COMMERCIAL NATIONAL FINANCIAL CORPORATION

ANNUAL REPORT 2024

Locally Owned.
Locally Operated.

CONTENTS

COMMERCIAL BANK

Locally Owned. Locally Operated.

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To Our Shareholders,

As we reflect on 2024, I am pleased to share with you the significant milestones and achievements that define another successful year for Commercial National Financial Corporation (the Corporation). Through a year marked by both increasing and decreasing interest rate environments, we demonstrated resilience, adaptability, and a steadfast commitment to our core values.

In 2024, we exceeded our budgetary expectations, finishing strong while effectively managing interest rates and overhead expenses. Consolidated earnings were $5,863,267, or $1.48 per share, compared to $6,172,641, or $1.56 per share, in 2023. Return on equity (ROE) was 12.04% for 2024 compared to 14.40% for 2023. Our book value also continues to improve, which is a testament to our financial discipline and strategic approach. At year-end 2024, our book value was $12.74 per share, up from $11.80 per share in 2023. Additionally, accumulated other comprehensive income/loss, which reflects unrealized losses on our investment portfolio, remained stable in 2024. Net interest margin continued to show improvement in 2024 finishing the year at 3.44% compared to 3.26% in 2023.

Our Corporation continues to be well capitalized by all regulatory standards.

While we experienced a decrease in assets year-over-year, which was driven by the continued repayment of wholesale borrowings, soft loan demand, and several large loan payoffs stemming from the sales of businesses and properties, the quality of our loan portfolio remains strong. These factors demonstrate our careful and responsible financial management and our ability to adapt to an ever-evolving economic environment. Our allowance for credit losses (ACL) to gross loans was 0.88% at year-end 2024 compared to 0.86% at year-end 2023.

Our stock continues to be actively traded on the open market, demonstrating investor confidence in the Corporation's future. The active trading of our stock on the pink sheets highlights the continued interest and support of our shareholders. The December 31, 2024 closing price of $9.85 equates to a dividend yield of 5.69%.

A major highlight of the year was the completion and opening of our Grand Rapids office in June 2024. This new location, situated at 240 Lake Michigan Drive NW, has already shown increased activity, and we are optimistic about continued growth in this vibrant market. This expansion reflects our dedication to serving new communities while strengthening our presence in central Michigan.

Our digital platform continues to perform exceptionally well, with new enhancements introduced in 2024 to elevate the customer experience. We remain at the forefront of technology, consistently implementing advancements to safeguard financial information while meeting the evolving needs of our customers. These efforts underscore our unwavering commitment to innovation and security.

Community engagement remains a cornerstone of our mission. Our team members actively volunteer to enhance the viability of the communities we serve, demonstrating our commitment to being a socially responsible corporate citizen.

None of these achievements would be possible without the unwavering support of our Board of Directors, whose guidance and vision have been instrumental in navigating challenges and driving sustained growth. Equally vital is the dedication of our employees, whose exceptional customer service and hard work continue to propel us forward. We are immensely grateful for their contributions.

As we look ahead, we remain optimistic about the opportunities before us and are confident that, with the continued support of our stakeholders, we will build on our successes and address any challenges that arise.

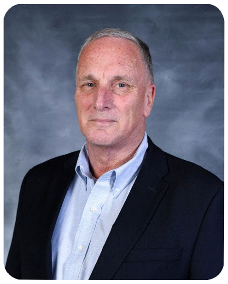
On behalf of our Board of Directors and our team members, we sincerely thank you for your continued confidence in the Corporation.

The annual shareholder meeting is scheduled for Wednesday, May 7, 2025, at 5:00 p.m. The meeting will be held in person at the Pine River Country Club, 1400 W. Superior St. in Alma, Michigan. We look forward to seeing you at the meeting.

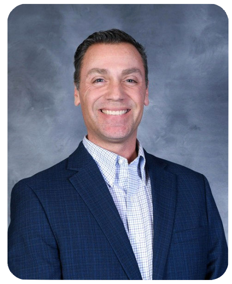
Sincerely,

Kevin D. Collison
President and CEO
Phone: (989) 875-5516

Board of Directors



Richard S. Prestage
Chair of the Board
Partner of NexCare
Wellbridge Senior Living



Jeffrey A. Stahl
Vice Chair of the Board
Retired, Former President & CEO
of Jer-Den Plastics

Kevin D. Collison
President & CEO of the
Corporation and Bank

Heather M. Cook Fisette
Owner, Heather M. Cook
CPA, PLC

Timothy J. Coscarelly
Commercial real estate
management and development

Aaron L. Davis
President & CEO of
Craig Frames

Christopher E. Goggin
General practice attorney
in Alma, Michigan

Brent J. Hardman
CEO of Powell
in St. Louis, Michigan

Loren R. Roslund
Partner, Roslund Precision
Machine

Daniel C. Walcutt
President, CEO, and Owner
of Nielsen Commercial
Construction, Inc.

Grand Rapids Office

Pictured from left to right: Bronx Lamey, Branch Manager; Nick Schleicher, Customer Service Representative; Andrea Carr, AVP, Treasury Management; Thomas Upright, Senior SuperBanker

Commercial National Financial Corporation

Financial Summary

(in thousands, except financial ratios and per share data)

For the Year	2024	2023	2022	2021	2020
Net interest income	**$ 18,675**	$ 18,366	$ 20,417	$ 16,976	$ 15,520
(Provision for) recovery of credit losses	**94**	165	-	500	(1,450)
Noninterest income	**2,407**	1,999	2,208	2,323	2,217
Noninterest expense	**(14,102)**	(13,005)	(12,748)	(12,023)	(11,064)
Income before income tax expense	**7,074**	7,525	9,877	7,776	5,223
Income tax expense	**(1,211)**	(1,352)	(1,796)	(1,410)	(859)
Net income	**$ 5,863**	$ 6,173	$ 8,081	$ 6,366	$ 4,364
At Year End					
Total assets	**$ 566,643**	$ 579,161	$ 613,754	$ 610,802	$ 547,780
Gross loans	**395,651**	417,404	411,294	451,572	409,107
Total deposits	**498,507**	501,647	538,732	515,059	450,901
FHLB advances	**4,000**	14,000	19,000	34,400	39,480
Shareholders' equity	**50,530**	46,810	39,313	44,894	41,337
Financial Ratios					
Return on average assets	**1.02 %**	1.04 %	1.29 %	1.09 %	0.81 %
Return on average shareholders' equity	**12.04**	14.40	19.20	14.63	10.82
Average shareholders' equity to average assets	**8.43**	7.21	6.74	7.44	7.48
Allowance for credit losses to gross loans	**0.88**	0.86	1.01	0.85	1.03
Tier 1 capital ratio (for Commercial Bank)	**10.32**	9.63	8.68	8.63	8.99
Total capital ratio (for Commercial Bank)	**16.99**	15.58	15.18	15.17	15.50
Dividend pay-out	**37.84**	35.90	27.45	34.78	50.91
Per Share Data					
Basic earnings	**$ 1.48**	$ 1.56	$ 2.04	$ 1.61	$ 1.10
Diluted earnings	**1.48**	1.56	2.04	1.61	1.10
Dividends declared	**0.56**	0.56	0.56	0.56	0.56
Book value, end of year	**12.74**	11.80	9.91	11.32	10.42

"Our employees are the foundation of Commercial Bank. Their dedication, expertise, and teamwork drive our success. Each employee plays a key role in making Commercial Bank a trusted financial partner in our communities. By supporting one another, we do more than serve our customers—we build stronger communities together."

- Kevin Collison, President & CEO

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the Commercial National Financial Corporation's (Corporation) consolidated financial statements and related information appearing in this Annual Report. Management believes that the consolidated financial statements fairly reflect the form and substance of transactions and reasonably present Commercial National Financial Corporation's financial position and results of operations and were prepared in conformity with accounting principles generally accepted in the United States of America. Management has also included in the Corporation's consolidated financial statements, amounts that are based on estimates and judgments which it believes are reasonable under the circumstances.

Commercial National Financial Corporation maintains a system of internal controls designed to provide reasonable assurance that all assets are safeguarded and financial records are reliable for preparing the consolidated financial statements. The Corporation complies with laws and regulations relating to safety and soundness which are designated by the FDIC and other appropriate federal banking agencies. The selection and training of qualified personnel and the establishment and communication of accounting and administrative policies and procedures are elements of this control system. The effectiveness of internal controls is monitored by a program of internal audit. Management recognizes that the cost of internal controls should not exceed the benefits derived and that there are inherent limitations to be considered. Management believes that Commercial National Financial Corporation provides the appropriate balance between the costs of controls and the related benefits.

The independent auditors have audited the Corporation's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and provided an objective, independent review of the fairness of the reported operating results and financial position. The Board of Directors of Commercial National Financial Corporation has an Audit Committee composed of six non-management Directors. The Committee meets periodically with the internal auditors and the independent auditors.

Kevin D. Collison
President and CEO

Richard S. Prestage
Chair of the Board

ANDREWS HOOPER PAVLIK PLC
5300 GRATIOT ROAD | SAGINAW, MI 48638

Report of Independent Auditors

Board of Directors and Shareholders
Commercial National Financial Corporation
Ithaca, Michigan

Opinion

We have audited the accompanying consolidated financial statements of Commercial National Financial Corporation, which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, changes in shareholders' 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 Commercial National Financial Corporation as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Auditor's Responsibilities for the Audit of the 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.

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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 Commercial National Financial 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 Commercial National Financial 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.

