson Security Bank was reorganized into a holding company structure pursuant to the Agreement and Plan of Share Exchange and Reorganization, dated March 15, 2023, approved by the shareholders on April 26, 2023 and effective July 31, 2023. Upon consummation of the transaction on July 31, 2023, each outstanding share of Jefferson Security Bank's common stock was automatically exchanged for one (1) share of JSB Financial Inc.'s common stock.

The Company through its wholly owned subsidiary, Jefferson Security Bank, offers a full range of retail and commercial banking services and products to its principal market in the eastern panhandle region of West Virgina in Jefferson and Berkeley Counties, the adjacent Washington County, Maryland and the areas immediately surrounding these communities. The company also owns JSB Financial Services, LLC, an inactive subsidiary previously used for offering financial services.

Jefferson Security Bank is a West Virginia state-charted bank that was formed and opened for business on May 19, 1869 under the name Jefferson Savings Bank. On March 13, 1909, the Bank changed its name to Jefferson Security Bank. The main office is located in Shepherdstown, West Virginia. The Bank provides a full range of banking services and products, including loan and deposits to individuals, agricultural businesses, small and medium-sized businesses, local government entities and non-profit organizations through its main office and four full-service retail banking offices and one drive-thru banking office located throughout its market area. It maintains a diversified loan portfolio, including loans to individuals for home mortgages, automobiles and personal expenditures, and loans to small businesses for current operations and expansion.

The Bank offers a variety of deposit products and services, including checking accounts, savings accounts, money market accounts, individual retirement accounts, certificates of deposit and cash management solutions. The Bank offers other services including internet banking, mobile banking and remote deposit capture.

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America and to accepted practices within the banking industry. The following describes the significant accounting and reporting policies which are employed in the preparation of the consolidated financial statements.

Basis of Presentation: The consolidated financial statements of JSB Financial Inc. and its wholly owned subsidiary, Jefferson Security Bank, include the accounts of both companies. All material intercompany balances and transactions have been eliminated in consolidation. JSB Financial Services, LLC is an inactive subsidiary previously used for offering financial services; therefore, no elimination entries were needed for consolidation.

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that require the most subjective or complex judgement related to the allowance for credit losses and post retirement benefit obligations.

Cash and Cash Equivalents: For purposes of the consolidated balance sheets and the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, cash items, amounts due from financial institutions, interest bearing deposits with depository institutions and federal funds sold. Amounts due from financial institutions may, at times, exceed federally insured limits and are carried at cost.

Debt Securities: Investments in debt securities with readily determinable fair values are classified as either held to maturity, available for sale or trading. Currently, all of the Company's debt securities are classified as either held to maturity or available for sale. Investments in debt securities that management has the positive intent and ability to hold to maturity are classified as held to maturity and are carried at amortized cost. Securities classified as available for sale are carried at fair value, with unrealized gains and losses excluded from earnings and reported net of the related tax effect in accumulated other comprehensive loss, net. Purchase premiums and discounts on debt securities are deferred and recognized in interest income using the effective interest method over the contractual term of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Transfers of debt securities into held to maturity classification from the available for sale classification are made at fair value on the date of transfer. The unrealized holding gain or loss on the date of transfer is reported in accumulated other comprehensive loss, net and in the carrying value of the held to maturity securities. Such amounts are amortized over the remaining contractual lives of the securities. The net impact from amortization and accretion of the unrealized loss at date of transfer is zero.

Prior to the adoption of ASC 326, declines in the fair value of debt securities held to maturity and available for sale below their amortized cost that were deemed to be other-than-temporary were reflected in earnings as realized losses. In estimating other-than-temporary impairment losses prior to January 1, 2023, management considered, among other things, (i) the length of time and the extent to which the fair value had been less than cost, (ii) the financial condition and near-term prospects of the issuer and (iii) the intent and our ability to retain our investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Allowance for Credit Losses – Available for Sale Debt Securities: For available for sale debt securities, management evaluates all securities in an unrealized loss position on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. The Company 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 criteria is met, the security's amortized cost basis is written down to fair value through income. For available for sale securities where neither of the above criteria is met, the Company evaluates whether the decline in fair value is the result of credit losses or other factors. In making this assessment, management may consider the extent to which fair value is less than amortized cost, performance of any underlying collateral, any changes to the credit rating of the security by a rating agency, the failure of the issuer to make scheduled interest or principal payments 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 is 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 to the amount that the fair value is less than the amortized cost basis. Any remaining discount that has not been recorded through an allowance for credit loss is recognized in other comprehensive income (loss).

Adjustments to the allowance for credit losses are recorded as provision for or recovery of credit losses expense. Losses are charged against the allowance when management believes the collectability of an available for sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met. As of December 31, 2023, management determined that the unrealized loss positions in available for sale debt securities portfolio were not the result of credit losses, and therefore, an allowance for credit losses was not recorded. The Company has the intent and the ability to hold these securities until such a time that the value recovers or the securities mature.

Management has elected to exclude accrued interest receivable on available for sale securities from the estimate of credit losses. At December 31, 2023, accrued interest receivable related to available for sale debt securities totaled $252,504 and was reported in "Accrued interest receivable" on the consolidated balance sheets.

Allowance for Credit Losses – Held to Maturity Debt Securities: For debt securities classified as held to maturity, the Company is required to utilize the current expected credit losses (CECL) methodology to estimate expected credit losses. The allowance for credit losses on held to maturity debt securities is a contra valuation account, calculated in accordance with ASC 326, that is deducted from the amortized cost basis of debt securities held to maturity to present management's best estimate of the net amount expected to be collected. Debt securities held to maturity are charged-off against the allowance for credit losses when deemed uncollectible.

The estimate of expected credit losses is primarily based on ratings assigned to the securities by debt rating agencies and the average of the annual historical loss rates associated with those ratings. The Company then multiples those loss rates, as adjusted for any modifications to reflect current conditions and reasonable and supportable forecasts as considered necessary, by the remaining lives of each individual security to arrive at the lifetime expected loss amount. Management elected to exclude accrued interest receivable on held to maturity debt securities from the estimate of credit losses. At December 31, 2023, accrued interest receivable related to held to maturity debt securities totaled $289,117 and was reported in "Accrued interest receivable" on the consolidated balance sheets. As of December 31, 2023, the Company had no recorded allowance for credit losses on held to maturity debt securities. Based on management's analysis and judgement, it was determined that none of the held to maturity debit securities had credit losses at December 31, 2023.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Securities: The Bank, as a member of the Federal Home Loan Bank (FHLB) of Pittsburgh, is required to maintain an investment in capital stock of the FHLB. Based on redemption provisions of the FHLB, the stock has no readily determinable fair value or quoted market value and is carried at cost minus impairment, if any. The redemption of FHLB stock is subject to certain limitations and conditions. At its discretion, the FHLB may declare dividends on the stock. The Bank also holds an equity investment in Community Bankers Bank. The stock is generally viewed as a long-term investment and as restricted securities carried at cost because there is a minimal market for the stock. Management reviews restricted securities for impairment based on the ultimate recoverability of the par value rather than by recognizing temporary declines in value.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until payoff or maturity are reported at their recorded investment, which is the principal balance outstanding, net of unearned income. Accrued interest receivable related to loans totaled $817,864 at December 31, 2023 and was reported in "Accrued interest receivable" on the consolidated balance sheets. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and amortized as an adjustment of the related loan yield using either the interest method or straight-line method.

Interest income is reported using the interest method and includes amortization of net deferred loan fees and costs over the estimated loan term. Interest income is not recorded when full loan repayment is in doubt, typically when the loan becomes 90 days past due based upon the loan's contractual terms and the loan is not well collateralized and in the process of collection, or when management believes, after considering economic and business conditions and collection efforts, that the principal or interest will not be collectible in the normal course of business. When management doubts the collection in full of the principal and interest, the loan is placed on nonaccrual status. If a loan is fully secured and in the process of collection and resolution of collection is expected in the near term, then the loan will not be placed on nonaccrual status.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income for unpaid interest recognized in net income in the current year and unpaid interest accrued from prior years is charged to the allowance for credit losses. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, there is a sustained period of repayment performance and future payments are reasonably assured to meet the contractual provisions of the note.

When a loan is not fully collateralized and is in the process of collection, the Company may charge off the account balance or some portion thereof as a loss. Generally, a delinquency over 120 days past due will be charged off unless the loan is well secured and an acceptable collection plan is in place with the exception of personal residential property which may be charged off at 150 days. All charge offs are approved by the Loan Committee and reported to the Board of Directors.

Risk characteristics associated with specific loan portfolio segments are detailed below:

Commercial and Industrial loans, not secured by real estate, carry risks associated with the successful operation of the business, and the repayments of these loans substantially depend on the profitability and cash flows of business operations. Commercial loans contain a higher level of risk than other loan types although care is taken to minimize this risk. The Bank obtains appropriate collateral, such as equipment, and personal guarantees from the principal owners of the business and monitors the overall financial condition of the borrower. Risk factors impacting the portfolio include industry specific risks such as economic conditions, technology, increasing material and production costs, labor rates and cyclicality. Customer risk factors include cash flow, financial structure, operating controls and asset quality. Additionally, interest rate increases could have an adverse impact on the profitability of the business.

Commercial Real Estate loans are generally secured by nonresidential, non-owner occupied one-to-four family rental and multi-family residential properties. Commercial real estate loans carry risks associated with the profitability of the business and the ability to generate positive cash flows sufficient to service debts. Commercial non-owner occupied loans differ in that cash flow to service debt is normally dependent on external income from third parties for use of the real estate such as rents and leases. Real estate security diminishes risks only to the extent that a market exists for the collateral.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction and Land Development loans are impacted mainly by demand for new residential housing or for retail, industrial, office and other types of commercial construction within a given area. Real estate secured construction loans also carry risks that a project will not be completed as scheduled and budgeted and that the value of the collateral may, at any point, be less than the principal amount of the loan. Collateral risk arises due to loan funds being provided to the borrower based upon the estimated value of the collateral after completion. Additional risks may occur if the general contractor, who may not be a loan customer, is unable to finish the project as planned due to financial pressures unrelated to the project.

Residential Real Estate loans carry risks associated with the continued credit worthiness of the borrower and changes in the value of collateral. Residential real estate loans are traditional one-to-four family residential mortgages and are comprised of fixed rate and adjustable rate mortgages. The repayment risk of these loans is subject to employment conditions in the local economy, with adverse conditions leading to an increase in default rates. In the event of incremental rate increases for adjustable rate mortgages, the borrowers' ability to maintain payments may be impacted.

Consumer loans carry risks associated with the continued creditworthiness of the borrower and the value of the underlying collateral. In addition, these loans may be unsecured or secured by automobiles, recreational vehicles and other personal property. Consumer loans are further segmented into credit cards and all other consumer loans. The consumer loan portfolio is more likely to be immediately affected by adverse economic conditions. The risks associated with these loans are monitored and mitigated through lending policies and underwriting standards.

Allowance for Credit Losses - Loans: The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged off and expected to be charged off. Accrued interest receivable is excluded from the estimate of credit losses.

The allowance for credit losses represents management's estimate of credit losses expected to arise over the life of the loans based on the contractual terms. The allowance for credit losses is estimated by management using relevant available information, from both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts.

