Pioneer Bankshares, Inc.

2024 Annual Financial Report

INDEX

Market Data

The Common Stock of the Company trades on the OTC Bulletin Board under the symbol "PNBI" and transactions generally involve a small number of shares. The Company's transfer agent is Computershare, Inc. located at 480 Washington Boulevard, 29th Floor, in Jersey City, New Jersey, 07013. The following table shows actual trade prices during the year. Other transactions may have occurred which were not included in the table.

COMMON STOCK TRADE PRICES

2023	High	Low
First Quarter	$ 27.25	$ 18.00
Second Quarter	27.25	19.65
Third Quarter	21.99	19.52
Fourth Quarter	22.52	19.50

2024	High	Low
First Quarter	$ 24.25	$ 22.00
Second Quarter	23.32	21.00
Third Quarter	23.00	20.50
Fourth Quarter	27.40	22.85

The Company has declared dividends on its Common Stock as follows:

Declared Date	Record Date	Payment Date	Per Share Amount
2/16/23	3/16/23	3/31/23	$ .25
5/18/23	6/15/23	6/30/23	.25
8/17/23	9/15/23	9/29/23	.25
11/16/23	12/15/23	12/29/23	.25
Total for 2023			$ 1.00
2/15/24	3/15/24	3/29/24	$ .25
5/15/24	6/14/24	6/28/24	.25
8/15/24	9/16/24	9/30/24	.25
11/21/24	12/13/24	12/31/24	.25
Total for 2024			$ 1.00

The Company's ability to pay dividends is subject to certain restrictions imposed by the Federal Reserve and capital requirements of Federal and Virginia banking statutes and regulations. Additionally, the Company intends to follow a policy of retaining sufficient earnings in order to maintain the net worth and reserves of the Bank at adequate levels and to provide for the Company's growth and ability to compete in its market area.

FINANCIAL HIGHLIGHTS
(In thousands, except for per share information)

	2024	2023
Results of Operations		
Interest and dividend income	$ 18,310	$ 14,081
Interest expense	6,524	3,146
Net interest income	11,786	10,935
Provision for credit losses	345	823
Net interest income after provision for credit losses	11,441	10,112
Noninterest income	1,509	1,412
Noninterest expense	9,608	9,365
Income before income taxes	3,342	2,159
Income tax expense	666	263
Net Income	$ 2,676	$ 1,896
Financial Condition, At Year End		
Assets	$ 344,916	$ 322,134
Deposits	271,656	263,755
Loans, net of allowance for credit losses	260,088	237,444
Stockholders' equity	37,163	34,247
Per Share Data		
Net income per share, basic and diluted	$ 2.69	$ 1.92
Dividends per share	1.00	1.00
Book value per share	37.18	34.55
Performance Ratios		
Return on average assets [1]	0.76%	0.62%
Return on average equity [1]	7.51%	5.73%
Dividend payout ratio	37.27%	52.15%
Average equity to average assets [1]	10.18%	10.89%

[1]Ratios are based on daily average balances

General Business Description

Pioneer Bankshares, Inc. (the “Company”), a Virginia one bank holding company headquartered in Stanley, Virginia, was incorporated under the laws of the Commonwealth of Virginia on November 4, 1983. The Company’s wholly-owned subsidiary, Pioneer Bank, Inc. (the “Bank”) was established as a national bank in 1909. The Bank converted from a national bank to a state chartered bank, effective April 1994, and changed its name to Pioneer Bank, effective April 1999.

Pioneer Bank’s main branch and corporate office are located in Stanley, Virginia, with other branch locations in Shenandoah, Luray, Harrisonburg, Ruckersville, and Charlottesville, Virginia. The Bank also operates a small Business Banking Center in Harrisonburg, VA. The Business Banking Center primarily services commercial loans for business clients. Additionally, the Bank operates a small finance company known as Valley Finance Services, a Division of Pioneer Bank, which specializes in consumer and auto lending.

Pioneer Bank also owns and operates two subsidiaries, one of which is Pioneer Financial Services, LLC. Income received from insurance services and non-banking investment services is handled through Pioneer Financial Services, LLC. The second subsidiary owned by Pioneer Bank is Pioneer Special Assets, LLC, which is generally used in conjunction with foreclosed properties, as a means of minimizing the risk of liability to the Bank.

The assets of the Company consist primarily of all of the stock of the Bank, real estate holdings leased to the Bank, a portfolio of equity investment securities, and minimal cash accounts.

The Bank is engaged in the general commercial banking business, primarily serving the counties of Page, Greene, Rockingham, and Albemarle, Virginia. In addition, the close proximity and mobile nature of individuals and businesses in adjoining Virginia counties and nearby cities places these markets within the Bank’s targeted trade area. The Bank also anticipates serving some individuals and businesses from other areas, including, but not limited to, the counties surrounding Page County.

The Bank offers a full range of banking and related financial services focused primarily towards serving individual consumers, small to medium size commercial businesses, and the professional community. The Bank strives to serve the banking needs of its customers while developing personal, hometown relationships. The Bank’s Board of Directors and management believe that the marketing of customized banking services will enable the Bank to continue its position in the financial services marketplace.

The Bank provides individual consumers, professionals and small and medium size commercial businesses in its market area with responsive and technologically advanced banking services. These services include competitively priced loans that are based on deposit relationships, easy access to the Bank's decision-makers, and quick and innovative action necessary to meet a customer's banking needs. The Bank’s capitalization and lending limit enables it to satisfy the credit needs of a large portion of the targeted market segment. In the event there are customers whose loan requirements exceed the Bank’s lending limit, the Bank will seek to arrange such loans on a participation basis with other financial institutions or private investors. The Board of Directors and management believe the Bank’s present capitalization will support substantial growth in deposits and loans.

Independent Auditor's Report

To the Board of Directors and Stockholders
Pioneer Bankshares, Inc.
Stanley, Virginia

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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 the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the market data, financial highlights, and general business description 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 25, 2025

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2024 AND 2023

(In Thousands, except share and per share data)

	2024	2023
ASSETS		
Cash and due from banks	$ 3,362	$ 3,462
Interest-bearing deposits in other banks	26,679	19,058
Federal funds sold	1,217	538
Securities available for sale, at fair value	43,431	51,321
Equity securities, at fair value	29	21
Restricted securities, at cost	1,996	1,406
Loans receivable, net of allowance for credit losses of $2,551 in 2024 and $2,348 in 2023	260,088	237,444
Bank premises and equipment, net	3,546	3,717
Accrued interest receivable	1,168	1,062
Other assets	3,400	4,105
Total Assets	$ 344,916	$ 322,134
LIABILITIES		
Deposits		
Noninterest bearing:	$ 85,601	$ 89,678
Interest bearing:		
Demand	46,889	50,124
Savings	43,310	47,003
Time deposits	95,856	76,950
Total Deposits	271,656	263,755
Accrued expenses and other liabilities	1,597	1,632
Borrowings	34,500	22,500
Total Liabilities	307,753	287,887
STOCKHOLDERS' EQUITY		
Common stock; $.50 par value, authorized 5,000,000 shares; outstanding – 999,470 and 991,198 shares in 2024 and 2023, respectively	500	496
Retained earnings	39,083	37,325
Accumulated other comprehensive loss	(2,420)	(3,574)
Total Stockholders' Equity	37,163	34,247
Total Liabilities and Stockholders' Equity	$ 344,916	$ 322,134

See Notes to Consolidated Financial Statements.

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

(In Thousands, except per share data)

	2024	2023
INTEREST AND DIVIDEND INCOME:		
Loans including fees	$ 15,426	$ 12,451
Interest on securities – taxable	700	735
Interest on securities – nontaxable	33	33
Deposits and federal funds sold	2,049	800
Dividends	102	62
Total Interest and Dividend Income	18,310	14,081
INTEREST EXPENSE:		
Deposits	4,574	2,439
Borrowings	1,950	707
Total Interest Expense	6,524	3,146
NET INTEREST INCOME	11,786	10,935
PROVISION FOR CREDIT LOSSES	345	823
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	11,441	10,112
NONINTEREST INCOME:		
Service charges on deposit accounts	1,331	1,288
Commission income	84	70
Other income	86	100
Change in fair value of equity securities	8	(3)
Gain on sale of other investment	---	93
Loss on sales and disposals of fixed assets	---	(136)
Total Noninterest Income	1,509	1,412
NONINTEREST EXPENSES:		
Salaries and employee benefits	5,204	4,753
Occupancy expenses	446	459
Equipment expenses	241	262
ATM expenses	558	545
Sales and franchise tax	256	88
Electronic banking expenses	206	217
Professional and audit fees	451	362
Data processing fees	270	533
Telephone	257	257
Amortization expenses of housing fund investments	---	234
Other expenses	1,719	1,655
Total Noninterest Expenses	9,608	9,365
INCOME BEFORE INCOME TAXES	3,342	2,159
INCOME TAX EXPENSE	666	263
NET INCOME	$ 2,676	$ 1,896
PER SHARE DATA:		
Net income, basic and diluted	$ 2.69	$ 1.92
Dividends	$ 1.00	$ 1.00

See Notes to Consolidated Financial Statements.

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

(In Thousands of Dollars)

	2024	2023
Net Income	$2,676	$1,896
Other comprehensive income, net of tax:		
Unrealized gains on securities available for sale:		
Unrealized holding gains arising during period, (net of tax of $(307) and $(383) for 2024 and 2023, respectively)	1,154	1,440
Other comprehensive income	1,154	1,440
Comprehensive income	$3,830	$3,336

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2024 AND 2023

(In Thousands of Dollars)

	Common Stock	Retained Earnings	Accumulated Other Comprehensive (Loss)	Total
BALANCE DECEMBER 31, 2022	$ 502	$ 36,842	$ (5,014)	$ 32,330
Net Income		1,896		1,896
Cumulative change for adoption of new accounting standard (Note1)		(130)		(130)
Other comprehensive income			1,440	1,440
Cash dividends		(989)		(989)
Retirement of common stock	(11)	(502)		(513)
Stock issued for compensation	5	208		213
BALANCE DECEMBER 31, 2023	$ 496	$ 37,325	$ (3,574)	$ 34,247
Net Income		2,676		2,676
Cumulative change for adoption of new accounting standard (Note 1)		(106)		(106)
Other comprehensive income			1,154	1,154
Cash dividends		(997)		(997)
Stock issued for compensation	4	185		189
BALANCE DECEMBER 31, 2024	$ 500	$ 39,083	$ (2,420)	$ 37,163

