CNB Corporation

Consolidated Financial Report
December 31, 2024 and 2023

Contents

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Independent Auditor's Report

Audit Committee
CNB Corporation
Cheboygan, Michigan

Opinion

We have audited the consolidated financial statements of CNB Corporation 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 consolidated financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of CNB Corporation 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 Consolidated 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 CNB Corporation's ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CNB Corporation'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 CNB Corporation's ability to continue as a going concern for a reasonable period of time.

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

Other Information Included in the Annual Report

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

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

Forvis Mazars, LLP

Fort Wayne, Indiana
March 13, 2025

Consolidated Balance Sheets

December 31, 2024 and 2023

(000s omitted, except per share data)

	2024	2023
Assets		
Cash and due from banks	$ 7,186	$ 6,965
Federal funds sold	3,351	2,611
Interest-bearing deposits with other financial institutions	8,348	3,069
Total cash and cash equivalents	18,885	12,645
Time deposits with other financial institutions	3,697	6,167
Investment securities - Available for sale (Note 3)	178,261	202,135
Investment securities - Held to maturity (Note 3)	6,156	6,672
Other securities	2,820	2,634
Loans held for sale	714	1,019
Loans - Net of allowance for credit losses of $3,413 and $3,488 as of December 31, 2024 and 2023, respectively (Note 4)	235,679	225,843
Bank premises and equipment - Net (Note 6)	11,157	9,746
Other assets (Notes 5, 7 and 10)	19,215	19,542
Total assets	**$ 476,584**	**$ 486,403**
Liabilities and Stockholders' Equity		
Liabilities		
Deposits: (Note 8)		
Non-interest bearing	$ 140,258	$ 151,680
Interest bearing	284,653	257,854
Brokered deposits	-	5,000
Total deposits	424,911	414,534
Borrowings	34,000	57,000
Accrued and other liabilities (Note 9)	7,351	5,908
Total liabilities	466,262	477,442
Stockholders' Equity		
Common stock - $2.50 par value; 2,000,000 shares authorized; 1,210,712 and 1,210,717 shares issued and outstanding in 2024 and 2023, respectively	3,027	3,027
Additional paid-in capital	19,473	19,473
Retained earnings	14,684	12,560
Accumulated other comprehensive loss - Net of tax	(26,862)	(26,099)
Total stockholders' equity	10,322	8,961
Total liabilities and stockholders' equity	**$ 476,584**	**$ 486,403**

See notes to consolidated financial statements.

Consolidated Statements of Income

Years Ended December 31, 2024 and 2023
(000s omitted, except per share data)

	2024	2023
Interest Income		
Loans - Including fees	$ 13,710	$ 11,567
Investment securities:		
Taxable	3,535	3,734
Tax exempt	284	316
Other	1,183	622
Total interest income	18,712	16,239
Interest Expense		
Deposits	1,617	537
Brokered deposits	19	598
Borrowings	2,423	1,167
Total interest expense	4,059	2,302
Net Interest Income	14,653	13,937
Provision for credit losses		
Credit loss expense - loans	27	64
Credit loss expense (recovery) – off-balance sheet credit exposure	(37)	(40)
Total provision for (recovery of) credit losses	(10)	24
Net Interest Income - After provision for (recovery of) credit losses	14,663	13,913
Noninterest Income		
Service charges and fees	1,525	1,517
Net gain on sale of loans and mortgage banking income	537	400
Loan servicing fees - Net of amortization	99	33
Other	555	397
Total noninterest income	2,716	2,347
Noninterest Expense		
Salaries and employee benefits	7,542	6,622
Occupancy and equipment	1,854	1,332
Data processing	1,170	1,099
FDIC premiums	336	343
Deferred compensation (Note 9)	90	89
Legal and professional	836	848
Other	1,620	1,576
Total noninterest expense	13,448	11,909
Income - Before income taxes	3,931	4,351
Income Tax Expense (Note 10)	717	814
Net Income	**$ 3,214**	**$ 3,537**
Earnings per share - Basic	$ 2.65	$ 2.92
Earnings per share - Diluted	$ 2.65	$ 2.92

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2024 and 2023
(000s omitted, except per share data)

	2024	2023
Net Income	$ 3,214	$ 3,537
Other Comprehensive (Loss) Income		
Unrealized (loss) gain on securities:		
Arising during the year	(966)	5,842
Tax effect	203	(1,227)
Total other comprehensive (loss) income	(763)	4,615
Comprehensive Income	**$ 2,451**	**$ 8,152**

Consolidated Statement of Changes in Stockholders' Equity

Years Ended December 31, 2024 and 2023
(000s omitted, except per share data)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance - January 1, 2023	$ 3,027	$ 19,473	$ 10,113	$ (30,714)	$ 1,899
Net income	-	-	3,537	-	3,537
Other comprehensive income	-	-	-	4,615	4,615
Dividends declared $0.90 per share	-	-	(1,090)	-	(1,090)
Balance - December 31, 2023	3,027	19,473	12,560	(26,099)	8,961
Net income	-	-	3,214	-	3,214
Other comprehensive loss	-	-	-	(763)	(763)
Dividends declared $0.90 per share	-	-	(1,090)	-	(1,090)
Balance - December 31, 2024	**$ 3,027**	**$ 19,473**	**$ 14,684**	**$ (26,862)**	**$ 10,322**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended December 31, 2024 and 2023

(000s omitted, except per share data)

	2024	2023
Cash Flows from Operating Activities		
Net income	$ 3,214	$ 3,537
Adjustments to reconcile net income to net cash and cash equivalents from operating activities:		
Depreciation	528	361
Provision for credit losses - loans	27	64
Loans originated for sale	(14,333)	(10,609)
Proceeds from sales of loans originated for sale	14,265	9,328
Recovery for credit losses - off-balance sheet credit exposures	(37)	(40)
Gain on sale of loans	(237)	(263)
Gain on sale of other real estate	(83)	-
Deferred tax expense	331	163
Increase in cash surrender value of life insurance	(202)	(157)
Loss on disposal of premises and equipment	94	-
Amortization of securities	405	537
Net change in:		
Other assets	(381)	(454)
Accrued expenses and other liabilities	1,480	58
Net cash and cash equivalents provided by operating activities	5,071	2,525
Cash Flows from Investing Activities		
Proceeds from maturities and calls of securities available for sale	22,502	25,550
Proceeds from paydowns and maturities of securities held to maturity	698	1,804
Purchase of securities held to maturity	(181)	(2,000)
Net change in portfolio loans	(9,254)	(18,959)
Purchases of premises and equipment	(2,033)	(3,694)
Purchase of FHLB stock	(186)	(428)
Proceeds from maturities of time deposits	2,470	21,076
Purchase of time deposits	-	(19,099)
Proceeds from sale of other real estate	655	-
Proceeds from BOLI claim	211	-
Net cash and cash equivalents provided by investing activities	14,882	4,250
Cash Flows from Financing Activities		
Net change in deposit accounts	10,377	(60,962)
Proceeds from issuance of borrowings	48,000	57,000
Repayment of long-term debt	(71,000)	-
Dividends paid	(1,090)	(1,090)
Net cash and cash equivalents (used in) financing activities	(13,713)	(5,052)
Net Increase in Cash and Cash Equivalents Cash and	6,240	1,723
Cash Equivalents - Beginning of year	12,645	10,922
Cash and Cash Equivalents - End of year	**$ 18,885**	**$ 12,645**
Supplemental Cash Flow Information - Cash paid for interest	$ 3,335	$ 1,387
Supplemental Cash Flow Information - Cash paid for income taxes	$ 700	$ 1,000
Significant Noncash Transactions - Transfer from loans to other real estate owned	$ -	$ 572

See notes to consolidated financial statements.