Management's evaluation of the adequacy of the allowance for credit losses and the appropriate provision for credit losses is based upon a quarterly evaluation of the loan portfolio. This evaluation is inherently subjective and requires significant estimates, including estimates related to the amounts and timing of future cash flows, value of collateral, losses on pools of homogeneous loans based on historical loss experience, and consideration of qualitative factors such as current economic trends, all of which are susceptible to constant and significant change.

The Company measures expected credit losses for loans on a pooled basis when similar risk characteristics exist. For loans that do not share risk characteristics, management evaluates the allowance for credit losses on an individual basis based on the present value of expected future cash flows using the loan's effective interest rate, or as a practical expedient, the fair value of the collateral if the loan is collateral-dependent. For loans not specifically reviewed on an individual basis, management calculates the allowance for credit losses based on portfolio segment using the weighted average remaining maturity (WARM) methodology. Loans are segmented into pools based upon similar characteristics and risk profiles and based on the degree of correlation of how loans within each pool respond to various economic conditions. The Company uses an average annual loss rate which is based on the Company's historical information to estimate credit losses for the identified pools. The loss rate is applied to the estimated future outstanding balance of each pool based on contractual maturities and estimated prepayments. Loss rates are adjusted for qualitative factors that are not otherwise considered. The qualitative factors considered by management include reasonable and supportable forecasts of economic conditions; trends in credit quality; underlying collateral evaluations; lending policy, procedures and underwriting; volume, nature and terms of loans; concentrations of credit; effects from competition, legal and regulation; and management.

Allowance for Credit Losses – Unfunded Commitments: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit issued to meet customer financing needs. The Company's exposure to credit loss in the event of nonperformance by the other to the financial instrument for

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

off-balance sheet loan commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded.

The Company records an allowance for credit loss on off-balance sheet credit exposures, unless the commitment to extend credit are unconditionally cancelable, through a charge to provision for credit losses in the Company's income statements. The allowance for credit losses on off-balance sheet credit exposures is estimated by loan segment at each balance sheet date under the current expected credit loss model using the same methodologies as portfolio loans, taking into consideration the likelihood that funding will occur as well as any third-party guarantees. The allowance for unfunded commitments is included in other liabilities on the Company's consolidated balance sheets.

Accrued Interest Receivable: The Company has elected to exclude the accrued interest from the amortized cost basis in its determination of the allowance for credit losses for both loans and held-to-maturity securities, as well as elected the policy to write-off accrued interest receivable directly through the reversal of interest income. Accrued interest receivable is included in "Accrued Interest Receivable" on the Company's consolidated balance sheets.

Premises and Equipment: Premises and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Useful lives range primarily from five to forty years for buildings and improvements and three to fifteen years for furniture, fixtures and equipment. Maintenance, repairs and minor alterations are charged to current operations as expenditures are incurred. Major improvements are capitalized. Land is carried at cost.

Other Real Estate Owned: Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value, less estimated selling costs, 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 noninterest expense.

Concentrations of Credit Risk: Most of the Bank's activities are with customers located within Berkeley and Jefferson counties of West Virginia and in areas of Washington County, Maryland. Note 4, Loans, details the types of lending in which the Bank engages. The Bank does not have any significant concentrations in any one industry or customer.

Employee Benefits: As of December 31, 2013, the Company froze the defined benefit pension plan. No additional participant may enter the plan, and there will be no further increase in benefits due to increases in salaries and years of service. A 401(k)-retirement savings plan is available to all employees meeting the age and eligibility requirements. The plan allows employee contributions, with matching contributions, to be allocated based on a percentage of the employee salary deferral. The Company contributed a percentage of each eligible employees' salary to their 401(k) plan account during 2023 and 2022 and intends to continue this practice. The Company provides a supplemental executive retirement plan to members of senior management.

Income Taxes: When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized tax benefits, if any, are classified as additional income taxes in the consolidated statements of income. As of December 31, 2023 and 2022, there was no liability recorded for unrecognized tax benefits.

Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax basis of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws.

Comprehensive Income (Loss): Comprehensive income (loss) consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized holding gains and losses on securities available for sale, unrealized holding losses on securities transferred from available for sale to held to maturity and changes in pension and postretirement benefit obligations.

Fair Values of Financial Instruments: Fair values of certain financial instruments are estimated using an exit price, which represents the amount 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 under current market conditions. Valuation 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 estimates involve uncertainties and matters of significant judgment, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Bank Owned Life Insurance: The Company owns life insurance policies on the lives of certain key employees. Bank owned life insurance is recorded as an asset on the consolidated balance sheets at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value. Any increase in cash surrender value is recorded as noninterest income in the consolidated statements of income. In the event of death of an insured individual under these policies, the Company would receive a death benefit, with the excess of the proceeds over the recorded cash surrender value recorded as other noninterest income.

Stock Repurchase Plan: In July 2022, the Federal Deposit Insurance Corporation (FDIC) approved the open market repurchase of up to 10,000 shares of the issued and outstanding shares of Jefferson Security Bank's common stock. There were no shares purchased either as part of a publicly announced plan or otherwise. In October 2023, the FDIC approved the purchase of 18,263 shares of Jefferson Security Bank common stock pursuant to the exercise and perfection of appraisal rights under Article 13 of the West Virginia Business Corporation Act in connection with the reorganization of Jefferson Security Bank into a holding company structure whereby Jefferson Security Bank became a wholly owned subsidiary of JSB Financial Inc. The approval expired upon consummation of the above-mentioned transaction in October 2023. At this time, the Company does not have a stock repurchase program available for the repurchase of shares.

Dividend Restriction: Bank regulatory agencies restrict, without prior approval, the total dividend payments of a bank in any calendar year to the bank's retained net income of that year to date, as defined, combined with its retained net income of the preceding two years, less any required transfers to surplus. At December 31, 2023, retained net income, which was free of such restriction, amounted to approximately $8,718,143.

Reclassifications: Some items in the prior year financial statements were reclassified to conform to the current year presentation. Such reclassifications had no material effect on prior year net income or shareholders' equity.

Financial Instruments with Off-Balance Sheet Risk: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and standby letters of credit issued to meet customer needs. The face amount for these items represents the exposure to loss before considering customer collateral or repayment ability. Such financial instruments are recorded when they are funded.

Advertising Costs: The Company follows the policy of charging the costs of advertising to expense as incurred. Total advertising expenses incurred for 2023 and 2022 were $27,509 and $24,486, respectively.

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

Recent Accounting Pronouncements

Accounting Standards Adopted in 2023

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The ASU, as amended, requires an entity to measure expected credit losses for financial assets carried at amortized cost based on historical experience, current conditions, and reasonable and supportable forecasts. Among other things, the ASU also amended the impairment model for available for sale securities and addressed purchased financial assets with deterioration. ASU 2016-13 was effective for the Company on January 1, 2023. The Company adopted ASC 326 and all related subsequent amendments thereto effective January 1, 2023, using the modified retrospective approach for all financial assets measured at amortized cost and off-balance sheet credit exposures. The transition adjustment of the adoption included an increase in the allowance for credit losses on loans of $82,310, which is presented as a reduction to net loans outstanding, and an increase in the allowance for credit losses on unfunded loan commitments of $202,778, which is recorded within Other Liabilities. The adoption had an insignificant impact on the Company's held to maturity and available for sale securities portfolios. The Company recorded a net decrease to retained earnings of $213,816 as of January 1, 2023, for the cumulative effect, which reflects the transition adjustments noted above, net of the applicable deferred tax assets recorded. See Note 4 for further details of adoption and changes to the Company's significant accounting policies.

In March 2022, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2022-02, "Financial Instruments-Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures." ASU 2022-02 addresses areas identified by the FASB as part of its post-implementation review of the credit losses standard (ASU 2016-13) that introduced the CECL model. The amendments eliminate the accounting guidance for troubled debt restructurings by creditors that have adopted the CECL model and enhance the disclosure requirements for loan refinancings and restructurings made with borrowers experiencing financial difficulty. In addition, the amendments require a public business entity to disclose current-period gross write-offs for financing receivables and net investment in leases by year of origination in the vintage disclosures. The amendments in this ASU should be applied prospectively, except for the transition method related to the recognition and measurement of TDRs, an entity has the option to apply a modified retrospective transition method, resulting in a cumulative-effect adjustment to retained earnings in the period of adoption. ASU 2022-02 was effective for the Company on January 1, 2023 and there was no material impact.

Accounting Developments Pending Adoption

In December 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." The amendments in this ASU require an entity to disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold, which is greater than five percent of the amount computed by multiplying pretax income by the entity's applicable statutory rate, on an annual basis. Additionally, the amendments in this ASU require an entity to disclose the amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes and the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions that are equal to or greater than five percent of total income taxes paid (net of refunds received). Lastly, the amendments in this ASU require an entity to disclose income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign and income tax expense (or benefit) from continuing operations disaggregated by federal, state, and foreign. This ASU is effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The amendments should be applied on a prospective basis; however, retrospective application is permitted. The Company does not expect the adoption of ASU 2023-09 to have a material impact on its consolidated financial statements.

NOTE 2 – EARNINGS PER SHARE

Basic and diluted earnings per common share are calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share include the dilutive effects of additional potential common shares, if present. No such items exist as of December 31, 2023 and 2022. Therefore, diluted earnings per share equals basic earnings per share for both years. Basic and diluted earnings per share are calculated based on weighted average common shares outstanding of 272,394 for 2023 and 275,746 for 2022. Basic and diluted earnings per common share were $11.15 and $14.01 for the years ended December 31, 2023 and 2022, respectively.

NOTE 3 – SECURITIES

The primary purposes of the securities portfolio are to generate income, supply collateral for public funds on deposit and meet liquidity needs of the Company through readily saleable financial instruments. The portfolio is made up of fixed rate bonds, whose prices move inversely with interest rates, as well as variable rate bonds, whose prices correspond directly with interest rates. At the end of any accounting period, the securities portfolio may have both unrealized gains and losses. The Bank monitors the portfolio which is subject to liquidity needs, market rate changes and credit risk changes to determine if adjustments are needed.

The amortized cost and fair value of securities available for sale along with unrealized gains and losses and allowances for credit losses are summarized as follows:

Available for Sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2023				
U.S. agency and mortgage-backed securities	$ 67,827,022	$ 2,593	$ (7,453,784)	$ 60,375,831
State and municipal obligations	9,805,023	- -	(908,933)	8,896,090
Corporate securities	1,178,479	- -	(64,191)	1,114,288
	$ 78,810,524	$ 2,593	$ (8,426,908)	$ 70,386,209
December 31, 2022				
U.S. agency and mortgage-backed securities	$ 77,982,306	$ 2,590	$ (8,680,384)	$ 69,304,512
State and municipal obligations	11,185,418	3,871	(1,109,251)	10,080,038
Corporate securities	1,151,446	5,856	(3,067)	1,154,235
	$ 90,319,170	$ 12,317	$ (9,792,702)	$ 80,538,785

As of December 31, 2023, all available for sale securities were current with no securities past due or on nonaccrual and there was no allowance for credit losses for available for sale securities.

