ALLENDALE BANCORP, INC.

2024 ANNUAL REPORT

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COMPANY PROFILE

Value Statement

The Bank is committed to providing its customers with superior service, its shareholders with enhanced value, its communities with economic opportunity, and its staff with rewarding and enjoyable employment.

Direction Statement

Within the constraint of economic prudence, the bank will continue to
1) explore new market opportunities,
2) expand services and products, and
3) improve its technology and market position, with the goal of becoming the dominant bank in its markets while remaining the friendly and responsive bank that people prefer.

Corporate Profile

Allendale Bancorp, Inc. is a one-bank holding company whose wholly-owned subsidiary is The First National Bank of Allendale. The stock of Allendale Bancorp, Inc. is held by 268 shareholders, a high percentage of whom live in Wabash County, Illinois and the surrounding area. The holding company and the bank have no other corporate affiliations.

BOARD OF DIRECTORS

Dean H. Ackerman
Director

Michael A. Dunkel
Director

Shane E. Gray
Chairman

Philip G. Hipsher
Director

Bryan K. Loeffler
Secretary, Treasurer

Douglas D. McPherson
Director

Donald W. Price
President, Chief Executive Officer

Michael E. White
Director

Robert J. Coleman
Director Emeritus

EXECUTIVE MANAGEMENT GROUP

Don Price
President
Chief Executive Officer

Tamara McFarland
Senior Vice President
Chief Operating Officer

Kristin Schrader
Senior Vice President
Chief Financial Officer

Michael Carter
Senior Vice President
Chief Credit Officer

David Guinnip
Senior Vice President
Senior Loan Officer

Rodney Loeffler
Vice President
Loan Officer

Katherine Clark
Vice President
Chief Risk Officer & Audit Manager

Mark Epperson
Vice President
White County Production Region

Sean Oglesby
Chief Technology Officer

Elizabeth Fiero
Assistant Cashier
Executive Assistant

LOCATIONS

Allendale

301 East Main Street
Allendale, IL 62410

(618)299-4411

Mt. Carmel

1515 West Ninth Street
Mt. Carmel, IL 62863

(618)263-6511

West Salem

200 West Church Street
West Salem, IL 62476

(618)456-8884

Carmi

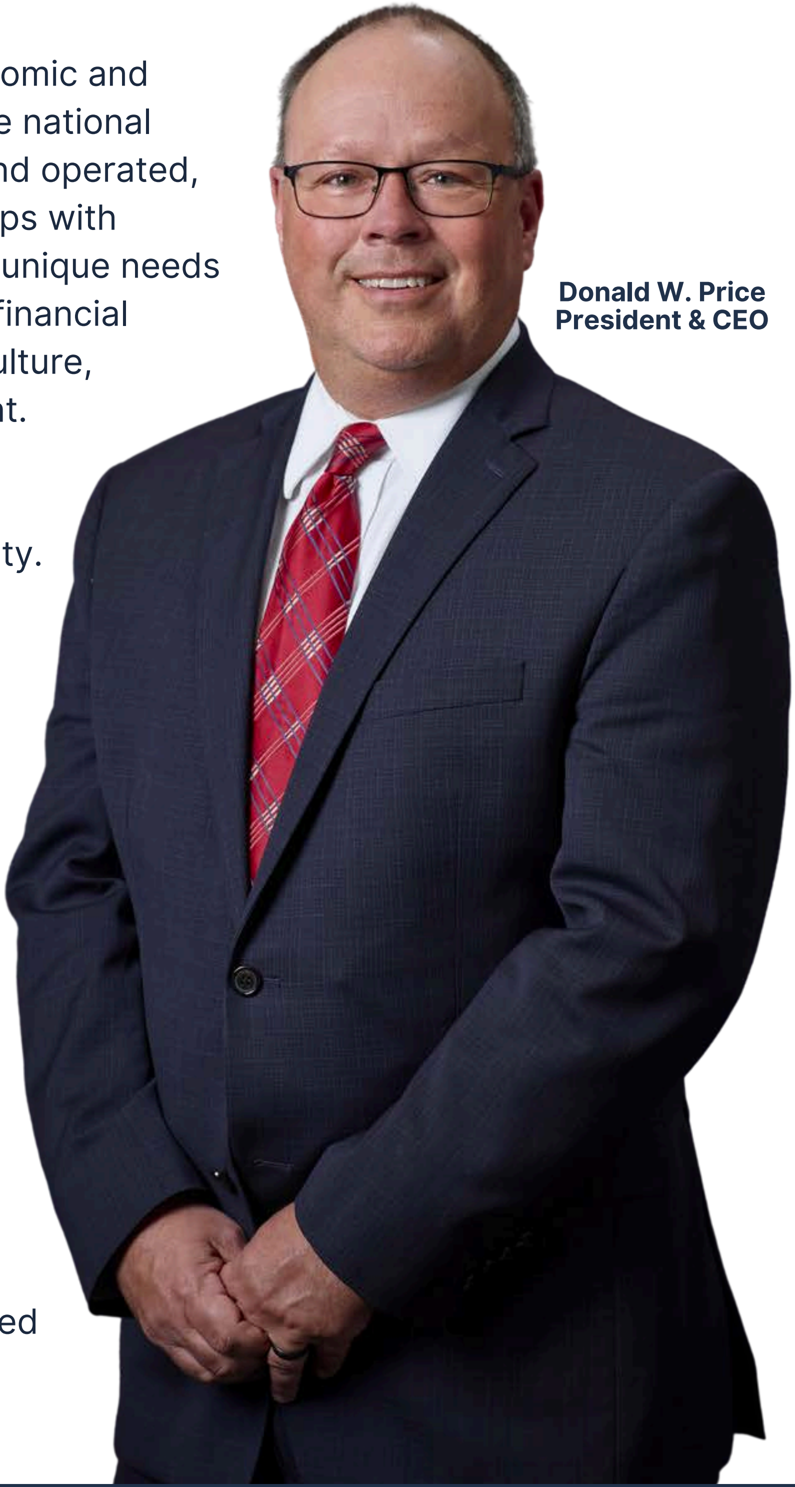
1500 West Main Street
Carmi, IL 62821

(618)380-9500

PRESIDENT'S LETTER TO SHAREHOLDERS

Dear Shareholders & Friends,

On behalf of directors, management team and staff of Allendale Bancorp and its wholly owned subsidiary, The First National Bank of Allendale, we are proud to provide the 2024 annual report.



Donald W. Price
President & CEO

Community banks play a vital role in the economic and social fabric of rural communities. Unlike large national banks, community banks are locally owned and operated, allowing them to develop personal relationships with customers and tailor financial services to the unique needs of their communities. They provide essential financial services, support small businesses and agriculture, and contribute to local economic development. Without community banks, many rural areas would struggle to access credit and banking services, limiting economic growth and stability. The First National Bank first opened its doors in 1906. While much has changed in the banking industry over the past 118 years, our team remains fully committed to our vision, mission, goals, and core values. We continue to make dreams possible for our local communities, farmers, families, and small businesses who rely on our bank for financial needs.

I am pleased to report that our net income for 2024 reached an all time high at $3,389,820, which is up 9.7% from 2023. Net interest income (up 14%) contributed to our success. Interest rate cuts by the Federal Reserve Open Market Committee have assisted in stabilizing our interest expense.

PRESIDENT'S LETTER TO SHAREHOLDERS

Financial highlights as of and for the year ended December 31, 2024, compared to the same period in 2023, include:

- Gross Loans increased 3% to $271 million.
- Deposits increased 2% to $334 million.
- Shareholders Equity increased 7% to $32 million.
- Cash dividend increased 4.76% to $.77 per share.

Our success goes beyond financial results. At The First National Bank, we remain committed to our community, actively supporting local schools, not-for-profits, and civic organizations through volunteer hours and donations. These efforts underscore our commitment to being more than just a bank-we are a partner in building stronger, more prosperous communities. We believe a thriving community is essential to our long-term success.

In an increasing digital world, we continue to enhance the customer experience. Over the past year, we have improved our online lending and deposit opening capabilities. In addition, we continue to devote resources to advanced cybersecurity measures and personnel. These measures ensure that we remain competitive while maintaining the personalized touch that sets us apart as a community bank.


Dean Ackerman

We are pleased to announce the addition of Dean Ackerman to our Board of Directors. Dean was instrumental in establishing our Carmi production office. His agricultural background and 25 years of banking experience align well with the bank's core values. We look forward to his insights and leadership as we continue serving our customers and strengthening our communities.


Gary Ritz

Gary Ritz, a valuable employee with 38 years of service, retired in April. We thank Gary for his outstanding service to our bank, our customers, and our community. We wish him the very best.

As we look to the future, we are excited about the opportunities that lie ahead. Our strategic priorities for 2025 include modifying our organizational chart to accommodate future growth, planning for succession in key areas to address upcoming retirements, maintaining strong financial performance, and creating long-term value for our shareholders.