Note 1 - Nature of Business

CNB Corporation (the "Company") is a one-bank holding company that conducts no direct business activities. All business activities are performed by Citizens National Bank (the "Bank").

The Bank provides a full range of banking services to individuals, agricultural businesses, commercial businesses, and light industries located in its service area. It maintains a diversified loan portfolio, including loans to individuals for home mortgages, automobiles, personal expenditures, and loans to business enterprises for current operations and expansion. The Bank offers a variety of deposit accounts, including checking, savings, money market, individual retirement accounts, and certificates of deposit.

The principal markets for the Bank's financial services are the Michigan communities in which the Bank is located and the area immediately surrounding these communities. The Bank serves these markets through eight branches located in Cheboygan, Presque Isle, and Emmet counties.

Note 2 - Significant Accounting Policies

Basis of Presentation and Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary bank. All significant intercompany accounts and transactions are eliminated in consolidation.

Use of Estimates

To prepare consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated balance sheet and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, and the valuation of investment securities.

Cash and Cash Equivalents

Cash and cash equivalents include cash and due from banks, interest-bearing deposits with other financial institutions (if the original maturity date is less than 90 days), and federal funds sold. Net cash flows are reported for customer loan and deposit transactions. From time to time, the Company's cash accounts may exceed federally insured limits. As of December 31, 2024 the Company had approximately $485,000 in uninsured deposits. As of December 31 2023 none of the Company's cash accounts exceeded federally insured limits.

Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as held to maturity and reported at amortized cost, net of allowance for credit losses. Securities bought and held principally for the purpose of selling in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses included in earnings. Securities not classified as held to maturity or trading are classified as available for sale and are reported at fair value, with unrealized gains and losses for those which no allowance for credit losses are recorded excluded from earnings and reported in other comprehensive gain or loss.

Purchase premiums and discounts are recognized in interest income using the interest method. For purchase premiums and discounts on equity securities and noncallable debt securities, the amounts are recognized into income over the term of the securities. For premiums on callable debt securities, the premium is amortized against income over the period until the earlier of the first call date or maturity.

Note 2 - Significant Accounting Policies (Continued)

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

The Company measures expected credit losses on held to maturity securities on a collective basis by major security type. The estimate of expected credit losses considers historical credit loss information, adjusted for current conditions and reasonable and supportable forecasts. All held to maturity securities are municipal bonds. Accrued interest receivable on held to maturity debt securities is excluded from the estimate of credit losses. As of December 31, 2024 and 2023, there was no allowance for credit losses on held to maturity securities.

For available for sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or more likely than not that will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income.

For debt securities available for sale that do not meet either criteria, the Company evaluates whether the decline in fair value resulted from credit losses. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, an allowance for credit losses is recorded, limited to the amount that the fair value is less than the amortized cost basis. Any unrealized loss that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. As of December 31, 2024 and 2023, there was no allowance for credit losses on available for sale securities.

Other Securities

The Bank, as a member of the Federal Reserve Bank of Chicago (FRB) and the Federal Home Loan Bank of Indianapolis (FHLB), is required to maintain an investment in the capital stock of the FRB and the FHLB. No readily determinable fair value exists for the stock, and it has no quoted market value. The stock is redeemable at par by the issuers and, therefore, is carried at cost and periodically evaluated for impairment. The Company records dividends in income on the ex-dividend date.

The Company's only other equity security is an investment in United Bankers' Bank (UBB) stock which does not have a readily determinable fair value and is carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes for the identical or a similar investment. Under this practicability exception, the Company performs a qualitative assessment for equity investments without readily determinable fair values considering impairment indicators to evaluate whether an impairment exists. If an impairment exists, the Company will recognize a loss based on the difference between carrying value and fair value.

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized in a valuation allowance by charges to income.

Note 2 - Significant Accounting Policies (Continued)

Loan Servicing

Servicing assets are recognized initially at fair value as separate assets when rights are acquired through the purchase or sale of financial assets. Capitalized servicing rights are reported in other assets and are amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. Servicing assets are evaluated for impairment based on the fair value of the rights as compared to amortized cost. Impairment is determined by stratifying rights by predominant characteristics, such as interest rates and terms. Fair value is determined by using prices for similar assets with similar characteristics, when available, or based on discounted cash flows using market-based assumptions. Impairment is recognized through a valuation allowance for an individual stratum of servicing assets to the extent that fair value is less than the capitalized amount for the stratum.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at the principal balance outstanding, net of deferred loan fees and costs, and an allowance for credit losses.

Loan Income

Interest income is earned on the interest method and includes amortization of net deferred loan fees and costs over the loan term. Interest income is not reported when full loan repayment is in doubt, typically when payments are past due over 90 days.

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Credit Losses

An allowance for credit losses (ACL) is established for amounts expected to be uncollectible over the contractual life of the loans. The Company collectively evaluates notes receivable to determine the allowance for credit losses based on collateral value and loan type. The Company has elected to not include accrued interest receivable in the calculation of expected credit losses.

Loans that do not share similar risk characteristics with other loans are evaluated individually. When repayment of collateral is expected to be dependent on the operation of or sale of the collateral, expected credit losses are based on the fair value of the collateral as of the reporting date.

Note 2 - Significant Accounting Policies (Continued)

The Company uses the Scaled CECL Allowance for Losses Estimator (SCALE). The SCALE method was developed by the Federal Reserve to aid community banks in calculating their CECL compliant allowances for credit losses using proxy expected lifetime loss rates. Expected lifetime loss rates are developed using publicly available data for calculating lifetime expected losses. The Company makes adjustments to this information for difference in asset specific risk characteristics as well as institution specific forecast of economic conditions for facts and circumstances to better reflect the Company's own credit risk. These adjustments may be qualitative in nature. Uncollectible amounts are written off against the allowance for credit losses in the period they are determined to be uncollectible. Recoveries of amounts previously written off are recognized when received. Notes are considered delinquent if the repayment terms are not met.

Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the assets' useful lives. For furniture and fixtures, the useful life ranges from 3 to 7 years, while the useful life for buildings is 39 years. These assets are reviewed for impairment when events indicate the carrying amount may not be recoverable. Maintenance and repairs are charged to expense, and improvements are capitalized.

Other Real Estate Owned

Real estate properties acquired through, or in lieu of, loan foreclosure are initially recorded at the lower of the loan carrying amount or fair value at acquisition and are included in other assets on the consolidated balance sheet. Any reduction to fair value from the carrying value of the related loan is accounted for as a loan loss. After acquisition, a valuation allowance reduces the reported amount to the lower of the initial amount or fair value less costs to sell. Expenses, gains and losses on disposition, and changes in the valuation allowance are reported as expenses on the consolidated statement of income.

Bank-owned Life Insurance

The Bank has purchased life insurance policies on certain executives and employees. Bank-owned life insurance is recorded at its cash surrender value or the amount that can be effectively realized at the consolidated balance sheet date. At December 31, 2024 and 2023, the cash surrender value of the underlying policies was approximately $6,943,000 and $6,930,000, respectively, which is included in other assets on the consolidated balance sheet.

Income Taxes

Income tax expense is the sum of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

Off-balance-sheet Instruments

The Company, in the ordinary course of business, makes commitments to extend credit that are not reflected in the consolidated financial statements. A summary of these commitments is disclosed in Note 12.