Andrews Hooper Pavlik PLC

Saginaw, Michigan
February 28, 2025

CONSOLIDATED BALANCE SHEETS

	December 31, 2024	December 31, 2023
ASSETS		
Cash and due from banks	**$ 8,726,400**	$ 7,782,418
Other interest-bearing deposits	**46,861,756**	25,160,539
Total cash and cash equivalents	**55,588,156**	32,942,957
Time deposits in banks	**1,743,000**	3,735,000
Securities available for sale (amortized cost of $88,342,492 as of December 31, 2024 and $100,671,952 as of December 31, 2023)	**78,349,303**	90,580,670
Federal Home Loan Bank stock, at cost	**3,726,100**	3,726,100
Gross loans receivable	**395,651,055**	417,403,567
Allowance for credit losses	**(3,482,203)**	(3,570,271)
Net loans receivable	**392,168,852**	413,833,296
Bank-owned life insurance	**14,281,358**	14,126,788
Premises and equipment, net	**10,037,771**	9,252,193
Goodwill	**3,100,262**	3,100,262
Core deposit intangible	**152,112**	228,168
Accrued interest receivable and other assets	**7,496,013**	7,635,415
Total assets	**$ 566,642,927**	$ 579,160,849
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing demand	**$ 105,514,274**	$ 113,608,030
Interest-bearing demand	**214,062,377**	208,167,873
Savings	**89,588,462**	97,989,298
Time	**89,342,336**	81,881,382
Total deposits	**498,507,449**	501,646,583
Federal Home Loan Bank advances	**4,000,000**	14,000,000
Subordinated debentures	**10,310,000**	13,403,000
Accrued expenses and other liabilities	**3,295,393**	3,301,371
Total liabilities	**516,112,842**	532,350,954
Shareholders' equity		
Common stock and paid–in-capital, no par value, 5,000,000 shares authorized; shares issued and outstanding 2024 and 2023 – 3,965,303	**20,517,672**	20,517,672
Retained earnings	**37,907,033**	34,264,336
Accumulated other comprehensive loss, net of tax	**(7,894,620)**	(7,972,113)
Total shareholders' equity	**50,530,085**	46,809,895
Total liabilities and shareholders' equity	**$ 566,642,927**	$ 579,160,849

See accompanying notes

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31, 2024	2023
Interest and dividend income		
Loans, including fees	**$ 21,994,006**	$ 21,047,470
Taxable securities	**1,622,108**	1,577,229
Nontaxable securities	**524,503**	558,867
Federal Home Loan Bank stock dividends	**258,721**	144,744
Interest on deposits in banks	**2,362,850**	2,063,909
Total interest and dividend income	**26,762,188**	25,392,219
Interest expense		
Deposits	**7,122,324**	5,764,151
Federal Home Loan Bank advances	**157,454**	320,473
Subordinated debentures	**803,783**	941,345
Other	**3,484**	31
Total interest expense	**8,087,045**	7,026,000
Net interest income	**18,675,143**	18,366,219
Recovery of credit losses	**(93,980)**	(165,494)
Net interest income after recovery of credit losses	**18,769,123**	18,531,713
Noninterest income		
Service charges and fees	**1,147,409**	1,105,797
Net gains on loan sales	**2,488**	-
Earnings on bank-owned life insurance	**743,053**	456,191
Net gains on securities available for sale	**-**	14,564
Other	**514,436**	422,446
Total noninterest income	**2,407,386**	1,998,998
Noninterest expense		
Salaries and employee benefits	**8,677,717**	7,949,691
Occupancy and equipment	**2,684,544**	2,420,636
Printing, postage, and supplies	**247,927**	266,196
Professional and outside services	**503,372**	503,675
Collection	**68,734**	25,647
Other	**1,919,870**	1,839,562
Total noninterest expense	**14,102,164**	13,005,407
Income before income tax expense	**7,074,345**	7,525,304
Income tax expense	**1,211,078**	1,352,663
Net income	**$ 5,863,267**	$ 6,172,641
Per share information		
Basic earnings	**$ 1.48**	$ 1.56
Diluted earnings	**1.48**	1.56
Dividends declared	**0.56**	0.56

See accompanying notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31, 2024	2023
Net income	**$ 5,863,267**	$ 6,172,641
Other comprehensive income, net of tax:		
Net unrealized holding gains arising during the period	**77,493**	3,243,466
Reclassification adjustment for gains included in earnings	**-**	(11,505)
Total other comprehensive income, net of tax	**77,493**	3,231,961
Comprehensive income	**$ 5,940,760**	$ 9,404,602

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years Ended December 31, 2024 and 2023

	Shares Issued and Outstanding	Common Stock and Paid-In-Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax	Total Shareholders' Equity
Balance at January 1, 2023	3,965,303	$ 20,517,672	$ 30,312,264	$ (11,215,579)	$ 39,614,357
Net income	-	-	6,172,641	-	6,172,641
Other comprehensive loss	-	-	-	3,243,466	3,243,466
Cash dividends declared, $0.56 per share	-	-	(2,220,569)	-	(2,220,569)
Balance at December 31, 2023	3,965,303	20,517,672	34,264,336	(7,972,113)	46,809,895
Net income	**-**	**-**	**5,863,267**	**-**	**5,863,267**
Other comprehensive income	**-**	**-**	**-**	**77,493**	**77,493**
Cash dividends declared, $0.56 per share	**-**	**-**	**(2,220,570)**	**-**	**(2,220,570)**
Balance at December 31, 2024	**3,965,303**	**$ 20,517,672**	**$ 37,907,033**	**$ (7,894,620)**	**$ 50,530,085**

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2024	2023
Cash flows from operating activities		
Net income	**$ 5,863,267**	$ 6,172,641
Adjustments to reconcile net income to net cash from operating activities		
Recovery of credit losses	**(93,980)**	(165,494)
Depreciation, amortization, and accretion	**1,087,205**	1,046,820
Net gain on securities available for sale	**-**	(14,564)
Net gains on loan sales	**(2,488)**	-
(Gain) loss on disposal of premises and equipment	**(25,101)**	393
Originations of loans held for sale	**(61,715)**	-
Proceeds from sales of loans held for sale	**64,203**	-
Gain on proceeds of bank-owned life insurance death benefit	**(153,933)**	-
Earnings on bank-owned life insurance	**(589,120)**	(456,191)
Accrued interest receivable and other assets	**81,619**	102,831
Accrued expenses and other liabilities	**20,154**	16,408
Net cash from operating activities	**6,190,111**	6,702,844
Cash flows from investing activities		
Net change in time deposits in banks	**1,992,000**	5,225,000
Purchases of securities available for sale	**(14,424,512)**	(8,605,757)
Proceeds from sales of securities available for sale	**-**	7,975,469
Proceeds from maturities and calls of securities available for sale	**26,355,628**	11,753,742
Proceeds from bank-owned life insurance death benefit	**588,483**	-
Net change in loans	**21,518,065**	(6,147,097)
Net change in premises and equipment	**(1,373,282)**	(1,032,551)
Net change in low income housing tax credit investment	**251,410**	305,829
Net cash from investing activities	**34,907,792**	9,474,635
Cash flows from financing activities		
Net change in deposits	**(3,139,134)**	(37,085,739)
Proceeds from Federal Home Loan Bank advances	**100,000**	100,000
Repayment of Federal Home Loan Bank advances	**(10,100,000)**	(5,100,000)
Repayment of subordinated debentures	**(3,093,000)**	-
Dividends paid	**(2,220,570)**	(2,220,569)
Net cash from financing activities	**(18,452,704)**	(44,306,308)
Net change in cash and cash equivalents	**22,645,199**	(28,128,829)
Cash and cash equivalents at beginning of year	**32,942,957**	61,071,786
Cash and cash equivalents at end of year	**$ 55,588,156**	$ 32,942,957
Supplemental disclosure of cash flow information:		
Interest paid	**$ 8,063,547**	$ 6,892,274
Income taxes paid	**820,000**	1,105,000
Loans transferred to other real estate owned	**232,895**	-

See accompanying notes

Note 1 – Summary of Significant Accounting Polices

The accounting and reporting policies of Commercial National Financial Corporation (CNFC) and its wholly-owned subsidiary, Commercial Bank (Bank) (together referred to as Corporation), conform to accounting principles generally accepted in the United States of America and to general practice within the banking industry. The following describes the significant accounting and reporting policies which are employed in the preparation of the consolidated financial statements.

Principles of Consolidation: The consolidated financial statements include the accounts of CNFC, the Bank, and CNFC Financial Services, Inc., a wholly-owned subsidiary of the Bank. Intercompany accounts and transactions are eliminated in consolidation.

Nature of Operations, Business Segments, and Concentrations of Credit Risk: CNFC is a one-bank holding company which conducts limited business activities. The Bank performs the majority of business activities.

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 and personal expenditures, and loans to business enterprises for current operations and expansion. The Bank generally requires collateral for all loans. The Bank offers a variety of deposit products, including checking, savings, certificates of deposit, and individual retirement accounts.

The principal markets for the Bank's financial services are the Michigan communities in which the Bank is located and the areas immediately surrounding these communities. The Bank serves these markets through 11 offices located in Barry, Gratiot, Ingham, Montcalm, and Ottawa Counties in Michigan.

Use of Estimates: To prepare consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the consolidated financial statements and the disclosures provided, and future results could differ. The allowance for credit losses, the fair values of securities and other financial instruments, and foreclosed assets are particularly subject to change.

Cash Flow Reporting: Cash and cash equivalents include cash on hand and demand deposits with other financial institutions. Cash flows are reported, net, for customer loan and deposit transactions.

Securities: Securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax. Other securities such as Federal Home Loan Bank Stock are carried at cost.

Fair value is based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Interest and dividend income include amortization of purchase premiums and discounts. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Premiums on callable debt securities are amortized to their earliest call date. Gains and losses on sales are determined using the amortized cost of the specific security sold.

Allowance for Credit Losses – Available-For-Sale Securities: For available-for-sale debt securities in an unrealized loss position that management intends to sell or it is more likely than not that the Corporation will be required to sell, the security is written down to fair value and the entire loss is recorded in earnings. For securities available for sale that do not meet the aforementioned criteria, management evaluates whether the decline in fair value is the result of credit losses or other factors. 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 the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected are compared to the amortized cost basis of the security and any excess is recorded as an allowance for credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any amount of unrealized loss that has not been recorded through an allowance for credit loss is recognized in other comprehensive income. Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes an available-for-sale security is confirmed to be uncollectible or when either of the criteria regarding intent or requirement to sell is met. At December 31, 2024 and 2023, there was no allowance for credit loss related to the available-for-sale securities portfolio. Accrued interest receivable on available-for-sale securities in the amount of $559,895 as of December 31, 2024 and $575,037 as of December 31, 2023 was excluded from the estimate of credit losses and is reported in accrued interest receivable and other assets on the consolidated balance sheets.