The amortized cost and fair value of securities held to maturity along with unrealized gains and losses and allowances for credit losses are summarized as follows:

Held to Maturity	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2023				
U.S. agency and mortgage-backed securities	$ 78,170	$ - -	$ (3,137)	$ 75,033
State and municipal obligations	48,258,443	3,631	(2,259,357)	46,002,717
	$ 48,336,613	$ 3,631	$ (2,262,494)	$ 46,077,750
December 31, 2022				
U.S. agency and mortgage-backed securities	$ 113,365	$ - -	$ (5,248)	$ 108,117
State and municipal obligations	47,800,769	- -	(3,857,583)	43,943,186
	$ 47,914,134	$ - -	$ (3,862,831)	$ 44,051,303

As of December 31, 2023, there was no allowance for credit losses for held to maturity securities.

NOTE 3 – SECURITIES (Continued)

The following table shows the gross unrealized losses and estimated fair value of the available for sale securities for which an allowance for credit losses has not been recorded aggregated by category and length of time that securities have been in a continuous unrealized loss position at December 31, 2023.

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities available for sale:						
U.S. agency and mortgage-backed securities	$ 616,574	$ (7,430)	59,080,170	$ (7,446,354)	$ 59,696,744	$ (7,453,784)
State and municipal obligations	298,176	(1,824)	8,302,915	(907,109)	8,601,091	(908,933)
Corporate securities	1,114,288	(64,191)	- -	- -	1,114,288	(64,191)
	$ 2,029,038	$ (73,445)	$ 67,383,085	$ (8,353,463)	$ 69,412,123	$ (8,426,908)

The following table shows the gross unrealized losses and estimated fair value of the available for sale securities and held to maturity securities aggregated by category and length of time that securities have been in a continuous unrealized loss position at December 31, 2022.

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities available for sale and held to maturity:						
U.S. agency and mortgage-backed securities	$ 37,076,777	$ (2,879,235)	$ 31,684,956	$ (5,806,397)	$ 68,761,733	$ (8,685,632)
State and municipal obligations	32,086,891	(2,448,323)	21,161,115	(2,518,511)	53,248,006	(4,966,834)
Corporate securities	217,015	(3,067)	- -	- -	217,015	(3,067)
	$ 69,380,683	$ (5,330,625)	$ 52,846,071	$ (8,324,908)	$ 122,226,754	$ (13,655,533)

In determining whether a security requires credit reserve, management considers the severity of the loss in conjunction with management's positive intent and ability to hold these securities until the recovery of their cost basis or maturity. On at least a quarterly basis, management reviews available for sale and held to maturity securities for impairment based on the severity to which the cost basis exceeds the market value and other factors including changes to credit ratings, overall credit quality of the issuer based on economic and financial conditions and the present value of cash flows expected to be collected on the securities.

The Bank does not have any securities that are considered impaired at December 31, 2023 and 2022. Based on market prices at the respective dates, the Bank had two hundred and twenty-five securities at December 31, 2023 and two hundred and thirty-four securities at December 31, 2022 with unrealized loss positions. Upon management's analysis and judgment, it was determined that none of the securities had credit losses at December 31, 2023.

The Company monitors the credit quality of the debt securities held to maturity through the use of credit ratings and through management's internal review of underlying issuer financial information and other applicable information to ascertain the issuer's risk of default; the characteristics of the issuer's demographics and economic conditions; and the issuer's budgetary position and stability of tax or other revenue sources.

The Company monitors the credit ratings on a quarterly basis. The following table summarizes the amortized cost of debt securities held to maturity at December 31, 2023, aggregated by credit quality indicator.

	December 31, 2023
Aaa/AAA	$ 9,227,691
Aa1/Aa2/Aa3/AA	25,573,947
A1/A2/A3/A	13,061,699
Not rated	473,276
Total	$ 48,336,613

The not rated securities consist of two mortgage backed securities and one state and municipal obligation.

NOTE 3 – SECURITIES (Continued)

At December 31, 2023, the Company had no securities held to maturity that were past due 30 days or more as to principal or interest payments. The Company had no securities held to maturity classified as nonaccrual for the year ended December 31, 2023.

The amortized cost and fair value of debt securities by contractual maturity at December 31, 2023 follows:

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in less than one year	$ 300,000	$ 298,176	$ - -	$ - -
Due from one to five years	4,055,317	3,898,152	1,060,068	1,049,543
Due from five to ten years	14,224,594	12,951,114	5,642,367	5,395,224
Due after ten years	60,230,613	53,238,767	41,634,178	39,632,983
	$ 78,810,524	$ 70,386,209	$ 48,336,613	$ 46,077,750

At December 31, 2023 and 2022, securities were pledged to secure public deposits and for other purposes required or permitted by law. These securities had a fair value of $74,666,680 and $61,616,745, and an amortized cost of $82,716,920 and $67,772,249, at December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022, the Bank had no securities sold under an agreement to repurchase with no collateral requirements for pledged securities.

During 2023, proceeds from sales and call of securities available for sale were $1,215,038 and 115,000, respectively. Gross gains from the sale of securities totaled $1,432. The tax expense applicable to these realized gains amounted to $358. There were no gross realized gains or losses on the call of securities. For the year ended December 31, 2022, there were no proceeds from the sale of securities available for sale and proceeds from the call of securities available for sale were $225,000. There were no gross realized gains or losses on the call of securities. There were no gross realized gains or losses on the call of securities.

For the years ended December 31, 2023 and December 31, 2022, there were no proceeds from the sale or call of securities held to maturity.

The composition of restricted securities at December 31, 2022 and 2023 was as follows:

	2023	2022
Federal Home Loan Bank stock	$ 1,217,700	$ 1,140,600
Community Bankers' Bank stock	80,500	80,500
	$ 1,298,200	$ 1,221,100

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES

Loans are shown on the consolidated balance sheets net of the allowance for credit losses on loans and deferred loan fees and costs.

The following table presents a summary of loan balances by segment at December 31, 2023 and 2022.

	2023	2022
Loans secured by real estate:		
Commercial real estate:		
Construction	$ 12,856,694	$ 10,441,890
Owner occupied	14,625,549	12,345,363
Non-owner occupied	45,562,127	39,612,242
Residential real estate:		
Construction	28,318,195	29,257,034
Home equity	16,857,824	14,854,539
Other	221,534,531	188,182,556
Total loans secured by real estate	339,754,920	294,693,624
Commercial	7,510,986	8,825,255
Consumer:		
Credit cards	427,866	388,865
Revolving credit plans	79,713	154,001
Other	4,688,357	4,334,766
	352,461,842	308,396,511
Net deferred loan fees and costs	(750,081)	(692,058)
Allowance for credit losses	(3,800,440)	(3,459,889)
Loans, net	$ 347,911,321	$ 304,244,564

Overdrafts totaling $40,578 and $49,427 at December 31, 2023 and 2022, respectively, were reclassified from deposits to loans.

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following tables present an aging of past due loans as of December 31, 2023 and 2022 by class of loans:

December 31, 2023	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due and Accruing Interest	Nonaccrual Loans	Current	Total Loans
Commercial real estate:						
Construction	$ - -	$ - -	$ - -	$ - -	$ 12,856,694	12,856,694
Owner occupied	- -	- -	- -	- -	14,625,549	14,625,549
Non-owner occupied	- -	- -	- -	- -	45,562,127	45,562,127
Residential real estate:						
Construction	- -	- -	- -	- -	28,318,195	28,318,195
Home equity	66,985	2,164	- -	- -	16,788,675	16,857,824
Other	274,358	31,347	- -	50,895	221,177,931	221,534,531
Commercial	- -	- -	- -	- -	7,510,986	7,510,986
Consumer:						
Credit cards	2,559	613	- -	- -	424,694	427,866
Revolving credit plans	- -	- -	- -	- -	79,713	79,713
Other	- -	6,664	- -	- -	4,681,693	4,688,357
Total	$ 343,902	$ 40,788	$ - -	$ 50,895	$ 352,026,257	$ 352,461,842

December 31, 2022	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due and Accruing Interest	Nonaccrual Loans	Current	Total Loans
Commercial real estate:						
Construction	$ - -	$ - -	$ - -	$ - -	$ 10,441,890	$ 10,441,890
Owner occupied	- -	- -	- -	- -	12,345,363	12,345,363
Non-owner occupied	- -	- -	- -	- -	39,612,242	39,612,242
Residential real estate:						
Construction	- -	- -	- -	- -	29,257,034	29,257,034
Home equity	- -	- -	- -	- -	14,854,539	14,854,539
Other	6,220	6,184	- -	55,136	188,115,016	188,182,556
Commercial	- -	- -	- -	- -	8,825,255	8,825,255
Consumer:						
Credit cards	716	534	- -	- -	387,615	388,865
Revolving credit plans	- -	- -	- -	- -	154,001	154,001
Other	- -	3,350	- -	- -	4,331,416	4,334,766
Total	$ 6,936	$ 10,068	$ - -	$ 55,136	$ 308,324,371	$ 308,396,511

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table displays the types of loans that comprised nonaccruals at December 31, 2023 and 2022:

	CECL			Incured loss
	December 31, 2023			December 31, 2022
	Nonaccrual Loans with No Allowance	Nonaccrual Loans with an Allowance	Total nonaccrual Loans	Nonaccrual Loans
Commercial real estate:				
Construction	$ - -	$ - -	$ - -	$ - -
Owner occupied	- -	- -	- -	- -
Non-owner occupied	- -	- -	- -	- -
Residential real estate:				
Construction	- -	- -	- -	- -
Home equity	- -	- -	- -	- -
Other	50,895	- -	50,895	55,136
Commercial	- -	- -	- -	- -
Consumer:				
Credit cards	- -	- -	- -	- -
Revolving credit plans	- -	- -	- -	- -
Other	- -	- -	- -	- -
Total	$ 50,895	$ - -	$ 50,895	$ 55,136

The Company did not recognize interest income on nonaccrual loans during the years ended December 31, 2023 and 2022.

Credit Quality Indicators

The Bank monitors credit quality indicators including risk grades on loans to determine trends in credit quality of the loan portfolio. Every loan is assessed and assigned a risk grade at inception of the credit transaction, as well as, through the life of each loan. The loan review policy dictates which portion of the loan portfolio will be periodically reassessed, which includes a review of the accuracy of the assigned risk grades.

Loans are rated on a scale from pass to doubtful. The risk grade considers and reflects the borrower's ability to service the debt and overall credit worthiness, documentation and credit file completeness as well as legal and policy compliance. The following definitions are used for our risk grades.

Pass: Loans graded as Pass are loans to borrowers of acceptable credit quality and risk. The Bank will likely not incur a loss on loans graded as pass. Any inadequacies evident in financial performance and/or management sufficiency are offset by other features such as adequate collateral, good guarantors with liquid assets and/or cash flow capacity to repay the debt. Generally, loans classified as pass meet the terms of repayment but may be susceptible to deterioration if adverse factors are encountered.