Note 2 - Significant Accounting Policies (Continued)

Other Comprehensive Income and Loss

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, however, such as unrealized gains and losses on available-for-sale securities are reported as a direct adjustment to the equity section of the consolidated balance sheet. Such items, along with net income, are considered components of comprehensive income or loss.

Earnings per Common Share

Basic earnings per share represent income available to common stockholders divided by the weighted-average number of common shares outstanding during the period, which was 1,210,714 and 1,210,717 in 2024 and 2023, respectively. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. There were no outstanding stock options as of December 31, 2024 or 2023. Accordingly, no dilutive impact is presented.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including March 13, 2024, which is the date the consolidated financial statements were available to be issued.

Adoption of New Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU 2023-07), *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The new accounting guidance expands reportable segment disclosure requirements primarily through the enhanced disclosures of significant segment expenses that are regularly provided to the chief operating decision maker (CODM) and disclosure of the amount and composition of other segment items. Other segment items are the amount that reconciles segment revenues, less significant expenses, to segment profit or loss by reportable segment. The accounting guidance also requires entities to disclose the title and position of the CODM, an explanation of how the CODM uses the report measure(s) of segment prfofit or loss in assessing segment performance and deciding how to allocate resources, and all segments' profit or loss and asset disclosures currently required annually by Topic 280 along with those introduced by the new accounting guidance to be reported on an interim basis.

The Corporation adopted this standard retrospectively to all prior periods presented in the consolidated financial statements on January 1, 2024. The Corporation has one reportable segment, see Note 1 for additional information.

Note 3 - Securities

The year-end fair values and related gross unrealized gains and losses recognized in accumulated other comprehensive loss for securities available for sale were as follows as of December 31, 2024 and 2023 (000s omitted):

Note 3 - Securities (Continued)

	2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
U.S. government and agency	$ 24,506	$ -	$ (1,593)	$ 22,913
Mortgage backed	168,258	-	(29,961)	138,297
Collateralized mortgage obligations	13,972	-	(2,057)	11,915
State and municipal	5,528	117	(509)	5,136
Total available for sale	$ 212,264	$ 117	$ (34,120)	$ 178,261
Held-to-maturity securities - State and municipal	6,156	113	(96)	6,173
Total available-for-sale and held-to-maturity securities	$ 218,420	$ 230	$ (34,216)	$ 184,434

	2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
U.S. government and agency	$ 24,527	$ -	$ (2,128)	$ 22,399
Mortgage backed	186,150	-	(28,304)	157,846
Collateralized mortgage obligations	16,090	-	(2,262)	13,828
State and municipal	8,406	124	(468)	8,062
Total available for sale	$ 235,173	$ 124	$ (33,162)	$ 202,135
Held-to-maturity securities - State and municipal	6,672	293	(66)	6,899
Total available-for-sale and held-to-maturity securities	$ 241,845	$ 417	$ (33,228)	$ 209,034

The carrying value of securities pledged as collateral, to secure borrowings, was $124,776,440 and $115,315,620 at December 31, 2024 and 2023, respectively.

There were no proceeds from sales of available-for-sale securities in 2024 and 2023.

Note 3 - Securities (Continued)

Contractual maturities of debt securities at December 31, 2024 are presented below. Expected maturities may differ from contractual maturity because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date, primarily mortgage-backed securities, are presented separately.

The amortized cost and fair value of debt securities by contractual maturity at December 31, 2024 are as follows (000s omitted):

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 2,569	$ 2,508	$ 328	$ 328
Due in one through five years	25,256	23,637	481	462
Due after five years through ten years	1,873	1,639	2,095	2,040
Thereafter	336	265	3,252	3,343
Mortgage backed	168,258	138,297	-	-
Collateralized mortgage obligations	13,972	11,915	-	-
Total	$ 212,264	$ 178,261	$ 6,156	$ 6,173

Note 3 - Securities (Continued)

Securities with unrealized losses at December 31, 2024 and 2023, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows (000s omitted):

	2024			
	Less Than 12 Months		12 Months or Greater	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
U.S. government and agency	$ -	$ -	$ (1,593)	$ 22,913
Mortgage backed	-	-	(29,961)	138,297
Collateralized mortgage obligations	-	-	(2,057)	11,915
State and municipal	-	-	(509)	4,689
Held-to-maturity securities - State and municipal	(8)	1,379	(88)	3,169
Total	$ (8)	$ 1,379	$ (34,208)	$ 178,753

	2023			
	Less Than 12 Months		12 Months or Greater	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
U.S. government and agency	$ -	$ -	$ (2,128)	$ 22,399
Mortgage backed	-	-	(28,304)	157,846
Collateralized mortgage obligations	-	-	(2,262)	13,828
State and municipal	(3)	741	(465)	6,880
Held-to-maturity securities - State and municipal	-	-	(66)	1,043
Total	$ (3)	$ 741	$ (33,225)	$ 201,996

Unrealized losses remaining on the consolidated balance sheet at December 31, 2024 and 2023 have not been recognized into income. There were 137 and 142 securities in an unrealized loss position at December 31, 2024 and 2023, respectively. Management considers the unrealized losses to be market driven, resulting from changes in interest rates, and the Company has the intent and ability to hold the securities until their value recovers.

Management evaluates securities for credit loss on a quarterly basis and more frequently when economic or market conditions warrant such an evaluation. In analyzing an issuer's financial condition, the Company may consider whether the securities are issued by the federal government or its agencies or U.S. government-sponsored enterprises, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. The assessment of whether credit loss exists involves a high degree of subjectivity and judgment and is based on the information available to management at a point in time.

Note 3 - Securities (Continued)

The majority of unrealized losses at December 31, 2024 and 2023 are related to federal agency securities, mortgage-backed securities, and collateralized mortgage obligations. Agency-issued securities are generally guaranteed by a U.S. government agency, such as the Government National Mortgage Association. Government-sponsored enterprises, such as the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association, have an implied guarantee by the U.S. government.

Unrealized losses on corporate and municipal bonds have not been recognized into income because the issuers' bonds are of high credit quality, management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuers continue to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds approach maturity.

Note 4 - Loans and Allowance for Credit Losses

A summary of the balances of loans at December 31 follows (000s omitted):

	2024	2023
Real estate - construction	$ 14,736	$ 22,944
Real estate - commercial	79,505	79,931
Real estate - residential	113,642	95,870
Commercial	18,599	18,857
Credit cards	213	214
Other consumer	12,403	11,522
Total loans	239,098	229,338
Less:		
Deferred fees	6	7
Allowance for credit losses	3,413	3,488
Net loans	$ 235,679	$ 225,843

The Company's activity in the allowance for credit losses for the years ended December 31, 2024 and 2023, by loan segment, is summarized below (000s omitted):

	Year Ended December 31, 2024							
	Real Estate - construction	Real Estate - commercial	Real Estate - residential	Commercial	Credit Cards	Other Consumer	Unallocated	Total
Beginning balance	$ 461	$ 1,219	$ 1,056	$ 304	$ 29	$ 311	$ 108	$ 3,488
Charge-offs	-	(110)	-	-	-	(43)	-	(153)
Recoveries	1	39	-	-	-	11	-	51
Credit loss expense	(167)	62	182	(11)	(1)	70	(108)	27
Ending balance	$ 295	$ 1,210	$ 1,238	$ 293	$ 28	$ 349	$ -	$ 3,413

