SECURITY BANCORP, INC.

2024 Annual Report



The Barren Fork River near Downtown McMinnville
Photo by Ian Riley

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PRESIDENT'S MESSAGE



To Our Stockholders:

On behalf of the Board of Directors, Officers and Employees of Security Bancorp, Inc. and its wholly-owned subsidiary, Security Federal Savings Bank, we are pleased to present our twenty-seventh Annual Report as a public company. The Bank benefited from a very strong local economy during 2024 that helped grow our customer base both in total loans and deposits. The dedicated work of our employees and the growth of our community have been major contributing factors to our successful results. As we embark on our 65th year in 2025 we will continue to focus on improving shareholder value. We are thankful for your continued investment.

Net income for the year ended December 31, 2024 was $4.1 million, or $10.65 per share, compared to $3.3 million, or $8.56 per share, in 2023. This $798,000, or 24.4%, increase in net income was primarily due to an increase in net interest income as a result of an increase in the yield on loans offset by an increase in the cost of deposits. The Company's consolidated assets totaled $359.7 million at December 31, 2024 compared to $324.4 million a year earlier, representing a 10.9% increase. The increase in assets was primarily attributable to an increase in loan balances funded by an increase in customer deposits. Total stockholders' equity was $35.6 million at December 31, 2024, compared to $31.2 million for the prior year. During the year ended December 31, 2024, the Company paid its twenty-seventh annual dividend of $1.00 per share.

Income diversification remained a primary focus of the Company during 2024 and we believe that this diversification will continue to enhance the Company's performance in the future. At December 31, 2024, loans secured by real estate represented 79% of the Bank's total loan portfolio. Diversification has also been achieved through the Bank's mortgage and financial services departments which provide additional sources of non-interest income. The Bank's mortgage department services an off-balance sheet loan portfolio of $89.1 million at December 31, 2024.

Our management team continues to believe that the quality of our loan portfolio is very strong. At December 31, 2024, the Bank had $139,000, or 0.04%, in non-performing assets. We believe that this low level of non-performing assets is indicative of both our prudent underwriting practices as well as the quality of customers that choose to bank with Security Federal Savings Bank.

On behalf of the Board of Directors, management and staff, we would like to thank you for your continued loyalty and confidence in us and your investment in Security Bancorp, Inc.

Sincerely,

Michael D. Griffith
President and CEO

BUSINESS OF THE COMPANY

Security Bancorp, Inc. ("Company"), a Tennessee corporation, was organized on March 18, 1997 for the purpose of becoming the holding company for Security Federal Savings Bank of McMinnville, TN ("Bank") upon its conversion from a federal mutual savings bank to a federal stock savings bank ("Conversion"). The Company issued 436,425 shares of common stock at $10.00 per share and on June 30, 1997 the conversion was completed. At December 31, 2024, the Company's total consolidated assets were $359.7 million and had a total consolidated stockholders' equity of $35.6 million. The Company is not engaged in any significant business activity other than holding the stock of the Bank. Accordingly, the information in this report, including financial statements and related data, applies primarily to the Bank.

The Bank was organized in 1960 as a federal savings and loan association. Effective February 11, 2009, the Bank converted to a Tennessee chartered commercial bank and the Company became a bank holding company regulated by the Board of Governors of the Federal Reserve System ("Federal Reserve"). The Bank's primary regulator is the Tennessee Department of Financial Institutions ("Department") and the Federal Deposit Insurance Corporation ("FDIC"). The Bank's deposits are insured up to applicable limits by the FDIC and the Bank is a member of the Federal Home Loan Bank ("FHLB") System.

The Bank operates as a community-oriented financial institution devoted to serving the needs of its customers in its primary market area of Warren County, Tennessee and contiguous counties. The Bank's business consists primarily of attracting deposits from the general public and using those funds to originate residential real estate loans, acquisition and development loans, commercial business loans, and consumer loans.

FORWARD-LOOKING STATEMENTS

This Annual Report, including information included or incorporated by reference, contains future oral and written statements by the Company and its management may contain, forward-looking statements about the Company and the Bank, which we believe are within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements with respect to anticipated future operating and financial performance, growth opportunities, interest rates acquisition and divestiture opportunities, and synergies, efficiencies, cost savings and funding advantages expected to be realized from prior acquisitions. Words such as "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan," and similar expressions are intended to identify these forward-looking statements. Forward-looking statements by the Company and its management are based on beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions of management and are not guarantees of future performance. The Company disclaims any obligation to update or revise any forward-looking statements based on the occurrence of future events, the receipt of new information, or otherwise. The important factors we discuss below and elsewhere in this document, as well as other factors discussed under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" included herein**,** and identified in our filings with the Department, FDIC, Federal Reserve, and those presented by our management from time to time, could cause actual results to differ materially from those indicated by the forward-looking statements made in this Annual Report.

COMMON STOCK INFORMATION

The Company's common stock is traded on the over-the-counter market through the OTC "Electronic Bulletin Board" under the symbol of "SCYT". As of December 31, 2024, there were approximately 185 stockholders of record and 436,425 shares of common stock outstanding (including 64,627 shares of treasury stock). Generally, if the Bank satisfies its regulatory capital requirements, it may make dividend payments up to the limits prescribed in the regulations. However, institutions that have converted to the stock form of ownership may not declare or pay a dividend on, or repurchase any of, its common stock if the effect thereof would cause the regulatory capital of the institution to be reduced below the amount required in accordance with the regulations. To date, the Company has not established a policy of paying regular cash dividends.

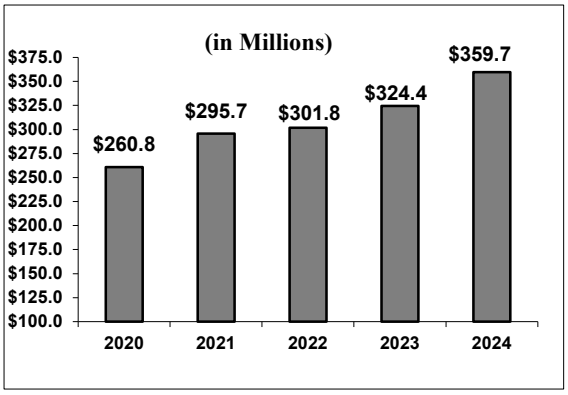
The following table sets forth market price range of the Company's common stock for the four quarters of fiscal years 2022, 2023 and 2024.

2022	High	Low	Dividend
First Quarter	$67.50	$67.50	N/A
Second Quarter	68.80	67.00	N/A
Third Quarter	63.00	59.00	$1.00/share
Fourth Quarter	61.00	59.26	N/A
2023			
First Quarter	$60.00	$58.75	N/A
Second Quarter	61.00	56.25	N/A
Third Quarter	59.20	57.00	$1.00/share
Fourth Quarter	62.00	58.00	N/A
2024			
First Quarter	$62.00	$60.00	N/A
Second Quarter	64.00	56.50	N/A
Third Quarter	67.00	60.00	$1.00/share
Fourth Quarter	69.50	69.50	N/A

FINANCIAL HIGHLIGHTS

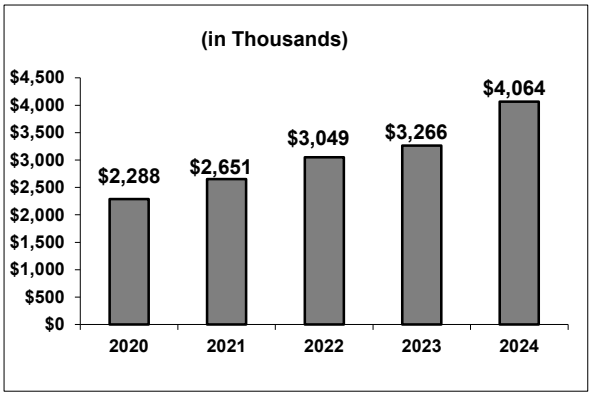
Total Assets

Assets at December 31, 2024 were $359.7 million.



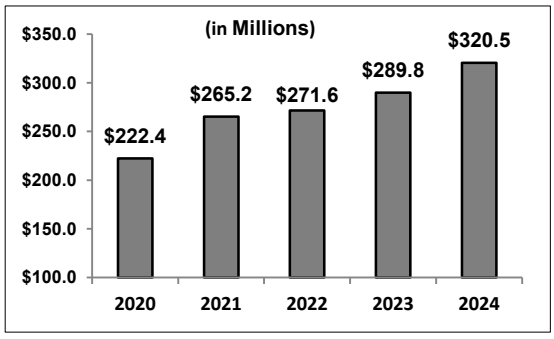
Net Income

Net income was $4.1 million in 2024.



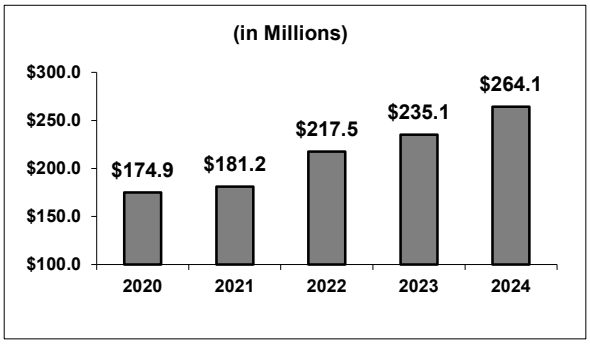
Deposits

Deposits at December 31, 2024 were $320.5 million.



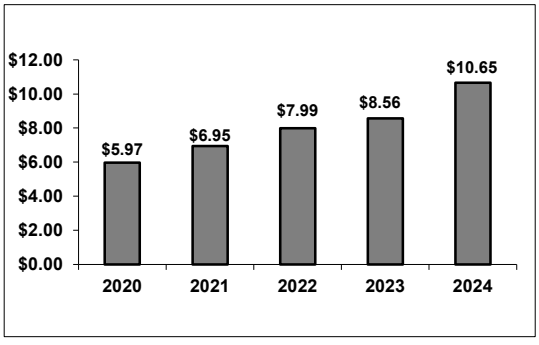
Loans

At December 31, 2024, net loans were $264.1 million.



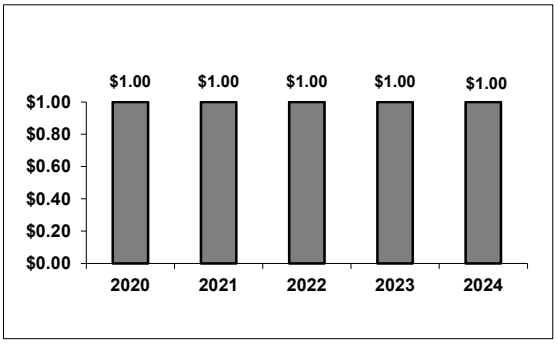
Earnings per Share

Earnings per share were $10.65 in 2024.



Dividends

The Company declared and paid a $1.00 dividend in 2024.



SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth certain information concerning the consolidated financial position and results of operations of the Company at and for the dates indicated. The consolidated data is derived in part from, and should be read in conjunction with, the Consolidated Financial Statements of the Company and its Subsidiary presented herein.

	At December 31,				
	2024	2023	2022	2021	2020
			(In thousands)		
SELECTED CONSOLIDATED FINANCIAL CONDITION DATA:					
Total assets	$359,725	$324,440	$301,759	$295,745	$260,827
Net loans receivable	264,055	235,086	217,526	181,242	174,913
Cash and due from banks	38,147	32,551	19,231	46,421	39,659
Investment securities available for sale	45,047	45,837	54,307	58,816	37,216
Deposits	320,527	289,810	271,648	265,189	222,352
FHLB advances	-0-	-0-	-0-	-0-	2,000
Repurchase agreements	-0-	-0-	-0-	-0-	7,719
Stockholders' equity, substantially restricted	35,609	31,180	27,245	28,042	26,298

	Year Ended December 31,				
	2024	2023	2022	2021	2020
			(In thousands)		
SELECTED CONSOLIDATED OPERATING DATA:					
Interest income	$19,613	$15,601	$10,309	$8,464	$9,068
Interest expense	8,544	5,743	1,274	1,075	1,711
Net interest income	11,069	9,858	9,035	7,389	7,357
Provision for credit losses	415	244	235	240	200
Provision for off balance sheet credit exposures	300	-0-	-0-	-0-	-0-
Net interest income after provision for credit losses	10,354	9,614	8,800	7,149	7,157
Other income	2,763	1,621	1,784	2,648	2,017
Other expenses	7,663	6,839	6,493	6,236	6,129
Income before income taxes	5,454	4,396	4,091	3,561	3,045
Provision for income tax expense	1,390	1,130	1,042	910	757
Net income	$4,064	$3,266	$3,049	$2,651	$2,288
Earnings per common share (in dollars)	$10.65	$8.56	$7.99	$6.95	$5.97

	For the Year Ended December 31,				
	2024	2023	2022	2021	2020
KEY OPERATING RATIOS					
Performance Ratios:					
Return on average assets (net income divided by average assets)	1.20%	1.05%	1.02%	0.94%	0.94%
Return on average equity (net income divided by average equity)	12.23	11.28	11.27	9.74	8.97
Interest rate spread (difference between average yield on interest-earning assets and average cost of interest-bearing liabilities)	2.64	2.69	3.10	2.72	3.05
Net interest margin (net interest income as a percentage of average interest-earning assets)	3.42	3.31	3.26	2.86	3.29
Noninterest expense as a percent of average assets	2.26	2.19	2.18	2.21	2.51
Average interest-earning assets to interest-bearing liabilities	129.27	132.24	132.92	132.88	131.31
Efficiency ratio (other expenses divided by the sum of net interest income and noninterest income)	58.42	60.87	61.34	63.65	66.81
Capital Ratios:					
Average equity to average assets	9.80	9.27	9.10	9.67	10.46
Tangible capital to assets	10.59	10.69	10.26	9.48	10.03
Core capital to assets	10.59	10.69	10.26	9.48	10.03
Tier I capital to risk adjusted assets	14.06	13.82	13.55	14.51	14.20
Asset Quality Ratios:					
Allowance for credit losses to total loans at end of period	1.04	1.01	0.98	1.11	1.02
Net charge offs to average outstanding loans during the period	0.02	(0.008)	0.06	(3.74)	0.04
Ratio of nonperforming assets to total assets (1)	0.04	0.11	0.10	0.11	0.11
Ratio of allowance for credit losses to nonperforming assets (1)	2001.69	664.19	687.22	677.41	609.46
SELECTED OTHER DATA:					
Number of:					
Real estate loans outstanding	2,022	2,008	1,993	2,027	2,035
Deposit accounts	11,686	11,391	10,932	10,791	10,382
Full-service offices	3	3	3	3	3

(1) Nonperforming assets consist of non-accrual loans, accruing loans contractually past due 90 days or more, and foreclosed property.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

Management's discussion and analysis of the financial condition and results of operations is intended to assist in understanding the consolidated financial condition and results of operations of the Company. The information contained in this section should be read in conjunction with the Consolidated Financial Statements and accompanying notes thereto included herein.