Special Mention: Loans are graded as Special Mention are potentially weak due to various factors, including the borrower's character, capital, capacity, conditions, or collateral is questionable. These weaknesses may, if not checked or corrected, weaken the asset or inadequately protect the Bank's credit position at some future date. Circumstances warrant more than normal monitoring, as these borrowers reflect the risks described in the following categories. These loans are considered adversely classified. These credits are considered bankable assets with no apparent loss of principal or interest envisioned but may require a higher level of management attention. Assets are currently protected but potentially weak. Potential weaknesses include declining trends in operating earnings and cash flows and/or reliance on the secondary or tertiary sources of repayment. Credits subject to economic, industry, or management factors having an adverse impact upon the credit's prospects for timely payment may also be classified as special mention.

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Substandard: Loans graded as Substandard are inadequately protected by the net worth and/or cash flow capacity of the borrower or of the collateral pledged. These loans are generally represented by a borrower whose character has become suspect. The source of repayment is considered conditional, problematic or marginal. Substandard loans would include unsecured or partially secured loans to financially weak borrowers with a strong guarantor or endorser who did not benefit from the loan and without a curtailment in over one year and workout loans with potential loss consideration. The credit risk in this situation relates to the possibility of some loss of principal and/or interest if the deficiencies are not corrected.

Doubtful: Loans graded as Doubtful are inadequately protected by the net worth of the borrower or by the collateral pledged and repayment in full is improbable on the basis of facts, values and conditions. These loans may include those over three months past due that are not adequately secured or are in the process of collection. The probability of some loss is high, but because of certain important and reasonably specific pending factors, which may work to the advantage and strengthening of the facility, its classification as an estimated loss is deferred until a more exact status may be determined.

Loss: Loans graded as loss are considered uncollectible and continuance as an acceptable asset is not warranted. A loan classified as a loss is generally charged off.

As of December 31, 2023, the credit quality indicators of loans by year of origination are as follows (in thousands):

	December 31, 2023								
	2023	2022	2021	2020	2019	Prior to 2019	Revolving	Revolving - Termed Out	Total
Commercial real estate: construction									
Pass	$ 2,635	$ 1,818	$ 1,109	$ 412	$ 816	$ 2,901	$ 3,002	$ - -	$ 12,693
Special Mention	- -	- -	- -	- -	- -	- -	- -	164	164
Total commercial real estate: construction	$ 2,635	$ 1,818	$ 1,109	$ 412	$ 816	$ 2,901	$ 3,002	$ 164	$ 12,857
Current period gross write-offs	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -
Commerical real estate: owner occupied									
Pass	$ 3,317	$ 2,845	$ 3,287	$ 1,620	$ 706	$ 1,619	$ 661	$ - -	$ 14,055
Special Mention	- -	- -	- -	- -	- -	571	- -	- -	571
Total commercial real estate: owner occupied	$ 3,317	$ 2,845	$ 3,287	$ 1,620	$ 706	$ 2,190	$ 661	$ - -	$ 14,626
Current period gross write-offs	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -
Commerical real estate: non-owner occupied									
Pass	$ 6,385	$ 10,617	$ 3,108	$ 3,614	$ 5,235	$ 10,804	$ 3,492	$ - -	$ 43,255
Special Mention	- -	757	- -	- -	- -	1,550	- -	- -	2,307
Total commercial real estate: non-owner occupied	$ 6,385	$ 11,374	$ 3,108	$ 3,614	$ 5,235	$ 12,354	$ 3,492	$ - -	$ 45,562
Current period gross write-offs	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -
Residential real estate: construction									
Pass	$ 3,521	$ 1,684	$ 697	$ 1,202	$ 99	$ 45	$ 21,070	$ - -	$ 28,318
Special Mention	- -	- -	- -	- -	- -	- -	- -	- -	- -
Total residential real estate: construction	$ 3,521	$ 1,684	$ 697	$ 1,202	$ 99	$ 45	$ 21,070	$ - -	$ 28,318
Current period gross write-offs	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -
Residential real estate: home equity									
Pass	$ 425	$ 701	$ 239	$ 299	$ 65	$ 315	$ 13,290	$ 1,217	$ 16,551
Special Mention	- -	289	- -	- -	- -	- -	- -	18	307
Total residential real estate: home equity	$ 425	$ 990	$ 239	$ 299	$ 65	$ 315	$ 13,290	$ 1,235	$ 16,858
Current period gross write-offs	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

	December 31, 2023								
	2023	2022	2021	2020	2019	Prior to 2019	Revolving	Revolving - Termed Out	Total
Residential real estate: other									
Pass	$ 24,203	$ 61,977	$ 53,615	$ 19,392	$ 10,968	$ 40,881	$ 10,206	$ - -	$ 221,242
Special Mention	- -	32	- -	- -	- -	51	209	- -	292
Classified	- -	- -	- -	- -	- -	- -	- -	- -	- -
Total residential real estate: other	$ 24,203	$ 62,009	$ 53,615	$ 19,392	$ 10,968	$ 40,932	$ 10,415	$ - -	$ 221,534
Current period gross write-offs	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -
Commercial									
Pass	$ 558	$ 932	$ 2,214	$ - -	$ 6	$ 3,092	$ 655	$ 54	$ 7,511
Special Mention	- -	- -	- -	- -	- -	- -	- -	- -	- -
Total commercial	$ 558	$ 932	$ 2,214	$ - -	$ 6	$ 3,092	$ 655	$ 54	$ 7,511
Current period gross write-offs	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -
Consumer: credit cards									
Pass	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ 428	$ - -	$ 428
Total consumer: credit cards	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ 428	$ - -	$ 428
Current period gross write-offs	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ 5	$ - -	$ 5
Consumer: revolving credit plans									
Pass	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ 35	$ - -	$ 35
Special Mention	- -	- -	- -	- -	- -	- -	45	- -	45
Total consumer: revolving credit plans	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ 80	$ - -	$ 80
Current period gross write-offs	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -
Consumer: other									
Pass	$ 2,805	$ 1,273	$ 290	$ 142	$ 88	$ 74	$ 10	$ - -	$ 4,682
Special Mention	6	- -	- -	- -	- -	- -	- -	- -	6
Total consumer: other	$ 2,811	$ 1,273	$ 290	$ 142	$ 88	$ 74	$ 10	$ - -	$ 4,688
Current period gross write-offs	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -
Total	$ 43,853	$ 82,926	$ 64,559	$ 26,681	$ 17,985	$ 61,902	$ 53,103	$ 1,453	$ 352,462

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

As of December 31, 2022, the credit quality indicator of loans by loan type is as follows:

	Pass	Special Mention	Substandard	Doubtful	Total
Commercial real estate:					
Construction	$ 9,777,824	$ 482,666	$ 181,400	$ - -	$ 10,441,890
Owner occupied	11,442,380	315,204	587,779	- -	12,345,363
Non-owner occupied	35,592,398	2,461,578	1,558,266	- -	39,612,242
Residential real estate:					
Construction	29,257,034	- -	- -	- -	29,257,034
Home equity	14,661,863	192,676	- -	- -	14,854,539
Other	185,103,375	3,024,045	55,136	- -	188,182,556
Commercial	6,476,248	2,349,007	- -	- -	8,825,255
Consumer:					
Credit cards	388,865	- -	- -	- -	388,865
Revolving credit plans	108,618	- -	45,383	- -	154,001
Other	4,331,416	3,350	- -	- -	4,334,766
Total	$ 297,140,021	$ 8,828,526	$ 2,427,964	$ - -	$ 308,396,511

The allowance for credit losses on loans is an estimate of the expected credit losses on financial assets measured at amortized cost to present the net amount expected to be collected as of the balance sheet date. The allowance is based on the credit losses expected to arise over the life or contractual term of the loan, adjusted for expected prepayments when appropriate. Loans are charged off when the Company determines that such financial assets are deemed uncollectible or based on regulatory requirements, whichever is earlier. Charge-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously charged-off, not to exceed the aggregate of the amount previously charged-off, are included in determining the necessary reserve at the balance sheet date.

The allowance for credit losses on loans is measured on a collective basis for portfolios of loans with similar risk characteristics. Loans that do not share similar risk characteristics are evaluated for expected credit losses on an individual basis and excluded from the collective evaluation.

In calculating the allowance for credit losses on loans, the loan portfolio is segmented into pools based upon similar characteristics and risk profiles. Common characteristics and risk profiles include the type/purpose of loan and underlying collateral. In developing these loan pools for the purposes of modeling expected credit losses, management also analyzed the degree of correlation in how loans within each portfolio respond when subjected to varying economic conditions and scenarios as well as other portfolio stress factors. We have identified loan pools of similar risk characteristics for measuring expected credit losses as presented in the table of amortized cost of loans above.

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

A progression of the allowance for credit losses, by portfolio segment, for the periods indicated is summarized as follows:

December 31, 2023	Commercial Real Estate	Residential Real Estate	Commercial	Consumer	Total
Allowance for credit losses:					
Beginning balance at January 1, 2023 prior to adoption of ASC 326	$ 693,198	$ 2,614,627	$ 97,951	$ 54,113	$ 3,459,889
Impact of adopting ASC 326	17,056	62,287	1,754	1,213	82,310
Charged-offs	- -	- -	- -	(4,593)	(4,593)
Recoveries	2,153	52	- -	629	2,834
Provision for (recovery of) credit losses	319,979	(96,750)	37,365	(594)	260,000
Ending balance	$ 1,032,386	$ 2,580,216	$ 137,070	$ 50,768	$ 3,800,440
Ending balance: individually evaluated for impairment	$ - -	$ - -	$ - -	$ - -	$ - -
Ending balance: collectively evaluated for impairment	$ 1,032,386	$ 2,580,216	$ 137,070	$ 50,768	$ 3,800,440
Loans:					
Ending balance	$ 73,044,370	$ 266,710,550	$ 7,510,986	$ 5,195,936	$ 352,461,842
Ending balance: individually evaluated for impairment	$ 2,722,320	$ 50,894	$ - -	$ - -	$ 2,773,214
Ending balance: collectively evaluated for impairment	$ 70,322,050	$ 266,659,656	$ 7,510,986	$ 5,195,936	$ 349,688,628

Prior to the adoption of ASC 326 on January 1, 2023, the Company calculated the allowance for loan losses under the incurred methodology. The following table is the disclosure related to the allowance for loan losses for the year ended December 31, 2022.

December 31, 2022	Commercial Real Estate	Residential Real Estate	Commercial	Consumer	Total
Allowance for loan losses:					
Beginning balance	$ 572,946	$ 2,018,043	$ 196,070	$ 39,490	$ 2,826,549
Loans charged off	(6,000)	- -	- -	(5,123)	(11,123)
Recoveries	2,396	1,547	9,270	1,250	14,463
Provision for (recovery of) loan losses	123,856	595,037	(107,389)	18,496	630,000
Ending balance	$ 693,198	$ 2,614,627	$ 97,951	$ 54,113	$ 3,459,889
Ending balance: individually evaluated for impairment	$ - -	$ 35,000	$ - -	$ - -	$ 35,000
Ending balance: collectively evaluated for impairment	$ 693,198	$ 2,579,627	$ 97,951	$ 54,113	$ 3,424,889
Loans:					
Ending balance	$ 62,399,495	$ 232,294,129	$ 8,825,255	$ 4,877,632	$ 308,396,511
Ending balance: individually evaluated for impairment	$ 2,766,792	$ 666,635	$ - -	$ - -	$ 3,433,427
Ending balance: collectively evaluated for impairment	$ 59,632,703	$ 231,627,494	$ 8,825,255	$ 4,877,632	$ 304,963,084

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The Company designates individually evaluated loans on nonaccrual status as collateral-dependent loans, as well as other loans that management of the Company designates as having higher risk. Collateral-dependent loans are loans for which the repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty. These loans do not share common risk characteristics and are not included within the collectively evaluated loans for determining the allowance for credit losses. Under CECL, for collateral-dependent loans, the Company has adopted the practical expedient to measure the allowance for credit losses based on the fair value of collateral. The allowance for credit losses is calculated on an individual loan basis based on the shortfall between the fair value of the loan's collateral, which is adjusted for liquidation costs/discounts, and amortized cost. If the fair value of the collateral exceeds the amortized cost, no allowance is required. As December 31, 2023, there were no credit losses on collateral-dependent loans.