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 2,676	$ 1,896
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	345	823
Net amortization on securities	83	66
Fair value adjustment on equity securities	(8)	3
Deferred income tax expense (benefit)	(42)	1
Depreciation	246	251
Amortization of low-income housing investments	163	234
Stock based compensation	189	213
Amortization of right-of-use assets	85	215
Gain on sale of other real estate owned	---	(9)
Loss on sales and disposals of premises & equipment, net	---	136
Net change in:		
Accrued interest receivable	(106)	(132)
Other assets	86	(526)
Accrued expenses and other liabilities	(38)	348
Net Cash Provided by Operating Activities	3,679	3,519
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in interest-bearing deposits in other banks	(7,621)	(7,753)
Net change in federal funds sold	(679)	(63)
Net change in restricted securities	(590)	(993)
Proceeds from calls, maturities and principal payments of securities available for sale	74,217	12,677
Purchase of securities available for sale	(64,950)	---
Net (increase) in loans	(22,985)	(32,842)
Proceeds from sale of other real estate owned	---	129
Purchase of bank premises and equipment	(75)	(117)
Net Cash (Used in) Investing Activities	(22,683)	(28,962)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in:		
Demand and savings deposits	(11,005)	(17,747)
Time deposits	18,906	24,156
Proceeds from borrowings	48,110	28,051
Curtailments of borrowings	(36,110)	(8,051)
Retirement of stock	---	(513)
Dividends paid	(997)	(989)
Net Cash Provided by Financing Activities	18,904	24,907
CASH AND CASH EQUIVALENTS		
Net (decrease) in cash and cash equivalents	(100)	(536)
Cash and cash equivalents, beginning of year	3,462	3,998
Cash and cash equivalents, end of year	$ 3,362	$ 3,462
Supplemental Disclosure of Cash Paid During the Year for:		
Interest	$ 6,576	$ 2,516
Income taxes	350	142
Supplemental Disclosure of non-cash activity:		
Unrealized gain (loss) on securities available for sale	$ 1,460	1,823
Transfers from loans to other real estate owned	---	120
Liabilities assumed to acquire right of use assets under operating leases	---	152

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting and reporting policies of Pioneer Bankshares, Inc. ("Company"), and its wholly-owned subsidiary Pioneer Bank ("Bank"), conform to accounting principles generally accepted in the United States of America and to accepted practice within the banking industry. A summary of significant accounting policies is as follows:

Consolidation Policy – The consolidated financial statements of the Company include the Bank as well as Pioneer Financial Services, LLC, and Pioneer Special Assets, LLC which are wholly-owned subsidiaries of the Bank. All significant inter-company balances and transactions have been eliminated.

Use of Estimates – In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The material estimate that is particularly susceptible to significant change in the near term relates to the determination of the allowance for credit losses on loans.

Reclassifications – Certain reclassifications have been made to prior period balances to conform to the current year presentation. None were of a material nature and had no effect on prior year net income or stockholders' equity.

Subsequent Events – In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 25, 2025, which is the date the financial statements were available to be issued.

Securities – Debt securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities which the Company intends to hold for indefinite periods of time, including securities used as part of the Company's asset/liability management strategy are classified as available for sale. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income (loss), net of tax. At December 31, 2024 and 2023, all debt securities were classified as available for sale. There were no transfers between classifications during the years ended December 31, 2024 and 2023.

Interest income includes amortization of purchase premiums and accretion of purchase discounts. Purchase premiums are recognized in interest income using the effective interest rate method over the period from purchase to maturity or, for callable securities, the earliest call date, and purchase discounts are recognized in the same manner from purchase to maturity.

Equity securities with readily determinable fair values are carried at fair value, with changes in fair value reported in net income. Restricted equity securities are comprised primarily of Federal Home Loan Bank stock and Federal Reserve Bank stock. Restricted securities are carried at cost and are periodically evaluated for impairment based on the ultimate recovery of par value. The entirety of any impairment on equity securities is recognized in earnings.

Gains and losses on sales of securities are recorded on the trade date and determined using the specific identification method.

Impairment of debt securities occurs when the fair value of a security is less than its amortized cost. The Company has elected to exclude accrued interest receivable from the amortized cost basis. For debt securities available for sale, impairment is recognized in its entirety in net income if either (i) we intend to sell the security or (ii) it is more-likely-than-not that we will be required to sell the security before recovery of its amortized cost basis. If, however, the Company does not intend to sell the security and it is not more-likely-than-not that the Company will be required to sell the security before recovery, the Company evaluates unrealized losses to determine whether a decline in fair value below amortized cost basis is a result of a credit loss, which occurs when the amortized cost basis of the security exceeds the present value of the cash flows expected to be collected from the security, or other factors such as changes in market interest rates. If a credit loss exists, an allowance for credit losses is recorded that reflects the amount of the impairment related to credit losses, limited by the amount by which the security's amortized cost basis exceeds its fair value. Changes in the allowance for credit losses are recorded in net income in the period of change and are included in provision for credit losses. Changes in the fair value of debt securities available for sale not resulting from credit losses are recorded in other comprehensive income (loss).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The Company regularly reviews unrealized losses in its investments in available-for-sale debt securities and cash flows expected to be collected from impaired debt securities based on criteria including the extent to which market value is below amortized cost, the financial health of and specific prospects for the issuer, the Company's intention with regard to holding the security to maturity and the likelihood that the Company would be required to sell the security before recovery.

Loans Receivable - Loans receivable are intended to be held until maturity and are reported at their outstanding principal balance net of any adjustments for charge-offs, unearned income, the allowance for credit losses, and deferred loan fees and costs. The Company has elected to exclude accrued interest receivable from the amortized cost basis of its loans held for investment. Interest on loans is recorded to interest income based on the contractual rate and the amount of outstanding principal on the loans. Interest income is generally not recognized on nonaccrual loans and payments received on such loans are applied as a reduction of the loan principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

The Company classifies all loans as past due when the payment of principal and interest based upon contractual terms is 30 or more days delinquent.

The accrual of interest on loans is generally discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in process of collection for all loan classes. Commercial non-real estate classes are placed on nonaccrual status when it is probable that principal or interest is not fully collectible, or generally when principal or interest becomes 90 days past due, whichever occurs first. Real estate loans, which includes the residential, commercial, construction and land categories, are generally placed on nonaccrual status when principal and interest becomes 90 days past due. Consumer non-real estate loans, including personal automobile loans and all other individual loans are placed on nonaccrual status at varying intervals, based on the type of product, generally when principal and interest becomes between 90 days and 120 days past due. Revolving consumer credit card loans are not placed on nonaccrual but are generally charged-off if they reach 120 days past due, with unpaid fees and finance charges reversed against interest income. Consumer non-real estate loans are typically charged off between 90 and 120 days past due unless the loan is well secured and in the process of collection and are subject to mandatory charge-off at a specified delinquency date consistent with regulatory guidelines. In most cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful. All other loan classes are generally charged off within the range of 90 to 180 days, unless there are specific or extenuating circumstances that warrant further collection or legal actions.

Interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. 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 and future payments are reasonably assured. Payments received on nonaccrual loans are applied as a reduction to the remaining principal balance as long as concern exists as to the ultimate collection of the principal. Loans are generally removed from nonaccrual status when the concern no longer exists as to the collectability of principal and interest and the borrower has been able to demonstrate a specific period of payment performance.

In the ordinary course of business, the Company has entered into commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the Consolidated Balance Sheets when they are funded.

Allowance for Credit Losses on Loans – The allowance for credit losses on loans is a valuation allowance which represents management's current estimate of expected credit losses over the terms of loans held for investment considering historical experience, current conditions, and reasonable and supportable forecasts relevant to the collectability of loans. The allowance is established through charges to earnings in the form of a provision for credit losses. The allowance is also increased by recoveries of amounts previously charged-off and is reduced by charge-offs on loans. Loan charge-offs are recognized as the difference between the carrying value of the loan and the estimated net realizable value or fair value of the collateral, if collateral-dependent, when management believes that the collectability of the principal is unlikely. Full or partial charge-offs on collateral-dependent individually evaluated loans are generally recognized when the collateral is deemed to be insufficient to support the carrying value of the loan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The allowance consists of reserves for loans which are collectively and individually evaluated for credit losses. Loans which share common risk characteristics are collectively evaluated. The collectively evaluated allowance for credit losses includes both quantitative and qualitative components. The quantitative component is determined using an average charge-off method developed using prior historical losses of the Company over an extended period of time. These loss rates are applied to the outstanding balances of loans over their estimated lives, which includes estimated prepayments. The Company adjusts the average charge-off rates within the quantitative calculations for reasonable and supportable forecasts over a period of one year, with immediate reversion to the average charge-off rate for periods beyond one year. Economic forecasting includes projections of the unemployment rate and GDP, which adjust loss rates using a statistical regression analysis. The qualitative component of the collectively evaluated allowance for credit losses is based on an assessment of available information relevant to assessing collectability that is not captured in the loss estimation process. Factors considered by management include economic conditions, concentrations of credit, depth of lending management, collateral valuations, legal and regulatory factors, loan volumes and trends, level and severity of past due and adversely classified loans, lending policies, procedures and underwriting criteria and other extraordinary conditions as necessary. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

Loans that do not share common risk characteristics with other loans are evaluated individually and are not included in the collectively evaluated analysis. The allowance for credit losses on loans that are individually evaluated may be estimated based on their expected cash flows, or, in the case of loans for which repayment is expected substantially through the operation or sale of collateral when the borrower is experiencing financial difficulty, may be measured based on the fair value of the collateral or the fair value of collateral less estimated costs to sell the collateral.

No allowance for credit losses is recorded on accrued interest receivable and as discussed under the heading *"Loans receivable"* above, amounts written off are reversed by an adjustment to interest income.

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.

Bank Premises and Equipment – Land values are carried at cost. Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is charged to income over estimated useful lives ranging from 3 to 40 years, on a straight-line method. Major improvements are capitalized while maintenance and repairs are charged to expense as incurred.

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 cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from other real estate owned. There were no properties held in other real estate owned or formal foreclosure proceedings in process as of December 31, 2024 and December 31, 2023.

Income Taxes – Amounts provided for income tax expense are based on income reported for financial statement purposes rather than amounts currently payable under income tax laws. Deferred income tax assets and liabilities are determined using the 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.

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 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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. There were no such liabilities recorded as of December 31, 2024 or December 31, 2023.

Interest and penalties associated with unrecognized tax benefits, if any, are classified as additional income taxes in the Company's Consolidated Statements of Income.

Financial Instruments – In the ordinary course of business, the Bank has entered into off-balance-sheet financial instruments consisting of commitments to extend credit, commitments under credit-card arrangements, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded in the financial statements when they are funded.

The Bank's exposure to credit loss is represented by the contractual amount of these commitments. The Bank uses the same credit policies in making commitments as it does for other loans. Commitments to extend credit are generally made for a period of one year or less and interest rates are determined when funds are disbursed. Collateral and other security for the loans are determined on a case-by-case basis. Since some of the commitments are expected to expire without being drawn upon, the contract or notional amounts do not necessarily represent future cash requirements.