Operating Strategy

The business of the Bank consists principally of attracting deposits from the general public and using such deposits to originate mortgage loans secured primarily by one-to-four family residences. The Bank also originates mortgage loans secured by residential real estate, consumer, commercial business, acquisition and development, and commercial real estate loans. The Bank invests primarily in investment grade federal agency securities, municipals and mortgage-backed securities. The Bank intends to continue to fund its assets primarily with deposits, although FHLB advances and repurchase agreements may be used as supplemental sources of funds.

Operating results are dependent primarily on net interest income, which is the difference between the income earned on its interest-earning assets, such as loans and investments, and the cost of its interest-bearing liabilities, consisting of deposits and other borrowings. Operating results are also significantly affected by general economic and competitive conditions, primarily changes in market interest rates, governmental legislation and policies concerning monetary and fiscal affairs and housing, as well as financial institutions and the attendant actions of the regulatory authorities.

The Bank's strategy is to operate as a conservative, well-capitalized, profitable community-oriented financial institution dedicated to financing home ownership and other consumer and local business needs and to provide quality service to all customers. The Bank believes that it has successfully implemented its strategy by: (i) maintaining strong capital levels, (ii) maintaining effective control over net noninterest income to attempt to achieve profitability under differing interest rate scenarios, (iii) limiting interest rate risk by diversifying its assets, (iv) emphasizing local loan originations, and (v) emphasizing high-quality customer service with a competitive fee structure.

Interest Rate Risk Management

The Bank's principal financial objective is to maintain long-term profitability by utilizing conservative underwriting standards and limiting non-performing assets. The Bank has sought to reduce the exposure of its earnings to changes in market interest rates by managing the mismatch between asset and liability maturities and interest rates. The principal element in achieving the objective is to maintain the interest-rate sensitivity of the Bank's assets by originating loans with interest rates based on market interest rates. The Bank relies on retail deposits as its primary external source of funds. Management believes retail deposits, compared to brokered deposits and long-term borrowings reduce the effects of interest rate fluctuations because these deposits generally represent a more stable source of funds.

Liquidity and Capital Resources

The Bank's primary sources of funds are deposits and proceeds from principal and interest payments on loans. While maturities and scheduled amortization of loans are a predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions, and competition. The Bank's primary investing activities are loan originations and to a lesser extent, investment securities. The Bank maintains liquidity levels adequate to fund loan commitments, investment opportunities, deposit withdrawals and other financial commitments. At December 31, 2024, the Bank's liquidity ratio was 11.68%. The Bank also had unfunded loan commitments of $57.3 million and outstanding commercial letters of credit of $286,750. At December 31, 2024, management had no knowledge of any trends, events or uncertainties that will have or are likely to have material effects on the liquidity, capital resources or operations of the Bank.

Comparison of Financial Condition at December 31, 2024 and 2023

Total assets increased $35.3 million, or 10.9%, to $359.7 million at December 31, 2024 from $324.4 million at December 31, 2023. Loans, net, increased $29.0 million, or 12.3%, to $264.1 million at December 31, 2024 from $235.1 million at December 31, 2023 primarily as a result of increases in commercial and residential real estate loans as well as other commercial loans. Investment securities decreased $790,000, or 1.7%, to $45.0 million at December 31, 2024 from $45.8 million at December 31, 2023. The decrease in investment securities was due to maturities of investment securities. Deposits increased $30.7 million, or 10.6%, to $320.5 million at December 31, 2024 from $289.8 million at December 31, 2023. The increase was primarily attributable to an increase in interest-bearing demand deposits and certificates of deposit. Stockholders' equity increased $4.4 million, or 14.2%, to $35.6 million at December 31, 2024 from $31.2 million at December 31, 2023. The increase in stockholders' equity was due to the decrease in unrealized losses on securities available-for-sale and an increase in retained earnings.

Comparison of Operating Results for the Years Ended December 31, 2024 and 2023

Net Income. Net income for the year ended December 31, 2024 was $4.1 million compared to $3.3 million for the prior year ended December 31, 2023. The $798,000, or 24.4%, increase was primarily due to an increase in net interest income as a result of an increase in the yield on loans offset by an increase in the cost of deposits.

Net Interest Income. Net interest income after provision for credit losses for the year ended December 31, 2024 increased $740,000, or 7.7%. Total interest income increased $4.0 million, or 25.7%, to $19.6 million for the year ended December 31, 2024 from $15.6 million the prior year primarily as a result of an increase in interest income on loans, interest-bearing cash and due from banks. Interest expense increased $2.8 million to $8.5 million for the year ended December 31, 2024 from $5.7 million a year earlier primarily a result of interest rate increases as well as an increase in interest-bearing account balances.

Provision for Credit Losses. Provisions for credit losses are charges to earnings to bring the total allowance for credit losses to a level considered adequate by management to provide for estimated credit losses. They are based on management's evaluation of the collectability of the loan portfolio, including past credit loss experience, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and current economic conditions. The provision for credit losses increased by $171,000 to $415,000 for the year ended December 31, 2024 from $244,000 for the year ended December 31, 2023. Management increased provisions for credit losses due to the significant loan growth during 2024. Management also added a provision for off-balance sheet credit exposure. The

provision for 2024 was $300,000. Management considers the allowance for credit losses on loans and off-balance sheet credit exposures adequate at December 31, 2024.

Other Income. Total other income increased by $1.1 million, or 70.5%, to $2.8 million for the year ended December 31, 2024 from $1.6 million the prior year. The primary increases in other income are the result of one-time occurrences in 2024. Contract incentives totaling $327,500 were received after successful renegotiation of debit card processing services. The Bank also made an adjustment to tax accruals to capture reserves not needed for future tax obligations. Management deems all tax accruals are adequate for 2024 tax expenses.

Other Expenses. Total other expenses increased by $824,000, or 12%, to $7.7 million for the year ended December 31, 2024 from $6.8 million compared to the prior year. Occupancy expense increased by $22,000, or 2.5% to $891,000 during fiscal 2024 compared to $869,000 during the prior fiscal year. The increase in occupancy expense was primarily due to repairs and maintenance during 2024. Data processing increased $56,000, or 6.2%, for the year ended December 31, 2024 to $958,000 from $902,000 in the prior year and is primarily attributable to additional processing costs due to Bank growth and account activity. Legal and professional fees increased $351,000 due to establishing new consulting relationships related to the card and data processing contracts.

Income Tax Expense. Income tax expense increased $260,000, or 23.0%, to $1.4 million for the year ended December 31, 2024 compared to $1.1 million a year earlier. The income tax expense increase was due to an increase in taxable income.

Average Balances, Interest and Average Yield/Cost. The earnings of the Bank depend largely on the spread between the yield on interest-earning assets (primarily loans and investments) and the cost of interest-bearing liabilities (primarily deposit accounts and borrowings), as well as the relative size of the Bank's interest-earning assets and interest-bearing liabilities.

The following table sets forth, for the periods indicated, information regarding average balances of assets and liabilities as well as the total dollar amounts of interest income from average interest-earning assets and interest expense on average interest-bearing liabilities, resultant yields, interest rate spread, net interest margin, and ratio of average interest-earning assets to average interest-bearing liabilities. Average balances have been calculated using the average of daily balances during the year.

	At December 31, 2024	Year Ended December 31, 2024			Year Ended December 31, 2023		
	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
			(Dollars in thousands)				
Interest-earning assets:							
Loans receivable	7.04%	$253,750	$17,473	6.89%	$229,594	$13,973	6.09%
Investment securities	2.19%	46,924	896	1.91%	50,121	680	1.36%
Other	4.86%	23,335	1,244	5.33%	18,052	948	5.25%
Total interest–earning assets	6.20%	324,009	19,613	6.05%	297,767	15,601	5.24%
Noninterest-earning assets		15,208			14,564		
Total assets		$339,217			$312,331		
Interest-bearing liabilities:							
Interest-bearing checking, MMDA and Savings	2.85%	153,378	4,273	2.79%	150,012	3,463	2.30%
Certificates of deposit	4.50%	96,239	4,214	4.38%	75,157	2,280	3.03%
Total interest-bearing deposits	3.50%	249,617	8,487	3.40%	225,169	5,743	2.55%
FHLB advances and other borrowings	-0-	1,025	57	5.56%	-0-	-0-	-0-
Total interest-bearing liabilities	3.50%	250,642	8,544	3.41%	225,169	5,743	2.55%
Noninterest-bearing liabilities		55,339			58,218		
Total liabilities		305,981			283,387		
Equity		33,236			28,944		
Total liabilities and equity		$339,217			$312,331		
Net interest income			$11,069			$9,858	
Interest rate spread	2.70%			2.64%			2.69%
Net interest margin				3.42%			3.31%
Ratio of average interest-earning assets to average interest-bearing liabilities				129.27%			132.24%

Off-Balance Sheet Arrangements

As of the date of this Annual Report, the Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, change in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. The Bank does have commitments to originate loans in the ordinary course of business, as disclosed herein. The term "off-balance sheet arrangement" generally means any transaction, agreement, or other contractual arrangement of to which an entity unconsolidated with the Company is a party under which the Company has: (i) any obligation arising under a guaranteed contract, derivative instrument or variable interest; or (ii) a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

ATA, PC
2070 Rhino Crossing Milan, TN 38358
P 731.686.8371 F 731.686.8378

Independent Auditor's Report

To the Board of Directors
Security Bancorp, Inc. and Subsidiary
P.O. Box 7027
McMinnville, TN 37111

Opinion

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Security Bancorp, Inc. and Subsidiary 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. 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 Security Bancorp, Inc. and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the 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 Security Bancorp, Inc. and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Security Bancorp, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

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

ATA, PC

Milan, Tennessee
March 3, 2025

SECURITY BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
December 31, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents:		
Cash and cash equivalents	$ 6,152,385	$ 5,497,709
Federal funds sold	7,250,000	7,550,000
Cash and cash equivalents total	13,402,385	13,047,709
Interest-bearing deposits with banks	24,745,465	19,503,181
Investment securities available-for-sale, at fair value, net	45,046,523	45,837,268
Federal Home Loan Bank stock, at cost	532,200	272,500
Federal Home Loan Mortgage Corporation stock	17,805	4,628
Farmers Mac stock	19,695	-
Loans	266,836,921	237,496,747
Less: Allowance for credit losses	(2,782,349)	(2,410,577)
Net loans	264,054,572	235,086,170
Loans held for sale	-	325,375
Premises and equipment, net	2,816,194	2,668,411
Foreclosed assets	-	139,120
Cash surrender value of life insurance	4,235,037	3,173,886
Accrued interest receivable	2,705,293	2,291,759
Other assets	2,149,413	2,089,809
Total assets	**$ 359,724,582**	**$ 324,439,816**
Liabilities and stockholders' equity		
Liabilities		
Deposits:		
Noninterest-bearing		
Demand deposits	$ 49,046,276	$ 52,022,399
Interest-bearing		
Demand deposits	113,144,081	97,813,214
Savings	51,281,939	52,667,721
Time	107,054,888	87,306,396
Total deposits	320,527,184	289,809,730
Accrued interest payable	641,297	528,990
Custodial escrow payable	104,687	111,511
Allowance for credit losses on off-balance sheet credit exposures	300,000	-
Accrued expenses and other liabilities	2,542,549	2,810,077
Total liabilities	324,115,717	293,260,308
Stockholders' equity		
Preferred stock - *$.01 par value, 250,000 shares authorized, zero shares issued*	-	-
Common stock - *$.01 par value; 3,000,000 shares authorized; 436,425 issued*	4,364	4,364
Additional paid-in capital	4,520,586	4,518,925
Retained earnings	35,422,163	31,730,217
Accumulated other comprehensive loss	(1,904,153)	(2,628,400)
Treasury stock - *at cost; 64,627 and 65,227 shares at* December 31, 2024 and 2023	(2,434,095)	(2,445,598)
Total stockholders' equity	35,608,865	31,179,508
Total liabilities and stockholders' equity	**$ 359,724,582**	**$ 324,439,816**