The following table presents an analysis of the collateral dependent loans by loan pool, which are individually evaluated to determine expected credit losses, as of December 31, 2023.

	Residential Properties	Land	Commerical Property	Total Loans
Commercial real estate:				
Construction	$ - -	$ 601,830	$ - -	$ 601,830
Owner occupied	- -	- -	570,884	570,884
Non-owner occupied	- -	- -	1,549,605	1,549,605
Residential real estate:				- -
Construction	- -	- -	- -	- -
Home equity	- -	- -	- -	- -
Other	50,895	- -	- -	50,895
Commercial	- -	- -	- -	- -
Consumer:				- -
Credit cards	- -	- -	- -	- -
Revolving credit plans	- -	- -	- -	- -
Other	- -	- -	- -	- -
Total Loans	$ 50,895	$ 601,830	$ 2,120,489	$ 2,773,214

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Prior to the adoption of ASU 2016-13, loans were considered impaired when, based on current information and events, it was probable the Company would be unable to collect all amounts due in accordance with the original contractual terms of the loan agreements. Impaired loans included loans on nonaccrual status and accruing troubled debt restructurings. When determining if the Company would be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement, the Company considered the borrower's capacity to pay, which included such factors as the borrower's current financial statements, an analysis of global cash flow sufficient to pay all debt obligations and an evaluation of secondary sources of repayment, such as guarantor support and collateral value. The Company individually assessed for impairment all nonaccrual loans and all troubled debt restructurings (including all troubled debt restructurings, whether or not currently classified as such).

The table below includes all loans deemed impaired, whether or not individually assessed for impairment. If a loan was deemed impaired, a specific valuation allowance was allocated, if necessary, so that the loan was reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment was expected solely from the collateral. Interest payments on impaired loans were typically applied to principal unless collectability of the principal amount was reasonably assured, in which case interest was recognized on a cash basis.

The following table presents loans individually evaluated for impairment by class of loans as of December 31, 2022:

December 31, 2022	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial real estate:					
Construction	$ 620,748	$ 620,748	$ - -	$ 646,110	$ 33,520
Owner occupied	587,779	587,779	- -	693,247	30,183
Non-owner occupied	1,558,266	1,605,266	- -	1,799,172	317,369
Residential real estate:					
Construction	- -	- -	- -	- -	- -
Home equity	- -	- -	- -	- -	- -
Other	336,994	360,446	- -	345,485	14,327
Commercial	- -	- -	- -	- -	- -
Consumer:					
Credit cards	- -	- -	- -	- -	- -
Revolving credit plans	- -	- -	- -	- -	- -
Other	- -	- -	- -	- -	- -
With an allowance recorded:					
Commercial real estate:					
Construction	- -	- -	- -	- -	- -
Owner occupied	- -	- -	- -	- -	- -
Non-owner occupied	- -	- -	- -	- -	- -
Residential real estate:					
Construction	- -	- -	- -	- -	- -
Home equity	- -	- -	- -	- -	- -
Other	329,640	351,436	35,000	335,133	16,208
Commercial	- -	- -	- -	- -	- -
Consumer:					
Credit cards	- -	- -	- -	- -	- -
Revolving credit plans	- -	- -	- -	- -	- -
Other	- -	- -	- -	- -	- -
Total	$ 3,433,427	$ 3,525,675	$ 35,000	$ 3,819,147	$ 411,607

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Modifications Made to Borrowers Experiencing Financial Difficulty

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination or acquisition. The starting point for the estimate of the allowance for credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification. As part of the Company's loan modification program to borrower's experiencing financial difficulty, the Company may provide concessions to minimize economic loss and improve long-term loan performance and collectability. During the twelve months ended December 31, 2023, there were no loans modified to borrowers experiencing financial difficulty.

At December 31, 2022, the Bank had $2,664,248, respectively, in loans classified as troubled debt restructurings (TDR). During the year ended December 31, 2022, the Bank had no loans modified that were classified as TDR. TDRs are considered subsequently defaulted once the loan is past due over 90 days or the foreclosure and repossession of collateral or subsequent charge off of the loan. For the year ended December 31, 2022, there were no loans that subsequently defaulted during the period within twelve months of the loan modification. The Company adopted ASU 2022-02 on January 1, 2023, which eliminated the accounting guidance for TDRs.

Unfunded Commitments

The Company maintains a separate reserve for credit losses on off-balance sheet credit exposures, including unfunded loan commitments, which is included in other liabilities on the consolidated balance sheet. The reserve for credit losses on off-balance sheet credit exposures is adjusted as a provision for credit losses in the consolidated income statement. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life, utilizing the same model and approach for the Company's other loan portfolio segments described above, as these unfunded commitments share similar risk characteristics as other loan portfolio segments.

On January 1, 2023, the Company recorded an adjustment for unfunded commitments of $202,778 for the adoption of ASC Topic 326. For the year ended December 31, 2023, the Company recorded a provision for credit losses on unfunded commitments of $32,000. At December 31, 2023, the liability for credit losses on off-balance sheet credit exposures included in other liabilities was $234,778.

NOTE 5 – OTHER REAL ESTATE OWNED

There was no other real estate owned as of December 31, 2023 and December 31, 2022. As of December 31, 2023 and 2022, there were no consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings were in process.

NOTE 6 – PREMISES AND EQUIPMENT

A summary of the cost and accumulated depreciation of Bank premises and equipment for December 31, 2023 and 2022 follows:

	2023	2022
Land	$ 1,580,761	$ 1,580,761
Buildings and improvements	8,450,285	8,520,923
Furniture and equipment	4,164,167	4,299,899
Total cost	14,195,213	14,401,583
Less accumulated depreciation	(9,256,218)	(9,245,930)
Premises and equipment, net	$ 4,938,995	$ 5,155,653

Depreciation expense for the years ended December 31, 2023 and 2022 totaled $430,100 and $425,275, respectively.

NOTE 7 – DEPOSITS

The aggregate amount of time deposit accounts in denominations of $250,000 or more at December 31, 2023 and 2022 was $15,436,228 and $4,649,496, respectively. There were no brokered deposits as of December 31, 2023 and 2022.

At December 31, 2023, the scheduled maturities of time deposits were as follows:

2024	$ 42,366,381
2025	27,273,360
2026	2,018,252
2027	1,298,089
2028	636,415
	$ 73,592,497

NOTE 8 – BORROWINGS

Federal Home Loan Bank Advances

The Company's subsidiary bank is a member of the Federal Home Loan Bank (FHLB) of Pittsburgh. Membership in the FHLB allows for participation in short-term and long-term borrowing programs. At December 31, 2023, the maximum borrowing capacity with the FHLB was $170,162,560. Under the terms of the blanket lien agreement, advances from the FHLB are collateralized by residential and commercial real estate loans totaling approximately $239,975,000 and $201,097,000 at December 31, 2023 and 2022, respectively, and FHLB stock with a book value of $1,217,700 and $1,140,600, respectively. The FHLB borrowing capacity is unrestricted with no scheduled maturity date. As of December 31, 2023, the outstanding advances with FHLB were overnight borrowings totaling $18,119,600 at an interest rate of 5.68%. As of December 31, 2022, the outstanding advances with FHLB were overnight borrowings totaling $21,389,600 at an interest rate of 4.45%.

Available Lines of Credit

At December 31, 2023, the Bank had lines of credit available from its correspondent banks in the aggregate amount of $12,000,000 for the purchase of federal funds. These lines of credit permit the Bank to borrow funds in the overnight market and bear interest at the prevailing market rate and are renewable annually. The Bank did not have any borrowings under these lines of credit at December 31, 2023. The Bank had $9,000 in outstanding borrowings against these lines at December 31, 2022 at a rate of 4.55%.

NOTE 8 – BORROWINGS (Continued)

Other Borrowings

The Bank has an agreement with the Federal Reserve Bank to borrow from the discount window, which is classified as a short term borrowing. In order to borrow funds under this agreement, the Bank must pledge securities to the Federal Reserve Bank. As of December 31, 2023 and 2022, the Bank had no borrowings from the discount window.

In 2023, the Federal Reserve created the Bank Term Funding Program (BTFP), which offers loans of up to one year in length to financial institutions pledging eligible collateral, including U.S. Treasuries, U.S. agency securities and U.S. agency mortgage-backed securities. Under this program, the securities are valued at par. As of December 31, 2023, the Bank had $31 million in par value securities pledged to the BTFP with outstanding borrowings of $28,000,000, which had a maturity date of December 26, 2024 and an interest rate of 4.85%. The Bank refinanced the borrowings in January 2024. Under the refinanced borrowing agreement, the outstanding borrowings of $28,000,000 have a maturity of January 15, 2025 and an interest rate of 4.76%.

NOTE 9 – EMPLOYEE BENEFIT PLANS

Pension Plan

As of December 31, 2013, the defined benefit pension plan was frozen. The pension plan's funded status as of December 31, 2023 and 2022 follows. The amounts shown below are recognized in the Company's consolidated balance sheets as of December 31, 2023 and 2022.

	2023	2022
Change in benefit obligation:		
Beginning benefit obligation	$ 7,781,274	$ 10,193,806
Interest cost	390,572	293,931
Actuarial loss (gain)	139,748	(2,191,542)
Benefits paid	(509,253)	(514,921)
Ending benefit obligation	$ 7,802,341	$ 7,781,274
Change in plan assets, at fair value:		
Beginning plan assets	$ 10,494,678	$ 12,503,478
Actual return on plan assets	1,433,591	(1,493,879)
Employer contribution	- -	- -
Benefits paid	(509,253)	(514,921)
Ending plan assets	$ 11,419,016	$ 10,494,678
Funded status	$ 3,616,675	$ 2,713,404
Accrued benefit asset recognized on the consolidated balance sheets at December 31	$ 3,616,675	$ 2,713,404
Amounts recognized in accumulated other comprehensive loss:		
Net actuarial loss	$ 1,611,338	$ 2,240,786
Deferred tax asset	(402,834)	(560,196)
Net amount recognized	$ 1,208,504	$ 1,680,590

The accumulated benefit obligation for the defined benefit plan was $7,802,341 and $7,781,274 at December 31, 2023 and 2022, respectively.