Cash Flow Reporting – For purposes of reporting cash flows, cash and cash equivalents include cash on hand and amounts due from banks.

Advertising Costs – The Company follows the policy of charging the production costs of advertising to expense as incurred. Advertising expense amounted to $42,000 and $34,000, for the years ended December 31, 2024 and 2023, respectively.

Earnings Per Share – Basic earnings per share represents income available to common shareholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company, if any, are determined using the treasury stock method.

Stock Compensation –On an annual basis, the company pays two-thirds of its board of director fees and retainer fees in the form of stock compensation. Additionally, a portion of certain officers' bonuses are periodically paid with stock compensation. The fair market value of the Company's stock at the time of the stock issuance is used as the pricing factor to arrive at the appropriate number of shares issued.

There were no stock options or other unvested stock awards outstanding at December 31, 2024 and 2023.

Comprehensive Income – Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available for sale.

Bank Owned Life Insurance – The Company has purchased life insurance policies on certain individuals. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value. Cash surrender values are included in other assets on the Consolidated Balance Sheets.

Goodwill – Goodwill arises from business combinations and is determined as the excess of the fair value of the consideration transferred, over the fair value of the net assets acquired. Acquired goodwill is tested for impairment at least annually or more frequently if events and circumstances exist that indicate an impairment test should be performed. The balance of goodwill was $360,000 at December 31, 2024 and 2023, and was included in other assets on the consolidated balance sheets. The results of management's evaluation of goodwill for impairment determined no impairment charges were required during the years ended December 31, 2024 and 2023.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Allowance for Credit Losses on Unfunded Commitments – The Company records a reserve, reported in accrued expenses and other liabilities on the Consolidated Balance Sheets, for expected credit losses on commitments to extend credit that are not unconditionally cancelable by the Company. The reserve for unfunded commitments is measured based on the principles utilized in estimating the allowance for credit losses on loans and an estimate of the amount of unfunded commitments expected to be advanced. Changes in the reserve for unfunded commitments are recorded through the provision for credit losses. The reserve totaled $16 thousand and $13 thousand at December 31, 2024 and 2023, respectfully. The provision for credit losses related to unfunded commitments was $3 thousand and $ 5 thousand during years ended December 31, 2024 and 2023.

***Recent Accounting Pronouncements*–** In November 2024, the Financial Accounting Standards Board (FASB) issued ASU 2024-03, “Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses.” ASU 2024-03 requires public companies to disclose, in the notes to the financial statements, specific information about certain costs and expenses at each interim and annual reporting period. This includes disclosing amounts related to employee compensation, depreciation, and intangible asset amortization. In addition, public companies will need to provide qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively. The FASB subsequently issued ASU 2025-01, “Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date”, which amends the effective date of ASU 2024-03 to clarify that all public business entities are required to adopt the guidance in ASU 2024-03 in annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. Early adoption of ASU 2024-03 is permitted. Implementation of ASU 2024-03 may be applied prospectively or retrospectively. The Company does not expect the adoption of ASU 2024-03 to have a material impact on its consolidated financial statements.

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.

***Recently Adopted*–** In March 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-02, “Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method.” These amendments allow reporting entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. ASU 2023-02 was effective for the Company on January 1, 2024. Upon adoption, the Company began accounting for each of its investments in low-income housing using the proportional amortization method and recorded a cumulative effect adjustment to opening stockholders’ equity of $(106) thousand as of the date of adoption.

Business Segments— The Company’s financial results are considered to be aggregated into one reportable operating segment with revenue derived from the business of community banking. Through its community banking segment, the Company offers a full range of products and services through various delivery channels. The banking products and services include the acceptance of deposits in checking, savings, time and money market accounts; the origination and servicing of personal/consumer, credit card, commercial, construction and real estate loans; and other services including safe deposit boxes and wire transfers. The community banking segment derives revenues mainly from interest income on loans to customers, investment securities held and fees and income related to the services listed above.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The accounting policies of the community banking segment are the same as those described in the summary of significant accounting policies. The Company's President/Chief Executive Officer and Senior Vice President/Chief Financial Officer are the Chief Operating Decision Makers (CODMs). The CODMs are responsible for the day-to-day management of the company, including regularly reviewing the operating and financial performance of the Company on a consolidated basis.

The primary measure of financial performance is consolidated net income which is used to assess performance and make decisions about resource allocation. Net income is used to monitor budget versus actual results as well as comparing prior year's results. The comparative analysis along with the monitoring of budget versus actual results are used in assessing the performance of the segment. The presentation of financial performance to the CODMs is consistent with amounts and financial statement lines shown in the Company's consolidated balance sheets and consolidated statements of income. The Company's significant expenses are segmented by category and amount in the consolidated statements of income to include all significant items including salaries and employee benefits, occupancy expense, equipment expenses, ATM, electronic banking, data processing, professional service fees, telephone, and other general operating expenses.

NOTE 2 NATURE OF OPERATIONS:

The Company operates under a charter issued by the Commonwealth of Virginia and provides commercial banking services to its customers through its subsidiary bank. As a state chartered member bank, the Bank is subject to regulation by the Virginia Bureau of Financial Institutions and the Board of Governors of the Federal Reserve Banking System. As of December 31, 2024, the Bank had six branch locations available to customers with 3 being located in Page County, 1 in Greene County, 1 in Rockingham County, and 1 in Albemarle County. The Bank also operates two separate subsidiaries, one being known as Pioneer Financial Services, LLC, which offers a variety of consumer investment and insurance services. The second subsidiary owned by Pioneer Bank is Pioneer Special Assets, LLC, which is generally used in conjunction with certain foreclosed properties. The Bank also operates a small Business Banking Center in Harrisonburg, VA. The Business Banking Center primarily services commercial loans for business clients. Additionally, the Bank operates a small consumer loan finance company known as Valley Finance Services, a Division of Pioneer Bank, which specializes in consumer and dealer auto lending.

NOTE 3 CASH AND DUE FROM BANKS:

Prior to March 2020, The Federal Reserve Bank required banks to maintain reserves at specified levels. Effective March 26, 2020, the reserve requirement was reduced to zero percent. The Bank also maintains required deposit relationships with 3 separate correspondent banks in accordance with their separate and individual Fed Funds Credit Line Agreements. The amount on deposit with these correspondent banks was $656,000 and $748,000, as of December 31, 2024 and 2023, respectively.

NOTE 4 DEPOSITS IN AND FEDERAL FUNDS SOLD TO BANKS:

The Bank had cash deposited in and federal funds sold to other banks exceeding federally insured limits totaling approximately $2.0 million and $1.3 million at December 31, 2024 and 2023, respectively. Management has established acceptable risk tolerances relating to uninsured deposits in other banks and diversifies these funds in accordance with policy guidelines.

NOTE 5 INVESTMENT SECURITIES:

On January 1, 2023, the Company adopted ASC 326, which made changes to accounting for available for sale debt securities whereby credit losses should be presented as an allowance, rather than as a write-down when management does not intend to sell and does not believe that it is more likely than not they will be required to sell a security prior to its maturity. Should the Company classify debt securities as held-to-maturity in future periods, ASC 326 would also require the Company to measure expected credit losses using a methodology that requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 INVESTMENT SECURITIES: (Continued):

The amortized cost and fair value of securities available for sale at December 31, 2024 and 2023 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In Thousands)		
December 31, 2024				
Available for Sale				
U.S. treasury securities	$ 100	$ ---	$ (3)	$ 97
Mortgage-backed securities	1,614	---	(260)	1,354
Agency securities	29,993	---	(1,930)	28,063
State and municipals	11,038	---	(506)	10,532
Corporate securities	3,750	---	(365)	3,385
	$ 46,495	$ ---	$ (3,064)	$ 43,431

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In Thousands)		
December 31, 2023				
Available for Sale				
U.S. treasury securities	$ 5,187	$ ---	$ (221)	$ 4,966
Mortgage-backed securities	1,839	---	(261)	1,578
Agency securities	29,989	---	(2,681)	27,308
State and municipals	15,079	28	(941)	14,166
Corporate securities	3,750	---	(447)	3,303
	$ 55,844	$ 28	$ (4,551)	$ 51,321

There were no sales of securities available for sale during the years ended December 31, 2024 and 2023.

Equity securities, with readily determinable fair values, consisted of investments in common stock of certain community banking institutions at December 31, 2024 and 2023. The following table presents information on the change in the fair value of equity securities that was recognized in earnings during the years ended December 31, 2024 and 2023, as well as the portion of those balances which relate to equity securities still held at December 31, 2024 and 2023.

	For the Years Ended December 31, 2024	2023
	(in thousands)	
Net gains (losses) recognized during the year on equity securities	$ 8	$ (3)
Net (gains) losses recognized on equity securities sold	---	---
Net unrealized gains (losses) recognized on equity securities still held at the balance sheet date	$ 8	$ (3)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 INVESTMENT SECURITIES: (Continued):

The amortized cost and fair value of securities available for sale at December 31, 2024, by contractual maturity, are shown in the following schedule. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Securities Available for Sale	
	Amortized Cost	Fair Value
	(In Thousands)	
Due within one year	$ 6,925	$ 6,789
Due after one year through five years	31,736	29,661
Due after five years through ten years	6,386	5,787
Due after ten years	1,448	1,194
	$ 46,495	$ 43,431

Securities available for sale with an amortized cost of $26.0 million and a fair value of $24.3 million at December 31, 2024 were pledged for contingency borrowings purposes, to secure public deposits and for other purposes required by law. Securities available for sale with an amortized cost of $31.1 million and fair value of $28.5 million at December 31, 2023, were pledged for contingency borrowings purposes, to secure public deposits and for other purposes required by law.