Loans Held for Sale: Loans held for sale are reported at the lower of cost or market value in the aggregate. Net unrealized losses are recorded in a valuation allowance by charges to income. Mortgage loans held for sale are generally sold with servicing rights retained.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost. Amortized cost is the principal balance outstanding, net of unearned interest and deferred loan fees and costs. Accrued interest receivable related to loans totaled $1,518,124 as of December 31, 2024 and $1,533,253 as of December 31, 2023 and is reported in accrued interest receivable and other assets on the consolidated balance sheets. Interest income is reported 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, unless the loan is both well secured and in the process of collection. Loans are placed on nonaccrual status or charged-off at an earlier date if collection of principal or interest is considered doubtful. When a loan is placed on nonaccrual, all accrued interest is reversed against interest income. Interest received on such loans is accounted for using the cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, there is a sustained period of repayment performance, and future payments are reasonably assured.

Past due status on loans is based on contractual terms of the loan. A loan is considered to be past due when a scheduled payment has not been received 30 days after the contractual due date.

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

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

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. Management has identified product-based call codes as the pooling choice for measuring the allowance for credit losses. The loan portfolio segments are as follows:

- Construction - 1-4 Family: This segment includes loans for the construction of owner-occupied residential real estate. Repayment of these loans are dependent on credit quality of the individual borrower. Risks relating to this segment include the weakening of the overall health of the economy, including unemployment rates and housing prices, which effects the credit quality of this segment. In addition, construction cost overruns pose a risk to this segment.

- Construction - Other: This segment primarily includes commercial construction loans for purposes other than constructing 1-4 family residential properties. Repayment of these loans are dependent on the operations of the business and are secured by the properties that are being constructed. Risks related to this segment include cost overruns of the project, a decrease in collateral value, and a downturn in the economy.

- Farmland: This segment includes land that is used or usable for agricultural purposes. Repayment is generally dependent on the income produced from the farming operations of the land. Agriculture production, commodity prices and weather conditions all present risks associated with this segment.

- 1-4 Family - Revolving: Loans in this segment are open-end lines of credit that are secured by residential real estate. Repayment of these loans are dependent on credit quality of the individual borrower. Risks relating to this segment include the weakening of the overall health of the economy, including unemployment rates and housing prices, which effects the credit quality of this segment.

- 1-4 Family - Closed-End: Loans in this segment are collateralized by owner-occupied residential real estate. Repayment of these loans are dependent on credit quality of the individual borrower. Risks relating to this segment include the weakening of the overall health of the economy, including unemployment rates and housing prices, which effects the credit quality of this segment.

- Multifamily Residential: Loans in this segment are collateralized by properties with five or more dwelling units, which generally consist of apartment buildings. Repayment is primarily dependent on the tenants who occupy the units and also from the general operations of the business who owns the property. Risks associated with this segment include declining property values and vacancy rates, which are affected by increased supply of similar properties and changes in market rents.

- Commercial Real Estate (CRE) - Owner Occupied: Loans in this segment are loans secured by owner-occupied commercial real estate, where income from the ongoing operations of the business that occupies the property is used to repay the loan. Repayment is dependent on the successful operation and management of the business. The underlying cash flows generated from the operations of the business are adversely impacted by a downturn in the economy. Declining property values also pose a risk to this segment.

- Commercial Real Estate (CRE) - Non-Owner Occupied: Loans in this segment are primarily income-producing properties that are secured by commercial real estate, where the primary source of repayment is from rental income. Repayment is dependent on the operations of the lessees who occupy the properties, as well as from the successful management of the businesses who own the properties. The underlying cash flows generated from the operations of the lessees are adversely impacted by a downturn in the economy. Declining property values, vacancy rates, and increases in the availability of similar properties also pose a risk to this segment.

- Agriculture: Loans in this segment include financing for agricultural production and other loans to farmers. Repayment is generally dependent on the income produced from farming operations. Similar to the risks related to farmland loans, agriculture production, commodity prices, and weather conditions all present risks associated with this segment. Furthermore, there is a higher risk of declining or obsolete collateral values, as equipment and other business assets is the primary collateral for this segment.

- Commercial & Industrial: Loans in this segment are made to businesses and include loans for commercial and industrial purposes. Repayment is dependent on the successful operation and management of the business and the loans are generally secured by the assets of the business. A weakened economy, resulting in decreased consumer spending, will affect the credit quality of this segment. There is also the risk of declining or obsolete collateral value, as equipment, inventory, and other business assets is the primary collateral for this segment.

- Consumer - Revolving: Loans in this segment include revolving loans, such as overdraft lines of credit and other revolving credit plans. Repayment is dependent on the credit quality of the individual borrower and their intent and ability to repay. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate the borrowers' capacity to repay obligations may be deteriorating. There is also the inability to monitor collateral in this segment.

- Consumer - Auto: Loans to extend credit to consumers for the purchase of vehicles are included in this segment. Repayment is dependent on the credit quality of the individual borrower and their intent and ability to repay. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate the borrowers' capacity to repay obligations may be deteriorating. There is also an inability to adequately monitor collateral, as it mainly consists of personal vehicles.

- Consumer - Other: Loans in this segment include all other loans to individuals for household, family, and other personal expenditures. Repayment is dependent on the credit quality of the individual borrower and their intent and ability to repay. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate the borrowers' capacity to repay obligations may be deteriorating. There is also the inability to monitor collateral in this segment.

- State & Political Subdivisions: Loans to states and political subdivisions are included in this segment. Repayment is generally generated through tax revenues. General economic conditions, such as decreased taxable values of real estate, poses a risk to this segment.

- Other Loans: Loans in this segment generally consist of unplanned deposit account overdrafts. Economic trends, such as unemployment and other key economic indicators, pose a risk to this segment.

For loans that are collectively evaluated, the total allowance for credit losses calculation is comprised of the weighted-average remaining maturity (WARM) method, plus the economic forecast factor, plus the total qualitative factor. Historical credit loss experience provides the basis for the estimation of expected credit losses by applying the WARM method, which utilizes the historical annual loss rate, as well as a weighted-average life of pool factor that is derived by the expected scheduled payments and prepayments. The economic forecast factor is an attempt to compute an additional expected credit loss based on establishing a correlation between the loss experience and the national unemployment economic statistic. The economic statistic that is used is a Bloomberg Financial consensus forecast of U.S. unemployment two years into the future. No reversion adjustments were necessary, as the starting point for the Corporation's estimate was a cumulative loss rate covering the expected contractual term of the portfolio. The total qualitative factor includes subjective adjustments for qualitative and environmental risk factors that are likely to cause estimated credit losses to differ from historical experience. These qualitative adjustments may increase or reduce reserve levels and include the following:

- Changes in economic and business conditions specific to the Corporation's business activities
- Changes in the volume and severity of past due, nonaccrual, and classified loans
- Changes in the value of the underlying collateral of loans
- Changes in the nature and volume of the loan portfolio
- The existence, effect, and change of any concentrations of credit
- Changes in lending policies and procedures
- Changes in the experience, ability, and depth of lending management and other relevant staff
- Changes in the quality of the Corporation's loan review system
- The effect of other external factors such as competition, legal, and regulatory requirements

Loans that do not share similar risk characteristics are evaluated on an individual basis. Loans evaluated individually are not included in the collective assessment of expected credit losses and instead, a separate allowance for credit losses is determined for each loan. Loans on nonaccrual or internally classified as substandard collateral dependent or worse are separately analyzed. When the underlying collateral is expected to be a substantial source of repayment, the loan is deemed collateral dependent. Management has elected the practical expedient for its collateral-dependent loans, whereby expected credit losses are based on the fair value of the collateral, adjusted for selling costs as appropriate.

The Bank utilizes the Small Business Capital Access Program (SBCAP) and the Small Business Capital Access Program 2.0 (SBCAP 2.0), which are loan enhancement programs that provide access to capital for small Michigan businesses that might not otherwise be available. The Bank offers loans directly to companies that need credit enhancement, making it possible for these companies to receive fixed asset and working capital financing. The programs operate on a pooled reserve concept in which reserve accounts protect the enrolled loans under the programs, and therefore, loans enrolled under the programs are excluded from the allowance for credit losses computation.

As of December 31, 2024, the reserve balance for the SBCAP totaled approximately $1,248,000, while loans enrolled in the program totaled approximately $21,826,000. The reserve balance for the SBCAP 2.0 totaled approximately $2,563,000, while loans enrolled in the program totaled approximately $24,928,000.

As of December 31, 2023, the reserve balance for the SBCAP totaled approximately $1,909,000, while loans enrolled in the program totaled approximately $26,146,000. The reserve balance for the SBCAP 2.0 totaled approximately $2,210,000, while loans enrolled in the program totaled approximately $18,891,000.

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

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

Goodwill: Goodwill arises from business combinations and is generally determined as the excess of fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill acquired in a business combination is determined to have an indefinite useful life and is not amortized, but tested for impairment at least annually or more frequently if events and circumstances exist that indicate a goodwill impairment test should be performed.

Core Deposit Intangible: Core deposit intangible represents the value of acquired relationships with core deposit customers. The fair value of core deposit intangibles is estimated based on a discounted cash flow methodology that gives appropriate consideration to expected customer attrition rates, cost of the deposit base compared to alternative funding sources, reserve requirements and the net maintenance cost attributable to customer deposits. Core deposit intangibles are amortized over the estimated life of 10 years.

Premises and Equipment: Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed using a combination of straight-line and accelerated methods with useful lives ranging from 2 to 40 years for buildings and improvements, and 3 to 7 years for furniture and equipment. These assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. Maintenance, repairs, and minor alterations are charged to current operations as expenditures occur. Major improvements are capitalized.

Servicing Rights: Servicing rights represent the allocated value of servicing rights retained on loans sold. Servicing rights are expensed in proportion to, and over the period of, estimated net servicing revenues. Impairment is evaluated based on the fair value of the rights, using the underlying loans' interest rates and prepayment characteristics. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. Any impairment is reported as a valuation allowance.