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

SECURITY BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2024 and 2023

	2024	2023
Interest income		
Interest and fees on loans	$ 17,473,738	$ 13,973,348
Interest on investment securities	895,561	679,714
Interest other	1,209,393	916,513
Dividends - FHLB, FHLMC and FAMC stock	34,895	31,652
Total interest income	19,613,587	15,601,227
Interest expense		
Interest on demand deposits and savings	4,273,290	3,463,705
Interest on time deposits	4,213,828	2,279,860
Interest on other	56,910	-
Total interest expense	8,544,028	5,743,565
Net interest income	11,069,559	9,857,662
Provision for credit losses on loans	415,132	244,233
Provision for off balance sheet credit exposures	300,000	-
Total provision	715,132	244,233
Net interest income after provision	10,354,427	9,613,429
Other income		
Deposit service charges and fees	951,009	875,456
Gain on equity securities	14,102	2,722
Gain on sale of loans	151,926	129,247
Gain on sale of foreclosed assets	333	-
Financial services fees	485,446	453,551
Servicing fee, net	55,700	37,894
Earnings on cash surrender value	115,769	58,170
Other income	988,657	64,816
Total other income	2,762,942	1,621,856
Other expense		
Salaries and employee benefits	3,895,671	3,637,132
Net occupancy expense	891,328	869,516
Legal and professional fees	589,330	237,856
Loss on sale of foreclosed assets	-	814
Loss on sale of premises and equipment	2,879	291
FDIC assessments	194,833	112,666
Data processing	957,611	901,688
Financial services expenses	35,221	31,805
Advertising	87,096	83,858
Deferred compensation	249,689	219,118
Other operating expense	759,739	744,404
Total other expense	7,663,397	6,839,148
Income before income taxes	5,453,972	4,396,137
Provision for income tax expense	1,390,229	1,130,270
Net income	**$ 4,063,743**	**$ 3,265,867**
Earnings per common share:		
Net income	**$ 10.65**	**$ 8.56**
Weighted average shares outstanding	**381,617**	**381,617**

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

SECURITY BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2024 and 2023

	2024	2023
Net income for the year	$ 4,063,743	$ 3,265,867
Other comprehensive income, net of tax		
Unrealized gains (losses) on securities available-for-sale:		
Unrealized gains (losses) arising during the period	724,247	1,039,578
Reclassification adjustment for (gains) losses included in net income	-	-
Net unrealized gains (losses)	724,247	1,039,578
Total comprehensive income (loss)	**$ 4,787,990**	**$ 4,305,445**

Required disclosure of related tax effects allocated to each component of other comprehensive income:

Year Ended December 31, 2024	**Before-tax Amount**	**Tax (Expense) or Benefit**	**Net-of-tax Amount**
Unrealized gains (losses) on securities available-for-sale:			
Unrealized gains (losses) arising during the period	$ 774,596	$ (50,349)	$ 724,247
Reclassification adjustment for (gains) losses included in net income	-	-	-
Net unrealized gains (losses)	$ 774,596	$ (50,349)	$ 724,247

Year Ended December 31, 2023	**Before-tax Amount**	**Tax (Expense) or Benefit**	**Net-of-tax Amount**
Unrealized gains (losses) on securities available-for-sale:			
Unrealized gains (losses) arising during the period	$ 1,111,848	$ (72,270)	$ 1,039,578
Reclassification adjustment for (gains) losses included in net income	-	-	-
Net unrealized gains (losses)	$ 1,111,848	$ (72,270)	$ 1,039,578

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

SECURITY BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2024 and 2023

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock
Balance - January 1, 2023	**$ 4,364**	**$ 4,518,925**	**$ 28,835,547**	**$ (3,667,978)**	**$ (2,445,598)**
Dividends paid	-	-	(371,197)	-	-
Net income for the year	-	-	3,265,867	-	-
Change in unrealized gain (loss) on securities available-for-sale, net of applicable deferred income taxes	-	-	-	1,039,578	-
Balance - December 31, 2023	4,364	4,518,925	31,730,217	(2,628,400)	(2,445,598)
Dividends paid	-	-	(371,797)	-	-
Net income for the year	-	-	4,063,743	-	-
Redemption of treasury stock	-	-	-	-	11,503
Exercise stock option	-	1,661	-	-	-
Change in unrealized gain (loss) on securities available-for-sale, net of applicable deferred income taxes	-	-	-	724,247	-
Balance - December 31, 2024	**$ 4,364**	**$ 4,520,586**	**$ 35,422,163**	**$ (1,904,153)**	**$ (2,434,095)**

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

SECURITY BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2024 and 2023

Operating Activities	**2024**	**2023**
Net income	$ 4,063,743	$ 3,265,867
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation	218,219	218,194
Provision for credit losses on loans	415,132	244,233
Provision for credit losses on off balance sheet exposures	300,000	-
Gain on sale of loans	(151,926)	(129,247)
Premium amortization, net of discount accretion	201,178	271,027
Loans originated for sale	(6,990,920)	(5,781,050)
Proceeds from sale of loans	7,468,221	5,584,922
Proceeds from sale of foreclosed assets	139,703	1,613
(Gain) loss on sale of foreclosed assets	(333)	814
Loss on sale of premises and equipment	2,879	291
Increase in accrued interest receivable	(413,534)	(826,964)
Increase in deferred federal and excise income taxes	(195,768)	(114,318)
(Increase) decrease in other assets	(94,794)	181,245
Increase in accrued interest payable	112,307	417,508
Earnings on cash surrender value of life insurance	(115,769)	(58,170)
Redemption of bank owned life insurance	476,439	-
Purchase of bank owned life insurance	(1,330,000)	-
Death benefit of bank owned life insurance	(91,821)	-
Payments on operating lease	(2,249)	(3,924)
Decrease in custodial escrow payable	(6,824)	(10,291)
Increase (decrease) in accrued expenses and other liabilities	(265,279)	181,644
Net cash provided by operating activities	3,738,604	3,443,394
Investing Activities		
Proceeds from maturities, prepayments and calls of securities available-for-sale	11,784,263	9,815,751
Purchases of securities available-for-sale	(10,241,740)	(249,474)
(Purchase) redemption of Federal Home Loan Bank stock	(259,700)	425,000
Increase in value of Federal Home Loan Mortgage Corporation stock and Famers Mac stock	(14,102)	(2,722)
Purchase of Farmers Mac stock	(18,770)	-
Increase in interest-bearing deposits with banks	(5,242,284)	(6,515,250)
Payments to ready leased assets for use	2,249	3,924
Purchases of premises and equipment	(368,881)	(101,385)
Increase in loans, net	(29,383,784)	(17,804,458)
Net cash used by investing activities	(33,742,749)	(14,428,614)
Financing Activities		
Net change in demand deposits and savings	10,968,962	(5,815,682)
Net change in time deposits	19,748,492	23,976,959
Exercise stock option	1,661	-
Redemption of treasury stock	11,503	-
Dividends paid	(371,797)	(371,197)
Net cash provided by financing activities	30,358,821	17,790,080
Net increase in cash and cash equivalents	**354,676**	**6,804,860**
Cash and cash equivalents - beginning of year	13,047,709	6,242,849
Cash and cash equivalents - end of year	**$ 13,402,385**	**$ 13,047,709**

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

SECURITY BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2024 and 2023

	2024	2023
Supplemental Disclosure of Cash Flow Information		
Cash paid for income taxes	$ 1,489,417	$ 1,178,817
Cash paid for interest	$ 8,431,721	$ 5,326,057
Transfer from loans to foreclosed assets	$ 250	$ -

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The consolidated financial statements include all the accounts of Security Bancorp, Inc. (the Company) and its wholly owned subsidiary, Security Federal Savings Bank (the Bank). Significant intercompany balances and transactions have been eliminated in consolidation.

The accounting and reporting policies of the Company and its subsidiary conform to accounting principles generally accepted in the United States of America and to general practice within the banking industry.

B. Nature of Operations

The Company and the Bank provide a full range of banking, financial and mortgage services to individual and corporate customers principally in Warren County, Tennessee, through its three locations in McMinnville, Tennessee, and the surrounding area. The Bank is subject to competition from other financial services companies and financial institutions. The Company and the Bank are also subject to the regulations of certain federal agencies and undergo periodic examinations by those regulatory authorities.

C. Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and with general practices of the banking industry in the United States of America. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the balance sheet date. These estimates and assumptions are susceptible to significant change in the near term and actual results could differ significantly from those estimates. Those estimates and assumptions relate principally to the determination of the adequacy of the allowance for credit losses and the valuation of foreclosed assets acquired through foreclosure. The accounting policies for loans and other significant accounting policies are presented below.

D. Comprehensive Income

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

E. Cash and Cash Equivalents

For purposes of reporting, cash and cash equivalents include cash on hand, cash items in process of collection, amounts due from banks which do not bear interest, and federal funds sold. Generally, federal funds are purchased and sold for one-day periods.

F. Investment Securities and Allowance for Credit Losses

Debt securities classified as available-for-sale are those debt securities that the Bank intends to hold for an indefinite period of time but not necessarily to maturity. Any decision to sell a security classified as available-for-sale would be based on various factors, including significant movement in interest rates, changes in the maturity mix of the Bank's assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors. These securities are carried at estimated fair value based on information provided by a third-party pricing service with any unrealized gains or losses excluded from net income and reported in accumulated other comprehensive income (loss), which is reported as a separate component of stockholders' equity, net of the related deferred tax effect.

Gains and losses realized on sales of investment debt securities, determined using the adjusted cost basis of the specific securities sold, are included in noninterest income in the consolidated statements of income. Additionally, declines in the estimated fair value of individual investment securities below their cost that are other-than-temporary are reflected as realized losses in the statements of income. Factors affecting the determination of whether an other-than-temporary impairment has occurred include, among other things, the length of time and the extent to which the fair value has been less than cost, the financial condition and near term prospects of the issuer, that the Bank does not intend to sell these securities, and it is more likely than not that the Company will not be required to sell before a period of time sufficient to allow for any anticipated recovery in fair value.

Dividend and interest income, including amortization of premium and accretion of discount arising at acquisition, from all categories of investment securities are included in interest income in the consolidated statements of income.

A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on nonaccrual is reversed against interest income.

For the allowance for credit losses on available-for-sale securities, management evaluates all investments in an unrealized loss position on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. If the Bank has the intent to sell the security or it is more likely than not that the Bank will be required to sell the security, the security is written down to fair value and the entire loss is recorded in earnings.

If either of the above criteria is not met, the Bank evaluates whether the decline in fair value is the result of credit losses or other factors. In making the assessment, the Bank may consider various factors including the extent to which fair value is less than amortized cost, performance on any underlying collateral, downgrades in the ratings of the security by a rating agency, the failure of the issuer to make scheduled interest or principal payments and adverse conditions specifically related to the security. If the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected are compared to the amortized cost basis of the security and any excess is recorded as an allowance for credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any amount of unrealized loss that has not been recorded through an allowance for credit loss is recognized in other comprehensive income.

Changes in the allowance for credit loss are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance for credit loss when management believes an available for sale security is confirmed to be uncollectible or when either of the criteria regarding intent or requirement to sell is met. At December 31, 2024 and 2023, there was no allowance for credit loss related to the available for sale portfolio.

Accrued interest receivable on available-for-sale debt securities is carried with total accrued interest receivable on the consolidated balance sheets and totaled $165,752 and $131,274 at December 31, 2024 and 2023, respectively, and was excluded from the estimate of credit losses.

G. Federal Home Loan Bank (FHLB) Stock

FHLB stock is considered restricted since there is no quoted market value for the investment. FHLB stock is carried at cost on the Bank's books.

H. Loans and Allowance for Credit Losses

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost. Amortized cost is the principal balance outstanding, net of deferred fees and costs. At December 31, 2024 and 2023, accrued interest receivable related to loans totaled $2,539,541 and $2,159,382, respectively, and was reported in total accrued interest receivable on the consolidated balance sheets. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using methods that approximate a level yield without anticipating prepayments.

The accrual of interest is generally discontinued when a loan becomes 90 days past due and is not well collateralized and in the process of collection, or when management believes, after considering economic and business conditions and collection efforts, that the principal or interest will not be collectible in the normal course of business. Past due status is based on contractual terms of the loan. A loan is considered to be past due when a scheduled payment has not been received 30 days after the contractual due date.

All accrued interest is reversed against interest income when a loan is placed on nonaccrual status. Interest received on such loan is accounted for using the cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, there is a sustained period of repayment performance and future payments are reasonably assured.

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

The allowance for credit losses represents management's estimate of lifetime credit losses inherent in loans as of the balance sheet date. The allowance for credit losses is estimated by management using relevant available information, from both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts.