	Year Ended December 31, 2023							
	Real Estate - construction	Real Estate - commercial	Real Estate - residential	Commercial	Credit Cards	Other Consumer	Unallocated	Total
Beginning balance	$ 512	$ 1,273	$ 1,009	$ 400	$ 22	$ 241	$ (2)	$ 3,455
Charge-offs	-	-	(9)	(38)	-	(47)	-	(94)
Recoveries	-	-	11	34	-	18	-	63
Credit loss expense	(51)	(54)	45	(92)	7	99	110	64
Ending balance	$ 461	$ 1,219	$ 1,056	$ 304	$ 29	$ 311	$ 108	$ 3,488

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

Credit Quality Disclosures

The Company categorized each loan into credit risk categories based on current financial information, overall debt service coverage, comparison against industry averages, collateral coverage, historical payment experience, and current economic trends. The Company uses the following definitions for credit risk ratings:

Risk Rating 1-4 (Pass)

All loans in risk ratings 1-4 are considered to be acceptable credit risks by the Company and are grouped for the purposes of allowance for credit loss considerations and financial reporting. The four ratings essentially represent a ranking of loans that are all viewed to be of acceptable credit quality, taking into consideration the various factors mentioned above, but with varying degrees of financial strength, debt coverage, management, and factors that could impact credit quality.

Risk Rating 5 (Watch)

A special mention business credit has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects or in the Company's credit position at some future date. Special mention business credits are not adversely ranked and do not expose the Company to sufficient risk to warrant adverse ranking.

Risk Rating 6 (Substandard)

A substandard business credit is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Business credit classified as substandard must have a welldefined weakness, or weaknesses, that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. If the likelihood of full collection of interest and principal may be in doubt, such loans are placed on nonaccrual status.

Risk Rating 7 (Doubtful)

A business credit rated as doubtful has all the weaknesses inherent in a substandard business credit under risk rating 6, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis or currently existing facts, conditions, and values, highly questionable and improbable. Due to the high probability of loss, nonaccrual treatment is required for doubtful-rated loans.

Risk Rating 8 (Loss)

A business credit rated as loss is considered uncollectible and of such little value that its continuance as a collectible loan is not warranted. This rating does not necessarily result in absolutely no recovery or salvage value, but rather it is not practical or desirable to defer charging off even if partial recovery may be a consideration in the future.

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

The following tables present the amortized cost basis of loans by credit quality indicator, class of financing receivable, and year of origination for term loans (000s omitted):

	December 31, 2024						
	Term Loans Amortized Cost Basis by Origination Year						
	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Total
Commercial construction							
Pass	$ 1,402	2,433	1,493	1,590	930	48	7,896
Total commercial construction	1,402	2,433	1,493	1,590	930	48	7,896
Current year-to-date gross write-offs	-	-	-	-	-	-	-
Residential construction							
Pass	2,941	3,614	285	-	-	-	6,840
Total residential construction	2,941	3,614	285	-	-	-	6,840
Current year-to-date gross write-offs	-	-	-	-	-	-	-
Real estate - commercial							
Pass	9,864	14,401	20,592	12,847	18,852	1,149	77,705
Watch	-	760	-	-	20	-	780
Substandard	-	-	-	-	840	-	840
Doubtful	-	-	180	-	-	-	180
Total real estate - commercial	9,864	15,161	20,772	12,847	19,712	1,149	79,505
Current year-to-date gross write-offs	-	-	110	-	-	-	110
1-4 Family							
Pass	21,974	15,831	23,530	12,292	16,591	3,474	93,692
Total 1-4 Family	21,974	15,831	23,530	12,292	16,591	3,474	93,692
Current year-to-date gross write-offs	-	-	-	-	-	-	-
1-4 Family Junior Lien							
Pass	1,190	393	100	-	32	7,204	8,919
Total 1-4 Family junior lien	1,190	393	100	-	32	7,204	8,919
Current year-to-date gross write-offs	-	-	-	-	-	-	-
Multi Family							
Pass	5,970	512	1,093	112	786	148	8,621
Watch	-	-	2,410	-	-	-	2,410
Total multi family	5,970	512	3,503	112	786	148	11,031
Current year-to-date gross write-offs	-	-	-	-	-	-	-
Credit cards							
Pass	-	-	-	-	-	213	213
Total credit cards	-	-	-	-	-	213	213

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

Current year-to-date gross write-offs	-	-	-	-	-	-	-
Commercial							
Pass	5,616	2,340	2,893	2,452	2,654		17,757
Watch	25	43	232	20	13	400	733
Doubtful	-	-	109	-	-	-	109
Total commercial	5,641	2,383	3,234	2,472	2,667	2,202	18,599
Current year-to-date gross write-offs	-	-	-	-	-	-	-
Auto							
Pass	1,637	1,949	1,224	296	43	-	5,149
Watch	-	-	165	-	-	-	165
Total auto	1,637	1,949	1,389	296	43	-	5,314
Current year-to-date gross write-offs	-	-	13	-	-	-	13
Other Consumer							
Pass	2,821	1,733	1,579	377	128	451	7,089
Total other consumer	2,821	1,733	1,579	377	128	451	7,089
Current year-to-date gross write-offs	-	-	-	-	30	-	30
Total loans	$ 53,440	$ 44,009	$ 55,885	$ 29,986	$ 40,889	$ 14,889	$ 239,098

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

	December 31, 2023					
	Term Loans Amortized Cost Basis by Origination Year					
	2023	2022	2021	Prior	Revolving Loans	Total
Commercial construction						
Pass	$ 2,554	1,769	2,479	1,228	-	8,030
Total commercial construction	2,554	1,769	2,479	1,228	-	8,030
Current year-to-date gross write-offs	-	-	-	-	-	-
Residential construction						
Pass	7,573	7,341	-	-	-	14,914
Total residential construction	7,573	7,341	-	-	-	14,914
Current year-to-date gross write-offs	-	-	-	-	-	-
Real estate - commercial						
Pass	15,258	24,071	13,863	25,380	44	78,616
Watch	-	-	-	161	-	161
Substandard	-	-	-	886	-	886
Doubtful	-	268	-	-	-	268
Total real estate - commercial	15,258	24,339	13,863	26,427	44	79,931
Current year-to-date gross write-offs	-	9	-	-	-	9
1-4 Family						
Pass	22,404	25,584	14,387	19,590	3,294	85,259
Substandard	-	-	-	29	-	29
Total 1-4 Family	22,404	25,584	14,387	19,619	3,294	85,288
Current year-to-date gross write-offs	-	-	-	-	-	-
1-4 Family Junior Lien						
Pass	596	144	-	38	4,597	5,375
Total 1-4 Family junior lien	596	144	-	38	4,597	5,375
Current year-to-date gross write-offs	-	-	-	-	-	-

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

Multi Family						
Pass	542	3,459	302	862	42	5,207
Total multi family	542	3,459	302	862	42	5,207
Current year-to-date gross write-offs	-	-	-	-	-	-
Credit cards						
Pass	-	-	-	-	214	214
Total credit card	-	-	-	-	214	214
Current year-to-date gross write-offs	-	-	-	-	-	-
Commercial						
Pass	3,428	4,902	5,507	3,382	1,462	18,681
Doubtful	-	176	-	-	-	176
Total commercial	3,428	5,078	5,507	3,382	1,462	18,857
Current year-to-date gross write-offs	-	38	-	-	-	38
Auto						
Pass	2,766	2,189	492	150	-	5,597
Doubtful	-	29	-	-	-	29
Total auto	2,766	2,218	492	150	-	5,626
Current year-to-date gross write-offs	-	-	-	10	-	10
Other Consumer						
Pass	2,330	2,070	624	369	503	5,896
Total other consumer	2,330	2,070	624	369	503	5,896
Current year-to-date gross write-offs	-	-	-	37	-	37
Total loans	$ 57,451	$ 72,002	$ 37,654	$ 52,075	$ 10,156	$ 229,338