Servicing fee income is recorded for fees earned for servicing loans. The fees, which are based on a contractual percentage of the outstanding principal or a fixed amount for a loan, are recorded as income when earned. The amortization of the servicing rights is netted against the servicing fee income on the consolidated statements of income.

Foreclosed Assets: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed.

Bank-Owned Life Insurance: The Bank purchased life insurance policies on certain officers. Bank-owned life insurance is recorded at its cash surrender value, the amount that can be realized.

Employee Benefits**:** A benefit plan with 401(k) features covers substantially all employees. The plan allows participant compensation deferrals. The amount of any matching contribution is based solely on the discretion of the Board of Directors.

Federal Income Taxes: Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the federal income tax effects of the temporary differences between book and tax bases of the various balance sheet assets and liabilities. Income tax expense is the sum of the current year income tax due or refundable and the change in deferred tax assets and liabilities. The Corporation records interest and penalties related to tax positions as interest expense or other expense, respectively, in the consolidated statements of income.

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales when control over the asset has been relinquished. Control is deemed to be surrendered when the assets have been isolated from the Corporation, the transferee obtains the right (free from conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Corporation does not maintain effective control through an agreement to repurchase before maturity.

Earnings and Dividends Per Share: Basic earnings per common share is based on net income divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share shows the dilutive effect of any additional potential common shares.

Comprehensive Income (Loss): Comprehensive income (loss) consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes the unrealized holding gains or losses arising during the period, less a reclassification adjustment for gains or losses included in net income.

Fair Values of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed separately. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates. The fair value estimates of existing on- and off-balance sheet financial instruments do not include the value of anticipated future business or values of assets and liabilities not considered financial instruments.

Fair Value Measurements: Fair value is the price that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Corporation uses various methods including market, income, and cost approaches. Based on these approaches, the Corporation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Corporation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Corporation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In determining the appropriate levels, the Corporation performs a detailed analysis of the assets and liabilities. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

For the years ended December 31, 2024 and 2023, the application of valuation techniques applied to similar assets and liabilities has been consistent.

Federal Home Loan Bank Stock: The Corporation is a member of the Federal Home Loan Bank (FHLB) System and is required to invest in capital stock of the FHLB of Indianapolis. The amount of the required investment is determined and adjusted by the FHLB.

Dividend Restriction: Banking regulations require maintaining certain capital levels and may limit the dividends paid by the Bank to the holding company or by the holding company to shareholders.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are such matters that will have a material effect on the consolidated financial statements.

Time Deposits in Banks: Time deposits in banks consist of certificates of deposit (CDs) purchased from other financial institutions and are held in the Bank's name. The CDs range in maturities and interest rates and are purchased in amounts to stay within FDIC insurance limits.

Revenue Recognition: The Corporation follows the revenue recognition principles in Accounting Standards Codification 606 (ASC 606), Revenue from Contracts with Customers. The majority of the Corporation's revenues come from interest income and other sources, including loans and securities that are outside the scope of ASC 606. The Corporation's services that fall within the scope of ASC 606 are presented within noninterest income and are recognized as revenue as the Corporation satisfies its obligation to the customer. Services within the scope of ASC 606 include service charges and fees on deposits, interchange income, and the gain or loss on the sale of foreclosed assets.

Service Charges and Fees on Deposit Accounts: The Corporation earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Corporation fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Corporation satisfies the performance obligation. Overdraft fees are recognized at the point that the overdraft occurs. Service charges and fees on deposits are withdrawn from the customer's account balance and approximated $425,000 in both 2024 and 2023.

Interchange Income: The Corporation earns interchange fees from debit cardholder transactions conducted through the Visa payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder. Interchange income approximated $723,000 in 2024 and $681,000 in 2023.

Gain or Loss on Sales of Foreclosed Assets: The Corporation records a gain or loss from the sale of foreclosed assets when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Corporation finances the sale of a foreclosed asset to the buyer, the Corporation assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the foreclosed asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Corporation adjusts the transaction price and related gain (loss) on sale if a significant financing component is present. There were no gains or losses on the sale of foreclosed assets in 2024 or 2023.

Subsequent Events: Subsequent events have been evaluated for recognition and disclosure through February 28, 2025, which is the date the financial statements were available to be issued.

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

Note 2 - Securities

The amortized cost and estimated fair value of securities available for sale along with gross unrealized gains and losses are summarized below. There was no allowance for credit losses on available-for-sale securities as of December 31, 2024 or December 31, 2023.

Available for Sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		December 31, 2024		
U.S. treasury and government agencies	**$ 16,063,130**	**$ 5,928**	**$ (226,669)**	**$ 15,842,389**
State and municipals	**49,274,082**	**3,216**	**(9,056,184)**	**40,221,114**
Mortgage-backed securities	**22,505,280**	**1,920**	**(721,400)**	**21,785,800**
Trust preferred securities	**500,000**	**-**	**-**	**500,000**
Total	**$ 88,342,492**	**$ 11,064**	**$(10,004,253)**	**$ 78,349,303**
		December 31, 2023		
U.S. treasury and government agencies	$ 38,018,631	$ 528	$ (1,166,489)	$ 36,852,670
State and municipals	51,115,310	12,418	(8,352,979)	42,774,749
Time deposits with other banks	1,731,000	-	(7,426)	1,723,574
Mortgage-backed securities	9,307,011	45,710	(623,044)	8,729,677
Trust preferred securities	500,000	-	-	500,000
Total	$ 100,671,952	$ 58,656	$(10,149,938)	$ 90,580,670

The amortized cost and fair value of securities available for sale at December 31, 2024 by contractual maturity is shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment penalties. Securities not due at a single maturity date, primarily mortgage-backed securities, are shown separately.

	Securities Available for Sale	
	Amortized Cost	Fair Value
Due in one year or less	$ 13,020,835	$ 12,898,623
Due from one to five years	3,627,647	3,504,992
Due from five to ten years	7,324,304	6,462,721
Due from ten years plus	41,864,426	33,697,167
Mortgage-backed securities	22,505,280	21,785,800
Total	$ 88,342,492	$ 78,349,303

There were no realized gains or losses on securities available for sale during 2024. Realized gains on securities available for sale were $14,564 during 2023.

The following table summarizes securities available for sale in an unrealized loss position for which an allowance for credit losses has not been recorded, aggregated by major security type and length of time in a continuous unrealized loss position:

2024	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. treasury and government agencies	$ -	$ -	$ 14,311,524	$ 226,669	$14,311,524	$ 226,669
State and municipals	489,500	10,500	39,633,398	9,045,684	40,122,898	9,056,184
Mortgage-backed securities	16,606,058	174,344	5,177,822	547,056	21,783,880	721,400
Total temporarily impaired	$17,095,558	$ 184,844	$ 59,122,744	$ 9,819,409	$76,218,302	$ 10,004,253

2023	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. treasury and government agencies	$ 1,540,751	$ 6,475	$ 34,541,542	$ 1,160,014	$36,082,293	$ 1,166,489
State and municipals	55,880	120	42,081,451	8,352,859	42,137,331	8,352,979
Time deposits with other banks	-	-	739,574	7,426	739,574	7,426
Mortgage-backed securities	1,227,707	14,381	4,675,399	608,663	5,903,106	623,044
Total temporarily impaired	$ 2,824,338	$ 20,976	$ 82,037,966	$ 10,128,962	$84,862,304	$ 10,149,938

At December 31, 2024, a total of 107 securities had unrealized losses; 85 of the securities were state and municipals, 17 of the securities were mortgage-backed securities, and 5 of the securities were U.S. treasury and government agency securities. At December 31, 2023, a total of 114 securities had unrealized losses; 89 of the securities were state and municipals, 14 of the securities were U.S. treasury and government agency securities, 8 of the securities were mortgage-backed securities, and 3 of the securities were time deposits with other banks. The unrealized losses have not been realized into income because the securities were not deemed to be of low investment grade and management has the ability to hold the securities for the foreseeable future. The decline in market value is primarily due to changes in interest rates and general economic conditions.

At December 31, 2024 and 2023, all of the mortgage-backed securities held by the Corporation were issued by U.S. government-sponsored entities and agencies. Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Corporation does not have the intent to sell these mortgage-backed securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Corporation has not recognized the unrealized losses into income.

Securities having a fair value of approximately $55,291,000 at December 31, 2024 and $21,905,000 at December 31, 2023, were pledged to the Federal Reserve and certain deposit customers. The carrying amount of securities issued by the State of Michigan and all its political subdivisions totaled approximately $9,932,000 at December 31, 2024 and $11,632,000 at December 31, 2023 with an approximate fair value of $8,561,000 in 2024 and $10,438,000 in 2023.

Note 3 - Loans and Allowance for Credit Losses

Loans by Segment

Loans receivable by loan segment at December 31 are as follows:

	2024	2023
Construction - 1-4 Family	**$ 1,609,405**	$ 1,408,352
Construction - Other	**1,823,936**	1,933,755
Farmland	**16,386,785**	17,344,759
1-4 Family - Revolving	**11,483,980**	10,634,819
1-4 Family - Closed-End	**152,578,211**	156,012,456
Multifamily Residential	**21,695,732**	22,492,441
CRE - Owner Occupied	**58,972,041**	66,429,635
CRE - Non-Owner Occupied	**80,653,453**	89,561,996
Agriculture	**4,538,242**	4,093,457
Commercial & Industrial	**35,510,308**	36,801,468
Consumer - Revolving	**1,192,205**	1,218,873
Consumer - Auto	**1,830,322**	2,281,519
Consumer - Other	**3,226,887**	3,428,121
State & Political Subdivisions	**4,142,433**	3,750,447
Other Loans	**7,115**	11,469
Gross loans receivable	**395,651,055**	417,403,567
Allowance for credit losses	**(3,482,203)**	(3,570,271)
Net loans receivable	**$ 392,168,852**	$ 413,833,296

At year-end 2024 and 2023, there were no loans held for sale.