The Bank has chosen to utilize the SCALE Tool as their CECL implementation method. The loan portfolio is divided into 8 pools and the Bank's historical loss history from 2009 thru 2023 is applied to each pool. These rates were compared to UBPR rates and appeared reasonable. Also added to these rates are qualitative factors. The Bank utilizes nine qualitative factors which are compiled for each of the eight loan pools. The qualitative factor schedule contains a short explanation for the change or lack of change in each factor. Finally, an adjustment is taken using the UBPR loss peer averages. This adjustment was negative due to the Bank's loss rates being lower that peer average. Impaired loans are tested in eight pools: HELOCs, 1-4 residential, other real estate, commercial unsecured, commercial secured, auto, other consumer secured, and other consumer unsecured. On the summary, impairment amounts are aggregated and shown as loan assessed on individual basis. Criticized asset reports are also included with the ACL calculation to support the impaired values. These reports show the details of the method used (present value of cash flows or fair market value of collateral) as well as the details of the end valuation number used.

Additionally, the allowance for credit losses calculation includes subjective adjustments for qualitative risk factors that are likely to cause estimated credit losses to differ from historical experience. These qualitative adjustments may increase or decrease reserve levels and may include adjustments for (lending management experience and risk tolerance, loan review and audit results, asset quality and portfolio trends, loan portfolio growth, industry concentrations, trends in underlying collateral, external factors and economic conditions not already captured.

Loans that do not share risk characteristic are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation. When management determines that foreclosure is probable and the borrower is experiencing financial difficulty, the expected credit losses are based on the fair value of collateral at the reporting date unadjusted for selling costs as appropriate.

The Bank's charge-off policy states after all the collection efforts have been exhausted and the loan is deemed to be a loss, it will be charged to the Bank's established allowance for credit losses.

Fees on loans and costs incurred in origination of loans are generally recognized at the time the loan is recorded. For origination fees greater than $1,000, the first $1,000 is recorded to income immediately and the remainder is deferred over the life of the loan or 5 years, whichever is shortest. Because loan fees are not significant and the majority of loans have maturities of one year or less, the results of operations are not materially different than the results which would be obtained by accounting for loan fees and costs in accordance with accounting principles set forth in the FASB ASC Topic 310, Receivables.

I. Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or market, as determined by outstanding commitments from investors.

J. Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Provisions for depreciation are computed principally on the straight-line method and are charged to noninterest expense over the estimated useful lives of the assets. Maintenance agreements are amortized to expense over the period of time covered by the agreement. Costs of major additions, replacements or improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred.

K. Leases

Leases are classified as operating or financing leases at the lease commencement date. As of December 31, 2024 and 2023, the Bank leases equipment and building space which were classified as operating leases. The Bank records leases on the balance sheet in the form of a lease liability for the present value of future minimum payments under the lease terms and a right-of-use asset equal to the lease liability adjusted for items such as deferred or prepaid rent, lease incentives, and any impairment of right-of-use asset. The discount rate used in determining the lease liability is based upon incremental borrowing rates the Bank could obtain for similar loans as of the date of commencement or renewal. The Bank does not record leases that are classified as short term (less than one year).

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

Operating lease expense consists of a single lease cost allocated over the remaining lease term on a straight-line basis and any impairment of the right-of-use asset. Rent expense is included in other operating expense on the consolidated statements of income.

L. Foreclosed Assets

Other real estate acquired through foreclosure is carried at approximate market value. Approximate market value is the amount the Company could reasonably expect to receive in a current sale of the subject property to a willing buyer in other than a forced or liquidation sale. The excess of cost over approximate market value at the time of foreclosure is charged to the allowance for credit losses. Subsequent declines in fair value are recognized and charged to noninterest expense.

M. Cash Surrender Value of Life Insurance

The Bank purchased single premium life insurance on certain employees of the Bank. Appreciation in value of the insurance policies is classified as noninterest income. Insurance policies can be surrendered subject to certain surrender penalties applied by the insurance carriers, as well as potential income taxes to be paid.

N. Income Taxes

The Company and the Bank file consolidated federal and state income tax returns. Deferred income taxes are provided on significant temporary differences between income determined for financial reporting and income tax purposes. Such differences include expense items relating to the Bank's allowance for credit losses, FHLB stock dividends, depreciation, deferred compensation plan recognized for financial reporting and deferred for income tax purposes, the effect of unrealized gains (losses) on securities available-for-sale, unearned loan fees, writedown of foreclosed assets, deferred gains on mortgage servicing rights, nonaccrual loan interest and various tax credits obtained by the Company.

O. Fair Value Measurements

The Company follows the guidance of FASB ASC 825, *Financial Instruments*, and FASB ASC 820, *Fair Value Measurement*. This guidance permits entities to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Under this guidance, fair value measurements are not adjusted for transaction costs. This guidance established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

P. Compensated Absences

Compensated absences for sick and personal time have not been accrued since they cannot be reasonably estimated. The Bank's policy is to recognize the costs of compensated absences when actually paid to employees.

Q. Earnings per Common Share

Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per common share is computed by dividing net income, adjusted for the effect of assumed conversions, by the weighted average number of common shares outstanding plus amounts representing the dilutive effect of stock options outstanding. Dilutive potential common shares are calculated using the treasury stock method.

R. Stock Compensation Plans

The Company recognizes compensation cost relating to share-based payment transactions in accordance with ASC Topic 718. Compensation cost has been measured based on the grant date fair value of the equity or liability instruments issued. Compensation cost is calculated and recognized over the employee service period, generally defined as the vesting period. The Company uses a stock option pricing model to determine the fair value of the award on the grant date.

S. Profit Sharing Plan

Profit sharing plan costs are discretionary and do not exceed the amount that can be deducted for federal income tax purposes.

T. Treasury Stock

Common stock shares repurchased are recorded as treasury stock at cost.

U. Financial Instruments and Allowance for Credit Losses

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit issued to meet customer financing needs. The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for off-balance sheet loan commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded.

The Bank records an allowance for credit losses on off-balance sheet credit exposures, unless the commitments are unconditionally cancelable, through a charge to provision for unfunded commitments in the Bank's income statements. The allowance for credit losses on off-balance sheet credit exposures is estimated by loan segment at each balance sheet date under the current expected credit loss model using the same methodologies as portfolio loans, taking into consideration the likelihood that funding will occur as well as any third-party guarantees. The allowance for unfunded commitments is included in other liabilities on the Bank's consolidated balance sheets; however, there was no allowance for unfunded commitments recorded as of December 31, 2024 and 2023.

V. Revenue Recognition

On January 1, 2019, the Bank adopted ASU No. 2014-09 "Revenue from Contracts with Customers" ("Topic 606") and all subsequent ASUs that modified Topic 606. Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. Topic 606 is applicable to noninterest revenue streams such as asset management fees, service charges on deposit accounts, sales of foreclosed assets, and debit card interchange fees. Substantially all the Bank's revenue is generated from contracts with customers. Noninterest revenue streams in-scope of Topic 606 are discussed below.

Deposit Account Fees
Service charges on deposit accounts consist of non-sufficient fund fees, monthly service fees, and other deposit account related fees. The Bank's performance obligation for monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Non-sufficient fund fees and other deposit account related fees are largely transactional based; therefore, the Bank's performance obligation is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is received immediately or in the following month through a direct charge to customers' accounts.

Interchange Income
Interchange income is primarily comprised of interchange fees earned whenever the Bank's debit cards are processed through card payment networks. Other service charges include revenue from

processing wire transfers, official checks, and other services. The Bank's performance obligation for fees, exchange, and other service charges are largely satisfied and related revenue recognized when the services are rendered or upon completion. Payment is typically received daily for the transactions.

Gains or Losses on Sales of Foreclosed Assets
Gain or loss from the sale of foreclosed assets occurs when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Bank finances the sale of foreclosed assets to the buyer, the Bank 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 foreclosed assets are derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Bank adjusts the transaction price and related gain (loss) on sale if a significant financing component is present. Foreclosed asset sales for the year ended December 31, 2024 and 2023, were immaterial.

Other
Other income mainly consists of income from gains on sale of loans, financial department income, earnings on life insurance, servicing fee income, and miscellaneous other income. There are no material items within other income that are within the scope of ASC 606.

Contract Balances
A contract asset balance occurs when an entity performs a service for a customer before the customer pays consideration (resulting in a contract receivable) or before payment is due (resulting in a contract asset). A contract liability balance is an entity's obligation to transfer a service to a customer for which the entity has already received payment (or payment is due) from the customer. The Bank's noninterest revenue streams are largely based on transactional activity, or standard month-end revenue accruals. Consideration is often received immediately or shortly after the Bank satisfies its performance obligation and revenue is recognized. The Bank does not typically enter into long-term revenue contracts with customers, and therefore, does not experience significant contract balances. As of December 31, 2024 and 2023, the Bank did not have any significant contract balances.

Contract Acquisition Costs
In connection with the adoption of Topic 606, an entity is required to capitalize, and subsequently amortize into expense, certain incremental costs of obtaining a contract with a customer if these costs are expected to be recovered. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (for example, sales commission). The Bank utilizes the practical expedient which allows entities to immediately expense contract acquisition costs when the asset that would have resulted from capitalizing these costs would have been amortized in one year or less. Upon adoption of Topic 606, the Bank did not capitalize any contract acquisition cost.

W. Advertising and Promotions

The Company’s policy is to charge advertising and promotions to expense as incurred, which includes no direct-response advertising.

X. Mortgage Servicing Rights

Mortgage servicing rights represent the rights to future income related to servicing mortgage loans for others. These rights are capitalized at the lower of their carrying amount or fair value and included in other assets on the consolidated balance sheets. The carrying amount of mortgage loans originated or purchased is allocated between the loans and the mortgage servicing rights. Mortgage servicing rights are capitalized when the underlying loans are sold or securitized. Mortgage servicing rights are amortized over the estimated period of, and in proportion to, net servicing income.

The Bank periodically evaluates mortgage servicing rights for impairment by estimating the fair value based on a discounted cash flow methodology. If the carrying amount of the mortgage servicing rights exceeds estimated fair value, a valuation allowance is established. Changes to the valuation allowance are charged or credited to mortgage servicing income.

Y. Trust Department

Assets under management of the Bank's trust department are not included in these consolidated financial statements. The market value of assets under management of the trust department as of December 31, 2024 and 2023, was $2,300,640 and $2,411,593, respectively.

Z. Adoption of New Accounting Standards

On January 1, 2023, the Bank adopted *ASU 2016-3 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326).* This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL methodology). CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses.

In addition, CECL made changes to the accounting for available-for-sale debt securities One such change is to require credit losses to be presented as an allowance rather than as a write-down on available for sale debt securities if management does not intend to sell and does not believe that it is more likely than not, they will be required to sell.

The FASB issued ASU 2022-02, Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures. This update eliminates the recognition and measurement guidance for troubled debt restructurings ("TDRs") by creditors in ASC 310-40. This update also enhances disclosure requirements for certain loan restructurings by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying the recognition and measurement guidance for TDRs, an entity will apply the loan refinancing and restructuring guidance to determine whether a modification or other form of restructuring results in a new loan or a continuation of an existing loan. The adoption of this standard did not have a material effect on the Bank's operating results or financial condition.

The Bank adopted ASC 326 and all related subsequent amendments effective January 1, 2023, using the modified retrospective approach for all financial assets measured at amortized cost and off-balance sheet credit exposures. The transition adjustment of the adoption of CECL resulted in no change in the allowance for credit losses on loans, which is presented as a reduction to net loans outstanding and also no allowance for credit losses on unfunded loan commitments which would be recorded within other liabilities due to the amount being immaterial. Results for reporting periods adopted after January 1, 2023, are presented under CECL while prior period amounts continue to be reported in accordance with previously applicable accounting standards ("incurred Loss").

The Bank adopted ASC 326 using the prospective transition approach for debt securities for which other-than-temporary impairment had been recognized prior to January 1, 2023. As of December 31, 2023, the Bank did not have any other-than-temporarily impaired investment securities. Therefore, upon adoption of ASC 326, the Bank determined that an allowance for credit losses on available for sale securities was not deemed material.

The Bank elected not to measure an allowance for credit losses for accrued interest receivable and instead elected to reverse interest income on loans or securities that are placed on nonaccrual status, which is generally when the instrument is 90 days past due, or earlier if the Bank believes the collection of interest is doubtful. The Bank has concluded that this policy results in the timely reversal of uncollectible interest.

The Bank adopted SAS No. 145, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement, which supersedes SAS No. 122, as amended, section 315 of the same title. SAS 145 takes effect for financial statements for periods ending on or after December 15, 2023.

AA. Date of Management Review

The Company has evaluated the accompanying financial statements for subsequent events and transactions through March 3, 2025, the date these financial statements were available for issue, based on FASB ASC 855, Subsequent Events, and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying consolidated financial statements or require additional disclosure.

NOTE 2 - DETAILED NOTES ON ACCOUNTS

A. Due From Banks

At December 31, 2024 and 2023, the Bank had concentrations of credit risk with financial institutions in the form of correspondent bank accounts. As of December 31, 2024 and 2023, total uninsured balances held at correspondent banks amounted to $801,497 and $809,702, respectively. In addition, federal funds sold are not insured or guaranteed by other parties. If the financial institutions failed to completely perform under the terms of the financial instruments, the exposure for credit loss would be the amount of the financial instruments less amounts covered by regulatory insurance. Correspondent bank balances are maintained for check clearing and other services.