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

Age Analysis of Past Due Loans

The Company's age analysis of past due loans at December 31, 2024 and 2023, by loan segment and class, is summarized below (000s omitted):

	December 31, 2024						
	30-59 Days Past Due	60-89 Days Past Due	90 or More Days	Total	Current	Total Loans	90 or More Days Past Due and Accruing
Real estate - construction:							
Commercial construction	$ -	$ -	$ -	$ -	$ 7,896	$ 7,896	$ -
Residential construction	-	-	-	-	6,840	6,840	-
Total real estate - construction	-	-	-	-	14,736	14,736	-
Real estate - commercial	-	-	180	180	79,325	79,505	-
Real estate - residential:							
1-4 Family Owner Occupied	-	182	12	194	93,498	93,692	12
1-4 Family Junior Lien	-	-	-	-	8,919	8,919	-
Multi Family	-	-	-	-	11,031	11,031	-
Total real estate - residential	-	182	12	194	113,448	113,642	12
Commercial	-	-	109	109	18,490	18,599	-
Credit cards	-	-	-	-	213	213	-
Other consumer:							
Auto	-	-	33	33	5,281	5,314	33
Other consumer loans	-	-	-	-	7,089	7,089	-
Total other consumer	-	-	33	33	12,370	12,403	33
Total	$ -	$ 182	$ 334	$ 516	$ 238,582	$ 239,098	$ 45

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

	December 31, 2023						
	30-59 Days Past Due	60-89 Days Past Due	90 or More Days	Total	Current	Total Loans	90 or More Days Past Due and Accruing
Real estate - construction:							
Commercial construction	$ -	$ -	$ -	$ -	$ 8,030	$ 8,030	$ -
Residential construction	-	-	-	-	14,914	14,914	-
Total real estate - construction	-	-	-	-	22,944	22,944	-
Real estate - commercial	48	-	268	316	79,615	79,931	-
Real estate - residential:							
1-4 Family Owner Occupied	59	162	29	250	85,038	85,288	-
1-4 Family Junior Lien	-	-	-	-	5,375	5,375	-
Multi Family	-	-	-	-	5,207	5,207	-
Total real estate - residential	59	162	29	250	95,620	95,870	-
Commercial	-	-	176	176	18,681	18,857	-
Credit cards	-	-	-	-	214	214	-
Other consumer:							
Auto	35	-	29	64	5,562	5,626	-
Other consumer loans	-	7	-	7	5,889	5,896	-
Total other consumer	35	7	29	71	11,451	11,522	-
Total	$ 142	$ 169	$ 502	$ 813	$ 228,525	$ 229,338	$ -

Collateral-Dependent Loans

The following table presents the amortized cost basis of collateral-dependent loans by class of loans as of December 31, 2024 and 2023 (000s omitted):

	December 31, 2024	
	Real Estate	Other
Real Estate - Commercial	$ 702	$ -
Real Estate - Residential	125	-
Total	$ 827	$ -

	December 31, 2023	
	Real Estate	Other
Real Estate - Commercial	$ 291	$ -
Real Estate - Residential	136	-
Commercial	-	16
Total	$ 427	$ 16

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

Nonaccrual Loans

The Company's loans on nonaccrual status at December 31, 2024 and 2023, by loan segment and class, are summarized below (000s omitted):

	2024			2023		
	Nonaccrual Loans with No ACL	Total Nonaccrual Loans	Interest Income Recognized During the Period on Nonaccrual Loans	Nonaccrual Loans with No ACL	Total Nonaccrual Loans	Interest Income Recognized During the Period on Nonaccrual Loans
Real estate - commercial	$ -	$ 180	$ -	$ -	$ 268	$ -
Commercial	-	109	-	-	176	-
Auto	-	-	-	-	29	-
Total	$ -	$ 289	$ -	$ -	$ 473	$ -

There were no loans modified to borrowers experiencing financial difficulty during the years ended December 31, 2024 and 2023. There were no loans that defaulted during 2024 or 2023 and had been modified in a troubled loan modification in the 12 months prior to default.

Note 5 - Loan Servicing

Mortgage servicing rights are included in other assets on the consolidated balance sheet. For the years ended December 31, 2024 and 2023, activity for capitalized mortgage servicing rights was as follows (000s omitted):

	2024	2023
Balance - Beginning of year	$ 1,239	$ 1,378
Additions	133	87
Amortization	(146)	(226)
Balance - End of year	$ 1,226	$ 1,239

The fair value of mortgage servicing rights is estimated by calculating the present value of estimated future net servicing cash flows, taking into consideration the expected prepayment rates and other economic factors that are based on current market conditions. Increases in mortgage loan prepayments reduce estimated future net servicing cash flows because the life of the underlying loan is reduced. The fair value calculation is performed by a third-party model. Assumptions used in the 2024 model include an average prepayment rate of 7.16 percent and an average discount rate of 9.17 percent. Assumptions used in the 2023 model include an average prepayment rate of 6.28 percent and an average discount rate of 9.87 percent. The fair value of the mortgage servicing rights was last calculated as of November 30, 2024. The fair value of mortgage servicing rights was approximately $1,777,000 and $1,872,000, as of December 31, 2024and 2023 respectively.

Mortgage loans serviced for others are not reported as assets. At December 31, 2024 and 2023, total mortgage loans serviced for others totaled approximately $155,813,000 and $158,186,000, respectively. Related escrow deposit balances were approximately $489,000 and $542,000 at December 31, 2024 and 2023, respectively.

Note 6 - Bank Premises and Equipment

A summary of the cost and accumulated depreciation of premises and equipment as of December 31, 2024 and 2023 is as follows (000s omitted):

	2024	2023
Real estate and buildings	$ 14,642	$ 9,093
Furniture, fixtures, and equipment	5,271	4,474
Construction in progress	-	4,937
Total cost	19,913	18,504
Accumulated depreciation	(8,756)	(8,758)
Net property and equipment	$ 11,157	$ 9,746

Depreciation expense for the years ended December 31, 2024 and 2023 totaled approximately $528,000 and $361,000, respectively.

Note 7 - Other Real Estate Owned

Occasionally, the Bank forecloses on certain loans secured by real estate and transfers this real estate collateral to other real estate. At the time of acquisition, amounts are charged off against the allowance for credit losses to bring the carrying amount of these properties to their estimated fair value, less estimated costs to sell. Activity in other real estate owned is as follows for the years ended December 31, 2024 and 2023 (000s omitted):

	2024	2023
Balance at beginning of year	$ 572	$ -
Transfers from loans	-	572
Sales/Redemptions	(655)	-
Gain on sales	83	-
Balance at year end	$ -	$ 572

Management periodically reviews the other real estate owned properties for a valuation allowance to determine if the values of these properties have declined since the date of acquisition.