As of December 31, 2024, there were 34 securities available for sale that had unrealized losses. The Company concluded a credit loss did not exist in its securities portfolio at December 31, 2024, and no impairment loss was recognized based on the facts that (1) changes in fair value were caused primarily by fluctuations in interest rates, (2) securities with unrealized losses had generally high credit quality, (3) the Company intends to hold these investments in debt securities to maturity and it is more-likely-than-not that the Company will not be required to sell these investments before a recovery of its investment, and (4) issuers have continued to make timely payments of principal and interest. Additionally, the Company's agency securities and mortgage-backed securities were issued either by U.S. government agencies or U.S. government-sponsored enterprises. Collectively, these entities provide a guarantee, which is either explicitly or implicitly supported by the full faith and credit of the U.S. government, that investors in such mortgage-backed securities will receive timely principal and interest payments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 INVESTMENT SECURITIES: (Continued):

The schedule of unrealized losses by category and length of time that each individual security had been in a continuous loss position at December 31, 2024 was as follows (in thousands):

		Corporate Securities	Mortgaged Backed Securities	Agency Securities	State and Municipal Securities	US Treasury Securities	Total
Less than 12 Months	Fair Value	$---	$ ---	$---	$1,054	$---	$1,054
	Unrealized Losses	---	---	---	(9)	---	(9)
12 or more Months	Fair Value	3,385	1,354	28,063	9,478	97	42,377
	Unrealized Losses	(365)	(260)	(1,930)	(497)	(3)	(3,055)
Total	Fair Value	3,385	1,354	28,063	10,532	97	43,431
	Unrealized Losses	(365)	(260)	(1,930)	(506)	(3)	(3,064)

As of December 31, 2023, there were 36 securities available for sale that had unrealized losses. The schedule of unrealized losses by category and length of time that each individual security had been in a continuous loss position at December 31, 2023 was as follows (in thousands):

		Corporate Securities	Mortgaged Backed Securities	Agency Securities	State and Municipal Securities	US Treasury Securities	Total
Less than 12 Months	Fair Value	$644	$ ---	$---	$---	$---	$644
	Unrealized Losses	(106)	---	---	---	---	(106)
12 or more Months	Fair Value	2,659	1,578	27,308	13,068	4,966	49,579
	Unrealized Losses	(341)	(261)	(2,681)	(941)	(221)	(4,445)
Total	Fair Value	3,303	1,578	27,308	13,068	4,966	50,223
	Unrealized Losses	(447)	(261)	(2,681)	(941)	(221)	(4,551)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 INVESTMENT SECURITIES: (Continued):

The Bank also holds additional investments in the Federal Home Loan Bank of Atlanta ("FHLB") in the form of FHLB stock, which is a membership requirement. Loan advances from FHLB are subject to additional stock purchase requirements, which are generally redeemed as outstanding loan balances are repaid, subject to FHLB's quarterly excess capital evaluation process. FHLB evaluates the excess capital stock of its members on a quarterly basis to determine stock repurchase activities. Additionally, the FHLB generally pays quarterly dividends on the outstanding stock investment of each of its members.

FHLB stock is generally viewed as a long-term investment and is considered to be a restricted security, which is carried at cost, because there is no market for the stock other than FHLB or other member institutions. As of December 31, 2024 and 2023 the Bank's investment in FHLB stock totaled approximately $1.87 million and $1.28 million, respectively, and was included in restricted securities on the consolidated balance sheets.

Management's evaluation of FHLB stock for possible impairment is based on the ultimate recoverability of par value rather than recognizing temporary declines in value. Management's evaluation of FHLB stock as of December 31, 2024 and 2023 did not consider this investment to be impaired, and therefore, no impairment has been recognized.

NOTE 6 LOANS:

Loans are stated at their face amount, net of deferred loan fees, and are classified as follows:

	December 31, 2024	December 31, 2023
	(In Thousands)	
Real estate loans		
Construction & land loans	$ 13,611	$ 10,721
Residential equity lines of credit	3,851	2,933
Residential 1-4 family	80,673	76,539
Residential second mortgages 1 - 4 family	3,062	3,054
Residential multifamily	6,015	5,736
Commercial agricultural loans	4,770	3,630
Commercial municipal loans	226	266
Commercial owner & non-owner occupied	93,960	83,192
Total real estate loans	206,168	186,071
Commercial non real estate loans	17,860	17,456
Loans to nondepository financial institutions	7,950	7,212
Consumer non real estate loans		
Personal installments	30,087	28,444
Credit cards	574	609
Total consumer installment loans	30,661	29,053
Gross loans (1)	262,639	239,792
Less allowance for credit losses	(2,551)	(2,348)
Net loans receivable	$ 260,088	$ 237,444

(1)Gross loans are presented net of deferred loan fees and discounts of $351,000 and $398,000, respectively for December 31, 2024 and 2023.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 LOANS: (continued)

The Bank grants commercial, real estate and consumer installment loans to its customers. Collateral requirements for loans are determined on a case-by-case basis depending upon the purpose of the loan and the financial condition of the borrower. The ultimate collectability of the Bank's loan portfolio and the ability to realize the value of any underlying collateral, if needed, are influenced by the economic conditions of its market service area.

The Bank's loan portfolio is concentrated in real estate loans, including those secured by residential consumer properties and small business commercial properties. Residential real estate loans, including equity lines of credit, residential 1 – 4 family first and second mortgages, and multifamily loans totaled $93.6 million as of December 31, 2024, as compared to $88.3 million at December 31, 2023. Small business commercial real estate loans, including commercial construction and land loans, agricultural/farm loans, and other business properties totaled $111.2 million as of December 31, 2024, as compared to $96.9 million at December 31, 2023. Management has established specific lending criteria relating to real estate loans as a means of assessing risk in the portfolio.

Deposit account overdrafts which were classified as loans totaled $39,000 and $49,000 as of December 31, 2024 and 2023, respectively.

The following table reflects the amounts of outstanding delinquencies by loan class as of December 31, 2024 (in thousands):

Past Due Loans by Class	30-59 Days	60-89 Days	90 Days or More	Total Past Due	Total Current	Total Loans
Construction & Land						
Residential	$ ---	$ ---	$ ---	$ ---	$ 1,397	$ 1,397
Commercial	---	---	---	---	4,005	4,005
Other – Land only	22	---	---	22	8,187	8,209
Residential Real Estate						
Equity Lines of Credit	---	---	---	---	3,851	3,851
1-4 Family Residences	1,995	664	93	2,752	80,983	83,735
Multifamily Dwellings	---	---	---	---	6,015	6,015
Loans to Nondepository Financial Institutions	---	---	---	---	7,950	7,950
Commercial Real Estate						
Owner & non-owner occupied	541	---	---	541	93,419	93,960
Agricultural / Farm	---	---	---	---	4,770	4,770
Municipals	---	---	---	---	226	226
Commercial – Non Real Estate						
Agricultural	---	---	---	---	415	415
Industrial	181	60	---	241	16,290	16,531
Municipals	---	---	---	---	914	914
Consumer – Non Real Estate						
Credit Cards	1	1	---	2	572	574
Automobile	613	82	28	723	22,119	22,842
Other personal	21	---	---	21	7,224	7,245
Totals Gross Loans	$ 3,374	$ 807	$ 121	$ 4,302	$ 258,337	$ 262,639

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 LOANS: (continued)

The following table represents loans 90 days delinquent and still accruing interest and loans in a nonaccrual status as of December 31, 2024 by loan class (in thousands):

	90 days past due & still accruing interest	Nonaccrual with No Allowance for Credit Losses	Total Nonaccrual Loans	Interest Income Recognized
Residential Real Estate				
1-4 Family Residences	$ 93	$ ---	$ ---	$ ---
Consumer – Non Real Estate				
Automobile	28	---	---	
Totals Gross Loans	$ 121	$ ---	$ ---	$ ---

The following table reflects the amounts of outstanding delinquencies by loan class as of December 31, 2023 (in thousands):

Past Due Loans by Class	30-59 Days	60-89 Days	90 Days or More	Total Past Due	Total Current	Total Loans
Construction & Land						
Residential	$ ---	$ ---	$ ---	$ ---	$ 917	$ 917
Commercial	---	---	---	---	2,840	2,840
Other – Land only	---	---	---	---	6,964	6,964
Residential Real Estate						
Equity Lines of Credit	---	---	---	---	2,933	2,933
1-4 Family Residences	729	264	99	1,092	78,501	79,593
Multifamily Dwellings	---	---	---	---	5,736	5,736
Loans to Nondepository Financial Institutions	---	---	---	---	7,212	7,212
Commercial Real Estate						
Owner & non-owner occupied	---	---	---	---	83,192	83,192
Agricultural / Farm	---	---	---	---	3,630	3,630
Municipals	---	---	---	---	266	266
Commercial – Non Real Estate						
Agricultural	---	---	---	---	389	389
Industrial	---	---	---	---	15,777	15,777
Municipals	---	---	---	---	1,290	1,290
Consumer – Non Real Estate						
Credit Cards	1	6	1	8	601	609
Automobile	484	214	11	709	21,760	22,469
Other personal	34	9	---	43	5,932	5,975
Totals Gross Loans	$ 1,248	$ 493	$ 111	$ 1,852	$ 237,940	$ 239,792

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 LOANS: (continued)

The following table represents loans 90 days delinquent and still accruing interest and loans in a nonaccrual status as of December 31, 2023 by loan class (in thousands):

	90 days past due & still accruing interest	Nonaccrual with No Allowance for Credit Losses	Total Nonaccrual Loans	Interest Income Recognized
Residential Real Estate				
1-4 Family Residences	$ 99	$ 6	$ 6	$ ---
Consumer – Non Real Estate				
Credit Cards	1			
Automobile	11	---	---	
Totals Gross Loans	$ 111	$ 6	$ 6	$ ---

Loans past due greater than 90 days and still accruing interest at December 31, 2024 and 2023 totaled $121,000 and $111,000, respectively. Management continually monitors past due accounts and places these accounts in nonaccrual status if the payment plans are not adhered to. As of December 31, 2024, there were no nonaccrual loans without an allowance for credit losses. Nonaccrual loans with no allowance for credit losses amounted to $6,000 at December 31, 2023. As of December 31, 2024 and 2023, there were no loans on nonaccrual with an allowance for credit losses. The nonaccrual loan with no allowance at December 31, 2023 consisted of one real estate loan, which was in the process of collection.

The loan portfolio is comprised of various categories or segments, each of which have certain risk characteristics that are evaluated at the time of loan origination and periodically thereafter. Construction loans carry risks associated with whether or not the project will be completed according to schedule and within its original budget, as well as valuation risk associated with the overall value of the collateral upon completion. Residential real estate loans carry risks associated with continued credit-worthiness and financial stability of the borrower, as well as potential valuation changes relating to collateral. Commercial real estate loans carry risks associated with the continued operations of the business, as well as sufficient cash flow and profitability to service the debt. Additionally, commercial real estate loans are subject to risks associated with potential collateral valuation changes.

Commercial non-real estate loans, including those in the industrial and agricultural categories, carry similar risks to the commercial real estate loans, as they are dependent upon the continued successful business operations and cash flow. Commercial non-real estate loans also carry a risk associated with collateral being more difficult to assess. Consumer loans carry risks associated with the continued credit-worthiness and financial stability of the borrower, as well as potential for rapid depreciation or reduced value of the collateral, especially in automobile lending.