PRESIDENT’S LETTER TO SHAREHOLDERS

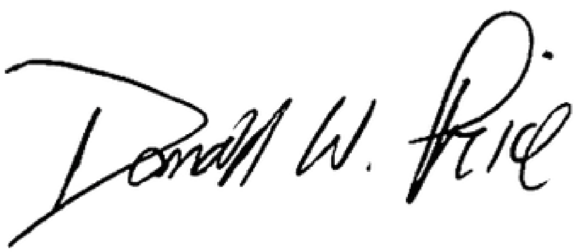
We remain committed to delivering sustainable growth without wavering in our customer service abilities that set us apart from our competition.

None of our achievements would be possible without the hard work and dedication of our employees, the loyalty of our customers, and the support of our shareholders. Thank you for your trust and confidence in The First National Bank. Together, we will continue to build a bank that not only thrives financially but also makes a meaningful difference in the lives of those we serve.

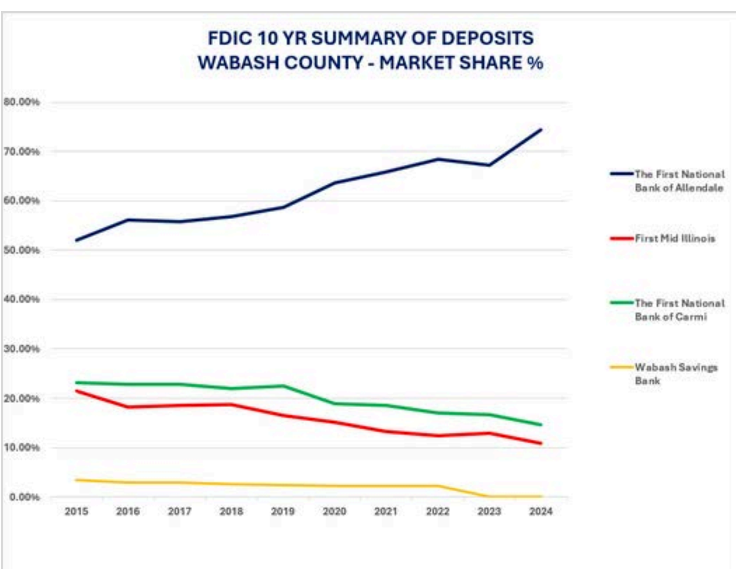
I invite you to review the detailed financial and operational results in this annual report. If you have any questions or feedback, please do not hesitate to reach out.

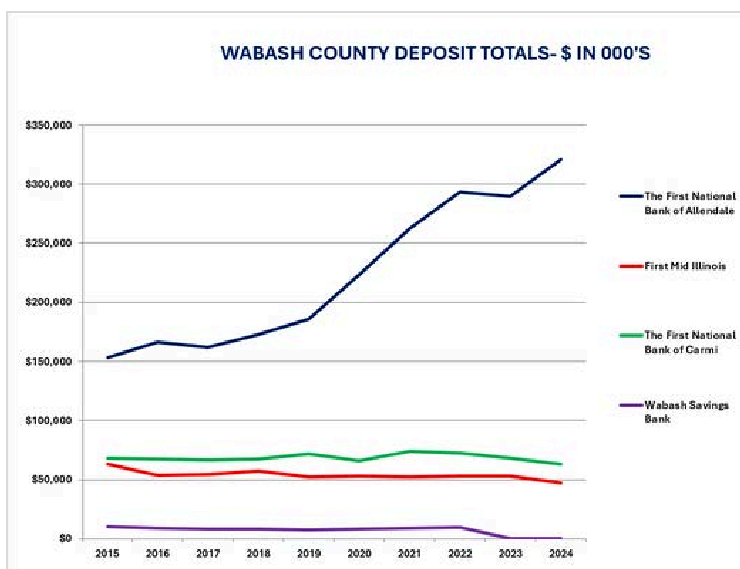
In closing, I am optimistic about the future of our bank and the communities we serve. Together, we will continue to build a legacy of financial strength, community impact, and shareholder value. Thank you for being a part of our journey.

Best wishes,



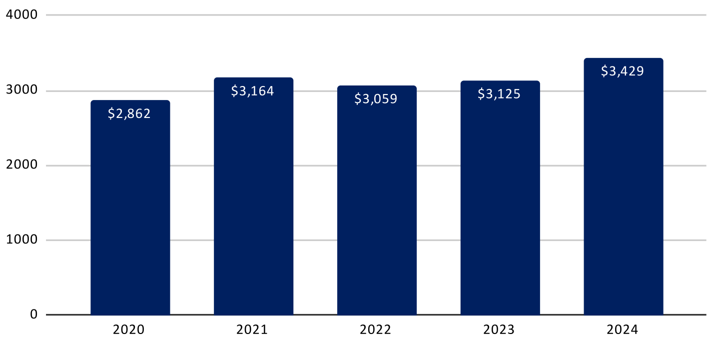
Donald W. Price
President and Chief Executive Officer



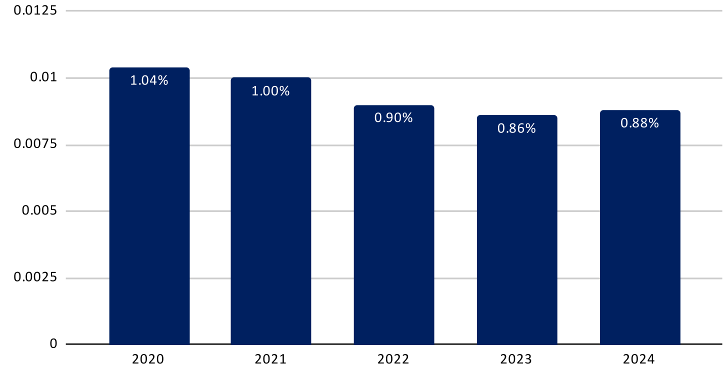


FINANCIAL HIGHLIGHTS

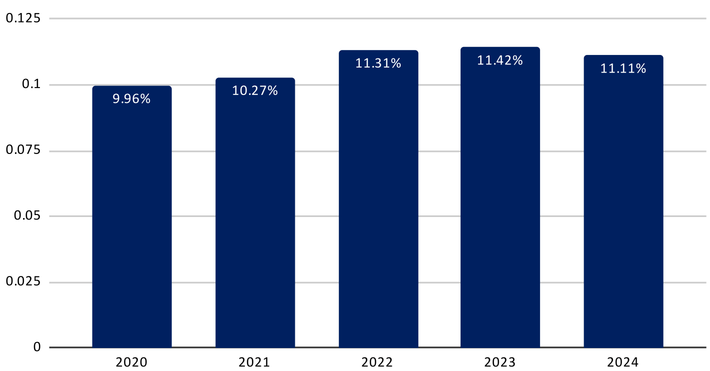
BANK LEVEL NET INCOME
(THOUSANDS)



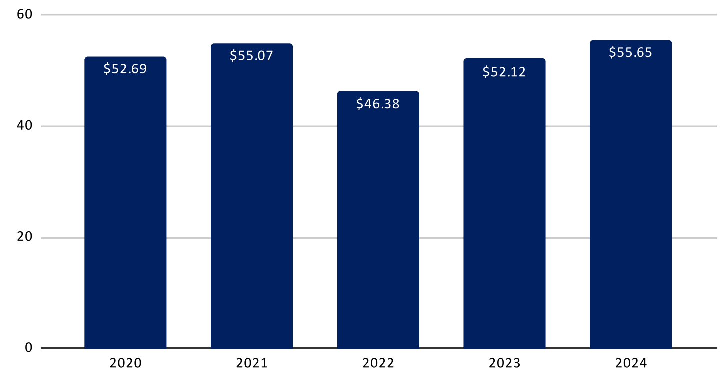
BANK LEVEL RETUN ON AVERAGE ASSETS



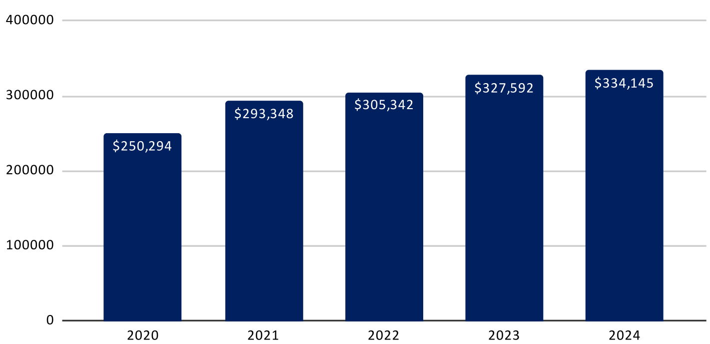
BANK LEVEL RETURN ON AVERAGE EQUITY



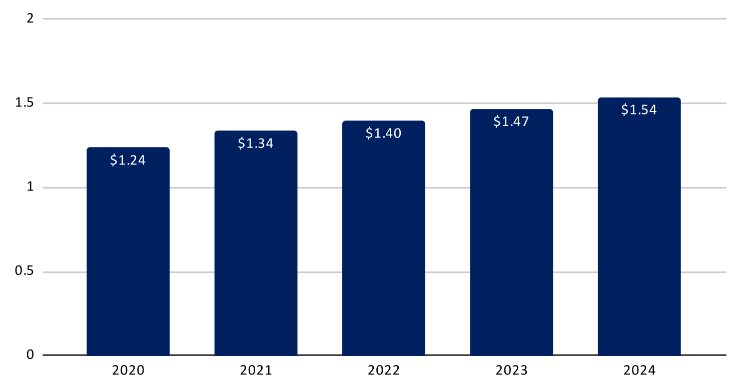
BOOK VALUE PER SHARE



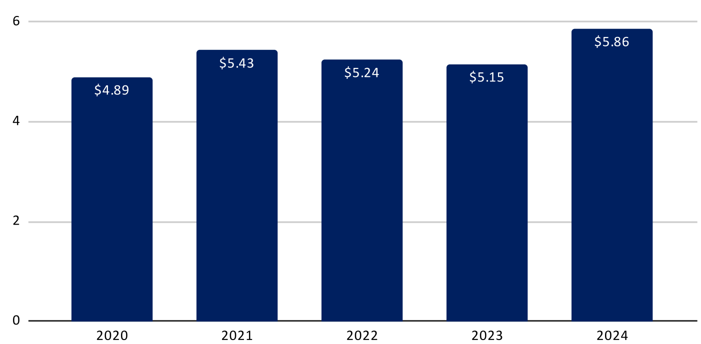
DEPOSITS
(THOUSANDS)