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

At December 31, 2023 and 2022, the assumptions used to determine the benefit obligation are as follows:

	2023	2022
Discount rate	5.01%	5.20%
Expected rate of return on plan assets	6.24%	6.20%

The components of net periodic benefit income, other amounts recognized in other comprehensive income (loss) and the assumptions used to determine net periodic pension benefit cost are as follows:

	2023	2022
Components of net periodic benefit income:		
Interest cost	$ 390,572	$ 293,931
Expected return on plan assets	(680,881)	(565,532)
Amortization of net loss	16,486	109,440
Net periodic benefit income	(273,823)	(162,161)
Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss):		
Net actuarial gain at December 31	(612,962)	(132,131)
Amortization of actuarial loss	(16,486)	(109,440)
Total recognized in other comprehensive income (loss)	(629,448)	(241,571)
Total recognized in net periodic benefit income and other comprehensive income (loss)	$ (903,271)	$ (403,732)

The assumptions used to determine the benefit income at the beginning of the year are as follows:

	2023	2022
Discount rate	5.20%	2.96%
Expected rate of return on plan assets	6.20%	5.09%

The total net gain for 2023 was primarily driven by a gain on plan assets due to strong investment experience. This gain was partially offset by a loss on the benefit obligation due to the decrease in the discount rate, which was partially offset by demographic experience.

Determination of Expected Long-term Rate of Return

The expected long-term rate of return for the plan's total assets is based on the expected return of each of the below categories, weighted based on the median of the target allocation for each class.

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

The Bank's pension plan weighted average asset allocations at December 31, 2023 and 2022 are as follows:

Asset Category	Percentage of Plan Assets at December 31, 2023	2022
Equity Securities	61%	59%
Debt Securities	37%	38%
Cash	2%	3%
Total	100%	100%

The following tables present the balance of plan assets measured at fair value on a recurring basis as of December 31, 2023 and 2022:

Description	Balance as of December 31, 2023	Fair Value Measurements at Report Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	$ 183,850	$ 183,850	$ - -	$ - -
Equity Securities				
U.S. Large cap	3,041,271	3,041,271	- -	- -
U.S. Mid cap	1,798,297	1,798,297	- -	- -
U.S. Small cap	1,079,923	1,079,923	- -	- -
International	1,043,150	1,043,150	- -	- -
Fixed Income Securities				
Core fixed income	4,115,442	- -	4,115,442	- -
International	157,083	- -	157,083	- -
Total	$ 11,419,016	$ 7,146,491	$ 4,272,525	$ - -

Description	Balance as of December 31, 2022	Fair Value Measurements at Report Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	$ 298,831	$ 298,831	$ - -	$ - -
Equity Securities				
U.S. Large cap	3,253,170	3,253,170	- -	- -
U.S. Mid cap	1,318,556	1,318,556	- -	- -
U.S. Small cap	699,552	699,552	- -	- -
International	891,362	891,362	- -	- -
Fixed Income Securities				
Core fixed income	3,865,901	- -	3,865,901	- -
International	167,306	- -	167,306	- -
Total	$ 10,494,678	$ 6,461,471	$ 4,033,207	$ - -

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

Investment Policy and Strategy

The policy, as established by the Pension Committee, is to invest assets in a diversified portfolio per target allocations. The assets will be reallocated periodically to meet the target allocations of 60% equity securities and 40% debt securities. The investment policy will be reviewed periodically, under the advisement of a registered investment advisor.

The overall investment objective is to provide for long-term growth of capital through participation in the equity markets with a moderate level of income. The investment time horizon is estimated at five to ten years. The investment return objective is to achieve a return greater than a blended mix of stated indices tailored to the same asset mix of the plan assets by 0.5% after fees over a rolling five-year moving average basis.

Allowable assets include cash equivalents, taxable bonds, U.S. equity securities, international equity securities, institutional mutual funds and guaranteed investment contracts (GICs).

In order to achieve a prudent level of portfolio diversification, the securities of any one company should not exceed more than 10% of the total plan assets, and no more than 25% of total plan assets should be invested in any one industry (other than securities of the U.S. Government or Agencies). Additionally, no more than 20% of the plan assets shall be invested in foreign securities (both equity and fixed).

The Bank does not expect to make any contributions to the plan in 2024.

Estimated future benefit payments are as follows:

2024	$ 551,000
2025	550,000
2026	562,000
2027	565,000
2028	561,000
2029 to 2033	2,722,000

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

Supplemental Executive Retirement Plan

In 2014, the Bank provided a supplemental executive retirement plan for senior management. The plan was expanded in 2018. The plan's funded status as of December 31, 2023 and 2022 follows. The amounts shown below are recognized in the Company's consolidated balance sheets as of December 31, 2023 and 2022.

	2023	2022
Change in benefit obligation:		
Beginning benefit obligation	$ 1,515,499	$ 2,070,444
Service cost	84,262	134,389
Interest cost	81,044	69,148
Actuarial loss (gain)	167,379	(745,726)
Benefits paid	(12,756)	(12,756)
Ending benefit obligation	$ 1,835,428	$ 1,515,499
Change in plan assets, at fair value:		
Beginning plan assets	$ - -	$ - -
Employer contributions	12,756	12,756
Benefits paid	(12,756)	(12,756)
Ending plan assets	$ - -	$ - -
Funded status	$ (1,835,428)	$ (1,515,499)
Accrued benefit liability recognized on the consolidated balance sheets at December 31	$ (1,835,428)	$ (1,515,499)
Amounts recognized in accumulated other comprehensive loss:		
Net loss (gain)	$ 42,790	$ (124,589)
Prior service cost	122,351	174,436
Deferred tax asset	(41,285)	(12,462)
Net amount recognized	$ 123,856	$ 37,385

The accumulated benefit obligation for the supplemental executive retirement plan was $1,835,428 and $1,515,499 at December 31, 2023 and 2022, respectively.

At December 31, 2023 and 2022, the assumptions used to determine the benefit obligation are as follows:

	2023	2022
Discount rate	5.19%	5.37%
Rate of compensation increase	3.00%	3.00%

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

The components of net periodic benefit cost, other amounts recognized in other comprehensive (loss) and the assumptions used to determine net periodic benefit cost are as follows:

	2023	2022
Components of net periodic benefit cost:		
Service cost	$ 84,262	$ 134,389
Interest cost	81,044	69,148
Amortization of prior service cost	52,085	52,085
Amortization of net loss	- -	43,045
Net periodic benefit cost	217,391	298,667
Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss):		
Net actuarial loss (gain) at December 31	167,379	(745,726)
Amortization of prior service cost	(52,085)	(52,085)
Amortization of net actuarial loss	- -	(43,045)
Total recognized in other comprehensive income (loss)	115,294	(840,856)
Total recognized in net periodic benefit cost and other comprehensive income (loss)	$ 332,685	$ (542,189)

The assumptions used to determine the benefit income at the beginning of the year are as follows:

	2023	2022
Discount rate	5.37%	3.35%
Rate of compensation increase	3.00%	3.00%

The total net loss for 2023 consists primarily of an increase in the benefit obligation due to demographic experience, with an additional loss from a decrease in the discount rate as driven by the economic environment.

The Bank will make a contribution to the plan of $12,756 in 2024.

Estimated future benefit payments are as follows:

2024	$ 12,756
2025	15,630
2026	57,941
2027	58,139
2028	58,345
2029 to 2033	295,378

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

401(k) Plan

The Company maintains a 401(k) Plan whereby participating employees may elect to contribute the maximum allowed by the Internal Revenue Service, as defined by the Plan. All employees older than 18 are eligible to participate in the Plan. The Company makes matching contributions equal to 25 percent of the first five percent of an employee's compensation contributed to the Plan. Matching contributions vest to the employee over a five-year period based on a tiered schedule. Employee contributions vest immediately. The Company has the discretion to make a profit-sharing contribution to the Plan each year based on performance, profitability and other factors. In 2023 and 2022, the Bank contributed a percentage of each eligible employees' salary to their 401(k) Plan account in addition to matching contributions. For the years ended December 31, 2023 and 2022, the expense attributable to the Plan amounted to $132,471 and $117,749, respectively.

NOTE 10 – INCOME TAXES

The Bank files income tax returns in the U.S. federal jurisdiction and the states of West Virginia and Maryland. With few exceptions, the Bank is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years prior to 2020.

Allocation of federal and state income taxes between current and deferred portions is as follows for the years ended December 31, 2023 and 2022:

	2023	2022
Federal		
Current	$ 551,860	$ 678,745
Deferred	(11,946)	40,919
	539,914	719,664
State		
Current	84,375	109,332
Deferred	(2,275)	7,795
	82,100	117,127
Income tax expense	$ 622,014	$ 836,791

Effective tax rates differ from the statutory federal income tax rate due to the following:

	2023	2022
Federal statutory rate	21.0%	21.0%
Increase (decrease) resulting from:		
Tax-exempt income	(5.8)	(5.3)
State taxes, net of federal income tax effect	0.5	0.5
Nondeductible expenses and other, net	1.3	1.6
	17.0%	17.8%

NOTE 10 – INCOME TAXES (Continued)

The components of the net deferred tax asset, included in other assets for December 31, 2023 and 2022, are as follows:

	2023	2022
Deferred tax assets:		
Allowance for credit losses	$ 836,602	$ 671,751
Deferred loan fees	187,520	173,014
Nonaccrual loan income	312,026	323,085
Supplemental executive retirement benefits, net	533,400	458,908
Net unrealized losses on available for sale securities	2,106,079	2,445,097
Net unrealized losses on available for sale securities transferred to held to maturity	2,154,444	2,311,640
Home equity expenses	8	8
	6,130,079	6,383,503
Deferred tax liabilities:		
Fixed assets, net	(104,566)	(87,949)
Pension benefits, net	(904,170)	(678,352)
Accretion on investment securities	(29,458)	(14,637)
	(1,038,194)	(780,938)
Net deferred tax asset	$ 5,091,885	$ 5,602,565

The net deferred tax asset is included in "Other assets" in the consolidated balance sheets at December 31, 2023 and 2022.

NOTE 11 – RELATED PARTY TRANSACTIONS

The Bank had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, executive officers, their immediate families and affiliated companies in which they are principal shareholders (commonly referred to as related parties), on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others. Loans to these parties totaled $7,628,622 and $6,850,714 at December 31, 2023 and 2022, respectively. During 2023, total principal additions were $1,326,577 and total principal payments were $548,669. Deposits from related parties held by the Company at December 31, 2023 and 2022 amounted to $5,152,215 and $6,063,628, respectively.

NOTE 12 – COMMITMENTS, OFF-BALANCE SHEET RISK AND CONTINGENCIES

The Company, through its banking subsidiary, is a party to credit related financial instruments with risk not reflected in the consolidated financial statements, including claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material effect on the financial condition or results of operations of the Company.

Some financial instruments are used in the normal course of business to meet the financing needs of customers and to reduce exposure to interest rate changes. These financial instruments include commitments to extend credit, standby letters of credit and commercial letters of credit, which involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated financial statements.

Exposure to credit loss, if the other party does not perform, is represented by the contractual amount of these commitments. The same credit policies are used for commitments and conditional obligations as are used for on balance sheet instruments.