Loans to nondepository financial institutions include loans made by the Bank through its participation in the Northpointe Bank Mortgage Participation Program ("Northpointe MPP"). The Northpointe MPP provides interim financing to 1-4 family mortgage originators who originate loans for sale in the secondary market. These loans carry risks associated with the successful delivery of the mortgage loans by the originators to their secondary market investors; however, sale commitments are in place at origination which limit these risks. The maximum amount of loans that could be funded at any time through the Northpointe MPP as of December 31, 2024, was $25 million. The outstanding balance of loans can fluctuate significantly due to the timing of funding and repayments, which varies based on mortgage origination volumes.

Management has developed an internal loan risk rating system as part of its credit analysis process which serves as the credit quality indicator for loans in the portfolio. Non-retail loans (i.e. all loans, excluding loans to consumers for home mortgages or other consumer purposes) are assigned an appropriate risk rating at the time of origination based on specific assessment factors relating to the borrower's ability to meet contractual obligations under the loan agreement. This process includes reviewing borrowers' financial information, historical payment experience, credit documentation, public information, and other information specific to each borrower. Loan rating assessments also include consideration of business cash flow and debt obligations. Risk ratings are generally reviewed on an annual basis for credit relationships with total credit exposure of $1 million or more, or at any point management becomes aware of information affecting the borrower's ability to fulfill their

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 LOANS: (continued)

obligations. Management utilizes both internal and external loan review processes as a means of monitoring the appropriateness of risk ratings across the loan portfolio. Retail credits are assigned a pass rating at the time of their origination. Updates to risk ratings assigned to retail credits are made primarily on the basis of the payment activity.

The Bank's internal rating system includes multiple ratings considered to be indicative of pass rated credits, as well as several non-pass or classified ratings consisting of special mention, substandard, doubtful, and loss. Pass credits generally consist of loans secured by cash or cash equivalents and loans to borrowers with a strong cash flow ratio, stable financial net worth and above average sources of liquidity to meet financial obligations and may also include loans to borrowers that may have minor, yet manageable, weaknesses related to the stability of cash flow and repayment sources and may require periodic monitoring. Special mention credits are loans that have identified weaknesses or adverse trends in the borrower's financial position that could potentially impact the Bank's credit position at some future date if not monitored closely. Substandard credits are those loans that have been identified as having a well-defined, specific, or major weakness in the primary cash flow sources or upon which significant reliance is being placed on secondary sources of repayment due to the borrower's financial difficulties. Potential for losses related to substandard credits is evaluated on a regular basis with specific allocations being made as needed, as well as other corrective actions necessary to protect the institution. Loans categorized as doubtful also have well defined weaknesses with the added characteristic of the likelihood that collection of payment in full is highly questionable or perhaps improbable.

Loans classified as loss are considered to be totally uncollectible or of such little value that their continuance on the Bank's books as an asset is not warranted. Retail credits 90 or more days past due are generally classified as substandard, with residential real estate loans being evaluated for individual impairment on a case by case basis as they become delinquent or are identified as a potential problem credit. The following table presents amortized cost basis of loans by origination year and by credit quality as of December 31, 2024 (in thousands):

	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans Amortized Cost Basis	
	2024	2023	2022	2021	Prior		Total Loans
Residential Construction & Land Loans							
Pass	$877	$40	$ ---		$ ---	$ ---	$917
Total	$877	$40	$ ---		$ ---	$ ---	$917
Commercial Construction & Land Loans							
Pass	$ ---	$2,840	$ ---		$ ---	$ ---	$2,840
Total	$ ---	$2,840	$ ---		$ ---	$ ---	$2,840
Land Only							
Pass	$3,342	$1,135	$1,829		$658	$ ---	$6,964
Total	$3,342	$1,135	$1,829		$658	$ ---	$6,964
Equity Lines of Credit							
Pass	$ ---	$ ---	$ ---		$ ---	$2,933	$2,933
Total	$ ---	$ ---	$ ---		$ ---	$2,933	$2,933

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 LOANS: (continued)

	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans Amortized Cost Basis	Total Loans
	2024	2023	2022	2021	Prior		
1-4 Family Residences							
Pass	$14,112	$19,243	$12,351		$32,659	$111	$78,476
Special Mention	76	241	---		73	---	390
Substandard	28	---	68		631	---	727
Total	$14,216	$19,484	$12,419		$33,363	$111	$79,593
Multifamily Dwellings							
Pass	$5	$2,901	$695		$1,574	$561	$5,736
Total	$5	$2,901	$695		$1,574	$561	$5,736
Loans to nondepository financial institutions							
Pass	$ ---	$ ---	$ ---		$ ---	$7,212	$7,212
Total	$ ---	$ ---	$ ---		$ ---	$7,212	$7,212
Commercial Real Estate							
Pass	$21,992	$14,419	$7,224		$34,683	$901	$79,219
Special Mention	681	1,317	---		661	---	2,659
Substandard	---	---	---		1,314	---	1,314
Total	$22,673	$15,736	$7,224		$36,658	$901	$83,192
Agricultural/Farm Loans							
Pass	$1,263	$275	$317		$1,534	$29	$3,418
Substandard	---	---	---		212	---	212
Total	$1,263	$275	$317		$1,746	$29	$3,630
Municipals							
Pass	$ ---	$ ---	$ ---		$266	$ ---	$266
Total	$ ---	$ ---	$ ---		$266	$ ---	$266
Agricultural – Non Real Estate							
Pass	$74	$109	$34		$9	$163	$389
Total	$74	$109	$34		$9	$163	$389

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 LOANS: (continued)

	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans Amortized Cost Basis	Total Loans
	2024	2023	2022	2021	Prior		
Commercial – Non Real Estate							
Pass	$4,408	$2,386	$1,769		$3,357	$1,285	$13,205
Special Mention	$262	$2,310	$ ---		$ ---	$ ---	$2,572
Total	$4,670	$4,696	$1,769		$3,357	$1,285	$15,777
Municipals – Non Real Estate							
Pass	$ ---	$671	$239		$380	$ ---	$1,290
Total	$ ---	$671	$239		$380	$ ---	$1,290
Credit Cards							
Pass	$---	$ ---	$ ---		$ ---	$601	$601
Special Mention	---	---	---		---	7	7
Substandard	---	---	---		--	1	1
Total	$ ---	$ ---	$ ---		$ ---	$609	$609
Automobile							
Pass	$10,926	$6,102	$3,230		$2,150	$ ---	$22,408
Substandard	$2	$8	$25		$26	$ ---	$61
Total	$10,928	$6,110	$3,255		$2,176	$---	$22,469
Other Personal Loans							
Pass	$2,940	$1,934	$698		$403	$ ---	$5,975
Total	$2,940	$1,934	$698		$403	$ ---	$5,975
Totals:							
Pass	$59,939	$52,055	$28,386		$77,673	$13,796	$231,849
Special Mention	1,019	3,868	---		734	7	5,628
Substandard	30	8	93		2,183	1	2,315
Total	$60,988	$55,931	$28,479		$80,590	$13,804	$239,792

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 LOANS: (continued)

The following table presents amortized cost basis of loans by origination year and credit quality as of December 31, 2023 (in thousands):

	Term Loans Amortized Cost Basis by Origination Year				Revolving Loans Amortized Cost Basis	Total Loans
	2023	2022	2021	Prior		
Residential Construction & Land Loans						
Pass	$ 877	$ 40	$ ---	$ ---	$ ---	$ 917
Total	$ 877	$ 40	$ ---	$ ---	$ ---	$ 917
Commercial Construction & Land Loans						
Pass	$ ---	$ 2,840	$ ---	$ ---	$ ---	$ 2,840
Total	$ ---	$ 2,840	$ ---	$ ---	$ ---	$ 2,840
Land Only						
Pass	$ 3,342	$ 1,135	$ 1,829	$ 658	$ ---	$ 6,964
Total	$ 3,342	$ 1,135	$ 1,829	$ 658	$ ---	$ 6,964
Equity Lines of Credit						
Pass	$ ---	$ ---	$ ---	$ ---	$ 2,933	$ 2,933
Total	$ ---	$ ---	$ ---	$ ---	$ 2,933	$ 2,933
1-4 Family Residence						
Pass	$ 14,112	$ 19,243	$ 12,351	$ 32,659	$ 111	$ 78,476
Special Mention	76	241	---	73	---	390
Substandard	28	---	68	631	---	727
Total	$ 14,216	$ 19,484	$12,419	$ 33,363	$ 111	$ 79,593
Multifamily Dwellings						
Pass	$ 5	$ 2,901	$ 695	$ 1,574	$ 561	$ 5,736
Total	$ 5	$ 2,901	$ 695	$ 1,574	$ 561	$ 5,736
Loans to nondepository financial institutions						
Pass	$ ---	$ ---	$ ---	$ ---	$ 7,212	$ 7,212
Total	$ ---	$ ---	$ ---	$ ---	$ 7,212	$ 7,212
Commercial Real Estate						
Pass	$ 21,992	$ 14,419	$ 7,224	$ 34,683	$ 901	$ 79,219
Special Mention	681	1,317	---	661	---	2,659
Substandard	---	---	---	1,314	---	1,314
Total	$ 22,673	$ 15,736	$ 7,224	$ 36,658	$ 901	$ 83,192
Agricultural/Farm Loans						
Pass	$ 1,263	$ 275	$ 317	$ 1,534	$ 29	$ 3,418
Substandard	---	---	---	212	---	212
Total	$ 1,263	$ 275	$ 317	$ 1,746	$ 29	$ 3,630
Municipals						
Pass	$ ---	$ ---	$ ---	$ 266	$ ---	$ 266
Total	$ ---	$ ---	$ ---	$ 266	$ ---	$ 266

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 LOANS: (continued)

	Term Loans Amortized Cost Basis by Origination Year				Revolving Loans Amortized Cost Basis	
	2023	2022	2021	Prior		Total Loans
Agricultural – Non Real Estate						
Pass	$ 74	$ 109	$ 34	$ 9	$163	$ 389
Total	$ 74	$ 109	$ 34	$ 9	$ 163	$ 389
Commercial – Non Real Estate						
Pass	$ 4,408	$ 2,386	$ 1,769	$ 3,357	$ 1,285	$ 13,205
Special Mention	$ 262	$ 2,310	$ ---	$ ---	$ ---	$ 2,572
Total	$ 4,670	$ 4,696	$ 1,769	$ 3,357	$ 1,285	$ 15,777
Municipals – Non Real Estate						
Pass	$ ---	$ 671	$ 239	$ 380	$ ---	$ 1,290
Total	$ ---	$ 671	$ 239	$ 380	$ ---	$ 1,290
Credit Cards						
Pass	$---	$ ---	$ ---	$ ---	$ 601	$ 601
Special Mention	---	---	---	---	7	7
Substandard	---	---	---	--	1	1
Total	$ ---	$ ---	$ ---	$ ---	$609	$ 609
Automobile						
Pass	$ 10,926	$ 6,102	$ 3,230	$ 2,150	$ ---	$ 22,408
Substandard	$ 2	$ 8	$ 25	$ 26	$ ---	$ 61
Total	$ 10,928	$ 6,110	$ 3,255	$ 2,176	$---	$ 22,469
Other Personal Loans						
Pass	$ 2,940	$ 1,934	$ 698	$ 403	$ ---	$ 5,975
Total	$ 2,940	$ 1,934	$ 698	$ 403	$ ---	$ 5,975
Totals:						
Pass	$59,939	$ 52,055	$ 28,386	$77,673	$ 13,796	$ 231,849
Special Mention	1,019	3,868	---	734	7	5,628
Substandard	30	8	93	2,183	1	2,315
Total	$ 60,988	$ 55,931	$ 28,479	$80,590	$ 13,804	$ 239,792

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 LOANS: (continued)

The following table details the current period charge-offs by year of origination for the year ended December 31, 2024 (in thousands).