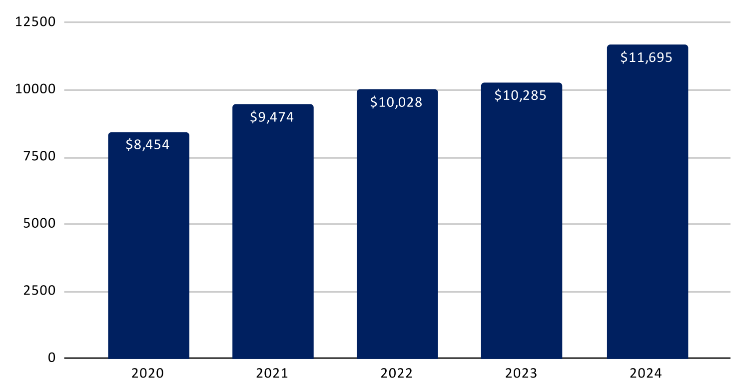
DIVIDENDS PER SHARE



EARNINGS PER SHARE

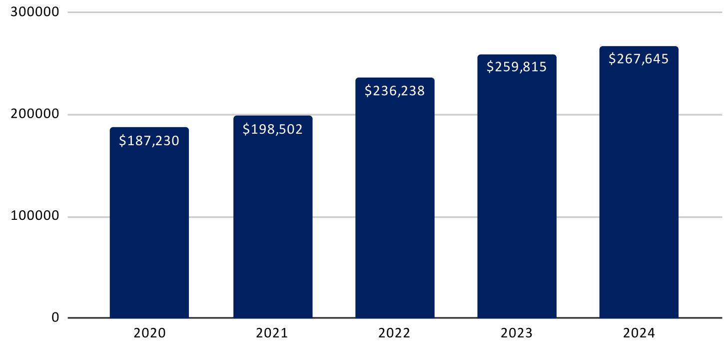


NET INTEREST INCOME

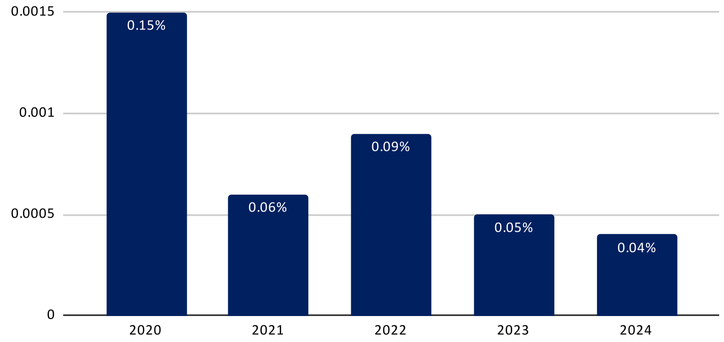


FINANCIAL HIGHLIGHTS

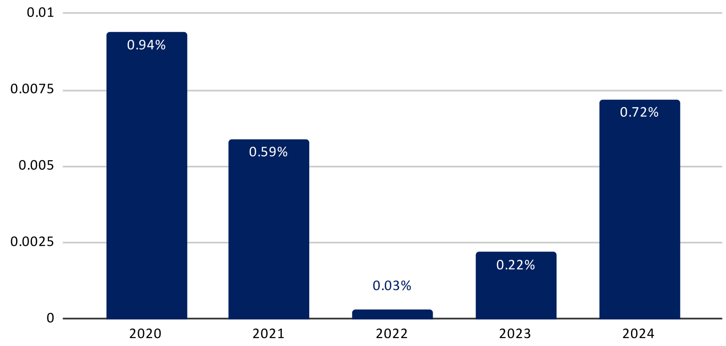
NET LOANS
(THOUSANDS)



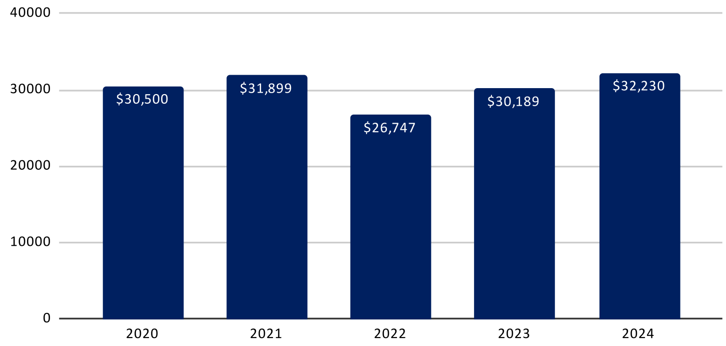
NET LOAN LOSSES
% OF TOTAL LOANS



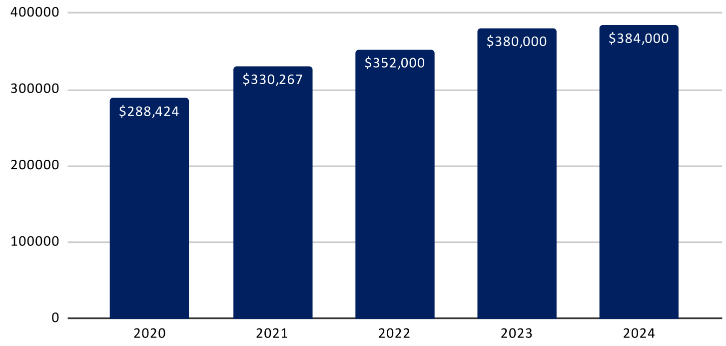
NON-PERFORMING LOANS
(% OF TOTAL LOANS)



SHAREHOLDER'S EQUITY
(THOUSANDS)



TOTAL ASSETS
(THOUSANDS)



KEMPER CPA GROUP LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Allendale Bancorp, Inc.
Allendale, Illinois

Opinion

We have audited the accompanying consolidated financial statements of Allendale Bancorp, Inc. (a corporation) and Subsidiary (Bank), 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Allendale Bancorp, Inc. 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 audit 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 Allendale Bancorp, Inc. and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 these 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 Allendale Bancorp, Inc. and Subsidiary's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Phone: (812) 421-8000 Fax: (812) 421-2292 kempercpa.com

To the Board of Directors and Stockholders
Allendale Bancorp, Inc.

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 are considered material if there is a substantial likelihood that, individually or in 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 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 Allendale 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 Allendale 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.

Kemper CPA Group, LLP

March 11, 2025

Certified Public Accountants and Consultants
Evansville, Indiana

ALLENDALE BANCORP, INC.,
AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	December 31,	
ASSETS	**2024**	**2023**
Cash and Cash Equivalents		
Cash and due from banks	$ 5,132,250	$ 5,479,528
Interest-bearing deposits in other banks	8,721,246	12,342,312
Total Cash and Cash Equivalents	13,853,496	17,821,840
Debt Securities available-for-sale	79,042,709	80,833,988
Loans, net of allowance for credit losses of $3,008,970 in 2024 and $2,864,709 in 2023	267,644,631	259,815,186
Accrued interest receivable	4,146,165	3,881,465
Bank premises and equipment, net	4,105,943	4,399,172
Restricted stock	1,663,730	1,663,730
Bank owned life insurance	8,899,043	6,891,136
Other assets	4,723,521	4,665,064
Total Assets	$ 384,079,238	$ 379,971,581
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Demand deposits	$ 103,831,689	$ 104,053,580
Savings and NOW deposits	122,399,303	128,844,254
Time deposits	107,914,166	94,694,199
Total Deposits	334,145,158	327,592,033
Accrued expenses and other liabilities	3,292,149	2,870,668
Federal Home Loan Bank advances	14,411,828	19,319,552
Total Liabilities	351,849,135	349,782,253
Stockholders' Equity		
Common stock, $1 par value; 1,000,000 shares authorized and 579,198 issued and outstanding	579,198	579,198
Additional paid-in capital	1,668,119	1,668,119
Retained earnings	35,980,435	33,482,579
Accumulated other comprehensive income, net of income tax	(5,997,649)	(5,540,568)
Total Stockholders' Equity	32,230,103	30,189,328
Total Liabilities and Stockholders' Equity	$ 384,079,238	$ 379,971,581

See accompanying notes.