Loans to employees, principal officers, directors, and their affiliates at December 31 approximated $1,965,000 in 2024 and $2,222,000 in 2023. Activity for these loans was not deemed significant during 2024 and 2023.

Delinquent Loans

The following table presents an analysis of past due loans as of December 31, 2024:

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Current	Total
Construction - 1-4 Family	**$ -**	**$ -**	**$ -**	**$ 1,609,405**	**$ 1,609,405**
Construction - Other	**-**	**-**	**-**	**1,823,936**	**1,823,936**
Farmland	**-**	**-**	**-**	**16,386,785**	**16,386,785**
1-4 Family - Revolving	**83,899**	**-**	**-**	**11,400,081**	**11,483,980**
1-4 Family - Closed-End	**1,587,717**	**357,904**	**183,609**	**150,448,981**	**152,578,211**
Multifamily Residential	**-**	**-**	**-**	**21,695,732**	**21,695,732**
CRE - Owner Occupied	**870,998**	**-**	**-**	**58,101,043**	**58,972,041**
CRE - Non-Owner Occupied	**-**	**-**	**-**	**80,653,453**	**80,653,453**
Agriculture	**49,982**	**3,100**	**-**	**4,485,160**	**4,538,242**
Commercial & Industrial	**475,593**	**130,330**	**-**	**34,904,385**	**35,510,308**
Consumer - Revolving	**4,977**	**-**	**-**	**1,187,228**	**1,192,205**
Consumer - Auto	**-**	**-**	**-**	**1,830,322**	**1,830,322**
Consumer - Other	**-**	**-**	**-**	**3,226,887**	**3,226,887**
State & Political Subdivisions	**-**	**-**	**-**	**4,142,433**	**4,142,433**
Other Loans	**-**	**-**	**-**	**7,115**	**7,115**
Total	**$ 3,073,166**	**$ 491,334**	**$ 183,609**	**$ 391,902,946**	**$ 395,651,055**

The following table presents an analysis of past due loans as of December 31, 2023:

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Current	Total
Construction - 1-4 Family	$ -	$ -	$ -	$ 1,408,352	$ 1,408,352
Construction - Other	-	-	-	1,933,755	1,933,755
Farmland	-	-	-	17,344,759	17,344,759
1-4 Family - Revolving	17,899	-	-	10,616,920	10,634,819
1-4 Family - Closed-End	572,122	45,360	94,351	155,300,623	156,012,456
Multifamily Residential	-	-	-	22,492,441	22,492,441
CRE - Owner Occupied	1,110,920	-	-	65,318,715	66,429,635
CRE - Non-Owner Occupied	-	-	-	89,561,996	89,561,996
Agriculture	-	-	-	4,093,457	4,093,457
Commercial & Industrial	298,754	35,814	-	36,466,900	36,801,468
Consumer - Revolving	4,519	-	-	1,214,354	1,218,873
Consumer - Auto	-	-	-	2,281,519	2,281,519
Consumer - Other	47,553	-	-	3,380,568	3,428,121
State & Political Subdivisions	-	-	-	3,750,447	3,750,447
Other Loans	-	-	-	11,469	11,469
Total	$ 2,051,767	$ 81,174	$ 94,351	$ 415,176,275	$ 417,403,567

Nonaccrual Loans

The following table is a summary of nonaccrual loans by loan class as of December 31, 2024:

	Nonaccrual Loans with No Allowance	Nonaccrual Loans with an Allowance	Total Nonaccrual Loans
1-4 Family - Closed-End	**$ 76,548**	**$ 860,855**	**$ 937,403**
CRE - Owner Occupied	**-**	**71,784**	**71,784**
Agriculture	**71,390**	**-**	**71,390**
Commercial & Industrial	**243,088**	**-**	**243,088**
Total Loans	**$ 391,026**	**$ 932,639**	**$ 1,323,665**

The following table is a summary of nonaccrual loans by loan class as of December 31, 2023:

	Nonaccrual Loans with No Allowance	Nonaccrual Loans with an Allowance	Total Nonaccrual Loans
1-4 Family - Closed-End	$ 125,740	$ 488,339	$ 614,079
CRE - Owner Occupied	105,804	-	105,804
Commercial & Industrial	219,520	-	219,520
Total Loans	$ 451,064	$ 488,339	$ 939,403

There were no loans past due 90 days or more and still accruing as of December 31, 2024 or 2023.

The Corporation recognized $19,421 and $13,496 of interest income on nonaccrual loans during the years ended December 31, 2024 and 2023.

The following table represents the accrued interest receivables written off by reversing interest income during 2024 and 2023:

	2024	2023
1-4 Family - Closed-End	**$ 9,858**	$ 4,485
CRE - Owner Occupied	**7,796**	167
Agriculture	**298**	-
Commercial & Industrial	**3,172**	2,141
Consumer - Other	**-**	300
Total interest receivable written off	**$ 21,124**	$ 7,093

Collateral-Dependent Loans

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

As of December 31, 2023, the Corporation had certain loans for which repayment was dependent upon the operation or sale of collateral, as the borrower was experiencing financial difficulty. The underlying collateral can vary based upon the type of loan.

The following provides more detail about the types of collateral that secured collateral-dependent loans as of December 31, 2023:

- Commercial Real Estate (CRE) - Owner Occupied: Loans are secured by owner-occupied commercial real estate, where income from the ongoing operations of the business that occupies the property is used to repay the loan.

The following table details the amortized cost of collateral-dependent loans as of December 31, 2023:

	Amortized Cost
CRE - Owner Occupied	$ 238,675
Total Loans	$ 238,675

Allowance for Credit Losses

The following table summarizes the activity related to the allowance for credit losses for 2024:

	Beginning Balance	Charge Offs	Recoveries	Provision for (Recovery of) Credit Losses	Ending Balance
Construction - 1-4 Family	$ 9,577	$ -	$ -	$ 884	$ 10,461
Construction - Other	19,769	-	-	(6,600)	13,169
Farmland	89,369	-	-	(3,021)	86,348
1-4 Family - Revolving	74,467	-	-	12,073	86,540
1-4 Family - Closed-End	1,428,073	-	638	(66,185)	1,362,526
Multifamily Residential	197,933	-	-	40,720	238,653
CRE - Owner Occupied	485,334	(263,354)	263,354	(47,883)	437,451
CRE - Non-Owner Occupied	978,181	-	-	(8,728)	969,453
Agriculture	18,017	-	-	6,267	24,284
Commercial & Industrial	176,106	(182,843)	185,243	(11,604)	166,902
Consumer - Revolving	8,898	(1,110)	-	(39)	7,749
Consumer - Auto	20,879	-	-	(6,127)	14,752
Consumer - Other	45,611	(3,157)	1,125	(408)	43,171
State & Political Subdivisions	18,002	-	-	2,710	20,712
Other Loans	55	(2,113)	665	1,425	32
Total allowance for credit losses	$ 3,570,271	$ (452,577)	$ 451,025	$ (86,516)	$ 3,482,203

The following table summarizes the activity related to the allowance for credit losses for 2023:

	Beginning Balance Prior to Adoption of ASU 2016-13	Adjustment to Allowance for Adoption of ASU 2016-13	Charge Offs	Recoveries	Provision for (Recovery of) Credit Losses	Ending Balance
Construction - 1-4 Family	$ 5,627	$ 1,278	$ -	$ -	$ 2,672	$ 9,577
Construction - Other	234,894	(36,579)	-	-	(178,546)	19,769
Farmland	291,614	(115,090)	-	-	(87,155)	89,369
1-4 Family - Revolving	29,057	10,459	-	-	34,951	74,467
1-4 Family - Closed-End	531,919	223,362	-	10,636	662,156	1,428,073
Multifamily Residential	479,769	(62,876)	-	-	(218,960)	197,933
CRE - Owner Occupied	201,496	10,700	-	-	273,138	485,334
CRE - Non-Owner Occupied	2,058,667	(237,016)	-	147	(843,617)	978,181
Agriculture	5,002	1,853	-	-	11,162	18,017
Commercial & Industrial	67,775	6,741	(188,655)	189,655	100,590	176,106
Consumer - Revolving	6,756	(174)	-	-	2,316	8,898
Consumer - Auto	9,374	3,275	(3,774)	-	12,004	20,879
Consumer - Other	13,434	23,231	(10,459)	525	18,880	45,611
State & Political Subdivisions	8,851	(443)	-	950	8,644	18,002
Other Loans	28	(28)	(1,552)	328	1,279	55
Unallocated	209,810	(209,810)	-	-	-	-
Total allowance for credit losses	$ 4,154,073	$ (381,117)	$ (204,440)	$ 202,241	$ (200,486)	$ 3,570,271

Modified Loans

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

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

In some cases, the Corporation will modify a certain loan by providing multiple types of concessions. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. For the real estate loans included in the “combination” columns below, multiple types of modifications have been made on the same loan within the current reporting period. The combination is at least two of the following: a term extension, interest rate reduction, and principal forgiveness.

The following table presents the amortized cost basis of loans at December 31, 2024 and 2023 that were both experiencing financial difficulty and modified during the years ended December 31, 2024 and 2023, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below:

	Term Extension	Interest Rate Reduction	Principal Forgiveness	Combination: Term Extension and Principal Forgiveness	Combination: Term Extension and Interest Rate Reduction	% of Total Loan Type
2024						
CRE - Owner Occupied	**$ 321,627**	**$ -**	**$ -**	**$ -**	**$ -**	**0.55 %**
Commercial & Industrial	**426,133**	**-**	**-**	**-**	**-**	**1.20**
Total Loans	**$ 747,760**	**$ -**	**$ -**	**$ -**	**$ -**	**0.19 %**
2023						
1-4 Family - Revolving	$ 66,596	$ -	$ -	$ -	$ -	0.63 %
Total Loans	$ 66,596	$ -	$ -	$ -	$ -	0.02 %

The Corporation has not committed to lend any additional amounts to borrowers included in the previous table.