	2024	2023	2022	2021	Prior	Revolving Loans	Total Charge-offs
Land Only	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---
1-4 Family Residence	---	---	---	---	---	---	---
Credit Cards	---	---	---	---	---	22	22
Commercial	15	---	19	---	---	---	34
Automobile	---	105	94	46	33	---	278
Other Personal Loans	14	19	1	4	3	---	41
Total	$ 29	$ 124	$ 114	50	$ 36	$ 22	$ 375

The following table details the current period charge-offs by year of origination for the year ended December 31, 2023 (in thousands).

	2023	2022	2021	Prior	Revolving Loans	Total Charge-offs
Land Only	$ ---	$ ---	$ ---	$ 4	$ ---	$ 4
1-4 Family Residence	---	---	---	5	---	5
Credit Cards	---	---	---	---	3	3
Automobile	---	89	90	78	---	257
Other Personal Loans	745	13	4	3	---	765
Total	$ 745	$ 102	$ 94	$ 90	$ 3	$ 1,034

The following table presents the amortized cost basis of collateral-dependent loans by class of loans as of December 31, 2024:

	Type of Collateral			
	Residential Real Estate	Commercial Real Estate	Automobiles	Total
Residential Real Estate				
1-4 Family Residences	$ 798	$ ---	$ ---	$798
Commercial Real Estate				
Owner Occupied	---	1,729	---	1,729
Consumer – Non Real Estate				
Automobile Loans	---	---	28	28
Totals	$ 798	$ 1,729	$28	$2,555

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 LOANS: (continued)

The following table presents the amortized cost basis of collateral-dependent loans by class of loans as of December 31, 2023:

	Type of Collateral			
	Residential Real Estate	Commercial Real Estate	Automobiles	Total
Residential Real Estate				
1-4 Family Residences	$ 824	$ ---	$ ---	$824
Commercial Real Estate				
Owner Occupied	---	1,762	---	1,762
Consumer – Non Real Estate				
Automobile Loans	---	---	11	11
Totals	$ 824	$ 1,762	$11	$2,597

Modified Loans for Borrowers Experiencing Financial Difficulty

The Company's subsidiary Bank occasionally modifies loans to borrowers that may be experiencing financial difficulties by providing principal forgiveness, term extensions, interest rate reductions, or other-than-significant payment delays. The effect of most modifications is included in the allowance for credit losses due to the measurement methodologies used in its estimate, and the allowance is typically not adjusted upon modification. In cases of principal forgiveness, the amount forgiven is charged against the allowance for credit losses. In some cases, multiple types of modifications may be provided on one loan and when multiple types of modifications occur within the same period, the combination of modifications is reported separately.

During 2024, the Bank identified one loan in the commercial non real estate category that was modified and considered to be an other-than-insignificant payment delay. The amortized cost value of this loan as of December 31, 2024, was $96,000, which represents 0.54% of the total commercial non real estate category. This loan modification had a term extension of approximately 5 years, which resulted in payment reductions of approximately $25,000 annually. There were no payment defaults during the year ended December 31, 2024, for this modified loan account and the loan was not past due at year-end, December 31, 2024.

During 2023, the Bank identified one loan in the commercial owner & non-owner occupied real estate category that was modified and considered to be an other-than-insignificant payment delay. The amortized cost value of this loan as of December 31, 2023, was $448,000, which represents 0.54% of the total commercial real estate category. This loan modification had a term extension of approximately 5.5 years, which resulted in payment reductions of approximately $23,400 annually. There were no payment defaults during the year ended December 31, 2023, for this modified loan account and the loan was not past due at year-end, December 31, 2023.

The Bank closely monitors the payment status and performance of modified loans to understand the effectiveness of its modification efforts. Upon the determination that all or a portion of a modified loan becomes uncollectible, that amount is charged against the allowance for credit losses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: ALLOWANCE FOR CREDIT LOSSES ON LOANS (ACL):

The summary table below includes the balance of the ACL by segment as of December 31, 2024, as well as a roll-forward representation of the activity that occurred in the ACL during the year ended December 31, 2024 (in thousands):

	Construction & Land Loans	Residential Real Estate	Commercial Real Estate	Commercial Non-Real Estate	Consumer Non-Real Estate	Total
ACL ending balance 12/31/2023	$ 27	$ 628	$ 596	$ 203	$ 894	$ 2,348
Charge-offs	---	---	(34)	---	(341)	(375)
Recoveries	4	1	20	---	211	236
Provision	2	(38)	87	(6)	297	342
ACL ending balance 12/31/2024	$ 33	$ 591	$ 669	$ 197	$ 1,061	$ 2,551

The summary table below includes the balance of the ACL by segment as of December 31, 2023, as well as a roll-forward representation of the activity that occurred in the ACL during the year ended December 31, 2023 (in thousands):

	Construction & Land Loans	Residential Real Estate	Commercial Real Estate	Commercial Non-Real Estate	Consumer Non-Real Estate	Total
ACL ending balance 12/31/2022	$ 52	$ 775	$ 744	$ 158	$ 388	$ 2,117
Adoption of CECL adjustment	(42)	(107)	(75)	18	363	157
Charge-offs	(4)	(5)	---	---	(1,025)	(1,034)
Recoveries	---	---	4	---	286	290
Provision	21	(35)	(77)	27	882	818
ACL ending balance 12/31/2023	$ 27	$ 628	$ 596	$ 203	$ 894	$ 2,348

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 BANK PREMISES and EQUIPMENT:

Bank premises, equipment and computer software included in the financial statements at December 31, 2024 and 2023 are as follows:

	2024	2023
	(In Thousands)	
Land	$ 1,491	$ 1,491
Land improvements and buildings	5,850	5,850
Furniture and equipment	4,682	4,710
Computer software	1,640	1,606
	13,663	13,657
Less accumulated depreciation	10,117	9,940
Net	$ 3,546	$ 3,717

Depreciation and amortization related to bank premises, equipment and software included in operating expense was $246,000 and $251,000 for the years ended December 31, 2024 and 2023, respectively.

NOTE 9 LEASES:

The Company leases an office property and may, from time to time, lease equipment used in its operations in the normal course of business. Leases greater than 12 months in duration are recorded in the consolidated balance sheets at the lease commencement date and are classified as either operating or finance leases based on the Company's assessment of the underlying agreement.

Lease liabilities represent the Company's obligation to make lease payments and are presented at each reporting date as the net present value of the remaining contractual cash flows. Cash flows are discounted at the Company's incremental borrowing rate in effect at the commencement date of the lease. Right-of-use assets represent the Company's right to use the underlying asset for the lease term and are calculated as the sum of the lease liability and if applicable, prepaid rent, initial direct costs and any incentives received from the lessor.

The Company currently has one long-term lease, a branch location in Charlottesville, Virginia, and is reflected in the tables below. There are no options to renew included in the lease agreement. This lease agreement also does not provide for a residual value guarantee and has no restrictions or covenants that would impact dividends or require incurring additional financial obligations. The right-of-use asset and lease liability are included in other assets and accrued expenses and other liabilities, respectively, in the Consolidated Balance Sheets.

The following tables present information about the Company's operating leases:

(Dollars in thousands)	December 31, 2024	December 31, 2023
Lease Liability	$ 33	$ 118
Right-of-use asset	$ 33	$ 118
Weighted average remaining lease term	5 months	15.3 months
Weighted average discount rate	4.61%	4.53%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 LEASES: (continued)

	For the Years Ended	
(Dollars in thousands)	December 31, 2024	December 31, 2023
Cash paid for amounts included in lease liabilities	$ 89	$ 94
Operating lease cost	$ 89	$ 94

A maturity analysis of operating lease liability and reconciliation of the undiscounted cash flows to the total operating lease liability is as follows:

For the years ending December 31	Lease Payments Due (in thousands)
2025	$ 34
Total undiscounted cash flows	$ 34
Discount	(1)
Lease liability	$ 33

NOTE 10 DEPOSITS:

The Bank's total deposit portfolio consists primarily of demand checking accounts, savings accounts and time deposit accounts. Total deposits were $271.7 million and $263.8 million as of December 31, 2024 and 2023, respectively. Customer time deposit balances that met or exceeded the $250,000 FDIC insurance limit totaled $36.5 million and $30.1 million as of December 31, 2024 and 2023, respectively. At December 31, 2024, time deposit scheduled maturities (in thousands) were as follows:

2025		$ 87,985
2026		5,516
2027		1,266
2028		444
2029		398
2030 & Beyond		247
	Total	$ 95,856

The Bank had two customers with large deposit balances exceeding 5% of total deposits as of December 31, 2024. The total deposit balances for these customers as of December 31, 2024 were $35.6 million or 13.1% of total deposits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 BORROWINGS:

The Bank has a line of credit with the Federal Home Loan Bank of Atlanta upon which credit advances can be made up to 40% of total Bank assets, subject to certain eligibility requirements. The total credit availability as of December 31, 2024 was $108.7 million, with outstanding advances and letter of credit balances totaling $34.5 million and $7.5 million, respectively. The net remaining availability as of December 31, 2024 was $66.7 million, subject to collateral requirements. Outstanding FHLB advances at December 31, 2024 consisted of three fixed rate advances in the amount of $34.5 million with a weighted interest rate of 4.07%. Additionally, the Bank had a letter of credit in the amount of $7.5 million which was pledged to secure public deposits. Advances totaling $22.5 million require quarterly interest payments with the full amount of principal due at maturity in 2028. A short term advance in the amount of $12.0 million, with quarterly interest payments, will mature June 20, 2025. FHLB advances bear interest at a fixed or floating rate depending on the terms and maturity of each advance and numerous renewal options are available. At December 31, 2024, the Bank had $58.7 million of first lien 1-4 family residential mortgages, commercial real estate, multi-family and home equity line of credit loans pledged as collateral with $16.7 million in unused credit availability. On certain fixed rate advances, the FHLB may convert the advance to an indexed floating rate at some set point in time for the remainder of the term. If the advance converts to a floating rate, the Bank may repay all or part of the advance without a prepayment penalty. At December 31, 2023, the Bank had total outstanding advances of $22.5 million and a letter of credit of $7.5 million.