ALLENDALE BANCORP, INC.,
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,	
	2024	2023
Interest Income		
Loans, including fees	$ 16,345,748	$ 14,044,469
Investment securities	2,121,127	1,917,033
Federal funds sold	1,100,535	290,809
Total Interest Income	19,567,410	16,252,311
Interest Expense		
Deposits	7,069,422	5,082,461
Other borrowed funds	803,248	884,807
Total Interest Expense	7,872,670	5,967,268
Net Interest Income	11,694,740	10,285,043
Provision for Credit Losses	(220,000)	(420,000)
Net Interest Income after Provision for Credit Losses	11,474,740	9,865,043
Noninterest Income		
Service charges on deposit accounts	364,634	349,520
ATM interchange fees	484,447	458,873
Other income	0	1,934
Bank owned life insurance income	220,682	224,652
Gain on sale of loans	103,304	16,461
Net realized loss on sales of available-for-sale securities	(11,795)	(65,213)
Total Noninterest Income	1,161,272	986,227
Noninterest Expenses		
Salaries and employee benefits	4,485,882	4,043,566
Occupancy	883,857	822,666
FDIC deposit insurance fees	171,242	128,663
Director fees	181,841	181,700
Professional and consulting fees	435,947	430,930
Repairs and maintenance	168,782	159,368
Depreciation and amortization	376,367	382,906
Data processing fees	542,927	470,489
Other expense	862,603	704,381
Total Noninterest Expenses	8,109,448	7,324,669
Income before Provision for Income Taxes	4,526,564	3,526,601
Provision for Federal and State Income Taxes	1,136,744	547,875
NET INCOME	$ 3,389,820	$ 2,978,726
Earnings per share	5.86	5.15
Weighted average shares outstanding	$ 579,198	$ 579,198

See accompanying notes.

ALLENDALE BANCORP, INC.,
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31, 2024	Years Ended December 31, 2023
Net income	$ 3,389,820	$ 2,978,726
Other comprehensive income (loss), net of tax:		
Changes in unrealized gains (losses) on debt securities available for sale: net of deferred tax benefit (expense) of $2,632,062 in 2024 and $2,431,471 in 2023	(447,763)	1,410,422
Less: reclassification adjustment for gains realized in net income, net of deferred tax benefit (expense) of $11,795 in 2024 and $13,695 in 2023	(9,318)	(51,518)
Other comprehensive income (loss), net of income tax	(457,081)	1,358,904
Total comprehensive income	$ 2,932,739	$ 4,337,630

See accompanying notes.

ALLENDALE BANCORP, INC.,
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For Years Ended December 31, 2024 and 2023

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at January 1, 2023	$ 579,198	$ 1,668,119	$ 31,513,275	$ (6,899,472)	$ 26,861,120
Cumulative change in accounting principle					
Adoption of FASB ASU 2016-13 net of tax effect			(158,000)		(158,000)
Comprehensive income:					
Net income			2,978,726		2,978,726
Other comprehensive income				1,358,904	1,358,904
Total comprehensive income					4,337,630
Cash dividends declared			(851,422)		(851,422)
Balance at December 31, 2023	$ 579,198	$ 1,668,119	$ 33,482,579	$ (5,540,568)	$ 30,189,328
Comprehensive income:					
Net income			3,389,820		3,389,820
Other comprehensive income (loss)				(457,081)	(457,081)
Total comprehensive income					2,932,739
Cash dividends declared			(891,964)		(891,964)
Balance at December 31, 2024	$ 579,198	$ 1,668,119	$ 35,980,435	$ (5,997,649)	$ 32,230,103

See accompanying notes.

ALLENDALE BANCORP, INC.,
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2024	2023
Cash flows from operating activities:		
Net income	$ 3,389,820	$ 2,978,726
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	220,000	262,000
Depreciation and amortization	368,871	428,399
Net amortization on securities available-for-sale	424,547	599,275
Loss on sale of available for sale securities	11,795	65,213
Change in deferred taxes	796,962	0
Bank owned life insurance income (expense)	0	(164,691)
(Increase) decrease in:		
Accrued interest receivable	(264,700)	(1,137,022)
Other assets	(661,646)	(151,091)
Increase (decrease) in:		
Other liabilities	421,481	348,233
Total adjustments	1,317,310	250,316
Net cash provided by operating activities	4,707,130	3,229,042
Cash flows from investing activities:		
Net increase (decrease) in interest bearing deposits	3,635,377	(7,074,731)
Proceeds from sales and maturities of available-for-sale debt securities	11,760,187	12,224,844
Purchases of available-for-sale debt securities	(11,062,920)	(8,036,255)
Purchase of Federal Reserve Bank stock	0	(338,186)
Purchases of bank owned life insurance	(2,007,907)	0
Net increase in loans receivable	(8,049,445)	(23,996,777)
Purchases of premises and equipment	(83,137)	(155,878)
Net cash used in investing activities	(5,807,845)	(27,376,983)
Cash flows from financing activities:		
Net (decrease) in demand, savings and NOW deposit accounts	(6,666,842)	(5,511,064)
Net increase in other time deposits	13,219,967	27,787,535
Borrowing (Repayments) from Federal Home Loan Bank	(4,907,724)	2,153,607
Cash dividends	(891,964)	(851,422)
Net cash provided by financing activities	753,437	23,578,656
Net increase (decrease) in cash and cash equivalents	(347,278)	(569,285)
Cash and cash equivalents, beginning of year	5,479,528	6,048,813
Cash and cash equivalents, end of year	$ 5,132,250	$ 5,479,528
Interest paid	$ 7,725,449	$ 5,790,138
Income taxes paid	$ 1,154,035	$ 901,765

See accompanying notes.

Note 1 – Nature of Operations and Significant Accounting Policies

Allendale Bancorp, Inc. (the "Bancorp") and its wholly owned subsidiary, First National Bank of Allendale (the "Bank") provide various banking and other financial services to their customers. The Bank's customers include individuals and commercial enterprises within its principal market area consisting of Wabash, Lawrence, White and Edwards Counties in Illinois. The Bank operates under a national bank charter and provides full banking services. As a national bank, the Bank is subject to regulation by the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation (FDIC).

Additionally, the Bank maintains correspondent banking relationships. Note 4 discusses the types of securities the Bank invests in. Note 5 discusses the types of lending that the Bank engages in. The Bank does not have any significant concentrations to any one industry or customer.

The accounting and reporting policies and practices of the Bank conform with accounting principles generally accepted in the United States of America. The following is a summary of the Bank's significant accounting policies.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Bancorp and the Bank as well Allendale Holdings, LLC. Allendale Holdings, LLC is a Limited Liability Company that the Bank wholly owns. Allendale Holdings, LLC holds forclosed properties on behalf of the Bank.

In consolidation, all significant intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 1 – Nature of Operations and Significant Accounting Policies (Continued)

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains, and losses be 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 shareholders' equity section of the balance sheet. Such items along with net income are components of comprehensive income.

Presentation of Cash Flows

The Bank considers all non-interest-bearing deposits in other banks and federal funds sold to be cash and cash equivalents. The Bank has deposit accounts with several financial institutions. The accounts are insured by the FDIC up to $250,000 per bank at December 31, 2024 and 2023. At December 31, 2024 and 2023 the Bank had approximately $753,000 and $757,000 in excess of the FDIC insurance limit, respectively.

Investment Securities and Related Allowance for Credit Losses

Debt securities classified as available-for-sale (AFS) 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 shareholders' equity, net of the related deferred tax effect.

Management assesses the financial condition and near-term prospects of the issuer, industry and/or geographic conditions, credit ratings as well as other indicators at the individual security level. Impairments below cost in the estimated fair value of individual AFS debt securities when there is an intent to sell or for which it more likely than not the Bank will be required to sell before the impairment is recovered, are realized in noninterest income in the consolidated statements of income.

When there is not an intent to sell or it is more likely than not the Bank will not be required to sell the security before the impairment is recovered, management assesses whether the decline in fair value has resulted from credit losses or other factors. If the present value of discounted cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for AFS credit losses is recorded.

Note 1 – Nature of Operations and Significant Accounting Policies (Continued)

Investment Securities and Related Allowance for Credit Losses (Concluded)

Such losses are limited to the amount that amortized cost exceeds fair value, even if the amount of the credit loss is greater. Any future changes in the allowance for credit losses is recorded as provision for (reversal of) credit losses. Losses attributable to other factors are charged to accumulated other comprehensive income. 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.

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.

Restricted stock is stock from the Federal Home Loan Bank of Chicago ("FHLB"), which is restricted as to its marketability. Because no ready market exists for these investments and they have no quoted market value, the Bank's investment in this stock is carried at cost. A determination as to whether there has been an impairment of restricted stock investments is performed on a quarterly basis and includes a review of the current financial condition of the issuer.