Note 8 - Deposits

The following is a summary of the distribution of deposits at December 31, 2024 and 2023 (000s omitted):

	2024	2023
Non-interest-bearing deposits	$ 140,258	$ 151,680
NOW accounts	90,644	79,087
Savings and money market accounts	136,885	149,146
Time deposits:		
Under $250,000	36,036	22,020
$250,000 and over	21,088	7,601
Total	$ 424,911	$ 409,534

Note 8 - Deposits (Continued)

At December 31, 2024, the scheduled maturities of time deposits are as follows (000s omitted):

Years Ending	Amount
2025	$ 50,454
2026	4,477
2027	1,614
2028	352
2029	227
Total	$ 57,124

Note 9 - Employee Benefits

401(k) Plan

The Company has a 401(k) savings and retirement plan covering substantially all employees. Under the plan, employees may defer up to the lesser of 100 percent of their eligible compensation or the limitations set by the Internal Revenue Service (IRS). The employees may also make catch-up contributions to the extent the IRS allows. During 2024 and 2023, the board of directors elected to contribute a matching contribution equal to 100 percent of the first 5 percent of employee contributions. Employee contributions and the Company's matching contributions are vested immediately. The Company's matching percentages are determined annually by the board of directors and resulted in total contributions of approximately $231,000 and $226,000 in 2024 and 2023, respectively.

Deferred Compensation Plan

The Company has a deferred compensation plan that allows executive officers of the Bank and certain directors an opportunity to defer a portion of their compensation under individual agreements. On a monthly basis, the account of each participant accrues interest based on the interest rate determined for that year. Total liabilities under the plan are approximately $990,000 and $1,060,000 at December 31, 2024 and 2023, respectively, and are included within other liabilities on the consolidated balance sheet. The interest expense of the plan was approximately $60,000 and $50,000 in 2024 and 2023, respectively. Distributions under the plan were approximately $125,000 and $122,000 in 2024 and 2023, respectively. Deferrals into the plan were approximately $132,000 and $133,000 in 2024 and 2023, respectively.

The Company also has a deferred compensation plan to provide retirement benefits to certain directors, at their option, in lieu of annual directors' fees. The plan was amended as of December 31, 2009; participants are no longer able to defer compensation in accordance with this plan, and no additional benefits accrue under this plan. The present value of future benefits was accrued annually over the period of active service of each participant using a 6.00 percent discount rate. Total liabilities under this plan are approximately $459,000 and $631,000 at December 31, 2024 and 2023, respectively, and are included in other liabilities on the consolidated balance sheet. The expense for the plan was approximately $30,000 and $39,000 in 2024 and 2023, respectively. Distributions under the plan were approximately $173,000 and $217,000 in 2024 and 2023, respectively.

The following benefit payments reflect expected future cash flows as anticipated in total for both plans (000s omitted):

Years Ending	Amount
2025	$ 291
2026	291
2027	272
2028	174
2029	142

Note 10 - Income Taxes

Income tax expense consists of the following (000s omitted):

	2024	2023
Current income tax expense	$ 386	$ 852
Deferred income tax expense (recovery)	331	(38)
Total income tax expense	$ 717	$ 814

A reconciliation of the provision for income taxes to income taxes computed by applying the statutory United States federal rate to income before taxes is as follows (000s omitted):

	2024	2023
Income tax expense, computed at statutory rates	$ 825	$ 914
Effect of nontaxable income	(117)	(115)
Effect of non deductible expenses	9	15
Total provision for income taxes	$ 717	$ 814

The details of the net deferred tax asset are as follows (000s omitted):

	2024	2023
Deferred tax assets:		
Allowance for credit losses	$ 447	$ 465
Deferred compensation	483	499
Unrealized losses on available-for-sale securities	7,141	6,938
Other	74	117
Gross deferred tax assets	8,145	8,019
Deferred tax liabilities:		
Mortgage servicing rights	(258)	(260)
Fixed assets	(362)	(162)
Other	(183)	(126)
Gross deferred tax liabilities	(803)	(548)
Net deferred tax asset	$ 7,342	$ 7,471

The Company is no longer subject to examination by federal or state taxing authorities for years before 2021.

Note 11 - Related Party Transactions

Certain directors and executive officers of the Company and the Bank (including family members, affiliates, and companies in which they are principal owners) had loans outstanding with the Company in the ordinary course of business. Related party loan balances totaled approximately $105,000 and $4,989,000 at December 31, 2024 and 2023, respectively. Related party deposits totaled approximately $3,112,000 and $3,504,000 at December 31, 2024 and 2023, respectively.

In management's opinion, such loans and other extensions of credit and deposits were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve more than normal risk of collectability or present other unfavorable features.

Note 12 - Commitments, Off-balance-sheet Risk, and Contingencies

There are various contingent liabilities that are not reflected in the consolidated financial statements, including claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material effect on the financial condition or results of operations of the Company.

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

Exposure to credit loss if the other party does not perform is represented by the contractual amount for commitments to extend credit and standby letters of credit. The same credit policies are used for commitments and conditional obligations as are used for loans.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the commitment. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being used, the total commitments do not necessarily represent future cash requirements. Standby letters of credit are conditional commitments to guarantee a customer’s performance to a third party.

A summary of the unused contractual amounts of financial instruments with off-balance-sheet risk at year end is as follows (000s omitted):

	2024	2023
Commitments to extend credit	$ 50,360	$ 52,149
Standby letters of credit	99	88

The fair values of these commitments are not material. Substantially all of these commitments are at variable or uncommitted rates.

Note 13 - Fair Value Measurements

The Company utilizes fair value measurements to record fair value adjustments of certain assets and liabilities and to determine fair value disclosure.

Fair Value Hierarchy

Under Accounting Standards Codification (ASC) 820, the Company groups assets and liabilities at fair value into three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Note 13 - Fair Value Measurements (Continued)

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Company has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Company's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Company uses the following methods and significant assumptions to estimate fair value.

Securities classified as available for sale are generally reported at fair value utilizing Level 2 inputs, where the Company obtains fair value measurements from an independent pricing service that uses matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, and the bonds' terms and conditions, among other things.

Investment securities available for sale are valued primarily by a third-party pricing agent. Prices supplied by the independent pricing agent, as well as their pricing methodologies and assumptions, are reviewed for reasonableness and to ensure such prices are aligned with traditional pricing matrices. In general, our investment securities do not possess a complex structure that could introduce greater valuation risk. Pricing for such instruments is fairly generic and is easily obtained. On a quarterly basis, prices supplied by the pricing agent are validated by comparison to prices obtained from other third-party sources for a material portion of the portfolio.

Both the market and income valuation approaches are implemented using the following types of inputs:

- Government-sponsored agency debt securities and corporate bonds are primarily priced using available market information through processes, such as benchmark curves, market valuations of like securities, sector groupings, and matrix pricing.
- Other government-sponsored mortgage-backed securities are primarily priced using available market information, including benchmark yields, prepayment speeds, spreads, and volatility of similar securities.
- Corporate obligations are primarily priced using consensus pricing and dealer quotes.
- State and municipal bonds are largely grouped by characteristics (i.e., geographical data and source of revenue in trade dissemination systems). Since some securities are not traded daily, and, due to other grouping limitations, active market quotes are often obtained using benchmarking for like securities. Local tax anticipation warrants, with very little market activity, are priced using an appropriate market yield curve.