The Bank also has available unsecured credit lines with other correspondent banks totaling $21.0 million, which can be used for short-term liquidity purposes, if necessary. Any funds borrowed on these credit lines are required to be repaid within 7 to 30 business days. The interest rate on such borrowings is set in accordance with the then current daily market rate. As of December 31, 2024 and 2023, there were no outstanding borrowings against these credit facilities.

NOTE 12 DIVIDEND LIMITATION ON SUBSIDIARY BANK:

A principal source of funds of the Company is dividend transfers paid by the Bank. The amount of dividends the Bank may pay to the Company is regulated by the Federal Reserve. As of December 31, 2024, the maximum amount of dividends the Bank could pay to the Company was $6.4 million or 17.2% of the consolidated net assets, without requesting permission from the Federal Reserve Bank. There are additional regulatory guidelines, which establishes further limitations for banks based on quarterly earnings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 INCOME TAXES:

The Company files income tax returns in the U.S. federal jurisdiction and the states of Virginia, West Virginia and North Carolina. With few exceptions, the Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years prior to 2021. The components of income tax expense for the years ended December 31 were as follows:

	2024	2023
	(In Thousands)	
Current income tax expense	$ 708	$ 262
Deferred income tax expense (benefit)	(42)	1
Income Tax Expense	$ 666	$ 263

The reasons for the differences between income tax expense and the amount computed by applying the statutory federal income tax rate for the years ended December 31, were as follows:

	2024	2023
	(In Thousands)	
Income taxes computed at the applicable federal income tax rate	$ 702	$ 453
Increase (decrease) resulting from:		
Tax-exempt income and dividends	(17)	(20)
Low income housing investments, net	(24)	(186)
Other	5	16
Income Tax Expense	$ 666	$ 263

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 INCOME TAXES: (continued)

At December 31, net deferred tax assets, included in other assets in the Consolidated Balance Sheets were comprised of the following:

	2024	2023
	(In Thousands)	
Deferred Tax Assets:		
Allowance for credit losses on loans	$ 470	$ 425
Lease liability	7	25
Nonaccrual interest	5	5
Securities available for sale	643	950
Deferred loan fees	74	84
Other	3	3
Total	$ 1,202	$1,492
Deferred Tax Liabilities:		
Depreciation	$ 33	$ 51
Right-of-use asset	7	25
Cash surrender value of life insurance	59	56
Goodwill	76	76
Equity securities	1	--
Other	35	28
Total	$ 211	$ 236
Net Deferred Tax Assets	$ 991	$ 1,256

NOTE 14 REGULATORY MATTERS:

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

The quantitative measures established by regulation ensure capital adequacy and require the Bank to maintain minimum amounts and ratios as set forth in the table below. In conjunction with the minimum capital requirements, the Bank is also required to maintain a capital conservation buffer which is intended to absorb losses during periods of financial and economic stress. Failure to maintain the minimum ratios, inclusive of the buffer, will result in restrictions on capital distributions and other payments. This buffer was 2.5% for all periods presented and is applicable for all ratios with the exception of the tier 1 leverage ratio. Management believes, as of December 31, 2024 and 2023, the Bank met all capital adequacy requirements to which it was subject. As of December 31, 2024, the most recent notification from the Bank's primary federal regulator 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 I risk-based, Common Equity Tier I, and Tier I leverage ratios as set forth in the table. The Bank's actual capital amounts and ratios are also presented in the following table:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 REGULATORY MATTERS: (continued)

	Actual		For Capital Adequacy Purposes		Minimum To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(in thousands)			
As of December 31, 2024:						
Total Capital to Risk Weighted Assets:						
Pioneer Bank	$ 39,179	15.19%	$ 20,629	≥ 8.0%	$ 25,786	≥10.0%
Tier I Capital to Risk Weighted Assets:						
Pioneer Bank	$ 36,677	14.22%	$ 15,472	≥ 6.0%	$ 20,629	≥ 8.0%
Common Equity Tier I Capital to Risk Weighted Assets:						
Pioneer Bank	$ 36,677	14.22%	$ 11,604	≥ 4.5%	$ 16,761	≥ 6.5%
Tier I Capital to Average Assets:						
Pioneer Bank	$ 36,677	10.70%	$ 13,713	≥ 4.0%	$ 17,141	≥ 5.0%
As of December 31, 2023:						
Total Capital to Risk Weighted Assets:						
Pioneer Bank	$ 37,028	15.65%	$ 18,926	≥ 8.0%	$ 23,657	≥10.0%
Tier I Capital to Risk Weighted Assets:						
Pioneer Bank	$ 34,763	14.69%	$ 14,194	≥ 6.0%	$ 18,926	≥ 8.0%
Common Equity Tier I Capital to Risk Weighted Assets:						
Pioneer Bank	$ 34,763	14.69%	$ 10,646	≥ 4.5%	$ 15,377	≥ 6.5%
Tier I Capital to Average Assets:						
Pioneer Bank	$ 34,763	10.97%	$ 12,671	≥ 4.0%	$ 15,839	≥ 5.0%

NOTE 15 EARNINGS PER SHARE:

The following shows the weighted average number of shares used in computing earnings per share for the years ended December 31, 2024 and 2023.

	2024		**2023**	
	Weighted Average Shares	Per Share Amount	Weighted Average Shares	Per Share Amount
Basic and diluted earnings per share	996,364	$2.69	988,963	$ 1.92

There were no potentially dilutive securities outstanding during the years ended December 31, 2024 and 2023.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16 OFF-BALANCE SHEET COMMITMENTS:

The contract or notional amount of financial instruments with off-balance sheet risks are as follows:

	December 31, 2024	December 31, 2023
	(In Thousands)	
Unfunded lines of credit (commercial and personal)	$ 13,062	$ 13,843
Loan commitments and letters of credit (commercial and personal)	23,272	17,200
Credit card unused credit limits	2,072	1,929

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 drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if it is deemed necessary by the Bank, is based on management's credit evaluation of the counter-party.

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 generally are un-collateralized 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 commitments issued by the Bank to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. 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 those commitments for which collateral is deemed necessary.

NOTE 17 TRANSACTIONS WITH RELATED PARTIES:

During the year, executive officers and directors (and companies controlled by them) were customers of and had transactions with the Company in the normal course of business. These transactions were made on substantially the same terms as those prevailing for other customers and did not involve any abnormal risk. Deposit account balances of executive officers, directors and their related interests totaled $27.5 million as of December 31, 2024 and $28.7 million for the year ended December 31, 2023. Loan transactions, including all extensions of credit to such related parties are shown in the following schedule:

	2024	2023
	(In Thousands)	
Total loans, beginning of year	$ 4,480	$ 3,363
New loans	1,010	1,231
Payments	(711)	(114)
Total loans, end of year	$ 4,779	$ 4,480

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 FAIR VALUE MEASUREMENTS:

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

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

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

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 model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market.

The following describes the valuation techniques used by the Company to measure certain financial assets and liabilities recorded at fair value on a recurring basis in the financial statements:

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 in active markets, 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. Third party vendors compile prices from various sources and may determine the fair value of identical or similar securities by using pricing models that considers observable market data (Level 2).

Equity securities: Equity securities with readily determinable fair value are recorded at fair value on a recurring basis. Fair values for equity securities are based upon quoted market prices for identical securities in active markets (Level 1) or quoted prices for identical securities in markets not deemed to be active due to the volume of shares transferred and frequency of trades (Level 2).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOTE 18 FAIR VALUE MEASUREMENTS (continued):

The following table presents the balances of financial assets measured at fair value on a recurring basis as of December 31, 2024 and December 31, 2023:

		Fair Value Measurements Using:		
Description	Balances Outstanding (In Thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2024				
U.S. treasury securities	$ 97	$ ---	$ 97	$ ---
Mortgage-backed Securities	1,354	---	1,354	---
Agency securities	28,063	---	28,063	---
State & Municipals	10,532	---	10,532	---
Corporate securities	3,385	---	3,385	---
Total Available for sale securities	$ 43,431	$ ---	$ 43,431	$ ---
Equity Securities	$ 29	$ 29	$ ---	$ ---
As of December 31, 2023				
U.S. treasury securities	$ 4,966	$ ---	$ 4,966	$ ---
Mortgage-backed Securities	1,578	---	1,578	---
Agency securities	27,308	---	27,308	---
State & Municipals	14,166	---	14,166	---
Corporate securities	3,303	---	3,303	---
Total Available for sale securities	$ 51,321	$ ---	$ 51,321	$ ---
Equity Securities	$ 21	$ 13	$ 8	$ ---

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 financial statements:

Individually Evaluated Collateral-Dependent Loans: The estimated fair value of individually evaluated collateral-dependent loans is based on the value of the underlying collateral or the value of the underlying collateral, less estimated costs to sell, as appropriate. Collateral is generally real estate; however, collateral may include vehicles, equipment, inventory, accounts receivable, and/or other business assets. The value of real estate collateral is generally determined using a market valuation approach based on a full appraisal conducted by an independent, licensed appraiser or in certain circumstances for smaller properties, internal evaluations, tax assessments or other market value estimates. Estimates of selling costs, where applicable, are derived from the Company's prior experience in selling similar properties. The values of collateral other than real estate may also be based on an appraisal, market quotations, aging schedules, or other sources. Collateral-dependent individually evaluated loans are classified within Level 3 of the fair value hierarchy. Any fair value adjustments are recorded in the period incurred as a provision for credit losses on the Consolidated Statements of Income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 FAIR VALUE MEASUREMENTS (continued):

Other Real Estate Owned: Certain assets such as other real estate owned (OREO) are measured at fair market value less selling expenses. Fair value of OREO properties held are generally based on current appraisal values, as previously defined above. There were no properties held in OREO at December 31, 2024 and 2023.

The following table summarizes the Company's assets that were measured at fair value on a nonrecurring basis during the period.

		Carrying values		
Description of Assets:	Balances Outstanding (In Thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2024				
Individually evaluated collateral-dependent loans	$ 7	$ ---	$ ---	$ 7
As of December 31, 2023				
Individually evaluated collateral-dependent loans	$ 42	$ ---	$ ---	$ 42

The following table displays quantitative information about Level 3 Fair Value Measurements for December 31, 2024 (dollars in thousands):

	Quantitative information about Level 3 Fair Value Measurements			
	Fair Value	Valuation Technique(s)	Unobservable Input	Range (Weighted Average) [1]
Assets				
Individually evaluated collateral-dependent loans	$ 7	Discounted appraised value or recent tax assessment values	Selling costs and discounts for age of the valuation and/or lack of marketability	75%

[1] Weighted based on the relative fair values of the instruments.