Loans and Allowances for Credit Losses - Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are carried at amortized cost, which consists of the amount of unpaid principal, adjusted for deferred loan fees and origination costs. Interest on loans is accrued based on the principal amounts outstanding. Nonrefundable loan fees and related direct costs are deferred, and the net amount is amortized to income as a yield adjustment over the life of the loan using the interest method. When principal or interest is delinquent for ninety days or more, the Bank evaluates the loan for nonaccrual status.

After a loan is placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Subsequent collections of interest payments on nonaccrual loans are recognized as interest income unless ultimate collectability of the loan is in doubt. Cash collections on loans, where ultimate collectability remains in doubt, are applied as reductions of the loan principal balance and no interest income is recognized until the principal balance has been collected.

Note 1 – Nature of Operations and Significant Accounting Policies (Continued)

Loans and Allowances for Credit Losses – Loans (Concluded)

An allowance for credit losses is established upon origination for all loans through a provision for credit losses charged to earnings. The expected credit loss model is based on management's best estimate of lifetime expected credit losses inherent in the Bank's relevant financial assets. There are two components of the allowance for credit losses: reserves on pooled loans sharing risk characteristics (portfolio segments) and individually evaluated loans that do not fit within a portfolio segment. For loans, expected credit losses are typically estimated using quantitative methods that consider a variety of factors such as historical loss experience, the current credit quality of the portfolio as well as supportable forecasts of the economic outlook over the life of the loan. When management determines that foreclosure is probable, expected credit losses are accrued based on the differences between the loan balance and 1) the value of collateral, if such loans are considered to be collateral dependent and in the process of collection, 2) the present value of future cash flows, or 3) the loan's value as observable in the secondary market. Adjustments are made for selling costs, as appropriate. When management believes the loan is not collectible, the loan is charged off against the allowance. Subsequent recoveries, if any, are credited to the allowance.

Allowance factors and overall size of the allowance may change from period to period based on management's assessment and the relative weights given to each factor. In addition, various regulatory agencies periodically review the allowance for credit losses. These agencies may require the Bank to make additions to the allowance for credit losses based on their judgments of collectability supported by information available to them at the time of their examination.

Loan Charge-offs

The Bank's charge-off policy states after all 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. Consumer loans subject to the Uniform Retail Credit Classification are charged-off as follows: (a) closed end loans are charged-off no later than 120 days after becoming delinquent, (b) consumer loans to borrowers who subsequently declare bankruptcy, where the Company is an unsecured creditor, are charged-off within 60 days of receipt of the notification from the bankruptcy court, (c) fraudulent loans are charged-off within 90 days of discovery and (d) death of a borrower will cause a charge-off to be incurred at such time an actual loss is determined. All other types of loans are generally evaluated for loss potential at the 90th day past due threshold, and any loss is recognized no later than the 120th day past due threshold; each loss is evaluated on its specific facts regarding the appropriate timing to recognize the loss.

Note 1 – Nature of Operations and Significant Accounting Policies (Continued)

Loan Modifications

In situations where, for economic or legal reasons related to a borrower's financial difficulties, the Bank grants a concession for other than an insignificant period of time to the member that the Bank would not otherwise consider, the related loan is classified as a loan modification. The Bank strives to identify borrowers in financial difficulty early and work with them to modify to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize economic loss and to avoid foreclosure or repossession of the collateral.

Bank Premises and Equipment

Bank premises and equipment are stated at cost less accumulated depreciation. The provision for depreciation is computed using straight-line and accelerated methods based on the estimated useful lives of the assets, which range from 5 to 10 years for bank equipment and 39 years for bank buildings. Expenditures for improvements, which extend the life of an asset, are capitalized, and depreciated over the asset's remaining useful life. Gains or losses realized on the disposition of properties and equipment are reflected in the statements of income. Expenditures for repairs and maintenance are charged to operating expenses as incurred.

Bank Owned Life Insurance

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

Foreclosed Properties

Foreclosed properties include properties that have been acquired in complete or partial satisfaction of a debt. These properties are initially recorded at fair value on the date of acquisition. Any write-downs at the time of acquisition are charged to the allowance for credit losses - loans. Subsequent to acquisition, a valuation allowance is established, if necessary, to report these assets at the lower of (a) fair value minus estimated costs to sell or (b) cost. Gains and losses realized on the sale, and any adjustments resulting from periodic re-evaluation of this property are included in noninterest income or expense, as appropriate. Net costs of maintaining and operating the properties are expensed as incurred. There were no foreclosed properties at December 31, 2024 and 2023.

Note 1 – Nature of Operations and Significant Accounting Policies (Continued)

Revenue Recognition:

In the ordinary course of business, the Bank recognizes income from various revenue generating activities. Certain revenues are generated from contracts with customers where such revenues are recognized when, or as, services or products are transferred to customers for amounts to which the Bank expects to be entitled. Certain specific policies related to revenue recognition from contracts with customers include:

Service Fees

Service fees include charges related to depository accounts under standard service agreements. Fees are generally recognized as services are delivered to or consumed by the customer or as penalties are assessed.

ATM Interchange Fees

ATM interchange fees revenue includes interchange fees from ATM cards processed through card association networks, and other transaction fees. The Bank records interchange fees as services are provided.

Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the consolidated financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. In addition, deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Bank does not have uncertain tax positions that are deemed material and did not recognize any adjustments for unrecognized tax benefits. The Bank's policy is to recognize interest and penalties on income taxes in other noninterest expenses. The Bank remains subject to examination for income tax returns for the years ending after December 31, 2021.

Note 1 – Nature of Operations and Significant Accounting Policies (Concluded)

Fair Value Measurements

The Bank 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 establishes 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).

Valuation of Long-Lived Assets

The Bank accounts for the valuation of long-lived assets under FASB ASC 360, *Property, Plant and Equipment.* This guidance requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Date of Management's Review

The Bank has evaluated the accompanying consolidated financial statements for subsequent events and transactions through March 11, 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 – Certificates of Deposit

The Bank had certificates of deposits totaling $3,721,237 and $4,206,926 at December 31, 2024 and 2023, respectively, are included in interest bearing deposits in other banks, in the accompanying consolidated financial statements. The certificates bear interest at rates ranging from 0.60% to 5.10% and have maturities ranging from July 2025 to July 2028, with penalties for early withdrawal. Any penalties for early withdrawal would not have material effect on the consolidated financial statements.

Note 3 – Investments

Debt Securities Available-for-Sale

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

December 31, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale debt securities				
State and municipal securities	$ 42,789,202	$ 27,379	$ 4,662,020	$ 38,154,561
U.S. government and agency securities	10,942,485	3,477	549,780	10,396,182
Mortgage backed securities	33,940,732	22,734	3,471,500	30,491,966
Total available-for-sale securities	$ 87,672,419	$ 53,590	$ 8,683,300	$ 79,042,709

	December 31, 2024		December 31, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available-for-Sale				
Due in one year or less	$ 3,312,529	$ 3,289,861	$ 4,436,124	$ 4,402,421
Due from one to five years	13,666,389	13,155,940	13,787,667	13,120,011
Due in more than five to ten years	21,240,735	18,779,900	19,040,739	17,652,981
Due after ten years	15,512,052	13,325,060	23,122,686	20,710,039
Subtotal	53,731,705	48,550,761	60,387,216	55,885,452
Mortgage backed securities	33,940,714	30,491,948	28,418,773	24,948,536
Total	$87,672,419	$ 79,042,709	$ 88,805,989	$ 80,833,988

Note 3 – Investments (Continued)

Information pertaining to securities with gross unrealized losses for which an allowance for credit losses has not been recorded, aggregated by investment category and length of time that individual securities have been in a continuous loss position, are as follows:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2024						
Available-for-sale securities	$ 3,778,809	$ (33,751)	$ 78,888,719	$ (8,692,409)	$ 82,667,528	$ (8,726,160)
December 31, 2023						
Available-for-sale securities	$ 3,593,273	$ (41,507)	$ 71,913,242	$ (8,249,190)	$ 75,506,515	$ (8,290,697)

The bonds in an unrealized loss position at December 31, 2024 and 2023 were temporarily impaired due to the current interest rate environment and not increased credit risk. Timely principal and interest payments continue to be received from the issuer. The Bank does not intend to sell these securities and it is more likely than not that the Bank will not be required to sell before a period of time sufficient to allow for any anticipated recovery in fair value. All securities owned by the Bank are payable at par at maturity. The securities with unrealized losses consisted of 4 US Treasury all rated AAA by Moody's, 21 US Agency, 20 rated AAA by Moody's and 1 rated AA+ by Standard and Poor's, 118 state and political subdivisions, 8 rated Aa1, 8 rated Aa2, 5 rated Aa3 and 11 rated AAA by Moody's, 1 rated A, 6 rated A+, 5 A1, 32 rated AA, 11 rated AA-, 14 rated AA+ and 6 rated AAA by Standard and Poor's and 10 with no rating and 104 mortgage back securities with no rating. The aggregated book value of the securities was $82,667,528 at December 31, 2024.