B. Interest-Bearing Deposits with Banks

Interest-bearing deposits with banks consists accounts with FHLB, Federal Reserve Bank, sweep accounts with correspondent banks, and certificates of deposit with various financial institutions purchased for investment. As of December 31, 2024 and 2023, all certificates held by the Bank were within regulatory insurance maximums. If the FHLB or Federal Reserve Bank were to completely fail to perform under the terms of the financial instruments, the exposure for credit loss would be the total amount of deposits the Bank maintains with the institution. If the financial institutions failed to completely perform under the terms of the financial instruments, the exposure for credit loss would be the amount of the financial instruments less amounts covered by regulatory insurance. As of December 31, 2024 and 2023, total uninsured balances held at other banks amounted to $16,053,628 and $16,999,455, respectively.

C. Investment Securities and Allowance for Credit Losses

Debt and equity securities have been classified in the financial statements according to management intent. As of December 31, 2024 and 2023, the Bank only held investment securities as available-for-sale in its portfolio. The book value and approximate market value of investment securities at December 31, 2024 and 2023, together with gross unrealized gains and losses are as follows:

December 31, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
U.S. Government agency securities	$ 12,463,391	$ -	$ (524,861)	$ -	$ 11,938,530
Mortgage-backed securities	18,226,364	27,019	(1,381,239)	-	16,872,144
State and municipal	6,378,353	-	(214,512)	-	6,163,841
State and municipal, taxable	1,991,406	6,123	(79,448)	-	1,918,081
SBA	2,532,910	-	(83,413)	-	2,449,497
U.S. Treasuries	5,959,565	-	(255,135)	-	5,704,430
Total debt securities	47,551,989	33,142	(2,538,608)	-	45,046,523
Federal Home Loan Mortgage Corporation stock	17,805	-	-	-	17,805
Farmers Mac stock	19,695	-	-	-	19,695
Total available-for-sale	47,589,489	33,142	(2,538,608)	-	45,084,023
Federal Home Loan Bank stock	532,200	-	-	-	532,200
Total investment securities, net	$ 48,121,689	$ 33,142	$ (2,538,608)	$ -	$ 45,616,223

December 31, 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
U.S. Government agency securities	$ 12,443,671	$ -	$ (895,746)	$ -	$ 11,547,925
Mortgage-backed securities	13,411,895	-	(1,493,978)	-	11,917,917
State and municipal	10,408,992	-	(337,861)	-	10,071,131
State and municipal, taxable	3,893,322	-	(176,154)	-	3,717,168
SBA	1,201,682	-	(91,965)	-	1,109,717
U.S. Treasuries	7,936,127	-	(462,717)	-	7,473,410
Total debt securities	49,295,689	-	(3,458,421)	-	45,837,268
Federal Home Loan Mortgage Corporation stock	4,628	-	-	-	4,628
Total available-for-sale	49,300,317	-	(3,458,421)	-	45,841,896
Federal Home Loan Bank stock	272,500	-	-	-	272,500
Total investment securities	$ 49,572,817	$ -	$ (3,458,421)	$ -	$ 46,114,396

The book value and approximate market value of securities (other than equity securities) available-for-sale at December 31, 2024, by contractual maturity are as follows. Certain securities are distributed according to their stated final maturity. However, expected maturities will differ from contractual maturities due to scheduled monthly payments and because borrowers may have the right to call or prepay obligations, in whole or in part, with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due in one year or less	$ 11,765,500	$ 11,596,175
Due in one to five years	13,360,251	12,544,440
Due in five to ten years	2,432,309	2,303,953
Due in over ten years	1,767,565	1,729,811
	29,325,625	28,174,379
Mortgage-backed securities	18,226,364	16,872,144
Total debt securities	$ 47,551,989	$ 45,046,523

Proceeds from sale of investment securities, call of securities prior to maturity, or prepayment of principal, gross realized gains, and gross realized losses from such sales for the years ended December 31, 2024 and 2023, for investment securities available-for-sale are shown as follows:

	2024	2023
Proceeds from sales, maturities, prepayments, and calls	$ 11,784,263	$ 9,815,751
Gross realized gains	$ -	$ -
Gross realized losses	-	-
Net realized gain (loss)	$ -	$ -

At December 31, 2024 and 2023, investment securities with book values of $43,828,432 and $41,631,412 and fair values of $41,368,763 and $38,453,200, respectively, were pledged to secure public deposits, repurchase agreements, and for other purposes as required or permitted by law.

At December 31, 2024 and 2023, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies.

The following table presents information on securities with gross unrealized losses for which an allowance for credit losses has not been recorded at December 31, 2024 and 2023, aggregated by investment category and the length of time that the individual securities have been in a continuous loss position:

	Less Than Twelve Months		*Over Twelve Months*		*Total*	
December 31, 2024	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
U.S. Government agency securities	$ -	$ -	$ (524,861)	$ 11,938,530	$ (524,861)	$ 11,938,530
Mortgage-backed securities	(26,599)	3,135,068	(1,354,640)	10,297,616	(1,381,239)	13,432,684
State and municipal	(14,712)	785,288	(199,800)	5,378,553	(214,512)	6,163,841
State and municipal, taxable	-	-	(79,448)	1,411,959	(79,448)	1,411,959
SBA	(6,222)	1,404,378	(77,191)	1,045,119	(83,413)	2,449,497
U.S. Treasuries	-	-	(255,135)	5,704,430	(255,135)	5,704,430
Total	$ (47,533)	$ 5,324,734	$ (2,491,075)	$ 35,776,207	$ (2,538,608)	$ 41,100,941

	Less Than Twelve Months		*Over Twelve Months*		*Total*	
December 31, 2023	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
U.S. Government agency securities	$ -	$ -	$ (895,746)	$ 11,547,925	$ (895,746)	$ 11,547,925
Mortgage-backed securities	-	-	(1,493,978)	11,917,917	(1,493,978)	11,917,917
State and municipal	-	-	(337,861)	10,071,131	(337,861)	10,071,131
State and municipal, taxable	(58,945)	941,055	(117,209)	2,776,113	(176,154)	3,717,168
SBA	(1,081)	208,393	(90,884)	901,324	(91,965)	1,109,717
U.S. Treasuries	-	-	(462,747)	7,473,410	(462,747)	7,473,410
Total	$ (60,026)	$ 1,149,448	$ (3,398,425)	$ 44,687,820	$ (3,458,451)	$ 45,837,268

In reviewing the investment portfolio for other-than-temporary impairment of individual securities, consideration is given to (1) the timeframe involved in which the fair value has been less than cost, (2) the financial condition of the issuer, and (3) the ability of the Bank to maintain its investment in the issuer for a time that would provide for any anticipated recovery in the fair value. As of December 31, 2024, the Bank had 63 debt securities noted with unrealized losses. Of the total debt securities, 11 were government agency securities, 22 were mortgage-backed securities, 4 were state and municipal securities taxable, 16 were state and municipal securities, 4 were SBA, and 6 were U.S. Treasury securities. In analyzing the reasons for the unrealized losses, management considers whether the securities are issued by the federal government or its agencies, whether downgrades of bond ratings have occurred, and also reviews any applicable industry analysts' reports. With respect to the unrealized losses on the securities noted and the analysis performed relating to the securities, management currently believes that the declines in the market value are temporary.

At December 31, 2024 and 2023, the mortgage-backed securities held by the Bank were issued by U.S. government-sponsored entities and agencies. Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Bank does not have the intent to sell these mortgage-backed securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Bank did not record expected credit loss during the years ended December 31, 2024 or 2023.

D. Loans and Allowance for Credit Losses

Loans outstanding at December 31, 2024 and 2023, by major lending classifications are as follows:

	2024	2023
Real estate	$ 210,425,522	$ 192,310,794
Commercial and industrial	38,925,561	28,885,493
Consumer installment and other	17,485,838	16,300,460
Total loans	266,836,921	237,496,747
Less: Allowance for credit losses	(2,782,349)	(2,410,577)
Net loans	$ 264,054,572	$ 235,086,170

Loans on nonaccrual status as of December 31, 2024 and 2023, by category are as follows:

December 31, 2024	Nonaccrual With No Allowance for Credit Loss	Nonaccrual With Allowance for Credit Loss	Loans Past Due Over 89 Days Still Accruing
Real estate	$ 89,554	$ -	$ -
Commercial and industrial	-	-	-
Consumer installment and other	44,658	4,760	557
Total	$ 134,212	$ 4,760	$ 557

December 31, 2023	Nonaccrual With No Allowance for Credit Loss	Nonaccrual With Allowance for Credit Loss	Loans Past Due Over 89 Days Still Accruing
Real estate	$ 20,962	$ -	$ 93,554
Commercial and industrial	-	-	-
Consumer installment and other	107,234	-	1,999
Total	$ 128,196	$ -	$ 95,553

During the years ended December 31, 2024 and 2023, the Bank recognized $24,968 and $2,104 of interest income on nonaccrual loans, respectively.

The following table represents the accrued interest receivables written off by reversing interest income during the years ended December 31, 2024 and 2023:

	2024	2023
Real estate	$ -	$ 1,302
Commercial and industrial	-	-
Consumer installment and other	1,510	9,643
Total	$ 1,510	$ 10,945

There were no collateral-dependent loans as of December 31, 2024 and 2023.

An aging analysis of loans by category as of December 31, 2024 and 2023, is as follows:

December 31, 2024	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans
Real estate	$ 1,787,188	$ 1,342	$ 1,788,530	$ 208,636,992	$ 210,425,522
Commercial and industrial	891,924	-	891,924	38,033,637	38,925,561
Consumer installment and other	87,365	49,976	137,341	17,348,497	17,485,838
Total	$ 2,766,477	$ 51,318	$ 2,817,795	$ 264,019,126	$ 266,836,921

December 31, 2023	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans
Real estate	$ 1,613,764	$ 114,515	$ 1,728,279	$ 190,582,515	$ 192,310,794
Commercial and industrial	700,297	-	700,297	28,185,196	28,885,493
Consumer installment and other	101,863	109,233	211,096	16,089,364	16,300,460
Total	$ 2,415,924	$ 223,748	$ 2,639,672	$ 234,857,075	$ 237,496,747

The Bank is exposed to risk of loss on loans due to the borrower's difficulties which may arise from a number of factors including problems within the respective industry or general economic conditions within the Bank's trade area.

The Bank evaluates the credit risk of each customer on an individual basis and when deemed appropriate, collateral is obtained. Collateral varies by individual loan customer, but may include accounts receivable, inventory, real estate, equipment, deposits, agricultural crops and livestock, personal guarantees, and general security agreements. Access to collateral is dependent upon the type of collateral obtained. On a regular basis, the Bank monitors its collateral position relative to the loan balance outstanding and takes the appropriate action, as necessary.

The Bank primarily grants commercial, residential, and consumer loans to customers within its defined market area, primarily in Warren County, Tennessee, and surrounding counties, all of which are affected by the general economic conditions of the area. Although the Bank reviews the diversification of the loan portfolio on a regular basis to avoid concentrations of credit risk, the overall quality of the loan portfolio and the borrowers' ability to repay the loans are, to some extent, affected by the health of the local economy taken as a whole.

Credit risk management procedures include assessment of loan quality through the use of an internal loan rating system. Each loan is assigned a rating upon origination and the rating may be revised over the life of the loan as circumstances warrant. The rating system utilizes five major classification types based on risk of loss with Pass being the lowest level of risk and Uncollectable being the highest level of risk. Loans internally rated Pass are considered loans with low to average level of risk of credit losses. Loans in this risk grade would possess sufficient mitigating factors, such as adequate collateral or strong guarantors possessing the capacity to repay the debt if required, due to any weakness that may exist. Loans rated Special Mention have potential weaknesses that deserve management’s close attention. Substandard loans are inadequately protected by the current sound worth and paying capacity of the obligor or the collateral pledged, if any. Doubtful loans have all the characteristics of Substandard loans with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. Uncollectible loans are considered to be non-collectible and of little value that their continuance as bankable assets is not warranted. This does not mean the loan has absolutely no recovery value, but rather it is neither practical nor desirable to defer writing off the loan, even though partial recovery may be obtained in the future. Charge-offs against the allowance for credit losses are taken in the period in which the loan becomes uncollectible. Consequently, the Bank typically does not maintain a recorded investment in loans within this category.