The following table displays quantitative information about Level 3 Fair Value Measurements for December 31, 2023 (dollars in thousands):

	Quantitative information about Level 3 Fair Value Measurements			
	Fair Value	Valuation Technique(s)	Unobservable Input	Range (Weighted Average) [1]
Assets				
Individually evaluated collateral-dependent loans	$ 42	Discounted appraised value or recent tax assessment values	Selling costs and discounts for age of the valuation and/or lack of marketability	44%

[1]Weighted based on the relative fair values of the instruments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 FAIR VALUE MEASUREMENTS (continued):

FASB ASC 825, Financial Instruments, requires disclosure about fair value of financial statements, including those financial assets and financial liabilities that are not required to be measured at fair value on a recurring or nonrecurring basis. ASC 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts are presented in the following tables whether or not recognized on the Consolidated Balance Sheets at fair value.

The carrying values and estimated fair values of the Company's financial instruments as of December 31, 2024 are as follows:

		Fair Value Measurements at December 31, 2024 using			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value Balance
Assets			(In thousands)		
Cash and cash equivalents	$3,362	$ 3,362	$ ---	$ ---	$3,362
Interest bearing deposits in other banks	26,679	26,529	---	148	26,677
Federal funds sold	1,217	1,217	---	---	1,217
Securities available for sale	43,431	---	43,431	---	43,431
Equity securities	29	29	---	---	29
Loans, net	260,088	---	---	257,498	257,498
Bank owned life insurance	506	---	506	---	506
Accrued interest receivable	1,168	---	1,168	---	1,168
Liabilities					
Non-interest bearing deposits	85,601	---	85,601	---	85,601
Interest bearing demand deposits	46,889	---	46,889	---	46,889
Savings deposits	43,310	---	43,310	---	43,310
Time deposits	95,856	---	---	95,607	95,607
Borrowings	34,500	---	34,387	---	34,387
Accrued interest payable	799	---	799	---	799

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 FAIR VALUE MEASUREMENTS (continued):

The carrying values and estimated fair values of the Company's financial instruments as of December 31, 2023 are as follows:

		Fair Value Measurements at December 31, 2023 using			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value Balance
Assets		(In thousands)			
Cash and cash equivalents	$3,462	$ 3,462	$ ---	$ ---	$3,462
Interest bearing deposits in other banks	19,058	18,908	---	150	19,058
Federal funds sold	538	538	---	---	538
Securities available for sale	51,321	---	51,321	---	51,321
Equity securities	21	13	8	---	21
Loans, net	237,444	---	---	233,138	233,138
Bank owned life insurance	490	---	490	---	490
Accrued interest receivable	1,062	---	1,062	---	1,062
Liabilities					
Non-interest bearing deposits	89,678	---	89,678	---	89,678
Interest bearing demand deposits	50,124	---	50,124	---	50,124
Savings deposits	47,003	---	47,003	---	47,003
Time deposits	76,950	---	---	78,118	78,118
Borrowings	22,500	---	20,131	---	20,131
Accrued interest payable	851	---	851	---	851

NOTE 19 BENEFIT PLANS:

The Bank has a 401(k) Plan available to employees at least 18 years of age on the first day of the month following their start date. Employees may contribute compensation subject to certain limits based on federal tax laws. The Bank makes matching contributions up to 4% of an employee's eligible annual compensation, subject to employee contributions. The employer match calculation is 100% match on the first 3% employee contribution, then 50% match on the next 2%, up to 4% maximum. Additional amounts may be contributed, at the option of the Bank's Board of Directors. Prior to January 1, 2021, the Bank's contributions to the 401(k) Plan were in a Profit Sharing Plan. Contributions made on or after January 1, 2021 were in a Safe Harbor Plan. Employer contributions in the Profit Sharing Plan vest to the employee at 100% after six years of service. Employer contributions in the Safe Harbor Plan vest to the employee immediately. Total expense attributable to this 401(k) plan amounted to approximately $121,000 and $106,000 for years ending December 31, 2024 and 2023, respectively.

The Bank also provides a cafeteria insurance plan including medical, life, and long-term disability coverage for eligible employees. The net expense attributable to this insurance plan was approximately $405,000 and $385,000, for the years ending December 31, 2024 and 2023, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20 LOW INCOME HOUSING TAX CREDIT INVESTMENTS:

The Bank has invested in seven separate housing equity funds at December 31, 2024. The general purpose of these funds is to encourage and assist participants in investing in low-income residential rental properties located in the Commonwealth of Virginia, develop and implement strategies to maintain projects as low-income housing, deliver Federal Low Income Housing Credits to investors, allocate tax losses and other possible tax benefits to investors, and to preserve and protect project assets. The investments in these funds were recorded as other assets on the consolidated balance sheets and were $529,000 and $798,000 at December 31, 2024 and 2023, respectively. The expected terms of these investments and the related tax benefits run through 2034. Tax credits and other tax benefits recognized as a component of income tax expense during the years ended December 31, 2024 and 2023 were $187,000 and $186,000 respectively, related to these investments. Subsequent to the adoption of ASU 2023-02 on January 1, 2024 and for the year ended December 31, 2024, the Company recorded amortization totaling $163,000 as a component of income tax expense. During the year ended December 31, 2023 the Company recorded amortization totaling $234,000 in noninterest expense. There were no future commitments related to these investments as of December 31, 2024 and 2023.

NOTE 21 REVENUE RECOGNITION:

Substantially all of the Company's revenue from contracts with customers that is within the scope of ASC 606, "Revenue from Contracts with Customers" is reported within noninterest income. The recognition of interest income and certain sources of noninterest income (e.g. gains on sales of securities available for sale, change in fair value of equity securities, etc.) are governed by other areas of U.S. GAAP. Significant revenue streams that are within the scope of ASC 606 and included in noninterest income are discussed in the following paragraphs.

Service Charges on Deposit Accounts
The majority of the company's noninterest income is derived from short term contracts associated with services provided for deposit account holders. These revenue streams are principally comprised of overdrawn account charges, account maintenance charges, ATM and interchange fees, and fees for various services such as stop payments, wire transfers, and cashiers checks. The Company's performance obligations on revenue generated from deposit accounts and other related services are generally satisfied immediately, when the transaction occurs, or by month-end. Typically, the duration of a contract does not extend beyond the services performed. Due to the short duration of most customer contracts which generate these sources of noninterest income, no significant judgments must be made in the determination of the amount and timing of revenue recognized. The company earns interchange fees from debit and credit cardholder transactions conducted through the Visa and MasterCard payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are generally recognized daily, concurrently with the transaction processing services provided to the cardholder.

Commission Income
Commissions are primarily received on the brokerage of investment and insurance services to customers. Brokerage fee commissions are earned when a financial instrument trade is completed or an insurance contract is signed. Revenue from these services is recognized monthly.

Gains and Losses on the Sale of Other Real Estate Owned
The Company records a gain or loss from the sale of other real estate owned ("OREO") when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Company finances the sale of OREO to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the OREO asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. There was $9 thousand in gains on the sale of other real estate owned included in other income on the Consolidated Statements of Income for the year ended December 31, 2023. There were no gains or losses on the sale of other real estate owned for the year ended December 31, 2024.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21 REVENUE RECOGNITION (continued):

Noninterest income disaggregated by major source, for the years ended December 31, 2024 and 2023, consisted of the following:

	Years Ended December 31,	
Noninterest income (in thousands):	2024	2023
Service charges on deposit accounts [1]:		
Overdrawn account and nonsufficient funds charges	$ 294	$ 346
ATM fees	813	816
Monthly service charges	194	106
Other service charges	30	20
Commission income [1]	84	70
Gain on sale of other investment	---	93
Loss on sales and disposals of fixed assets [1]	---	(136)
Change in fair value of equity securities	8	(3)
Other operating income [2]	86	100
Total noninterest income	$ 1,509	$ 1,412

[1] Income within the scope of Topic 606.
[2] For the years ended December 31, 2024 and 2023, includes other income within the scope of Topic 606 amounting to $89 thousand and $84 thousand, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22 PARENT CORPORATION ONLY FINANCIAL STATEMENTS:

BALANCE SHEETS

	December 31, 2024	December 31, 2023
	(In Thousands)	
ASSETS		
Cash and cash equivalents	$ 2,304	$ 2,191
Investment in subsidiary	34,551	31,451
Equity securities, at fair value	29	21
Bank premises and equipment, net	282	305
Other assets	14	287
Total Assets	$ 37,180	$ 34,255
LIABILITIES		
Accrued expenses and other liabilities	$ 17	$ 8
Total Liabilities	17	8
STOCKHOLDERS' EQUITY		
Common stock	500	496
Retained earnings	39,083	37,325
Accumulated other comprehensive loss	(2,420)	(3,574)
Total Stockholders' Equity	37,163	34,247
Total Liabilities and Stockholders' Equity	$ 37,180	$ 34,255

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22 PARENT CORPORATION ONLY FINANCIAL STATEMENTS: (continued)

STATEMENTS OF INCOME

	Years Ended December 31, 2024	2023
	(In Thousands)	
INCOME		
Dividends from subsidiary	$ 700	$ ---
Dividend income	1	1
Change in fair value of equity securities	8	(3)
Rent income	82	82
Total Income	791	80
EXPENSES		
Compensation expense	101	91
Occupancy expenses	32	37
Other operating expenses	53	55
Total Expenses	186	183
Net income (loss) before income tax (benefit) and undistributed income of subsidiary	605	(103)
INCOME TAX (BENEFIT)	(18)	(8)
Net income (loss) before undistributed income of subsidiary	623	(95)
Undistributed income of subsidiary	2,053	1,991
NET INCOME	$ 2,676	$ 1,896

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22 PARENT CORPORATION ONLY FINANCIAL STATEMENTS: (continued)

STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2024	2023
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 2,676	$ 1,896
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Undistributed subsidiary income	(2,053)	(1,991)
Fair value adjustment on equity securities	(8)	3
Depreciation	23	24
Net change in:		
Other assets	463	49
Accrued expenses and other liabilities	9	1
Net Cash Provided by (Used In) Operating Activities	1,110	(18)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Retirement of stock	---	(513)
Dividends paid	(997)	(989)
Net Cash (Used in) Financing Activities	(997)	(1,502)
Net Increase (Decrease) in Cash and Cash Equivalents	113	(1,520)
Cash and Cash Equivalents, Beginning of Year	2,191	3,711
Cash and Cash Equivalents, End of Year	$ 2,304	$ 2,191