Included in the investment portfolio at December 31, 2024 and 2023 are securities valued at approximately $65,679,000 and $70,189,000, respectively, which are pledged to secure public deposits, and for other purposes required or permitted by law.

Note 3 – Investments (Concluded)

Restricted Stock

The following table shows the amounts of restricted stock as of December 31, 2024 and 2023:

	2024	2023
Federal Home Loan Bank of Chicago	$ 1,663,730	$ 1,663,730
Federal Reserve Bank	155,850	155,850
Farmer Mac	2,000	2,000
	$ 1,821,580	$ 1,821,580

Note 4 – Loans and Allowance for Credit Losses - Loans

Loans consist of the following at December 31, 2024 and 2023:

	2024	**2023**
Construction Real Estate	$ 3,622,660	$ 5,133,517
Commercial Real Estate	91,994,572	89,741,025
Other Real Estate		
Residential Real Estate	76,162,066	73,356,535
Commercial and Industrial	77,892,350	74,720,895
Consumer and Installment	20,770,001	19,415,152
Leases	211,952	312,771
Total Loans	270,653,601	262,679,895
Less: Allowance for Credit Losses - Loans	(3,008,970)	(2,864,709)
Net Loans	$ 267,644,631	$ 259,815,186

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

The Bank's goal is to mitigate risks from an unforeseen threat to the loan portfolio as a result of an economic downturn or other negative influences. Plans that aid in mitigating these potential risks in managing the loan portfolio include enforcing loan policies and procedures, evaluating the borrower's business plan through the loan term, identifying, and monitoring primary and alternative sources of repayment, and obtaining adequate collateral to mitigate loss in the event of liquidation. Specific reserves are established based upon credit and/or collateral risks on an individual loan basis. A risk rating system is used to estimate potential loss exposure and to provide a measuring system for setting general and specific reserve allocations.

As of December 31, 2024 and 2023, the real estate loan portfolio constituted 63% and 63%, respectively, of the total loan portfolio. This can be broken down further into the following categories: 1% and 2% construction, 34% and 35% commercial real estate and 28% and 26% residential real estate loans, as a percentage of total loans for December 31, 2024 and 2023, respectively. The Bank's construction loans are secured by real property where the loan funds will be used to acquire land and to construct or to improve existing residential or commercial properties. Borrowers are generally required to put equity into the project at levels determined by the loan committee and usually are underwritten with a maximum term of 12 months.

Commercial real estate loans are secured by improved real property which generates income in the normal course of business. Debt service coverage, assuming stabilized occupancy, must be satisfied to support a permanent loan. The debt service coverage ratio is ordinarily at 1.25 to 1.00. These loans are generally underwritten with a term not greater than 10 years or the remaining useful life of the property, whichever is lower. The preferred term is between 3 to 5 years, with amortization to a maximum of 25 years.

Residential real estate loans are secured by the improved real property of the borrower and are usually underwritten with a term of 1 to 5 years but may be underwritten with terms up to 30 years.

The Bank also makes commercial and industrial loans for a variety of purposes, which include working capital, equipment, and accounts receivable financing. This category represents about 29% and 29% of the loan portfolio at December 31, 2024 and 2023, respectively. Loans in this category generally carry a variable interest rate. Commercial loans meet reasonable underwriting standards, including appropriate collateral and cash flow necessary to support debt service. Personal guarantees are generally required but may be limited.

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

The following tables show the allowance for credit losses – loans for the years ended December 31, 2024 and 2023 by portfolio segment:

December 31, 2024	Construction Real Estate	Other Real Estate	Commercial and Industrial	Consumer and Installment	Leases	Total
Allowance for Loan Losses:						
Beginning Balance	$ 112,130	$ 1,532,874	$ 881,024	$ 335,518	$ 3,163	$ 2,864,709
Charge-offs	0	(86,327)	0	(96,759)	0	(183,086)
Recoveries	0	9,365	2,400	75,582	0	87,347
Provision	(108,173)	(423,183)	473,243	299,072	(959)	240,000
Ending Balance	$ 3,957	$ 1,032,729	$ 1,356,667	$ 613,413	$ 2,204	$ 3,008,970

December 31, 2023	Construction Real Estate	Other Real Estate	Commercial and Industrial	Consumer and Installment	Leases	Total
Allowance for Loan Losses:						
Beginning Balance	$ 28,229	$ 936,925	$ 889,913	$ 439,769	$ 76,836	$ 2,371,672
Impact of adopting FASB ASU 2016-13	118,000	522,000	(250,000)	(120,000)	(70,000)	200,000
Charge-offs	0	(45,533)	0	(198,490)	0	(244,023)
Recoveries	0	41,950	2,451	72,658	0	117,059
Provision	(34,099)	77,532	238,660	141,581	(3,673)	420,001
Ending Balance	$ 112,130	$ 1,532,874	$ 881,024	$ 335,518	$ 3,163	$ 2,864,709

Credit quality indicators as of December 31, 2024 and 2023 are as follows:

The Bank's internally assigned grade:

Pass – Loans in this category have strong asset quality and liquidity along with a multi–year track record of profitability.

Watch – Loans in this category have specific weaknesses which can be corrected and are not seriously harmful to the Bank's overall position in credit. Also, the borrower may be performing as agreed but may be adversely affected by developing problems. Additional monitoring may be required.

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

Special Mention – Loans in this category are currently protected but are potentially weak. The credit risk may be relatively minor yet constitute an increased risk in light of the circumstances surrounding a specific loan.

Substandard – Loans in this category show signs of continuing negative financial trends and unprofitability at various times, and therefore, are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any.

Doubtful – Loans in this category are illiquid and highly leveraged, have negative net worth, cash flow, and continuing trend serious losses. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors which may work to the advantage and strengthening of the asset, its classification as loss is deferred until its more exact status may be determined.

Loss – Loans in this category are considered uncollectible and of such little value that their continuance as bankable loans is not warranted. This classification does not mean that the loan has no recovery value, but that it is not practical to defer writing it off, even though partial recovery may be achieved in the future. Such credits should be recommended for charge-off.

Credit Exposure
Credit Risk Profile by Internally Assigned Grade
As of December 31, 2024

	Construction Real Estate		Other Real Estate		
Grade:	Residential	Other	Farmland	Residential	Other
Pass	$ 2,112,353	$ 1,510,307	$ 59,374,921	$ 74,342,645	$ 21,804,328
Watch	0	0	5,010,419	819,066	159,664
Mention	0	0	3,484,468	148,316	0
Substandard	0	0	1,430,306	852,039	730,466
Total	$ 2,112,353	$ 1,510,307	$ 69,300,114	$ 76,162,066	$ 22,694,458

Credit Exposure
Credit Risk Profile by Internally Assigned Grade
As of December 31, 2024 (Concluded)

		Consumer and Installment		
Grade:	Commercial and Industrial	Automobile	Other	Financing Leases
Pass	$ 70,967,703	$ 9,186,485	$ 11,165,723	$ 211,952
Watch	1,844,724	41,624	0	0
Mention	2,155,260	0	0	0
Substandard	2,924,663	138,594	237,575	0
Total	$ 77,892,350	$ 9,366,703	$ 11,403,298	$ 211,952

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

Credit Exposure
Credit Risk Profile by Internally Assigned Grade
As of December 31, 2023

	Construction Real Estate		Other Real Estate		
Grade:	Residential	Other	Farmland	Residential	Other
Pass	$ 1,666,310	$ 3,467,207	$ 64,920,609	$ 72,194,823	$ 22,131,190
Watch	0	0	974,999	521,542	1,152,323
Special Mention	0	0	0	0	0
Substandard	0	0	0	640,170	561,903
Total	$ 1,666,310	$ 3,467,207	$ 65,895,608	$ 73,356,535	$ 23,845,416

Credit Exposure
Credit Risk Profile by Internally Assigned Grade
As of December 31, 2023 (Concluded)

		Consumer and Installment		
Grade:	Commercial and Industrial	Automobile	Other	Financing Leases
Pass	$ 66,389,475	$ 8,802,435	$ 10,454,023	$ 312,771
Watch	4,582,231	0	790	0
Special Mention	1,118,166	0	0	0
Substandard	2,631,023	114,066	43,838	0
Total	$ 74,720,895	$ 8,916,501	$ 10,498,651	$ 312,771

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

Age analysis tables of past due loans as of December 31, 2024 and 2023 are as follows:

December 31, 2024	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans
Construction real estate:						
Residential	$ 0	$ 0	$ 0	$ 0	$ 2,112,353	$ 2,112,353
Other	0	0	0	0	1,510,307	1,510,307
Other real estate:						
Farmland	72,757	0	0	72,757	69,227,357	69,300,114
Residential	619,649	247,634	378,773	1,246,056	74,916,010	76,162,066
Other	0	0	0	0	22,694,458	22,694,458
Commercial	243,044	155,675	1,131,153	1,529,872	76,362,478	77,892,350
Consumer:						
Automobile	98,266	68,898	75,231	242,395	9,124,308	9,366,703
Other	312,476	63,068	137,855	513,399	10,889,899	11,403,298
Leases	0	0	0	0	211,952	211,952
Total	$1,346,192	$ 535,275	$ 1,723,012	$3,604,479	$267,049,122	$270,653,601

December 31, 2023	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans
Construction real estate:						
Residential	$ 0	$ 0	$ 0	$ 0	$ 1,666,310	$ 1,666,310
Other	0	0	0	0	3,467,207	3,467,207
Other real estate:						
Farmland	0	0	0	0	65,895,609	65,895,609
Residential	362,055	617,346	286,868	1,266,269	72,090,266	73,356,535
Other	53,955	0	74,806	128,761	23,716,655	23,845,416
Commercial	126,308	0	75,191	201,499	74,519,396	74,720,895
Consumer:						
Automobile	48,795	27,957	30,903	107,655	8,808,846	8,916,501
Other	133,433	36,423	0	169,856	10,328,795	10,498,651
Leases	0	0	0	0	312,771	312,771
Total	$ 724,546	$ 681,726	$ 467,768	$1,874,040	$260,805,855	$262,679,895

Note 4 – Loans and Allowance for Credit Losses – Loans (Concluded)

Information on nonaccrual loans as of December 31, 2024 and 2023 is as follows:.