The following tables present the Bank's recorded investment in loans by the most recent credit quality indicators by year of origination as of December 31, 2024 and 2023:

	Term Loans Amortized Cost Basis by Origination Year						Amortized	
December 31, 2024	2024	2023	2022	2021	2020	Prior	Cost Basis	Total
Real estate:								
Grades 1-4	$ 38,605,786	$ 19,683,388	$ 32,585,524	$ 22,168,129	$ 10,383,800	$ 26,508,156	$ 57,787,807	$ 207,722,590
Grade 5	-	-	-	536,500	-	113,262	1,104,087	1,753,849
Grades 6-8	-	-	-	-	-	938,353	10,730	949,083
Total	38,605,786	19,683,388	32,585,524	22,704,629	10,383,800	27,559,771	58,902,624	210,425,522
Commercial and industrial								
Grades 1-4	5,756,620	2,367,249	2,576,925	1,829,926	392,419	1,728,967	24,220,126	38,872,232
Grade 5	-	-	-	-	-	47,496	5,833	53,329
Grades 6-8	-	-	-	-	-	-	-	-
Total	5,756,620	2,367,249	2,576,925	1,829,926	392,419	1,776,463	24,225,959	38,925,561
Consumer installment and other								
Grades 1-4	6,560,518	3,772,448	2,737,240	810,519	245,430	914,578	2,347,591	17,388,324
Grade 5	-	-	-	-	-	7,121	-	7,121
Grades 6-8	-	40,527	49,866	-	-	-	-	90,393
Total	$ 6,560,518	$ 3,812,975	$ 2,787,106	$ 810,519	$ 245,430	$ 921,699	$ 2,347,591	$ 17,485,838

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized	
December 31, 2023	2023	2022	2021	2020	2019	Prior	Cost Basis	Total
Real estate:								
Grades 1-4	$ 23,713,349	$ 36,866,286	$ 25,527,811	$ 12,208,759	$ 7,666,102	$ 24,513,861	$ 59,865,297	$ 190,361,465
Grade 5	-	-	-	-	-	257,757	26,037	283,794
Grades 6-8	-	-	-	-	93,554	1,561,322	10,659	1,665,535
Total	23,713,349	36,866,286	25,527,811	12,208,759	7,759,656	26,332,940	59,901,993	192,310,794
Commercial and industrial								
Grades 1-4	3,031,617	4,044,466	2,281,012	718,587	426,157	1,412,645	16,693,490	28,607,974
Grade 5	-	-	-	-	-	59,420	107,327	166,747
Grades 6-8	110,772	-	-	-	-	-	-	110,772
Total	3,142,389	4,044,466	2,281,012	718,587	426,157	1,472,065	16,800,817	28,885,493
Consumer installment and other								
Grades 1-4	6,443,627	4,454,123	1,631,626	608,170	237,533	979,298	1,754,598	16,108,975
Grade 5	-	-	-	-	-	10,162	107,234	117,396
Grades 6-8	-	67,254	6,835	-	-	-	-	74,089
Total	$ 6,443,627	$ 4,521,377	$ 1,638,461	$ 608,170	$ 237,533	$ 989,460	$ 1,861,832	$ 16,300,460

The Bank seeks to assist customers that are experiencing financial difficulty by renegotiating loans within lending regulations and guidelines. At the time of restructuring, a loan is evaluated for an asset-specific allowance for credit losses. The Bank continues to specifically reevaluate the loan in subsequent periods, regardless of the borrower's performance under the modified terms. If a borrower subsequently defaults on the loan after it is restructured, the Bank provides an allowance for credit losses for the amount of the loan that exceeds the value of the related collateral.

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination or acquisition. The starting point for the estimate of the allowance for credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. The Bank uses a probability of default/loss given default model to determine the allowance for credit losses. An assessment of whether a borrower is experiencing financial difficulty is made on the date of modification.

Due to the measurement methodologies used to estimate the allowance, the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses, a change to the allowance for credit losses is generally not recorded upon modification. Occasionally, the Bank modifies loans by providing principal forgiveness. When principal forgiveness is provided, the amortized cost basis of the asset is written off against the allowance for credit losses. The amount of the principal forgiveness is deemed to be uncollectible; therefore, that portion of the loan is written off, resulting in a reduction of the amortized cost basis and a corresponding adjustment to the allowance for credit losses.

In some cases, the Bank will modify a certain loan by providing multiple types of concessions. Initially, the first type of concession would be a term extension. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted.

There were no loans that were restructured during the years ended December 31, 2024 and 2023.

Activity in the allowance for credit losses by category for the years ended December 31, 2024 and 2023, is as follows:

December 31, 2024	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
Real estate	$ 1,052,887	$ -	$ -	$ 120,000	$ 1,172,887
Commercial and industrial	807,418	-	7,828	190,000	1,005,246
Consumer installment and other	550,272	(56,762)	5,574	105,132	604,216
Total	$ 2,410,577	$ (56,762)	$ 13,402	$ 415,132	$ 2,782,349

December 31, 2023	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
Real estate	$ 1,022,887	$ -	$ -	$ 30,000	$ 1,052,887
Commercial and industrial	632,418	-	-	175,000	807,418
Consumer installment and other	492,488	(12,016)	30,567	39,233	550,272
Total	$ 2,147,793	$ (12,016)	$ 30,567	$ 244,233	$ 2,410,577

E. Loan Servicing

Mortgage loans serviced for Federal Home Loan Mortgage Corporation (FHLMC) are not included in the accompanying consolidated balance sheet. At December 31, 2024 and 2023, the unpaid principal balances of these loans were $89,107,562 and $91,699,834, respectively.

Mortgage servicing rights are included in other assets in the accompanying consolidated balance sheet. At December 31, 2024 and 2023, servicing fees totaled $55,700 and $37,894, respectively. A summary of transactions in mortgage servicing rights for the years ended December 31, 2024 and 2023, is as follows:

	2024	2023
Balance, beginning of year	$ 371,112	$ 478,299
Amount capitalized	103,338	77,888
Amount amortized	(157,469)	(185,075)
Balance, end of year	$ 316,981	$ 371,112

F. Foreclosed Assets

Foreclosed assets activity was as follows:

	2024	2023
Beginning balance	$ 139,120	$ 141,547
Loans transferred to foreclosed assets	250	-
Sales of foreclosed assets	(139,703)	(1,613)
Gain (loss) on sale of foreclosed assets	333	(814)
Ending balance	$ -	$ 139,120

As of December 31, 2024 and 2023, expenses related to foreclosed assets totaled $135 and $1,405, respectively. The total amount of foreclosed assets that represents residential real estate at December 31, 2024 and 2023, is $0 and $139,120, respectively.

G. Premises and Equipment

Premises and equipment and related accumulated depreciation at December 31, 2024 and 2023, are as follows:

	Estimated Useful Life	2024	2023
Land	0	$ 1,005,343	$ 1,005,343
Buildings and improvements	5-40	2,830,961	2,659,661
Furniture and equipment	5	1,720,214	1,766,957
Vehicles	5	127,048	127,048
Construction in progress		218,682	155,017
Total		5,902,248	5,714,026
Less: accumulated depreciation		(3,086,054)	(3,045,615)
Premises and equipment, net		$ 2,816,194	$ 2,668,411

H. Deposits

The total amount of demand deposits reclassified as loans at December 31, 2024 and 2023, was $37,475 and $38,728, respectively. The aggregate amounts of time deposits in denominations of $250,000 or more at December 31, 2024 and 2023, were $45,996,097 and $37,288,451, respectively. At December 31, 2024, the scheduled maturities of time deposits are as follows:

On or before December 31, 2025	$ 89,597,309
On or before December 31, 2026	7,247,165
On or before December 31, 2027	3,311,766
On or before December 31, 2028	4,854,685
On or before December 31, 2029	2,043,963
Total	$ 107,054,888

I. Lines of Credit and FHLB Lines of Credit

The Bank currently has available from correspondent banks lines of short-term credit in the form of federal fund purchases. Interest on these lines is at the current daily rate at the time of purchase. The line with First National Bankers Bank is for $8,000,000, unsecured and must be repaid in a maximum of ninety consecutive calendar days. Currently, there are no borrowings against this line. The line with ServisFirst Bank is for $5,000,000, unsecured and must be repaid in a maximum of thirty consecutive calendar days. Currently, there are no borrowings against this line. The line with First Horizon is for $5,000,000, unsecured and must be repaid in a maximum of thirty consecutive calendar days. Currently, there are no borrowings against this line.

The Bank has available a line of credit with the FHLB of Cincinnati. The Bank has an additional borrowing capacity of $35,622,562. Currently, there is $0 borrowed against this line. The Bank also has available a pledged letter of credit to borrow up to $7,000,000 in overnight funds to cover public funds, which would limit the borrowing capacity by the borrowed amount. The terms of the borrowings are subject to market rates at the time of the advance with maturities of one to twenty years. Currently, the Bank has $0 borrowed against this line.

J. Income Taxes

Allocation of Federal and State income taxes between current and deferred is as follows as of December 31, 2024 and 2023:

December 31, 2024	Current	Deferred	Total Expense
State income tax	$ 346,075	$ -	$ 346,075
Federal income tax	1,239,922	(195,768)	1,044,154
Total expense	$ 1,585,997	$ (195,768)	$ 1,390,229

December 31, 2023	Current	Deferred	Total Expense
State income tax	$ 281,850	$ -	$ 281,850
Federal income tax	962,738	(114,318)	848,420
Total expense	$ 1,244,588	$ (114,318)	$ 1,130,270

The Company adopted practices in accordance with the FASB ASC Topic 740, Income Taxes. FASB ASC Topic 740 on Income Taxes provides guidance for how an entity should recognize, measure, present and disclose uncertain tax positions that it has taken or expects to take on a tax return. As of December 31, 2024 and 2023, the Company had no unrecognized tax benefits. The Company's policy is to recognize penalties and interest on unrecognized tax benefits in provision for income tax expense in the consolidated statements of income. There were no amounts related to interest and penalties recognized for the years ended December 31, 2024 and 2023.

The components of the net deferred tax asset (liability) included in other assets (liabilities) are as follows:

	2024	2023
Deferred tax asset:		
Allowance for credit losses	$ 791,802	$ 616,275
Unearned loan fees	9,097	15,006
Writedowns on foreclosed assets	-	2,320
Net unrealized loss on stocks available-for-sale	601,312	830,021
Deferred compensation	477,715	432,593
Subtotal	1,879,926	1,896,215
Deferred tax liability:		
FHLB stock dividends	108,629	108,629
Depreciation	122,645	105,703
Non-accrual loan interest	3,304	3,594
Deferred gains on mortgage servicing rights	83,239	83,239
Other	195,767	114,317
Subtotal	513,584	415,482
Net deferred tax asset	$ 1,366,342	$ 1,480,733

The ratio of applicable income taxes to net income before taxes differed from the statutory rate of 21% in 2024 and 2023. The reasons for these differences are as follows:

	2024	2023
Tax expense at statutory rate	$ 1,145,334	$ 923,189
Increase (decrease) resulting from:		
State income taxes, net of federal tax benefit	72,676	59,189
Tax exempt interest, net of nondeductible expenses	(6,727)	(6,634)
Earnings on cash surrender value life insurance	(43,594)	(12,216)
Other differences	222,540	166,742
Total	$1,390,229	$1,130,270

NOTE 3 - DIVIDEND RESTRICTION

Due to state banking regulations, the Bank may not declare dividends in any calendar year that exceed the total of its net income of that year combined with its retained net income of the preceding two years without the prior approval of the commissioner. As of December 31, 2024 and 2023, the Bank's retained earnings available for the payment of dividends were $9,271,139 and $7,888,452, respectively.

NOTE 4 - EMPLOYEE BENEFIT PLANS

The Bank has in effect a contributory profit sharing plan and an employee stock ownership plan (ESOP). Employees become eligible to participate in the plans after reaching age 21 and completing one year of service.

At December 31, 2024 and 2023, the Bank's contributions to the profit sharing plan are discretionary and contributions totaled $125,669 and $116,244, respectively. Employer contributions vest on a graduated schedule from two to six years of service.

The Bank has a deferred compensation plan for the benefit of its directors. Under the plan, any director electing to defer directors' fees will be entitled to receive the accumulated benefits, including interest earned, over a period of ten or fifteen years following retirement. The Bank recognizes the liability for these benefits over the director's service period. As of December 31, 2024 and 2023, the liability for these benefits was $1,821,927 and $1,649,245, respectively, included in accrued expenses and other liabilities. At December 31, 2024 and 2023, expenses related to the deferred compensation plan were $249,689 and $219,118, respectively.

The deferred compensation plan also provides for payments of benefits in the event of early termination or death. The Bank purchased single premium, whole life insurance policies to facilitate the funding of these benefits. The Bank is the sole owner and beneficiary of such policies. As of December 31, 2024 and 2023, the cash surrender value of these policies were $4,235,037 and $3,173,886, respectively.

At December 31, 2024 and 2023, the ESOP held common shares of 15,730 and 18,200, and all have been allocated to participants. Allocated ESOP shares are treated as outstanding in the computation of earnings per share. The Bank recorded no charges in relation to the ESOP in 2024 and 2023. Contributions are allocated to participants based on their eligible compensation relative to total eligible compensation. Dividends on ESOP shares are paid to the ESOP trust.

NOTE 5 - STOCK OPTION PLANS

The Company has two stock option plans that provide for both incentive stock options and nonqualified stock options. The exercise price of each option shall not be less than 100 percent of the fair market value of the common stock on the date of the grant. All options have been granted at the fair market value of the shares at the grant date.

The maximum number of common shares that can be sold or optioned under the 2007 Incentive Stock Plan is 17,000 shares. The maximum term is ten years for incentive options and fifteen years for nonqualified options. Each option vests on an equal incremental basis over five years.

The effect of stock options forfeited is recognized as the forfeitures occur. The fair value of each stock option was estimated on the grant date using the Black-Scholes option-pricing model. If not exercised, the options will expire in 2025.