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty for the years ended December 31, 2024 and 2023:

	Weighted-Average Term Extension (in years)	Weighted-Average Interest Rate Reduction	Principal Forgiveness
2024			
CRE - Owner Occupied	**11.95**	**- %**	**$ -**
Commercial & Industrial	**9.50**	**-**	**-**
2023			
1-4 Family - Revolving	2.67	- %	$ -

The following table presents the amortized cost bases of loans to borrowers experiencing financial difficulty that had a payment default during the years ended December 31, 2024 and 2023 and were modified in the 12 months prior to that default:

	Term Extension	Interest Rate Reduction	Principal Forgiveness	Combination: Term Extension and Principal Forgiveness	Combination: Term Extension and Interest Rate Reduction
2024					
1-4 Family - Revolving	**$ 11,476**	**$ -**	**$ -**	**$ -**	**$ -**
Total Loans	**$ 11,476**	**$ -**	**$ -**	**$ -**	**$ -**
2023					
1-4 Family - Revolving	$ 12,340	$ -	$ -	$ -	$ -
Total Loans	$ 12,340	$ -	$ -	$ -	$ -

The Corporation closely monitors the performance of loans to borrowers experiencing financial difficulty that are modified to understand the effectiveness of its modification efforts. The following table presents the performance of such loans that have been modified in the last 12 months as of December 31:

	Payments Status (Amortized Cost Basis)		
	Current	30-89 Days Past Due	90+ Days Past Due
2024			
CRE - Owner Occupied	**$ 321,627**	**$ -**	**$ -**
Commercial & Industrial	**426,133**	**-**	**-**
Total Loans	**$ 747,760**	**$ -**	**$ -**
2023			
1-4 Family - Revolving	$ 54,256	$ 12,340	$ -
Total Loans	$ 54,256	$ 12,340	$ -

Upon the Corporation's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

Credit Quality Components

The Corporation utilizes an eight-grade internal loan rating system for all business relationships.

- Loans rated 1-4: Loans in these categories are considered "pass" rated loans with minimal to acceptable risk.
- Loans rated 5: Loans in this category are considered "watch." These loans are starting to show signs of potential weakness and are being closely monitored by management.
- Loans rated 6-8: Loans in these categories are considered "classified." The three categories of classified loans are described below.
    - Loans rated 6: Loans in this category are considered "substandard." Generally, a loan is considered substandard if it is inadequately protected by current net worth and paying capacity of the obligors and/or the collateral pledged. There is a distinct possibility that the Corporation will sustain some loss if the weakness is not corrected.
    - Loans rated 7: Loans in this category are considered "doubtful." Loans classified as doubtful have all the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, highly questionable and improbable.
    - Loans rated 8: Loans in this category are considered uncollectible ("loss") and of such little value that their continuance as loans is not warranted.

On an annual basis, or more often if needed, the Corporation formally reviews the ratings on business loans. Annually, the Corporation engages a third party to review a significant portion of loans. Management utilizes the results of these reviews as part of its annual review process.

Loans not meeting the above criteria that are analyzed individually as part of the above-described process are considered to be pass-rated loans. The Corporation risk rates residential real estate loans on an as-needed basis as they become aware of credit weaknesses.

The Corporation utilizes a two-grade internal loan risk rating system for consumer loans:

- Performing: Loans in this category are, as of the presentation date, those in which payments of principal and interest are less than 90 days past due.
- Nonperforming: Loans in this category were 90 days or more delinquent, nonaccruing loans, or loans acquired with deteriorated credit quality and, therefore, are considered to be nonperforming loans.

Loan Credit Quality

The following table presents the Corporation's recorded investment in loans by credit quality indicators by year of origination at December 31, 2024:

	Term Loans by Year of Origination						
	2024	2023	2022	2021	Prior	Revolving	Total
Construction - 1-4 Family							
Pass	$ 694,646	$ 914,759	$ -	$ -	$ -	$ -	$ 1,609,405
Watch	-	-	-	-	-	-	-
Classified	-	-	-	-	-	-	-
Total	$ 694,646	$ 914,759	$ -	$ -	$ -	$ -	$ 1,609,405
Current period gross write offs	-	-	-	-	-	-	-
Construction - Other							
Pass	$ 380,010	$ 1,431,609	$ -	$ -	$ 12,317	$ -	$ 1,823,936
Watch	-	-	-	-	-	-	-
Classified	-	-	-	-	-	-	-
Total	$ 380,010	$ 1,431,609	$ -	$ -	$ 12,317	$ -	$ 1,823,936
Current period gross write offs	-	-	-	-	-	-	-
Farmland							
Pass	$ 1,061,078	$ 1,569,955	$ 2,078,125	$ 1,354,488	$ 4,727,595	$ 1,158,167	$ 11,949,408
Watch	-	1,254,608	1,225,840	1,750,986	-	187,000	4,418,434
Classified	-	-	-	-	18,943	-	18,943
Total	$ 1,061,078	$ 2,824,563	$ 3,303,965	$ 3,105,474	$ 4,746,538	$ 1,345,167	$ 16,386,785
Current period gross write offs	-	-	-	-	-	-	-
1-4 Family - Revolving							
Pass	$ -	$ -	$ -	$ -	$ -	$11,483,980	$ 11,483,980
Watch	-	-	-	-	-	-	-
Classified	-	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$11,483,980	$ 11,483,980
Current period gross write offs	-	-	-	-	-	-	-

	Term Loans by Year of Origination						
	2024	2023	2022	2021	Prior	Revolving	Total
1-4 Family - Closed-End							
Pass	$ 9,435,089	$ 9,909,384	$16,551,843	$29,155,776	$83,015,393	$ 48,686	$148,116,171
Watch	2,846,751	185,334	-	-	406,711	-	3,438,796
Classified	-	-	-	330,880	692,364	-	1,023,244
Total	$12,281,840	$10,094,718	$16,551,843	$29,486,656	$84,114,468	$ 48,686	$152,578,211
Current period gross write offs	-	-	-	-	-	-	-
Multifamily Residential							
Pass	$ 238,958	$ 2,290,628	$ 3,120,047	$ 5,328,052	$ 8,616,057	$ 1,438	$ 19,595,180
Watch	-	-	-	-	2,100,552	-	2,100,552
Classified	-	-	-	-	-	-	-
Total	$ 238,958	$ 2,290,628	$ 3,120,047	$ 5,328,052	$10,716,609	$ 1,438	$ 21,695,732
Current period gross write offs	-	-	-	-	-	-	-
CRE - Owner Occupied							
Pass	$ 4,096,510	$ 9,128,085	$12,136,131	$ 5,420,116	$19,358,541	$ 807,425	$ 50,946,808
Watch	1,145,197	1,692,268	2,580,762	154,083	1,117,596	-	6,689,906
Classified	-	211,240	953,955	113,968	56,164	-	1,335,327
Total	$ 5,241,707	$11,031,593	$15,670,848	$ 5,688,167	$20,532,301	$ 807,425	$ 58,972,041
Current period gross write offs	-	-	157,495	105,859	-	-	263,354
CRE - Non-Owner Occupied							
Pass	$ 4,874,524	$ 6,703,982	$20,659,226	$16,206,783	$23,122,340	$ 168,328	$ 71,735,183
Watch	-	317,269	1,888,417	1,159,727	5,013,814	-	8,379,227
Classified	-	-	193,259	345,784	-	-	539,043
Total	$ 4,874,524	$ 7,021,251	$22,740,902	$17,712,294	$28,136,154	$ 168,328	$ 80,653,453
Current period gross write offs	-	-	-	-	-	-	-

	Term Loans by Year of Origination						
	2024	2023	2022	2021	Prior	Revolving	Total
Agriculture							
Pass	$ 618,429	$ 446,956	$ 766,281	$ -	$ 21,317	$ 1,008,599	$ 2,861,582
Watch	192,083	449,142	310,925	-	-	653,120	1,605,270
Classified	-	71,390	-	-	-	-	71,390
Total	$ 810,512	$ 967,488	$ 1,077,206	$ -	$ 21,317	$ 1,661,719	$ 4,538,242
Current period gross write offs	-	-	-	-	-	-	-
Commercial & Industrial							
Pass	$ 7,552,780	$ 4,354,818	$ 5,805,333	$ 2,667,169	$ 1,168,520	$ 6,299,236	$ 27,847,856
Watch	1,199,147	1,589,292	1,393,099	255,390	111,878	930,764	5,479,570
Classified	151,119	1,057,798	482,142	132,670	271,446	87,707	2,182,882
Total	$ 8,903,046	$ 7,001,908	$ 7,680,574	$ 3,055,229	$ 1,551,844	$ 7,317,707	$ 35,510,308
Current period gross write offs	-	18,881	112,669	51,293	-	-	182,843
Consumer - Revolving							
Performing	$ -	$ -	$ -	$ -	$ -	$ 1,192,205	$ 1,192,205
Nonperforming	-	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ 1,192,205	$ 1,192,205
Current period gross write offs	-	-	-	-	-	1,110	1,110
Consumer - Auto							
Performing	$ 634,459	$ 565,644	$ 326,542	$ 235,879	$ 67,798	$ -	$ 1,830,322
Nonperforming	-	-	-	-	-	-	-
Total	$ 634,459	$ 565,644	$ 326,542	$ 235,879	$ 67,798	$ -	$ 1,830,322
Current period gross write offs	-	-	-	-	-	-	-

	Term Loans by Year of Origination						
	2024	2023	2022	2021	Prior	Revolving	Total
Consumer - Other							
Performing	$ 580,839	$ 604,029	$ 1,134,766	$ 859,542	$ 47,711	$ -	$ 3,226,887
Nonperforming	-	-	-	-	-	-	-
Total	$ 580,839	$ 604,029	$ 1,134,766	$ 859,542	$ 47,711	$ -	$ 3,226,887
Current period gross write offs	-	3,157	-	-	-	-	3,157
State & Political Subdivisions							
Pass	$ 1,539,494	$ 1,887,894	$ 170,956	$ 193,800	$ 349,410	$ 879	$ 4,142,433
Watch	-	-	-	-	-	-	-
Classified	-	-	-	-	-	-	-
Total	$ 1,539,494	$ 1,887,894	$ 170,956	$ 193,800	$ 349,410	$ 879	$ 4,142,433
Current period gross write offs	-	-	-	-	-	-	-
Other Loans							
Pass	$ 7,115	$ -	$ -	$ -	$ -	$ -	$ 7,115
Watch	-	-	-	-	-	-	-
Classified	-	-	-	-	-	-	-
Total	$ 7,115	$ -	$ -	$ -	$ -	$ -	$ 7,115
Current period gross write offs	2,113	-	-	-	-	-	2,113