	2024	2023
Other real estate:		
Residential	$ 460,626	$ 388,752
Other	0	6,267
Commercial	1,131,153	75,191
Consumer:		
Automobile	75,231	30,903
Other	210,982	0
	$ 1,877,992	$ 501,113

At December 31, 2024 and 2023, there were no commitments to lend additional funds to borrowers whose loans have been modified.

Note 5 – Bank Premises and Equipment

Bank premises and equipment consisted of the following at December 31, 2024 and 2023:

	2024	2023
Cost:		
Land	$ 66,000	$ 66,000
Bank premises	6,683,951	6,686,414
Equipment	4,804,093	4,720,955
Total cost	11,554,044	11,473,369
Less accumulated depreciation	(7,448,101)	(7,074,197)
Net book value	$ 4,105,943	$ 4,399,172

Depreciation and amortization charged to operations amounts to $376,367 in 2024 and $382,906 in 2023.

Note 6 – Deposits

Certificates of deposit and other time deposits issued in denominations that meet or exceed the FDIC insurance limit of $250,000 or more are totaled approximately $56,616,211 and $43,906,666, at December 31, 2024 and 2023, respectively, and are included in interest-bearing deposits in the consolidated balance sheet.

At December 31, 2024, the maturity distribution of time deposits are as follows:

2025	$ 86,706,682
2026	13,623,839
2027	3,587,122
2028	2,995,716
2029	1,000,807
Total	$ 107,914,166

Note 7 – Borrowings

FHLB Advances

Federal Home Loan Bank (FHLB) advances consisted of the following on December 31,

	2024	2023
Five advances payable at maturity, interest ranging from 2.46% to 4.66% are due monthly for the years ended December 31, 2024 and 2023.	$ 14,411,828	$ 19,319,552

The advances are collateralized by certain loans receivable. The carrying amount of the loans pledged to the FHLB as of December 31, 2024 and 2023 was $171,796,000 and $95,540,000, respectively.

As of December 31, 2024, the Bank has FHLB Letters of Credit securing the Wabash County Treasurer, Wabash General Hospital, City of Mount Carmel, and City of Mount Carmel Firemen Pension Fund with deposits in the amount of $44,900,000.

Note 7 – Borrowings (Concluded)

As of December 31, 2024 maturities of FHLB advances are as follows for the years ending:

2025	$	2,762,240
2026		0
2027		0
2028		8,737,467
2029		2,912,121
Thereafter		0
	$	14,411,828

Note 8 – Line of Credit

The Bank has a secure line of credit with the Federal Reserve Bank. The amount available for borrowing fluctuates monthly. The amount available on December 31, 2024 was $12,202,363. Under the agreement the Bank is required to pledge collateral to the Federal Reserve Bank. On December 31, 2024, the Bank has pledged consumer loans in the amount of $14,638,000 to secure this loan. There were no borrowings under this credit facility on December 31, 2024 and 2023. This line of credit can be used for overnight purchases and carries an interest rate of 4.75%.

Note 9 – Employee Benefits

The Bank sponsors a defined contribution 401(k) profit-sharing plan for all full-time employees who have completed one year of service. Employees may participate by contributing a percentage of income as a savings supplement to the plan through payroll deductions. Bank contributions to the plan for 2024 and 2023 were $179,900 and $178,328, respectively.

The Bank provides a supplemental executive retirement plan (SERP) for certain bank executives. The bank is using a cash value life insurance policy to finance the SERP agreement. Expenses under this plan were $155,447 and $137,328, respectively. Benefits paid from this plan as of December 31, 2024 and 2023 were $86,000.

Note 10 – Income Taxes

Significant components of the Bank's deferred tax assets and liabilities at December 31, 2024 and 2023 were as follows:

	2024	2023
Deferred tax assets:		
Allowance for loan losses	$ 703,925	$ 687,172
Director benefits payable	578,965	542,020
Net unrealized loss on securities available-for-sale	2,632,062	2,431,472
Other	341,630	346,234
	4,256,582	4,006,898
Deferred tax liabilities:		
Depreciation	(260,090)	(317,407)
Prepaid expenses	(137,360)	(142,830)
	(397,450)	(460,237)
Net deferred tax asset	$ 3,859,132	$ 3,546,661

The deferred tax asset is included in the consolidated balance sheets in the other assets line. There is no valuation allowance for deferred taxes.

Significant components of the provision for income taxes for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Taxes currently payable		
Federal	$ 794,454	$ 617,860
State	323,599	374,130
	1,118,053	991,990
Deferred expense (benefit)	18,691	(444,115)
Total tax expense	$ 1,136,744	$ 547,875

Note 10 – Income Taxes (Concluded)

The provision for income taxes differs from that computed by applying statutory rates to income before income tax expense, as indicated in the following analysis:

	2024	2023
Federal statutory income tax at statutory rates	$ 819,028	$ 689,500
State income tax expense at statutory rates	287,979	357,800
Adjustments related to:		
Tax exempt interest	(175,277)	(283,440)
Nondeductible expense	36,720	49,810
Other tax exempt income	(48,160)	(49,410)
Other differences	216,454	(216,385)
Total income tax expense	$ 1,136,744	$ 547,875

Note 11 – Stockholders' Equity

Restrictions on Dividends:

The number of dividends the Bank can pay to the Bancorp without prior regulatory approval is limited to its net profits for the current year plus its retained net profits for the preceding two years. At December 31, 2024, the Bank was limited from paying dividends to the Bancorp in excess of $6,961,862. The Bank paid approximately $891,000 and $851,000 in dividends in 2024 and 2023.

The Federal Reserve Board has established guidelines with respect to the maintenance of appropriate levels of capital by registered bank holding companies. Compliance with such standards, as presently in effect, or as they may be amended from time to time, could possibly limit the number of dividends that the Bank may pay in the future. In 1985, the Federal Reserve Board issued a policy statement on the payment of cash dividends by bank holding companies. In the statement, the Federal Reserve Board expressed its view that a holding company experiencing earnings weaknesses should not pay cash dividends exceeding its net income, or which could only be funded in ways that weaken the holding company's financial health, such as by borrowing.

Note 11 – Stockholders' Equity (Continued)

Restrictions on Lending From Subsidiary to Parent

Federal law imposes certain restrictions limiting the ability of the Bank to transfer funds to Bancorp in the form of loans or advances. Section 23A of the Federal Reserve Act prohibits the Bank from making loans or advances to Bancorp in excess of 10 percent of its capital stock and surplus, as defined therein. There were no loans or advances outstanding at December 31, 2024 and 2023.

Capital:

The Bank is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts, and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt correctible action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to average assets (as defined). Management believes, as of December 31, 2024 and 2023, that the Bank meets all capital adequacy requirements to which it is subject. In addition to these requirements, banking organizations must maintain a 2.5% capital conservation buffer consisting of common Tier I equity to avoid limits on capital distributions and certain bonus payments to executive officers and similar employees.

As of November 6, 2023, the most recent notification from the Office of the Comptroller of the Currency categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution's category.

Note 11 – Stockholders' Equity (Concluded)

Capital (Concluded):

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

REGULATORY CAPITAL RATIOS

	Actual			For Capital Adequacy Purposes:			To Be Well Capitalized Under Prompt Corrective Action Provisions:	
	Amount	Ratio		Amount		Ratio	Amount	Ratio
As of December 31, 2024:								
Tier I Capital								
(to Average Assets)	$36,927,000	9.53%	≥	$ 17,429,625	≥	4.50%	≥ $ 25,176,125	≥ 6.50%
As of December 31, 2023:								
Tier I Capital								
(to Average Assets)	$34,451,000	9.35%	≥	$ 16,583,625	≥	4.50%	≥ $ 23,954,125	≥ 6.50%

Note 12 – Fair Value Financial Instruments

FASB ASC 825, *Financial Instruments*, 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. The election to use the fair value option is available when an entity first recognizes a financial asset or financial liability or upon entering into a Bank commitment. Subsequent changes must be recorded in earnings.