NOTE 12 – COMMITMENTS, OFF-BALANCE SHEET RISK AND CONTINGENCIES (Continued)

A summary of the contractual amounts of financial instruments with off-balance sheet credit risk at December 31, 2023 and 2022 follows:

	2023	2022
Commitments to extend credit	$ 14,185,000	$ 13,045,000
Unfunded commitments	62,680,000	69,388,000
Standby letters of credit	4,332,000	2,256,000

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. Since many of the commitments are expected to expire without being used, the total commitments do not necessarily represent future cash requirements.

Unfunded commitments under commercial lines-of-credit, revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit are collateralized as deemed necessary and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Bank is committed.

Commercial and standby letters of credit are conditional lending commitments issued by the Bank to guarantee the performance of a customer to a third party. Letters of credit are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. 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 these commitments. The amount of collateral obtained, if deemed necessary, is based upon management's credit evaluation of the customer.

NOTE 13 – FAIR VALUE MEASUREMENTS

The Company follows Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. ASC 820 clarifies that fair value of certain assets and liabilities is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market and in an orderly transaction between market participants on the measurement date.

ASC 820 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Bank's market assumptions. The three levels of the fair value hierarchy under ASC 820 based on these two types of inputs are as follows:

Level 1 – Valuation is based on quoted prices in active markets for identical assets and liabilities.

Level 2 – Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market.

Level 3 – Valuation is based on prices, inputs and model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market.

In accordance with ASC 820, the following describes the valuation techniques used by the Bank to measure certain assets recorded at fair value on a recurring basis in the consolidated financial statements.

NOTE 13 – FAIR VALUE MEASUREMENTS (Continued)

Securities Available for Sale: Securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data. Using a market approach valuation methodology, third party vendors compile prices from various sources and may determine the fair value of identical or similar securities by using pricing models that consider observable market data (Level 2).

The following tables present the balance of assets measured at fair value on a recurring basis as of December 31, 2023 and 2022, segregated by the level of valuation inputs within the fair value hierarchy:

		Fair Value Measurements at Reporting Date Using		
Description	**Balance as of December 31, 2023**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Securities Available for Sale				
U.S. agency and mortgaged-backed securities	$ 60,375,831	$ - -	$ 60,375,831	$ - -
State and municipal obligations	8,896,090	- -	8,896,090	- -
Corporate securities	1,114,288	- -	1,114,288	- -
	$ 70,386,209	$ - -	$ 70,386,209	$ - -

		Fair Value Measurements at Reporting Date Using		
Description	**Balance as of December 31, 2022**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Securities Available for Sale				
U.S. agency and mortgaged-backed securities	$ 69,304,512	$ - -	$ 69,304,512	$ - -
State and municipal obligations	10,080,038	- -	10,080,038	- -
Corporate securities	1,154,235	- -	1,154,235	- -
	$ 80,538,785	$ - -	$ 80,538,785	$ - -

Certain assets are measured at fair value on a nonrecurring basis in accordance with GAAP. Adjustments to the fair value of these assets usually result from the application of lower-of-cost-or-market accounting or write-downs of individual assets.

The following describes the valuation techniques used by the Company to measure certain assets recorded at fair value on a nonrecurring basis in the consolidated financial statements.

Individually assessed collateral-dependent loans: In determination of the allowance for credit losses, loans that do not share similar risk characteristics are excluded from the collective evaluation. In such cases, loans are evaluated individually. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate. Fair value is measured using a market approach based on the value of the collateral securing the loans. Collateral may be in the form of real estate or business assets including equipment, inventory and account receivables. The vast majority is real estate. The value of real estate collateral is determined utilizing a market valuation approach based on an appraisal, of one year or less, conducted by an independent, licensed appraiser using observable market data such as comparable property sales (Level 2). However, if collateral is a house or building in the process of construction or if an appraisal of real estate property is over one year old and not solely based on observable market comparables then the fair value is considered Level 3. The value of business equipment is based upon an outside appraisal, of one year or less, if deemed significant, or the net book value on the applicable business's financial statements if not considered significant using observable market data. Likewise, values for inventory and accounts receivables collateral are based on financial statement balances or aging reports (Level 3). For individually assessed loans, a specific reserve is established through the allowance for credit losses, if necessary, by estimating the fair value of the underlying collateral on a nonrecurring basis. Any fair value adjustments are recorded in the period incurred as provision for credit losses expense on the Consolidated Statements of Income. There was no allowance for credit losses on collateral dependent loans at December 31, 2023.

Other Real Estate Owned: Loans are transferred to other real estate owned when the collateral securing them is acquired in foreclosure. The measurement of loss associated with other real estate owned is based on the fair value of the collateral compared to the unpaid loan balance and estimated selling costs. Initial losses are charged against the allowance for credit losses at the time of the transfer. To determine fair value at the time of transfer, an authorized, independent appraisal is obtained using a market approach. Appraisals for property other than ongoing construction are based on consideration of comparable property sales (Level 2). In contrast, an appraisal for ongoing construction property requires some degree of professional judgement. In conducting the appraisal, the appraiser develops two appraised amounts: an "as is" appraised value and a "completed" value. Based on professional judgement and their knowledge of the particular property, management determines the appropriate fair value to be utilized for such property (Level 3). Subsequent to transfer, valuations are reviewed at least annually, and appraisals are generally updated on a bi-annual basis. Any additional fair value adjustments to other real estate owned are recorded in the period incurred and expensed against current earnings through a valuation allowance for other real estate owned. The Bank held no other real estate owned at December 31, 2023 and 2022.

The following table presents the balances of assets measured at fair value on a nonrecurring basis as of December 31, 2022:

		Fair Value Measurements at Reporting Date Using		
Description	**Balance as of December 31, 2022**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Impaired loans, net	$ 294,640	$ - -	$ - -	$ 294,640

The following table presents quantitative information about Level 3 Fair Value Measurements for December 31, 2022 (dollars in thousands):

Assets	**Fair Value as of December 31, 2022**	**Valuation Technique**	**Unobservable Input**	**Range (Weighted Average)**
Impaired Loans, net	$ 295	Present value of future cash flows	Discount rate	6 - 7% (7%)

NOTE 13 – FAIR VALUE MEASUREMENTS (Continued)

Accounting guidance requires disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis. The carrying value and estimated fair value of the Company's financial instruments at December 31, 2023 were as follows (in thousands):

	December 31, 2023		Fair Value Measurements at Reporting Date Using		
(dollars in thousands)	**Carrying Amount**	**Estimated Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Financial assets:					
Cash and due from financial institutions	$ 4,103	$ 4,103	$ 4,103	$ - -	$ - -
Interest bearing deposits with depository institutions	5,151	5,151	5,151	- -	- -
Securities available for sale	70,386	70,386	- -	70,386	- -
Securities held to maturity	48,337	46,078	- -	46,078	- -
Restricted securities	1,298	1,298	- -	1,298	- -
Loans, net	347,911	328,041	- -	- -	328,041
Accrued interest receivable	1,390	1,390	- -	1,390	- -
Bank owned life insurance	7,661	7,661	- -	7,661	- -
Financial liabilities:					
Deposits	$ 426,057	$ 425,348	$ - -	$ 352,464	$ 72,884
Accrued interest payable	425	425	- -	425	- -
Federal Reserve Bank borrowings	28,000	28,000	28,000	- -	- -
Federal Home Loan Bank advances	18,120	18,120	18,120	- -	- -

NOTE 13 – FAIR VALUE MEASUREMENTS (Continued)

The carrying value and estimated fair value of the Company's financial instruments at December 31, 2022 were as follows (in thousands):

	December 31, 2022		Fair Value Measurements at Reporting Date Using		
(dollars in thousands)	Carrying Amount	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:					
Cash and due from financial institutions	$ 4,238	$ 4,238	$ 4,238	$ - -	$ - -
Interest bearing deposits with depository institutions	47	47	47	- -	- -
Securities available for sale	80,539	80,539	- -	80,539	- -
Securities held to maturity	47,914	44,051	- -	44,051	- -
Restricted securities	1,221	1,221	- -	1,221	- -
Loans, net	304,245	284,774	- -	- -	284,774
Accrued interest receivable	1,267	1,267	- -	1,267	- -
Bank owned life insurance	7,474	7,474	- -	7,474	- -
Financial liabilities:					
Deposits	$ 414,763	$ 414,807	$ - -	$ 379,489	$ 35,318
Accrued interest payable	61	61	- -	61	- -
Fed funds purchased	9	9	9	- -	- -
Federal Home Loan Bank advances	21,390	21,390	21,390	- -	- -

Interest Rate Risk

The Bank assumes interest rate risk, the risk that general interest rate levels will change, as a result of its normal operations. As a result, the fair values of the Bank's financial instruments will change when interest rate levels change and that change may be either favorable or unfavorable to the Bank. Management attempts to match maturities of assets and liabilities to the extent believed necessary to minimize interest rate risk. However, borrowers with fixed rate obligations are less likely to prepay in a rising rate environment and more likely to prepay in a falling rate environment. Conversely, depositors who are receiving fixed rates are more likely to withdraw funds before maturity in a rising rate environment and less likely to do so in a falling rate environment. Management monitors rates and maturities of assets and liabilities and attempts to minimize interest rate risk by adjusting terms of new loans and deposits and by investing in securities with terms that mitigate the Bank's overall interest rate risk.

NOTE 14 – REVENUE RECOGNITION

The Bank recognizes revenue in accordance with ASC Topic 606. The standard does not apply to revenue associated with financial instruments, net interest income, gains and losses from securities and income from bank owned life insurance (BOLI). With the exception of gains or losses on sales of foreclosed properties, all of the revenue from contracts with customers in the scope of ASC Topic 606 is recognized within noninterest income in the Consolidated Statements of Income. Gains or losses on sales of foreclosed properties are recognized within noninterest expense in the Consolidated Statements of Income. Impacts from certain recurring revenue related to noninterest revenue streams such as service charges on deposit accounts, ATM and debit card fees and other service charges and fees did not change significantly upon adoption of ASC Topic 606.

NOTE 14 – REVENUE RECOGNITION (Continued0

A description of the Bank's significant sources of revenue accounted for under ASC Topic 606 follows:

Service charges on deposit accounts

Revenue from service charges on deposit accounts is comprised of transactional based fees, account maintenance and processing fees, overdraft and nonsufficient funds fees and other deposit account related fees. Transactional based fees, overdraft and nonsufficient funds fees and other deposit account related fees are earned based on specific transactions or activity within a customer's deposit account. These fees are recognized at the time the related transaction or activity occurs and the Bank's performance obligation is complete. Revenue for account maintenance and processing fees is recognized monthly upon completion of the Bank's performance obligation. Service charges on deposit accounts are paid through a direct charge to the customer's account.

ATM and debit card fees and other service charges

Revenue from ATM and debit card fees and other service charges is primarily comprised of interchange revenue and ATM fees, safe deposit box rental fees and collection and research fees. Interchange fees are earned when the Bank's debit and credit cardholders conduct transactions that are processed through card payment networks. Interchange fees are recognized daily, concurrent with the transaction processing services provided to the cardholder. ATM fees are earned when a non-Bank cardholder uses the Bank's ATM or when a customer uses a non-Bank ATM. These fees are transactional based with revenue recognized daily as the ATM transactions are settled. Safe deposit box rental fees are charged to the customer on an annual basis and recognized on a monthly basis through the contract period of twelve months. The revenue is recognized on a basis consistent with the duration of the performance obligation and the assessment that the Bank acts as a principal for the services provided. Collection and research fees are transactional based, and therefore, the Bank's performance obligation is satisfied and the related revenue recognized upon completion of the transaction.