The following table presents the Corporation's recorded investment in loans by credit quality indicators by year of origination at December 31, 2023:

	Term Loans by Year of Origination					
	2023	2022	2021	Prior	Revolving	Total
Construction - 1-4 Family						
Pass	$ 819,328	$ 336,993	$ -	$ 252,031	$ -	$ 1,408,352
Watch	-	-	-	-	-	-
Classified	-	-	-	-	-	-
Total	$ 819,328	$ 336,993	$ -	$ 252,031	$ -	$ 1,408,352
Current period gross write offs	-	-	-	-	-	-
Construction - Other						
Pass	$ 1,678,717	$ -	$ -	$ 15,824	$ -	$ 1,694,541
Watch	-	-	-	239,214	-	239,214
Classified	-	-	-	-	-	-
Total	$ 1,678,717	$ -	$ -	$ 255,038	$ -	$ 1,933,755
Current period gross write offs	-	-	-	-	-	-
Farmland						
Pass	$ 2,914,211	$ 3,587,191	$ 3,301,620	$ 5,507,954	$ 1,420,763	$ 16,731,739
Watch	-	-	-	240,778	372,242	613,020
Classified	-	-	-	-	-	-
Total	$ 2,914,211	$ 3,587,191	$ 3,301,620	$ 5,748,732	$ 1,793,005	$ 17,344,759
Current period gross write offs	-	-	-	-	-	-
1-4 Family - Revolving						
Pass	$ -	$ -	$ -	$ -	$10,634,819	$ 10,634,819
Watch	-	-	-	-	-	-
Classified	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$10,634,819	$ 10,634,819
Current period gross write offs	-	-	-	-	-	-
1-4 Family - Closed-End						
Pass	$ 9,380,051	$17,970,315	$31,934,714	$94,403,499	$ 723,132	$ 154,411,711
Watch	261,263	-	88,238	637,165	-	986,666
Classified	-	-	166,472	447,607	-	614,079
Total	$ 9,641,314	$17,970,315	$32,189,424	$95,488,271	$ 723,132	$ 156,012,456
Current period gross write offs	-	-	-	-	-	-

	Term Loans by Year of Origination					
	2023	2022	2021	Prior	Revolving	Total
Multifamily Residential						
Pass	$ -	$ 3,406,211	$ 7,225,174	$ 9,052,315	$ 1,516	$ 19,685,216
Watch	-	-	-	2,807,225	-	2,807,225
Classified	-	-	-	-	-	-
Total	$ -	$ 3,406,211	$ 7,225,174	$11,859,540	$ 1,516	$ 22,492,441
Current period gross write offs	-	-	-	-	-	-
CRE - Owner Occupied						
Pass	$10,937,245	$13,866,632	$ 6,343,771	$26,206,569	$ 559,290	$ 57,913,507
Watch	864,741	3,560,936	199,127	3,370,035	112,695	8,107,534
Classified	-	-	105,804	302,790	-	408,594
Total	$11,801,986	$17,427,568	$ 6,648,702	$29,879,394	$ 671,985	$ 66,429,635
Current period gross write offs	-	-	-	-	-	-
CRE - Non-Owner Occupied						
Pass	$ 7,493,156	$24,065,171	$18,611,789	$26,840,935	$ 2,397,159	$ 79,408,210
Watch	-	405,267	1,077,199	8,671,320	-	10,153,786
Classified	-	-	-	-	-	-
Total	$ 7,493,156	$24,470,438	$19,688,988	$35,512,255	$ 2,397,159	$ 89,561,996
Current period gross write offs	-	-	-	-	-	-
Agriculture						
Pass	$ 837,146	$ 1,484,628	$ -	$ 488,220	$ 1,016,814	$ 3,826,808
Watch	265,641	-	-	-	1,008	266,649
Classified	-	-	-	-	-	-
Total	$ 1,102,787	$ 1,484,628	$ -	$ 488,220	$ 1,017,822	$ 4,093,457
Current period gross write offs	-	-	-	-	-	-
Commercial & Industrial						
Pass	$ 7,245,228	$ 7,414,056	$ 6,099,273	$ 1,671,516	$ 8,644,708	$ 31,074,781
Watch	1,527,882	1,284,378	338,260	348,890	962,208	4,461,618
Classified	126,236	599,271	84,669	224,785	230,108	1,265,069
Total	$ 8,899,346	$ 9,297,705	$ 6,522,202	$ 2,245,191	$ 9,837,024	$ 36,801,468
Current period gross write offs	-	188,655	-	-	-	188,655

	Term Loans by Year of Origination					
	2023	2022	2021	Prior	Revolving	Total
Consumer - Revolving						
Performing	$ -	$ -	$ -	$ -	$ 1,218,873	$ 1,218,873
Nonperforming	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ 1,218,873	$ 1,218,873
Current period gross write offs	-	-	-	-	-	-
Consumer - Auto						
Performing	$ 890,320	$ 684,225	$ 412,584	$ 294,390	$ -	$ 2,281,519
Nonperforming	-	-	-	-	-	-
Total	$ 890,320	$ 684,225	$ 412,584	$ 294,390	$ -	$ 2,281,519
Current period gross write offs	-	-	3,774	-	-	3,774
Consumer - Other						
Performing	$ 787,844	$ 1,380,635	$ 1,139,239	$ 120,403	$ -	$ 3,428,121
Nonperforming	-	-	-	-	-	-
Total	$ 787,844	$ 1,380,635	$ 1,139,239	$ 120,403	$ -	$ 3,428,121
Current period gross write offs	-	-	10,459	-	-	10,459
State & Political Subdivisions						
Pass	$ 2,938,571	$ 181,087	$ 207,683	$ 421,991	$ 1,115	$ 3,750,447
Watch	-	-	-	-	-	-
Classified	-	-	-	-	-	-
Total	$ 2,938,571	$ 181,087	$ 207,683	$ 421,991	$ 1,115	$ 3,750,447
Current period gross write offs	-	-	-	-	-	-
Other Loans						
Pass	$ 11,469	$ -	$ -	$ -	$ -	$ 11,469
Watch	-	-	-	-	-	-
Classified	-	-	-	-	-	-
Total	$ 11,469	$ -	$ -	$ -	$ -	$ 11,469
Current period gross write offs	1,552	-	-	-	-	1,552

Paycheck Protection Program Loans

The CARES Act is an economic stimulus bill signed into law on March 27, 2020 in response to the economic fallout of the COVID-19 pandemic in the United States. The creation of the Paycheck Protection Program (PPP) enacted under the CARES Act provided forgivable loans to small businesses for payroll obligations, emergency grants to cover immediate operating costs, and a mechanism for loan forgiveness by the Small Business Association should all criteria be met. Included in commercial loans at December 31, 2024 and December 31, 2023 were approximately $199,000 and $395,000, respectively, of loans granted under the Paycheck Protection Program. These loans are fully guaranteed by the Small Business Association.

Unfunded Commitments

The Corporation maintains an allowance for off-balance sheet credit exposures such as unfunded balances for existing lines of credit, commitments to extend future credit, as well as both standby and commercial letters of credit when there is a contractual obligation to extend credit and when this extension of credit is not unconditionally cancellable (i.e., commitment cannot be canceled at any time). The allowance for off-balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur, which is based on a historical funding study derived from internal information, and an estimate of expected credit losses on commitments expected to be funded over its estimated life, which are the same loss rates that are used in computing the allowance for credit losses on loans. The allowance for credit losses for unfunded loan commitments of $27,527 at December 31, 2024 and $34,991 at December 31, 2023 is separately classified on the consolidated balance sheets within accrued expenses and other liabilities.

The following table presents the balance and activity in the allowance for credit losses for unfunded loan commitments for the 12 months ended December 31, 2024 and 2023.

	2024	2023
Balance at beginning of year	**$ 34,991**	$ -
Adjustment to allowance for unfunded commitments for adoption of ASU 2016-13	**-**	-
(Recovery) provision for unfunded commitments	**(7,464)**	34,991
Balance of allowance for credit losses for unfunded commitments at end of year	**$ 27,527**	$ 34,991

Note 4 – Loan Servicing

Mortgage loans serviced for others are not reported as assets. The principal balance of these loans at year-end was as follows:

	2024	2023
Mortgage loan portfolios serviced for:		
Federal Home Loan Bank	**$ 7,429,740**	$ 8,606,156
Freddie Mac	**2,175,339**	2,640,089
Total serviced	**$ 9,605,079**	$ 11,246,245

Custodial escrow balances maintained in connection with serviced loans were $4,061 at year-end 2024 and $3,551 at year-end 2023.

Activity for capitalized mortgage servicing rights was as follows:

	2024	2023
Beginning balance	**$ 57,598**	$ 70,581
Additions	**328**	-
Amortized to expense	**(13,227)**	(12,983)
Ending balance	**$ 44,699**	$ 57,598

Fair value at year-end 2024 was determined using a discount rate of 10.50%, prepayment speeds ranging from 6.00% to 12.71%, depending on the stratification of the specific right, and a weighted-average default rate of zero. Fair value at year-end 2023 was determined using a discount rate of 11.00%, prepayment speeds ranging from 6.00% to 9.77%, depending on the stratification of the specific right, and a weighted-average default rate of zero.

There was no valuation allowance required at December 31, 2024 or 2023.

Note 5 – Other Real Estate Owned

Other real estate owned totaled $232,895 at December 31, 2024 and zero at December 31, 2023 and is included in accrued interest receivable and other assets on the consolidated balance sheets. At December 31, 2024, the entire balance of real estate owned included foreclosed owner occupied commercial real estate. There were no consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings were in process at December 31, 2024 or 2023.