FASB ASC 820, *Fair Value Measurement*, 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 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Note 12 – Fair Value Financial Instruments (Continued)

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). The three levels of the fair value hierarchy under this guidance are described below.

> Level 1: Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
>
> Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities which use observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
>
> Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The types of instruments valued based on quoted market prices in active markets include most U.S. government and agency securities, liquid mortgage products, active listed equities, and most money market securities. Such instruments are generally classified within Level 1 or Level 2 of the fair value hierarchy. As required by this guidance, the Bank does not adjust the quoted price for such instruments.

The types of instruments valued based on quoted prices in markets that are not active, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency include most investment-grade and high-yield corporate bonds, less liquid mortgage products, less liquid equities, state, municipal and provincial obligations, and certain physical commodities. Such instruments are generally classified within Level 2 of the fair value hierarchy.

For collateral dependent loans, market value is measured based on the value of the collateral securing these loans and is classified at a Level 3 in the fair value hierarchy. Collateral may be real estate and/or business assets including equipment, inventory and/or accounts receivable. The value of real estate collateral is determined based on appraisal by qualified licensed appraisers hired by the Bank.

Note 12 – Fair Value Financial Instruments (Continued)

The value of business equipment, inventory, and accounts receivable collateral is based on the net book value on the business' financial statements and, if necessary, discounted based on management's review and analysis.

Level 3 is for positions that are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

Cash and Due From Banks

The carrying amounts reported on the Consolidated Balance Sheets for cash and due from banks approximate those assets' fair values.

Available-for-Sale-Securities and Restricted Stock

Fair values for available-for-sale securities are based on quoted market prices, except for certain restricted stocks where fair value equals par value because of certain redemption restrictions.

Accrued Interest

The carrying amounts of accrued interest approximate fair values.

Federal Home Loan Bank Advances

The fair value of Federal Home Loan Bank Advances is estimated using a discounted cash flow analysis.

The following tables set forth the Bank's assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2024 and 2023.

	2024				
	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:					
Investment securities	$ 79,042,709	$79,042,709	$ 0	$ 79,042,709	$ 0
Federal Home Loan Bank stock, restricted	1,663,730	1,663,730	0	1,663,730	0
Other stock, restricted	0	0	0	-	0

Note 12 – Fair Value Financial Instruments (Concluded)

	2023				
	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:					
Investment securities	$ 80,833,988	$80,833,988	$ 0	$ 80,833,988	$ 0
Federal Home Loan Bank stock, restricted	1,663,730	1,663,730	0	1,663,730	0
Other stock, restricted	-	-	0	-	0

Impaired Loans

Impaired loans are evaluated and valued at the time the loan is identified as impaired, using the present value of expected cash flows (if used, such amounts are not included in the following tables), the loan's observable market price or the fair value of the collateral (less cost to sell) if the loans are collateral dependent.

Market value is measured based on the value of the collateral securing these loans and is classified at a Level 2 in the fair value hierarchy. Collateral may be real estate and/or business assets including equipment, inventory and/or accounts receivable. The value of real estate collateral is determined based on appraisal by qualified licensed appraisers hired by the Bank. The value of business equipment, inventory and accounts receivable collateral is based on the netbook value on the business' financial statements and, if necessary, discounted based on management's review and analysis. Discounts applied to appraisals have been in the range of 0% to 50%. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the same factors identified above.

The following tables set forth the Bank's financial assets that were accounted for at fair value on a nonrecurring basis as of December 31, 2024 and 2023:

December 31, 2024	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans				
Other real estate	$ 460,626	$ 0	$ 460,626	$ 0
Commercial and industrial	1,131,153	0	1,131,153	0
Consumer and installment	286,213	0	286,213	0
Total impaired loans	$ 1,877,992	$ 0	$ 1,877,992	$ 0

December 31, 2023	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans				
Other real estate	$ 395,019	$ 0	$ 395,019	$ 0
Commercial and industrial	75,191	0	75,191	0
Consumer and installment	30,903	0	30,903	0
Total impaired loans	$ 501,113	$ 0	$ 501,113	$ 0

Note 13 – Transactions with Related Parties

Loans:

In the normal course of banking business, loans are made to officers and directors of the Bank, as well as to their affiliates.

Such loans are made in the ordinary course of business with substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. They do not involve more than the normal risk of collectability or present other unfavorable features. An analysis of the activity during 2024 and 2023 is as follows:

	2024	2023
Balance, January 1,	$ 10,034,527	$ 5,707,446
New loans	1,783,152	7,346,866
Less loan repayments	(4,600,265)	(3,019,785)
Balance, December 31,	$ 7,217,414	$ 10,034,527

Note 13 – Transactions with Related Parties(Concluded)

Deposits:

The deposits from related parties totaled $8,695,613 and $9,252,238 at December 31, 2024 and 2023, respectively.

Note 14 – Commitments and Contingencies

In the normal course of business, there are outstanding commitments, contingent liabilties and other financial instruments that are not reflected in the accompanying consolidated financial statements. These commitments to extend credit and standby letters of credit, which are some of the instruments used by the Bank to meet the financing needs of its customers. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recongized in the consolidated balance sheets.

Outstanding standby letters of credit which are not reflected in the consolidated balance sheets were $6,211,952 on December 31, 2024 and $3,736,900 on December 31, 2023. The Bank evaluates each customer's creditworthiness on a case-by-case basis. As of December 31, 2024 and 2023, standby letters of credit of $1,620,184 and $1,645,184, respectively, were unsecured. The Bank has not had any standby letters of credit drawn upon as of December 31, 2024 and 2023. The Bank does not anticipate any material losses as a result of these transactions.

OUR YEAR IN PHOTOS

DIRECTORS, OFFICERS, AND EMPLOYEES

Directors
Allendale Bancorp, Inc. and
The First National Bank of Allendale

Shane E. Gray
President, Gray's Cabinet Co.
Farmer
Chairman of the Board,
The First National Bank of Allendale

Dean H. Ackerman
Retired Bank Executive

Michael A. Dunkel
Retired Businessman

Philip G. Hipsher
Certified Public Accountant
Treasurer,
Mt. Carmel Stabilization Group, Inc.

Bryan K. Loeffler
Self-employed Businessman

Douglas D. McPherson
Executive Vice President,
Mt. Carmel Stabilization Group, Inc.

Donald W. Price
Bank Executive
President & Chief Executive Officer
The First National Bank of Allendale

Michael E. White
Oil Producer, Geologist
President, W-Technologies, Inc.

Director Emeritus.
Robert J. Coleman
Retired Bank Executive

Officers
Allendale Bancorp, Inc.

Shane E. Gray
Chairman of the Board

Donald W. Price
President

Bryan K. Loeffler
Secretary/Treasurer

Officers
The First National Bank of Allendale

Donald W. Price
President & Chief Executive Officer

Michael K. Carter
Senior Vice President
Chief Credit Officer

David R. Guinnip
Senior Vice President
Senior Loan Officer

Tamara J. McFarland
Senior Vice President
Chief Operating Officer & Cashier

Kristin S. Schrader
Senior Vice President &
Chief Financial Officer

Katherine M. Clark
Vice President
Chief Risk Officer & Audit Manager

Gregg W. Wilcox
Vice President
Credit Administration

Mark S. Epperson
Vice President Commercial Lending

Rodney D. Loeffler
Vice President & Loan Officer

Alexis N. McFarland
Assistant Vice President & Loan Officer

Sean J. Oglesby
Chief Technology Officer, IT Manager &
System Administrator

Elizabeth E. Fiero
Assistant Cashier &
Executive Assistant

Elizabeth A. Dunn
Assistant Vice President

Morganna P. Thread
Assistant Vice President
Credit Operations

Officers
The First National Bank of Allendale
(Concluded)

Julia A. Tennes
Assistant Vice President & Mortgage Loan Originator

Raegan Sweppy
BSA Officer

Sarah E. Ile
Assistant Vice President & Mortgage Loan Officer

Rae Lynn Barbre
Assistant Vice President & Loan Officer

Gloria R. Schnell
Assistant Cashier & Branch Manager

Kimberly K. Reilly
Assistant Cashier

Laura J. Polston
Assistant Cashier

Heather N. McFarland
Assistant Cashier & Universal Banker

Marcerie Hocking
Consumer Loan Officer

Employees of The First National
Bank of Allendale

Mark Bader
Jennifer Barbee
Amy Bell
Lauren Berberich
Shelby Bozarth
Dee Breen
Caytlin Clark
Phil Coleman
Tabitha Cross
Brady Decker
Cami Golden
Jenna Gowen
Hailey Greifzu
Mary Harness
Susan Hawkins
Tara Hayes
Kirby Hunt
Bethany Hyatt
Missy Judge
Halley Kocher
Cortney Madden
Becky McDowell
Jammie Meredith
Kaylen Miller
Trisha Roser
Brooke Sanders
Christina Smith
Charles Stoltz
Jillian Wall
Brandy Wayland
Michelle Wyatt

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