A summary of activity in the stock option plans for the years ended December 31, 2024 and 2023, is as follows:

December 31, 2024	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of year	8,800	$ 39.24
Options granted	-	-
Options reissued	-	-
Options exercised	(1,100)	39.24
Options terminated	-	-
Outstanding at end of year	7,700	$ 39.24

December 31, 2023	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of year	8,800	$ 39.24
Options granted	-	-
Options reissued	-	-
Options exercised	-	-
Options terminated	-	-
Outstanding at end of year	8,800	$ 39.24

There is no aggregate intrinsic value of options outstanding at December 31, 2024 and 2023. The aggregate intrinsic value represents the total pre-tax intrinsic value (the amount by which the current market value of the underlying stock exceeds the exercise price of the option) that would have been received by the option holders had all option holders exercised their options on December 31, 2024 and 2023. This amount changes based on changes in the market value of the Company's stock. The fair value (present value of the estimated future benefit to the option holder) of each option grant is estimated on the grant date using the Black-Scholes option pricing model.

Information pertaining to options outstanding at December 31, 2024 and 2023, is as follows:

December 31, 2024					
Options Outstanding			Options Exercisable		
Number Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	
7,700	0.7 Years	$ 39.24	7,700	$ 39.24	

December 31, 2023					
Options Outstanding			Options Exercisable		
Number Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	
8,800	1.7 Years	$ 39.24	8,800	$ 39.24	

NOTE 6 - MANAGEMENT RECOGNITION PLAN

The Company's management recognition plan serves as a means of providing existing directors and employees of the Bank with an ownership interest in the Company. Common shares awarded under the management recognition plan vest equally over a five-year period. Compensation expense related to those shares is recognized on a straight-line basis corresponding with the vesting period. Prior to vesting, each participant granted shares under the management recognition plan may direct the voting of the shares allocated to the participant and will be entitled to receive any dividends or other distributions paid on such shares. Shares that vested and were issued to participants in the management recognition plan totaled 180 shares in both 2024 and 2023.

NOTE 7 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following summary presents the methodologies and assumptions used to estimate the fair value of the Bank's financial instruments presented below. The Bank operates as a going concern, and, except for its investment securities portfolio, no active market exists for its financial instruments. Much of the information used to determine fair value is highly subjective and judgmental in nature, and therefore, the results may not be precise. The subjective factors include, among other things, estimates of cash flows, risk characteristics, credit quality, and interest rates, all of which are subject to change. Since the fair value is estimated as of December 31, 2024 and 2023, the amounts, which will actually be realized or paid upon settlement or maturity of the various instruments, could be significantly different. Certain financial instruments are excluded from disclosure requirements. Accordingly, the aggregate fair value amounts presented are not intended to represent the underlying value of the Bank.

A. Cash Equivalents, Interest-Bearing Deposits with Banks, Accrued Interest Receivable, and Accrued Interest Payable

The carrying amount for cash, due from banks, interest-bearing deposits, federal funds sold, accrued interest receivable and accrued interest payable is a reasonable estimate of fair value for those assets and liabilities.

B. Investment Securities

In estimating fair values, management makes use of prices or dealer quotes for U.S. Treasury securities, other U.S. Government agency securities, tax exempt securities, and mortgage-backed certificates. As required by FASB ASC Topic 820, Fair Value Measurements and Disclosures, securities available-for-sale are recorded at fair value.

C. Stock Investments

The carrying value of Federal Home Loan Bank stock is a reasonable estimate of the fair value.

D. Loans

The fair value of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings for the same remaining maturities. The risk of default is measured as an adjustment to the discount rate, and no future interest income is assumed for nonaccrual loans.

The fair value of loans does not include the value of the customer relationship or the right to fees generated by the account.

E. Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at lower of aggregate cost or market.

F. Cash Surrender Value of Life Insurance

Carrying amount of bank-owned life insurance is the cash surrender value as of the end of the periods presented and approximates fair value.

G. Other Assets, Accrued Expenses and Other Liabilities, Custodial Escrow Payable, and Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

Financial instruments included in other assets, other liabilities, custodial escrow payable, and allowance for credit losses on off-balance sheet credit exposures are short-term and, therefore, valued at their carrying values.

H. Deposit Liabilities

The fair value of deposits with no stated maturities (which includes demand deposits, savings accounts, and money market deposits) is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated using a discounted cash flow model based on the rates currently offered for deposits of similar maturities.

FASB ASC Topic 820, Fair Value Measurements and Disclosures requires deposit liabilities with no stated maturity to be reported at the amount payable on demand without regard for the inherent funding value of these instruments. The Bank believes that significant value exists in this funding source.

I. Loan Commitments and Standby Letters of Credit

The Bank has reviewed its loan commitments and standby letters of credit and determined that differences between the fair value and notional principal amounts are not significant.

The estimated fair values of the Bank's financial instruments are as follows:

December 31, 2024	Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Fair Value
Financial assets:					
Cash and cash equivalents	$ 13,402,385	$ 13,402,385	$ -	$ -	$ 13,402,385
Interest-bearing deposits with banks	24,745,465	24,745,465	-	-	24,745,465
Federal Home Loan Bank stock	532,200	-	532,200	-	532,200
Federal Home Loan Mortgage Corporation stock	17,805	-	17,805	-	17,805
Farmers Mac stock	19,695	-	19,695	-	19,695
Loans, net: (1)					
Held for investment	264,054,572	-	263,103,466	951,106	265,452,546
Cash surrender value of life insurance	4,235,037	-	4,235,037	-	4,235,037
Accrued interest receivable	2,705,293	-	2,705,293	-	2,705,293
Other assets	2,149,413	-	2,149,413	-	2,149,413
Financial liabilities:					
Deposits: (1)					
Without stated maturities	213,472,296	-	213,472,296	-	213,472,296
With stated maturities	107,054,888	-	107,054,888	-	107,372,019
Accrued interest payable	641,297	-	641,297	-	641,297
Custodial escrow payable	104,687	-	104,687	-	104,687
Allowance for credit losses on off-balance sheet credit exposures	300,000	-	300,000	-	300,000
Accrued expenses and other liabilities	2,542,549	-	2,542,549	-	2,542,549
Unrecorded financial instruments:					
Commitments to extend credit	57,332,574	-	57,332,574	-	57,332,574
Standby letters of credit	286,750	-	286,750	-	286,750

	Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Fair Value
December 31, 2023					
Financial assets:					
Cash and cash equivalents	$ 13,047,709	$ 13,047,709	$ -	$ -	$ 13,047,709
Interest-bearing deposits with banks	19,503,181	19,503,181	-	-	19,503,181
FHLB stock	272,500	-	272,500	-	272,500
FHLMC stock	4,628	-	4,628	-	4,628
Loans, net: [(1)]					
Held for investment	235,086,170	-	233,852,768	1,233,402	235,972,699
Loans held for sale	325,375	-	325,375	-	325,375
Cash surrender value of life insurance	3,173,886	-	3,173,886	-	3,173,886
Accrued interest receivable	2,291,759	-	2,291,759	-	2,291,759
Other assets	2,089,809	-	2,089,809	-	2,089,809
Financial liabilities:					
Deposits: [(1)]					
Without stated maturities	202,503,334	-	202,503,334	-	202,503,334
With stated maturities	87,306,396	-	87,306,396	-	87,368,243
Accrued interest payable	528,990	-	528,990	-	528,990
Custodial escrow payable	111,511	-	111,511	-	111,511
Accrued expenses and other liabilities	2,810,077	-	2,810,077	-	2,810,077
Unrecorded financial instruments:					
Commitments to extend credit	59,019,864	-	59,019,864	-	59,019,864
Standby letters of credit	267,750	-	267,750	-	267,750

[(1)]As mentioned in the assumptions above, the fair value of these financial instruments does not include any value for the customer relationship or the right to future fee income which may be generated by these relationships.

The Bank adopted FASB ASC Topic on Fair Value Measurements and Disclosures effective January 1, 2008. The codification defines fair value, establishes a framework for measuring fair value and expands disclosure requirements regarding fair value measurements. This standard clarifies the principle that fair value should be based on assumptions market participants would use when pricing the asset or liability and establishes a hierarchy that prioritizes information used to develop these assumptions. The hierarchy is as follows:

A. Level 1 Inputs

Unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

B. Level 2 Inputs

Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Such inputs may include quoted prices for similar assets or liabilities in active market, and inputs other than quoted market prices that are observable for the assets and liabilities such as interest rates and yield curves that are observable at commonly quoted intervals.

C. Level 3 Inputs

Unobservable inputs for determining fair values of assets and liabilities that reflect an entity's own assumptions about the assumptions that market participants would use pricing the assets and liabilities.

Securities available-for-sale are the only balance sheet components reported at fair value. They are valued using Level 2 inputs. The Bank obtains fair value measurements from a third party vendor. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and terms and conditions of bonds, and other factors.

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

December 31, 2024	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Financial assets:				
U.S. Government agency securities	$ -	$ 11,938,530	$ -	$ 11,938,530
Mortgage-backed securities	-	16,872,144	-	16,872,144
State and municipal securities	-	6,163,841	-	6,163,841
State and municipal securities taxable	-	1,918,081	-	1,918,081
SBA	-	2,449,497	-	2,449,497
U.S. Treasuries	-	5,704,430	-	5,704,430
Federal Home Loan Mortgage Corporation stock	-	17,805	-	17,805
Farmers Mac stock	-	19,695	-	19,695
Total	$ -	$ 45,084,023	$ -	$ 45,084,023

December 31, 2023	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Financial assets:				
U.S. Government agency securities	$ -	$ 11,547,925	$ -	$ 11,547,925
Mortgage-backed securities	-	11,917,917	-	11,917,917
State and municipal securities	-	10,071,131	-	10,071,131
State and municipal securities taxable	-	3,717,168	-	3,717,168
SBA	-	1,109,717	-	1,109,717
U.S. Treasuries	-	7,473,410	-	7,473,410
Federal Home Loan Mortgage Corporation stock	-	4,628	-	4,628
Total	$ -	$ 45,841,896	$ -	$ 45,841,896

Certain non-financial assets measured at fair value on a non-recurring basis include intangible assets and other non-financial long-lived assets measured at fair value for impairment assessment. Foreclosed assets are recorded at the lower of cost or fair value. Fair value is measured based on independent appraisals and may be discounted by management based on historical experience and knowledge and changes in market conditions from time of valuation. Values of impaired loans are reviewed at least annually or more often if circumstances require more frequent evaluations. The following table summarizes non-financial assets measured at fair value on a recurring basis as of December 31, 2024 and 2023:

December 31, 2024	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Non-financial assets:				
Impaired loans	$ -	$ -	$ 951,106	$ 951,106
Total	$ -	$ -	$ 951,106	$ 951,106

December 31, 2023	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Non-financial assets:				
Foreclosed assets	$ -	$ -	$ 139,120	$ 139,120
Impaired loans	-	-	1,233,402	1,233,402
Total	$ -	$ -	$ 1,372,522	$ 1,372,522

NOTE 8 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK AND ALLOWANCE FOR CREDIT LOSSES

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit risk, interest rate risk and liquidity risk, in excess of the amounts recognized in the accompanying balance sheets. The contract amounts of those instruments reflect the extent of involvement the Bank has in particular classes of financial instruments.

The Bank's exposure to credit loss in the event of nonperformance by one of the other parties to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies and procedures in making commitments and conditional obligations as it does for on balance-sheet instruments. Financial instruments, whose contract amounts represent credit risk at December 31, 2024 and 2023, are as follows:

	2024	2023
Commitments to extend credit	$ 57,332,574	$ 59,019,864
Standby letters of credit	$ 286,750	$ 267,750

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 have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments may 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 the collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the customer. Collateral held, if any, varies but may include certificates of deposit, accounts receivable, inventory, property and equipment, real estate, crops, and income-producing properties. Of the $57,332,574 unfunded commitments as of December 31, 2024, $45,996,702 had variable interest rates and $11,335,872 had fixed interest rates. Of the $59,019,864 unfunded commitments as of December 31, 2023, $42,747,941 had variable interest rates and $16,271,923 had fixed interest rates.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The standby letters of credit at December 31, 2024, are short-term guarantees generally expiring on or before December 31, 2025. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank evaluates each customer's credit worthiness on a case-by-case basis. When deemed necessary, the Bank may hold a variety of collateral to support these commitments similar to the types of collateral held for commitments to extend credit.

The Bank maintains a separate reserve for credit losses on off-balance sheet credit exposures, including unfunded commitments, which is included in other liabilities on the consolidated balance sheet. The reserve for credit losses on off-balance sheet credit exposures is adjusted as a provision for credit losses in the income statement. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life, utilizing the same models and approaches for the Bank’s other loan portfolio. As of December 31, 2024 and 2023, an allowance for credit losses has been recorded of $300,000 and $0, respectively.

NOTE 9 - SIGNIFICANT GROUP OF CONCENTRATIONS OF CREDIT RISK

Most of the Company’s loans, commitments and commercial and standby letters of credit have been granted to customers in the Company’s market area. Many such customers are depositors of the Bank. A substantial portion of the Company’s customers’ ability to honor their contracts is dependent on the business economy in those areas. Seventy-one percent of the Company’s loan portfolio is concentrated in real estate. A substantial portion of these loans is secured by real estate in the Company’s primary market area. Accordingly, the ultimate collectability of the loan portfolio is susceptible to changes in market conditions in the Company’s primary market area.

NOTE 10 - LEASE AGREEMENTS

The Bank has an operating lease agreement for a digital mailing system beginning in July 2022 for a term of 39 months with monthly payments of $192. The Bank has a month-to-month operating lease agreement with Security Bancorp, Inc. for rental of space. As of December 31, 2024 and 2023, rental expense was $9,208 and $4,033, respectively.