Note 13 - Fair Value Measurements (Continued)

The following tables present information about the Company's assets measured at fair value on a recurring basis at December 31, 2024 and 2023 and the valuation techniques used by the Company to determine those fair values (000s omitted):

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2024			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2024
Assets				
Investment securities available for sale (000s omitted):				
U.S. government and agency	$ -	$ 22,913	$ -	$ 22,913
Mortgage backed	-	138,297	-	138,297
State and municipal	-	5,136	-	5,136
Collateralized mortgage obligations	-	11,915	-	11,915
Total investment securities available for sale	$ -	$ 178,261	$ -	$ 178,261

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2023
Assets				
Investment securities available for sale (000s omitted):				
U.S. government and agency	$ -	$ 22,399	$ -	$ 22,399
Mortgage backed	-	157,846	-	157,846
State and municipal	-	8,062	-	8,062
Collateralized mortgage obligations	-	13,828	-	13,828
Total investment securities available for sale	$ -	$ 202,135	$ -	$ 202,135

The Company reviews the fair value of certain assets and, if necessary, adjusts the carrying value of the assets to fair value on a nonrecurring basis.

Loans categorized as Level 3 assets consist of nonhomogeneous loans that had write-downs to fair value during the period. The Company estimates the fair value of the loans based on the present value of expected future cash flows using management's best estimate of key assumptions. These assumptions include future payments ability, timing of payment streams, and estimated realizable values of available collateral (typically based on outside appraisals).

Note 13 - Fair Value Measurements (Continued)

The Company's other real estate owned is held at an estimated realizable value, and that value changes periodically with the real estate market. Losses for the period associated with other real estate owned represent valuation adjustments and write-downs through the consolidated statement of income.

	Assets Measured at Fair Value on a Nonrecurring Basis at December 31, 2024 (000s omitted)			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2024
Assets				
Collateral-dependent loans held for investment	$ -	$ -	$ 827	$ 827

	Assets Measured at Fair Value on a Nonrecurring Basis at December 31, 2023 (000s omitted)			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2023
Assets				
Collateral-dependent loans held for investment	$ -	$ -	$ 443	$ 443

The following table presents quantitative information about level 3 fair value measurements for assets measured at fair value on a non-recurring basis at December 31, 2024 and 2023 (000s ommitted):

	Fair Value December 31, 2024	Valuation Technique	Significant Unobservable Inputs Used	Range (Weighted Average)
Collateral-dependent loans held for investment	$ 827	Collateral based measurements	Discount to reflect current market conditions and ultimate collectability	4.25-10.00% (7.81%)

	Fair Value December 31, 2023	Valuation Technique	Significant Unobservable Inputs Used	Range (Weighted Average)
Collateral-dependent loans held for investment	$ 443	Collateral based measurements	Discount to reflect current market conditions and ultimate collectability	2.96-11.41% (5.24%)

Note 14 - Fair Value of Financial Instruments

The following methods and assumptions were used to estimate fair values for financial instruments. The carrying amount is considered to approximate fair value for cash and variable-rate loans or deposits that reprice frequently and fully. Securities fair values are based on quoted market prices or, if no quotes are available, on the rate and term of the security and on information about the issuer. For fixed-rate loans or deposits and for variable-rate loans or deposits with infrequent repricing or repricing limits, the fair value is estimated by discounted cash flow analysis or underlying collateral values, where applicable. The fair value of off-balance-sheet items approximates cost and is not considered significant to this presentation.

The estimated year-end values of financial instruments were as follows (000s omitted):

	2024		2023	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial Assets				
Cash and cash equivalents (Level 1)	$ 18,885	$ 18,885	$ 12,645	$ 12,645
Time deposits with other financial institutions (Level 2)	3,697	3,697	6,167	6,167
Securities held to maturity (Level 2)	6,156	6,173	6,672	6,949
Other securities (Level 2)	2,820	2,820	2,634	2,634
Loan held for sale (Level 2)	714	714	1,019	1,019
Loans - Net (Level 3)	235,679	219,933	225,843	215,400
Accrued interest receivable (Level 3)	1,383	1,383	1,429	1,429
Financial Liabilities				
Deposits (Level 1)	140,258	140,258	151,680	151,680
Deposits (Level 3)	284,653	228,333	257,854	204,167
Brokered Deposits (Level 3)	-	-	5,000	4,996
Borrowings (Level 3)	34,000	34,016	57,000	57,047
Accrued Interest Payable (Level 3)	1,650	1,650	926	926

Note 15 - Regulatory Capital

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the following table) of total, common, and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2024 and 2023, that the Bank met all capital adequacy requirements to which it is subject.

Note 15 - Regulatory Capital (Continued)

As of December 31, 2024, the most recent notification from the Bank's primary regulator categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum total risk-based, common equity Tier 1 risk-based, Tier 1 risk-based, and Tier 1 leverage ratios, as set forth in the following tables. There are no conditions or events since the notification that management believes have changed the Bank's category. The Bank's actual capital amounts and ratios as of December 31, 2024 and 2023 are also presented in the table. This table does not include the 2.5 percent capital conservation buffer requirement. A bank with a capital conservation buffer greater than 2.5 percent of risk-weighted assets would not be restricted by payout limitations. However, if the 2.5 percent threshold is not met, the bank would be subject to increasing limitations on capital distributions and discretionary bonus payments to executive officers as the capital conservation buffer approaches zero.

	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
(000s omitted)	Actual	Ratio	Actual	Ratio	Actual	Ratio
As of December 31, 2024						
Common equity Tier 1 capital (to risk-weighted assets)	$ 36,420	13.96 %	$ 11,744	4.50 %	$ 16,964	6.50 %
Total risk-based capital (to risk-weighted assets)	39,833	15.26	20,878	8.00	26,098	10.00
Tier 1 capital (to risk-weighted assets)	36,420	13.96	15,659	6.00	20,878	8.00
Tier 1 capital (to average assets)	36,420	7.37	19,754	4.00	24,693	5.00
As of December 31, 2023						
Common equity Tier 1 capital (to risk-weighted assets)	34,580	13.23	11,761	4.50	16,989	6.50
Total risk-based capital (to risk-weighted assets)	38,068	14.57	20,909	8.00	26,135	10.00
Tier 1 capital (to risk-weighted assets)	34,580	13.23	15,682	6.00	20,909	8.00
Tier 1 capital (to average assets)	34,580	7.20	19,203	4.00	24,004	5.00

One of the principal sources of cash for the Company is dividends from the Bank. Regulatory agencies can place dividend restrictions on the Bank based on their evaluation of its financial condition. No restrictions are currently imposed by regulatory agencies on the Bank other than the limitations found in the regulations that govern the payment of dividends to the Company. Under the most restrictive of these regulations, in 2024, the Bank is limited to paying dividends of the Company’s results from operations from 2024 and the retained net income of the prior two calendar years.

Note 16 - Bank Term Funding Program

On March 12, 2023, the Federal Reserve Board developed the BTFP, which offers loans to banks with a term of up to one year. The loans are secured by pledging the banks’ U.S. treasuries, agency securities, agency mortgage-backed securities, and any other qualifying assets. These pledged securities will be valued at par for collateral purposes. The Company participated in the BTFP and had outstanding debt of $34,000,000 and $57,000,000 as of December 31, 2024 and 2023, respectively. The Company had pledged securities totaling a fair value of $48,821,000 at December 31, 2024. The outstanding balance and accrued interest was subsequently paid off in January 2025.

Note 17 - Segment Information

The Company has one reportable segment: the Company. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary bank. The accounting policies of the Company segment are the same as those described in the “Summary of Significant Accounting Policies”.