Other noninterest income

Other noninterest income consists primarily of check ordering charges and merchant services income. Check ordering charges are transactional based, and therefore, the Bank's performance obligation is satisfied and the related revenue recognized upon completion of the transaction. Merchant services income represents fees charged to merchants to process debit and credit card transactions. The Bank's performance obligation for merchant services is largely satisfied and the related revenue recognized when the services are rendered. Payment is typically received immediately or in the following month.

The following table presents noninterest income, segregated by revenue streams within the scope of ASC Topic 606 and those which are within the scope of other ASC Topics for the years ended December 31, 2023 and 2022:

	2023	2022
Noninterest Income		
Service charges on deposit accounts	$ 501,170	$ 490,991
ATM and debit card fees and other service charges	1,521,604	1,453,695
Other	61,971	44,224
Net revenue from contracts with customers	2,084,745	1,988,910
Noninterest income within the scope of other ASC topics	239,953	232,331
Total noninterest income	$ 2,324,698	$ 2,221,241

NOTE 15 – 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 consolidated financial statements. Pursuant to capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

The capital level requirements under the Basel III final rules require the Bank to maintain minimum capital amounts and ratios as presented in the table below to include total capital, Tier 1 capital and common equity Tier 1 capital as defined in the regulations, to risk weighted assets, as defined, and Tier 1 capital, as defined, to average assets, as defined. As of December 31, 2023 and 2022, that the Bank exceeded all capital adequacy requirements to which it is subject.

Under the Basel III rules, the capital conservation buffer was established to absorb losses during periods of economic stress and requires increased capital levels for the purpose of capital distributions and other payments. The capital conservation buffer was fully phased in on January 1, 2019 and requires a buffer of 2.5% above the regulatory minimum capital requirements for Tier 1 capital, common equity Tier 1 and total capital ratios. Failure to maintain the buffer will result in restrictions on capital distributions and payment of discretionary bonuses. The Bank's capital conservation buffer was 5.65% and 6.84% as of December 31, 2023 and 2022, respectively.

As of December 31, 2023, the most recent notification from the Federal Deposit Insurance Corporation (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 and Tier 1 leverage ratios as set forth in the following table. The Bank met the requirement to qualify as well capitalized as of December 31, 2023 and 2022. There are no conditions or events since the notification that management believes would impact the Bank's well-capitalized status.

The Bank's capital amounts (dollars in thousands) and ratios as of December 31, 2023 and 2022 are presented in the following table:

	Actual		Minimum For Capital Adequacy Purposes		Minimum For Capital Adequacy with Capital Conservation Buffer		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
2023								
Total capital (to risk weighted assets)	$ 42,980	13.65%	$ 25,198	8.00%	$ 33,072	10.50%	$ 31,497	10.00%
Tier 1 capital (to risk weighted assets)	$ 39,042	12.40%	$ 18,898	6.00%	$ 26,773	8.50%	$ 25,198	8.00%
Common equity Tier 1 (to risk weighted assets)	$ 39,042	12.40%	$ 14,174	4.50%	$ 22,048	7.00%	$ 20,473	6.50%
Tier 1 capital (to average assets)	$ 39,042	7.65%	$ 20,406	4.00%	N/A	N/A	$ 25,507	5.00%
2022								
Total capital (to risk weighted assets)	$ 41,959	14.84%	$ 22,626	8.00%	$ 29,696	10.50%	$ 28,282	10.00%
Tier 1 capital (to risk weighted assets)	$ 38,499	13.61%	$ 16,969	6.00%	$ 24,040	8.50%	$ 22,626	8.00%
Common equity Tier 1 (to risk weighted assets)	$ 38,499	13.61%	$ 12,727	4.50%	$ 19,797	7.00%	$ 18,383	6.50%
Tier 1 capital (to average assets)	$ 38,499	8.09%	$ 19,039	4.00%	N/A	N/A	$ 23,798	5.00%

NOTE 16 – ACCUMULATED OTHER COMPREHENSIVE LOSS

Changes in each component of accumulated other comprehensive loss were as follows:

	Net Unrealized Gains (Losses) on Securities	Unrealized Losses on Securities Transferred to Held to Maturity	Adjustments Related to Pension Benefits	Adjustments Related to Supplemental Executive Retirement Benefits	Accumulated Other Comprehensive (Loss)
Balance at December 31, 2021	$ 243,333	$ - -	$ (1,861,769)	$ (668,027)	$ (2,286,463)
Unrealized holding losses on available for sale securities, net of tax ($2,526,206)	(7,578,621)	- -	- -	- -	(7,578,621)
Unrealized holding losses on securities prior to transfer to held to maturity, net of tax ($2,369,215)	- -	(7,107,644)	- -	- -	(7,107,644)
Amortization of unrealized holding losses on securities transferred to held to maturity, net of tax $57,576		172,727	- -	- -	172,727
Change in pension benefits, net of tax $33,032	- -	- -	99,099	- -	99,099
Reclassification adjustment, net of tax $27,360	- -	- -	82,080	- -	82,080
Change in supplemental executive retirement benefits, net of tax $186,432	- -	- -	- -	559,295	559,295
Reclassification adjustment, net of tax $23,783	- -	- -	- -	71,347	71,347
Balance at December 31, 2022	$ (7,335,288)	$ (6,934,917)	$ (1,680,590)	$ (37,385)	$ (15,988,180)
Unrealized holding gains on available for sale securities, net of tax $339,375	1,018,127	- -	- -	- -	1,018,127
Reclassification adjustment, net of ($358)	(1,074)	- -	- -	- -	(1,074)
Amortization of unrealized holding losses on securities transferred to held to maturity, net of tax $157,195		471,586	- -	- -	471,586
Change in pension benefits, net of tax $153,241	- -	- -	459,721	- -	459,721
Reclassification adjustment, net of tax $4,122	- -	- -	12,364	- -	12,364
Change in supplemental executive retirement benefits, net of tax ($41,845)	- -	- -	- -	(125,534)	(125,534)
Reclassification adjustment, net of tax $13,021	- -	- -	- -	39,064	39,064
Balance at December 31, 2023	$ (6,318,235)	$ (6,463,331)	$ (1,208,505)	$ (123,855)	$ (14,113,926)

Reclassification out of accumulated other comprehensive loss for December 31, 2023 is as follows:

Details about Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss	Affected Line Item in the Consolidated Statements of Income
December 31, 2023		
Amortization of defined benefit pension items		
Net actuarial loss	$ (16,486)	Other expense
Amortization of supplemental executive retirement benefit items		
Prior service cost	(52,085)	Salaries and employee benefits
Reclassification adjustment for net gains on available for sale securities	1,432	Realized gain on securities, net
	16,785	Income tax expense
	$ (50,354)	Net of tax

NOTE 16 – ACCUMULATED OTHER COMPREHENSIVE LOSS (Continued)

Reclassification out of accumulated other comprehensive loss for December 31, 2022 is as follows:

Details about Accumulated Other Comprehensive Loss Components		Amount Reclassified from Accumulated Other Comprehensive Loss	Affected Line Item in the Consolidated Statements of Income
December 31, 2022			
Amortization of defined benefit pension items			
Net actuarial loss	$	(109,440)	Other expense
Amortization of supplemental executive retirement benefit items			
Prior service cost		(52,085)	Salaries and employee benefits
Net actuarial loss		(43,045)	Other expense
		51,143	Income tax expense
	$	(153,427)	Net of tax

NOTE 17 – CONCENTRATION RISK

The Bank maintains its cash accounts in several correspondent banks. As of December 31, 2023, cash balances in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) were $224,470. Most of the Bank's activities are with customers located within its local market areas. The Bank makes every effort to obtain deposits to fund loan growth or the growth of the securities portfolio. The Bank had two deposit relationships that, collectively, represented 22.53% and 21.42% of total deposits at December 31, 2023 and 2022, respectively. As of December 31, 2023, the two deposit relationships total $95,973,344 with each relationship holding more than 5% of total deposits. Significant changes in these accounts are monitored on an ongoing basis. As of December 31, 2023, real estate loans represented 97.66% of the loan portfolio. A detailed schedule is provided in Note 4, Loans and Allowance for Credit Losses on Loans. The Bank does not have any significant concentrations to any one customer or industry.

NOTE 18 – SUBSEQUENT EVENTS

The Bank evaluated subsequent events that have occurred after the balance sheet date, but before the consolidated financial statements are issued. There are two types of subsequent events (1) recognized, or those that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements, and (2) nonrecognized, or those that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date.

Subsequent events have been considered through March 21, 2024, the date the financial statements were available to be issued. Based on the evaluation, the Bank did not identify any recognized or nonrecognized subsequent events that would have required adjustment to or disclosure in the consolidated financial statements.

NOTE 19 – PARENT COMPANY ONLY FINANCIAL STATEMENTS

JSB FINANCIAL INC.
(Parent Company Only)
BALANCE SHEET
December 31, 2023

		2023
ASSETS		
Cash	$	11,968
Investment in subsidiary		24,927,819
Other assets		18,525
Total assets	$	24,958,312
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Other liabilities	$	- -
Total liabilities		- -
Shareholders' Equity		
Common stock, $10 par value; 300,000 shares authorized; issued and outstanding, 257,483 shares at December 31, 2023 and 0 at December 31, 2022.		2,574,830
Additional paid-in capital		2,574,830
Retained earnings		33,922,578
Accumulated other comprehensive (loss), net		(14,113,926)
Total shareholders' equity		24,958,312
Total liabilities and shareholders' equity	$	24,958,312

NOTE 19 – PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

JSB FINANCIAL INC
(Parent Company)
STATEMENT OF INCOME
For the Year Ended December 31, 2023

	2023
Dividends and other interest	$ 400,000
Total interest and dividend income	400,000
Noninterest expense	
Legal fees	70,924
Total noninterest expense	70,924
Income before income tax benefit	329,076
Income tax benefit	(18,525)
Income before Equity in Undistributed Income of Subsidiary	347,601
Equity in Undistributed Income of Subsidiary	2,689,073
Net Income	$ 3,036,674

NOTE 19 – PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

JSB FINANCIAL INC
(Parent Company Only)
Statements of Cash Flow
Year Ended December 31, 2023

	2023
Cash flows from operating activities	
Net income	$ 3,036,674
Adjustments to reconcile net income to net cash provided by operating activities:	
Equity in undistributed income of Subsidiary	(2,689,073)
Increase in other assets	(18,525)
Net cash provided by operating activities	329,076
Cash flows from investing activities	
Additional investment in subsidiary	- -
Net cash used in investing activities	- -
Cash flows from financing activities	
Dividends paid	(317,108)
Net cash used in financing activities	(317,108)
Net change in cash and cash equivalents	11,968
Cash and cash equivalents at beginning of year	- -
Cash and cash equivalents at end of year	$ 11,968

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