As of December 31, 2024 and 2023, right-of-use assets are carried in other assets and other liabilities at $1,717 and $3,966, respectively, on the balance sheet. The operating lease weighted average remaining lease term is 0.75 years and the weighted average discount rate is 2 percent. Future undiscounted lease payments for operating leases with initial terms of one year or more of $1,717 are due on or before December 31, 2025.

NOTE 11 - RELATED PARTIES

As of December 31, 2024 and 2023, the Bank had entered into loan transactions with its directors, officers, and their affiliates. Direct and indirect loans to executive officers and directors of the Bank and their related interests are as follows:

	2024	2023
Loans outstanding at beginning of the year	$2,440,959	$2,807,941
New borrowings	282,872	96,729
Repayments of loans	(134,163)	(463,711)
Loans outstanding at the end of the year	$2,589,668	$2,440,959

Deposits from related parties held by the Bank at December 31, 2024 and 2023, amounted to $1,113,137 and $2,255,918, respectively.

NOTE 12 - LEGAL MATTERS

The Company and subsidiaries are involved in legal proceedings arising in the normal course of business. In the opinion of management, after consulting with counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial position and results of operations of the Company and subsidiaries.

NOTE 13 - REGULATORY REQUIREMENTS

In July 2013, the federal banking agencies published final rules (the "Basel III Capital Rules") that revised their risk-based and leverage capital requirements and their method for calculating risk-weighted assets to implement, in part, agreements reached by the Basel Committee and certain provisions of the Dodd-Frank Act. The Basel III Capital Rules apply to banking organizations, including the Bank.

In connection with the effectiveness of Basel III, banks were required to decide whether to elect to opt-out of the inclusion of Accumulated Other Comprehensive Income ("AOCI") in their Common Equity Tier I Capital. This was a one-time election and generally irrevocable. The Bank has elected to opt-out of the inclusion.

Among other things, the Basel III Capital Rules: (a) introduce a new capital measure entitled "Common Equity Tier I" (“CETI"); (ii) specify that Tier I Capital consist of CETI and additional financial instruments satisfying specified requirements that permit inclusion in Tier I Capital; (iii) define CETI narrowly by requiring that most deductions or adjustments to regulatory capital measures be made to CETI and not to the other components of capital; and (iv) expand the scope of the deductions or adjustments from capital as compared to the existing regulations.

A minimum leverage ratio (Tier I Capital as a percentage of total assets) of 4.0% is also required under the Basel III Capital Rules (even for highly rated institutions). The Basel III Capital Rules additionally require institutions to retain a capital conservation buffer of 2.5% above these required minimum capital ratio levels. Banking organizations that fail to maintain the minimum 2.5% capital conservation buffer could face restrictions on capital distributions or discretionary bonus payments to executive officers. The Bank's capital conservation buffer as of December 31, 2024 and 2023, was 7.22% and 10.69%, respectively.

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of Common Equity Tier I Capital, Tier I Capital, Total Capital and leverage ratio of Tier I Capital. The requirements are:

- 4.5% based upon CETI
- 6.0% based upon Tier I Capital
- 8.0% based on total regulatory capital
- Leverage ratio of Tier I Capital assets equal to 4%

As of December 31, 2024 and 2023, management believes the Bank met all capital adequacy requirements to which they are subject. As of December 31, 2024, the most recent notification from the applicable regulatory agencies categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since the notification that management believes have changed the Bank's category.

The actual capital amounts were calculated as of December 31, 2024 and 2023.

	Actual:		For Capital Adequacy Purposes:		To Be Well Capitalized Under Prompt Corrective Action Provisions:	
December 31, 2024	Amount	Ratio	Amount	Ratio	Amount	Ratio
Common Equity Tier 1 Capital (to risk-weighted assets)	$ 37,332,000	14.059%	$ 11,949,165	≥4.500%	$ 17,259,905	≥6.500%
Total capital (to risk-weighted assets)	$ 40,415,000	15.220%	$ 15,932,220	≥6.000%	$ 26,553,700	≥10.00%
Tier I capital (to risk-weighted assets)	$ 37,332,000	14.059%	$ 21,242,960	≥8.000%	$ 21,242,960	≥8.000%
Tier I capital (to average assets)	$ 37,332,000	10.594%	$ 14,095,040	≥4.000%	$ 17,618,800	≥5.000%

	Actual:		For Capital Adequacy Purposes:		To Be Well Capitalized Under Prompt Corrective Action Provisions:	
December 31, 2023	Amount	Ratio	Amount	Ratio	Amount	Ratio
Common Equity Tier 1 Capital (to risk-weighted assets)	$ 33,656,000	13.815%	$ 10,963,170	≥4.500%	$ 15,835,690	≥6.500%
Total capital (to risk-weighted assets)	$ 36,067,000	14.804%	$ 14,617,560	≥6.000%	$ 24,362,600	≥10.00%
Tier I capital (to risk-weighted assets)	$ 33,656,000	13.815%	$ 19,490,080	≥8.000%	$ 19,490,080	≥8.000%
Tier I capital (to average assets)	$ 33,656,000	10.694%	$ 12,588,920	≥4.000%	$ 15,736,150	≥5.000%

ATA, PC
2070 Rhino Crossing Milan, TN 38358
P 731.686.8371 **F** 731.686.8378

Independent Auditor's Report on Supplementary Information

To the Board of Directors
Security Bancorp, Inc. and Subsidiary
P.O. Box 7027
McMinnville, TN 37111

We have audited the consolidated financial statements of Security Bancorp, Inc. and Subsidiary as of and for the years ended December 31, 2024 and 2023, and our report thereon dated March 3, 2025, which expressed an unmodified opinion on those financial statements, appears on page 12. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on the following pages is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

ATA, PC

Milan, Tennessee
March 3, 2025

SECURITY BANCORP, INC. AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
December 31, 2024

Assets	Security Bancorp, Inc.	Security Federal Savings Bank	Eliminations	Consolidated
Cash and cash equivalents:				
Cash and due from banks	$ 49,821	$ 6,152,385	$ (49,821)	$ 6,152,385
Federal funds sold	-	7,250,000	-	7,250,000
Cash and cash equivalents total	49,821	13,402,385	(49,821)	13,402,385
Interest-bearing deposits with banks	-	24,745,465	-	24,745,465
Investment securities available-for-sale	-	45,046,523	-	45,046,523
Investment in subsidiary	35,427,312	-	(35,427,312)	-
Federal Home Loan Bank stock, at cost	-	532,200	-	532,200
Federal Home Loan Mortgage Corporation stock	-	17,805	-	17,805
Farmers Mac stock	-	19,695	-	19,695
Loans	-	266,836,921	-	266,836,921
Less: Allowance for credit losses	-	(2,782,349)	-	(2,782,349)
Net loans, net	-	264,054,572	-	264,054,572
Premises and equipment, net	61,235	2,754,959	-	2,816,194
Cash surrender value life insurance	-	4,235,037	-	4,235,037
Accrued interest receivable	-	2,705,293	-	2,705,293
Other assets	70,497	2,078,916	-	2,149,413
Total assets	**$ 35,608,865**	**$ 359,592,850**	**$ (35,477,133)**	**$ 359,724,582**
Liabilities and stockholders' equity				
Liabilities				
Deposits:				
Noninterest-bearing				
Demand deposits	$ -	$ 49,096,097	$ (49,821)	$ 49,046,276
Interest-bearing				
Demand deposits	-	113,144,081	-	113,144,081
Savings	-	51,281,939	-	51,281,939
Time	-	107,054,888	-	107,054,888
Total deposits	-	320,577,005	(49,821)	320,527,184
Accrued interest payable	-	641,297	-	641,297
Escrow payable	-	104,687	-	104,687
Allowance for credit losses on off-balance sheet credit exposures	-	300,000	-	300,000
Accrued expenses and other liabilities	-	2,542,549	-	2,542,549
Total liabilities	-	324,165,538	(49,821)	324,115,717
Stockholders' equity				
Preferred stock	-	-	-	-
Common stock	4,364	1,000	(1,000)	4,364
Additional paid-in capital	4,520,586	4,124,942	(4,124,942)	4,520,586
Retained earnings	35,422,163	33,205,523	(33,205,523)	35,422,163
Accumulated other comprehensive loss	(1,904,153)	(1,904,153)	1,904,153	(1,904,153)
Treasury stock	(2,434,095)	-	-	(2,434,095)
Total stockholders' equity	35,608,865	35,427,312	(35,427,312)	35,608,865
Total liabilities and stockholders' equity	**$ 35,608,865**	**$ 359,592,850**	**$ (35,477,133)**	**$ 359,724,582**

See independent auditor's report on supplementary information.

SECURITY BANCORP, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF INCOME
For the Year Ended December 31, 2024

	Security Bancorp, Inc.	Security Federal Savings Bank	Eliminations	Consolidated
Interest income				
Interest and fees on loans	$ -	$ 17,473,738	$ -	$ 17,473,738
Interest on investment securities	-	895,561	-	895,561
Interest other	7,199	1,202,194	-	1,209,393
Dividends - FHLB stock	-	34,895	-	34,895
Total interest income	7,199	19,606,388	-	19,613,587
Interest expense				
Interest on demand deposits and savings	-	4,273,290	-	4,273,290
Interest on time deposits	-	4,213,828	-	4,213,828
Interest on other	-	56,910	-	56,910
Total interest expense	-	8,544,028	-	8,544,028
Net interest income	7,199	11,062,360	-	11,069,559
Provision for credit losses on loans	-	415,132	-	415,132
Provision for off balance sheet credit exposures	-	300,000	-	300,000
Total provision	-	715,132	-	715,132
Net interest income after provision	7,199	10,347,228	-	10,354,427
Other income				
Deposit service charges and fees	-	951,009	-	951,009
Gain on equity securities	-	14,102	-	14,102
Gain on sale of loans	-	151,926	-	151,926
Gain on sale of foreclosed assets	-	333	-	333
Income from subsidiary	4,076,850	-	(4,076,850)	-
Financial service fees	-	485,446	-	485,446
Servicing fee, net	-	55,700	-	55,700
Earnings on cash surrender value	-	115,769	-	115,769
Other income	6,900	988,657	(6,900)	988,657
Total other income	4,083,750	2,762,942	(4,083,750)	2,762,942
Other expense				
Salaries and employee benefits	-	3,895,671	-	3,895,671
Net occupancy expense	1,752	889,576	-	891,328
Legal and professional fees	-	589,330	-	589,330
Loss on sale of premises and equipment	-	2,879	-	2,879
FDIC assessments	-	194,833	-	194,833
Data processing	-	957,611	-	957,611
Financial service expenses	-	35,221	-	35,221
Advertising	-	87,096	-	87,096
Deferred compensation	-	249,689	-	249,689
Other operating expense	29,804	736,835	(6,900)	759,739
Total other expense	31,556	7,638,741	(6,900)	7,663,397
Income before income taxes	4,059,393	5,471,429	(4,076,850)	5,453,972
Provision for income tax expense (benefit)	(4,350)	1,394,579	-	1,390,229
Net income	**$ 4,063,743**	**$ 4,076,850**	**$ (4,076,850)**	**$ 4,063,743**

See independent auditor's report on supplementary information.

2024 DIRECTORS AND OFFICERS
of
SECURITY BANCORP, INC.

Directors

Michael D. Griffith
President and Chief Executive Officer

Joe H. Pugh
Retired President and Chief Executive Officer

Ray ("Buzz") Spivey, Jr.
President of Cumberland Lumber & Mfg. Co.

Herschel Wells, Jr.
Secretary
Owner of Tennessee Warehouse and Distribution

Robert W. Newman
Chairman
Attorney

Thomas L. Foster (1)
Owner of Foster & Foster Realty and Auction Company

Officers

Michael D. Griffith
President and Chief Executive Officer

Lisa Hillis
Senior Vice President and Executive Assistant

Angela D. Brown
Senior Vice President and Chief Financial Officer

(1) Director emeritus.

2024 DIRECTORS AND OFFICERS
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SECURITY FEDERAL SAVINGS BANK OF
MCMINNVILLE, TN

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Senior Vice President and Chief Financial Officer

Lisa Hillis
Senior Vice President and Executive Assistant

Sherry Clendenon
Senior Vice President and Compliance Officer

Kelly T. Basham
Senior Vice President and Information Technology

Matt Rains
Senior Vice President and Senior Lender and Business Banker

Tracie Travis
Senior Vice President and Secondary Lending Officer

(1) Director emeritus.

CORPORATE INFORMATION

Corporate Headquarters

306 West Main Street
McMinnville, Tennessee 37110

Common Stock

Traded over-the-counter on the
OTC Electronic Bulletin Board
under the symbol: SCYT

Independent Auditors

ATA, PLLC
Milan, Tennessee

General Counsel

Stanley & Bratcher
McMinnville, Tennessee

Special Securities Counsel

Breyer & Associates PC
McLean, Virginia

Transfer Agent

Computershare Investor Services
150 Royall Street, Suite 101
Canton, MA 02021

ANNUAL MEETING

The Annual Meeting of Stockholders will be held Wednesday, April 16, 2025 at 2:00 p.m., Central Time, at 306 W. Main Street, McMinnville, Tennessee.

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EQUAL HOUSING LENDER

SECURITY BANCORP, INC.

P.O. Box 7027 • McMinnville, TN 37111

Member FDIC