The Company's reportable segment is determined by the Chief Executive Officer, who is designated the chief operating decision maker, based upon information provided about the Company's products and services offered, primarily banking operations. The segment is also distinguished by the level of information provided to the chief operating decision maker, who uses such information to review performance of various components of the business, including branches, which are then aggregated if operating performance, products/services, and customers are similar. The chief operating decision maker will evaluate the financial performance of the Company's business components such as by evaluating revenue streams, significant expenses, and budget to actual results in assessing the Company's segment and in the determination of allocating resources. The chief operating decision maker uses revenue streams to evaluate product pricing and significant expenses to assess performance and evaluate return on assets. The chief operating decision maker uses consolidated net income to benchmark the Company against its competitors. The benchmarking analysis coupled with monitoring of budget to actual results are used in assessment performance and in establishing compensation. Loans, investments, and deposits provide the revenues in the banking operation. Interest expense, provisions for credit losses, and payroll provide the significant expenses in the banking operation. All operations are domestic.

Officers of CNB Corporation and Citizens National Bank

CNB Corporation Officers

Matthew E. Keene
President & CEO

David A. Woods
Vice President

Amy E. Essex
Treasurer

Joseph P. Garber
Secretary

Citizens National Bank Officers

Matthew E. Keene
President &
Chief Executive Officer

Amy E. Essex
Senior Vice President
& Chief Financial
Officer

Joseph P. Garber
Senior Vice President,
Chief Credit Officer &
Cashier

David A. Woods
Senior Vice President
& Chief Loan Officer

Stephen J. Crusoe
Senior Vice President
Residential Banking

Nicole M. Drake
Senior Vice President
Business Banking

Trisha M. Dobias
Vice President Human
Resources

Marily J. Galloway
Vice President,
Operations,
Compliance, & Risk
Officer

Valerie A. Jones
Vice President
Cash Management

Amanda J. Godzik
Vice President,
Retail Banking

Timothy J. Timmer
Vice President
Business Banking

Sharon L. Coppernoll
Vice President,
Residential Banking

Stephen J. Daly
Vice President,
Business Banking

Michelle M. Miller
Vice President Residential Banking

Quinn C. Bonnett
Facilities Manager and
Security Officer

Maghan J. Brooks
Loan Operations Officer

Leslie L. Budnik
Business Operations Officer

Regina H. Patton
Vice President,
Residential Banking

Sheri L. Popp
Credit Officer

Ashley R. Waldie
Residential &
Consumer Officer

Sherry M. Wichlacz
Operations Officer

Adam Cushman
Cash Management
Officer

Lora Frye
Branch Manager

Memory Massey
Fraud Mitigation
Officer

Staff of Citizens National Bank

Cheboygan

Angela M. Baker
Kimberly Boda
Valiant Bondie III
Amber Cannon
Danette Cool
Shannon Cruse
Breanna Duffiney
Katherine H. Eldridge
Brandie M. Ford
Samantha Gould
Allison Grosso
Serena Harfert
Alishia R. Howell
Renee Irwin MaKayla
Jewell
Heather M. Keranen
Ronda A. Kinzey
Todd Mattingly
Jessie Mayoh
Desiree McKenzie
Amy Rampinelli
Hailey Reimann
Adam Schulz
Hannah Seldon
Jessica Smith-Schley
Olivia Skrine
Shirley Snyder
Stefani Stewart
Pamela M. Taylor
Carmen R. Tibbits
Jordan C. Velandia
Corinna M. Willis

South Branch Cheboygan

Jessica J. Schley
Makenzie Bowers-Massey
Emma Hudson
Tiffany Ellsworth
Faith Walters

Mackinaw City

Caelyn Dankert
Mindy Rogala

Onaway

Jessica Carter
Brittany Cooksey
Misty D. Nash
Charee Stachon

Indian River

Betsy Carr
Kaysi Berry
Jace Rose
Tiffany Stevens

Alanson

Jessica Carlson
Amanda Ide
Megan Osier
Jenna M. Wood

Petoskey

Lauren Butler
Talenna Calhoun
Madeline Campbell
Lisa LuHellier
Shelly Lunceford
Erica McDowell
Jessica Reid
Keith Stevens

Directors of CNB Corporation and Citizens National Bank

Current Directors

RICK A. TROMBLE
Chairman, CNB Corporation
Chairman, Citizens National Bank
Owner, Tromble Bay Farms

DANA F ANDREWS
President, Sturgeon River Pottery, Inc.

STEPHANIE V. BALDWIN
President, Edgewater Design Group

MELISSA K. BRIDGES
Attorney, Bodman LLP

BRIAN B. EWBANK
Retired, President & COO, Stafford's Hospitality

VICTORIA J. HAND
Retired, Secretary, CNB Corporation
Retired, Executive Vice President,
Chief Operating Officer, Cashier & Secretary,
Citizens National Bank

MATTHEW E. KEENE
President & Chief Executive Officer, CNB Corporation
President & Chief Executive Officer, Citizens National Bank

SCOTT D. LANDON
President, Landon Auto Parts

CHRISTOPHER B. SHEPLER
President, Shepler's Mackinac Island Ferry Service

R. JEFFERY SWADLING
Audit Committee Chairman, CNB Corporation
Vice President, Ken's Village Market

Directors Emeriti

STEVEN J. BAKER, D.V.M.
JAMES C. CONBOY, JR.
THOMAS J. ELLENBERGER
SUSAN A. ENO
VINCENT J. HILLESHEIM
KATHLEEN A. LIEDER
THOMAS J. REDMAN
FRANCIS J. VANANTWERP, JR

Supplemental Shareholder Information

CNB CORPORATION COMMON STOCK

CNB Corporation common stock is listed on the OTC Markets and is traded under the symbol CNBZ. The Company had 778 shareholders as of December 31, 2024.

SHAREHOLDER RELATIONS AND ANNUAL REPORT AVAILABLE

Shareholders may obtain, without charge, a copy of the 2024 Annual Report by submitting a written request to:

Shareholder Relations
CNB Corporation
303 N. Main St. P.O. Box 10,
Cheboygan, Michigan 49721
or
registrar@cnbismybank.com

The reports can also be downloaded from our website https://www.cnbismybank.com/about-us/shareholder-relations.html.

WEBSITE INFORMATION

The most current news releases and CNB Corporation financial reports and product information are available at our website, www.cnbismybank.com.

ANNUAL MEETING

The Annual Meeting of Shareholders will be held on Tuesday, May 20, 2025 at the Knights of Columbus Hall, 9840 N. Straits Highway, Cheboygan, Michigan, 49721 at 5:30 p.m.

INDEPENDENT AUDITOR

Forvis Mazars, LLP
Fort Wayne, Indinaia

STOCK SALES & MARKET MAKERS

Stock sales can be handled by stockbrokers serving as market makers. You may work with a broker of your choice or facilitate a private party sale. Market information for CNB Corporation is identified on the OTC Markets website at www.otcmarkets.com.

TRANSFER AGENT

Effective March 3, 2025 the transfer agent for CNB Corporation is ClearTrust, LLC. Inquiries regarding a change of name, address, or ownership of stock, as well as information on lost or stolen certificates should be directed to ClearTrust, LLC at 813.235.4490 or inbox@ClearTrustTransfer.com

The following table presents the high and low selling prices of known transactions in common stock of the Company for each quarter of 2023 and 2024:

	2024			2023		
	Market Price		Cash Dividends	Market Price		Cash Dividends
Quarter	High	Low	Declared	High	Low	Declared
1st	$20.00	$18.50	$0.50	$21.50	$17.50	$0.50
2nd	$22.00	$16.76	$ -	$25.00	$14.34	$ -
3rd	$22.00	$18.75	$0.40	$30.00	$18.00	$0.40
4th	$21.00	$17.50	$ -	$21.00	$16.50	$ -