Note 6 - Premises and Equipment

Premises and equipment at December 31 consist of:

	2024	2023
Land	**$ 2,939,500**	$ 2,674,488
Buildings and improvements	**10,507,009**	9,864,351
Equipment	**3,237,827**	3,248,572
Total cost	**16,684,336**	15,787,411
Less accumulated depreciation	**(6,646,565)**	(6,535,218)
Net premises and equipment	**$ 10,037,771**	$ 9,252,193

Depreciation and amortization expense was $612,805 in 2024 and $575,341 in 2023.

Note 7 - Leases

The Corporation enters into leases in the normal course of business primarily for branch offices and back-office operations. The Corporation's leases have remaining terms ranging from 6 months to 4 years, some of which include renewal options to extend the lease for up to 5 years. The Corporation includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain the Corporation will exercise the option. The Corporation has elected not to recognize leases with original lease terms of 12 months or less (short-term leases) on its consolidated balance sheets.

Leases are classified as operating or finance leases at the lease commencement date. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent the Corporation's right to use an underlying asset for the lease term and the lease liabilities represent the Corporation's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

The Corporation uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in the lease is not known. The Corporation's incremental borrowing rate is based on the Federal Home Loan Bank of Indianapolis advance rate, adjusted for the lease term and other factors.

The Corporation records operating leases as a right-of-use asset in accrued interest receivable and other assets and operating lease liability in accrued expenses and other liabilities on the consolidated balance sheets. At December 31, 2024, all leases are considered operating leases.

Future undiscounted lease payments for operating leases with initial terms of more than one year as of December 31, 2024 are as follows:

2025	**$**	**38,700**
2026		**36,000**
2027		**36,000**
2028		**36,000**
2029		**39,000**
Thereafter		**591,000**
Total		**776,700**
Less: imputed interest		**(137,246)**
Net lease liabilities	**$**	**639,454**

The lease expense for operating leases was $45,480 for the year ended December 31, 2024. At December 31, 2024, the weighted-average remaining lease term was 18.9 years and the weighted-average discount rate utilized to calculate the right-of-use asset was 2.01%. The lease expense for operating leases was $45,480 for the year ended December 31, 2023. At December 31, 2023, the weighted-average remaining lease term was 19.8 years and the weighted-average discount rate utilized to calculate the right-of-use asset was 2.00%.

Note 8 – Deposits

At December 31, 2024, stated maturities of time deposits were as follows:

2025	**$**	**72,364,974**
2026		**13,791,268**
2027		**1,733,622**
2028		**798,741**
2029		**611,550**
Thereafter		**42,181**
Total time deposits	**$**	**89,342,336**

Time deposits in denominations of $250,000 or more were $27,539,917 at December 31, 2024 and $24,782,689 at December 31, 2023. At December 31, 2024, stated maturities of time deposits in denominations of $250,000 or more were as follows:

In 3 months or less	**$**	**7,020,735**
Over 3 through 6 months		**15,858,138**
Over 6 through 12 months		**4,661,044**
Over 12 months		**-**
Total time deposits $250,000 or more	**$**	**27,539,917**

Related-party deposits were approximately $5,970,000 at December 31, 2024 and $2,148,000 at December 31, 2023. Activity in these accounts was not deemed significant during 2024 and 2023.

There were certificates of deposits obtained through deposit brokers totaling $25,974,000 at December 31, 2024 and $23,504,000 at December 31, 2023.

Note 9 – Federal Home Loan Bank Advances and Lines of Credit

At December 31, the types of Federal Home Loan Bank (FHLB) advances were as follows:

	2024	2023
Bullet	**$ 4,000,000**	$ 14,000,000
Total	**$ 4,000,000**	$ 14,000,000

The Corporation had a $25,000,000 line of credit arrangement with Federal Home Loan Bank, with no outstanding balances, as of December 31, 2024 and December 31, 2023.

Pursuant to collateral agreements with the Federal Home Loan Bank, in addition to Federal Home Loan Bank stock, advances and the line of credit are secured, under a blanket lien arrangement, by qualified 1-4 family mortgage loans with a carrying value at year-end of approximately $125,343,644 in 2024 and $131,109,000 in 2023.

Scheduled principal reductions and related weighted-average rate grouped by advance type at December 31, 2024 were as follows:

Bullet	**Amount**	**Rate**
2025	**$ 3,000,000**	**1.44** %
2026	**1,000,000**	**1.04**
2027	**-**	**-**
2028	**-**	**-**
2029	**-**	**-**
Thereafter	**-**	**-**
Total	**$ 4,000,000**	**1.34** %

Note 10 – Subordinated Debentures

In 2005, Commercial National Financial Corporation Trust I (CNFC I), a trust formed by the Corporation, closed a pooled private offering of 10,000 trust preferred securities with a liquidation amount of $1,000 per security. The Corporation issued $10,310,000 of subordinated debentures to the trust in exchange for ownership of all of the common security of the trust and the proceeds of the preferred securities sold by the trust.

The Corporation may redeem the subordinated debentures, in whole or in part, in a principal amount with integral multiples of 1,000 at a redemption price specified in the indenture plus any accrued and unpaid interest. The subordinated debentures of CNFC I mature on June 15, 2035. The subordinated debentures are also redeemable in whole or in part from time to time, upon the occurrence of specific events defined within the trust indentures. The Corporation has the option to defer interest payments on the subordinated debentures from time to time for a period not to exceed five consecutive years. The trust preferred securities may be included in Tier I capital (with certain limitations applicable) under current regulatory guidelines and interpretations. The CNFC I trust preferred securities and subordinated debentures have a variable rate of interest equal to the sum of the three-month CME Term Secured Overnight Financing Rate (SOFR) plus the Spread Adjustment plus 1.95%, which was 6.57% at the December

12, 2024 set date. The trust is not consolidated with the Corporation's financial statements, but rather the subordinated debentures are shown as a liability.

The Corporation's investment in the common stock of CNFC I was $310,000 and is included in other assets.

On January 1, 2017, the Corporation acquired Capital Directions Statutory Trust I (CDI I), a trust formed by Capital Directions, Inc. In 2007, CDI issued $3,093,000 of subordinated debentures to the trust in exchange for ownership of all of the common security of the trust and the proceeds of the preferred securities sold by the trust. During 2024, the Corporation redeemed all of the subordinated debentures related to CDI I.

Note 11 – Employee Benefits

The Corporation's employee benefit plan allows participants to make elective deferrals up to IRS limitations. The Corporation's contribution to the plan is based solely on the discretion of the Board of Directors. Employee and employer contributions are vested immediately. The plan covers substantially all employees. Employer expense associated with funding the 401(k) plan was approximately $323,000 in 2024 and $259,000 in 2023.

Note 12 – Federal Income Taxes

Federal income tax expense for the year ended December 31 was as follows:

	2024	2023
Current	**$ 1,170,000**	$ 1,255,000
Deferred benefit	**41,000**	98,000
Total	**$ 1,211,000**	$ 1,353,000

The difference between the federal income taxes and the amount computed by applying the statutory federal income tax to income before taxes is related to the following:

	2024	2023
Statutory rates	**$ 1,486,000**	$ 1,580,000
Increase (decrease) from:		
Bank-owned life insurance	**(131,000)**	(71,000)
Tax-exempt interest income	**(94,000)**	(100,000)
General business credits	**(56,000)**	(63,000)
Other, net	**6,000**	7,000
Total	**$ 1,211,000**	$ 1,353,000

The components of the net deferred income tax assets and liabilities resulted from the following temporary differences between the carrying amounts of assets and liabilities for income tax and financial reporting purposes as of December 31.

	2024	2023
Net unrealized losses on securities available for sale	$ 2,099,000	$ 2,119,000
Allowance for credit losses	737,000	757,000
Right of use asset - operating	132,000	139,000
Interest on nonaccrual loans	34,000	26,000
Deferred compensation	31,000	33,000
Asset acquisition - Hastings	11,000	34,000
Deferred loan fees	(4,000)	1,000
Mortgage servicing rights	(9,000)	(11,000)
Asset acquisition - Mason	(28,000)	(44,000)
Prepaid expenses	(74,000)	(72,000)
Right of use liability - operating	(132,000)	(139,000)
Accumulated depreciation	(732,000)	(688,000)
Other	209,000	180,000
Net deferred tax asset	$ 2,274,000	$ 2,335,000

All tax years from 2021 and subsequent remain open to examination by the Internal Revenue Service. The Corporation does not believe that the results from any examination of these open years would have a material adverse effect on the Corporation.

Note 13 – Earnings Per Share

The factors used in the earnings per share computation is presented below for December 31:

	2024	2023
Basic earnings per share:		
Net income	$ 5,863,267	$ 6,172,641
Weighted-average common shares outstanding	3,965,303	3,965,303
Basic earnings per share	$ 1.48	$ 1.56
Diluted earnings per share:		
Net income	$ 5,863,267	$ 6,172,641
Weighted-average common shares outstanding	3,965,303	3,965,303
Add: Dilutive effect of assumed exercise of stock options	-	-
Average shares and dilutive potential common shares	3,965,303	3,965,303
Diluted earnings per share	$ 1.48	$ 1.56

Note 14 - 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 Corporation's financial condition or results of operations.

Loan Commitments

The Corporation is a party to financial instruments with off-balance sheet risk in the normal course of business to meet financing needs of its customers. These financial instruments include commitments to make loans, unused lines of credit and standby letters of credit. Contractual amounts of these instruments represent the exposure to credit loss in the event of nonperformance by the other party to financial instruments for commitments to make loans, unused lines of credit, and standby letters of credit. The Corporation follows the same credit policy to make such commitments as it uses for on-balance sheet items.

Since many commitments to make loans expire without being used, the amount of commitments shown does not necessarily represent future cash commitments. No losses are anticipated as a result of these transactions. Collateral obtained upon exercise of commitments is determined using management's credit evaluation of the borrowers and may include real estate, business assets, deposits and other items.

Commitments at December 31 were as follows:

	2024		2023	
	Fixed Rate	**Variable Rate**	Fixed Rate	Variable Rate
Commitments to extend credit	**$ 1,976,981**	**$ 47,443,398**	$ 7,125,865	$ 43,626,594
Standby letters of credit	**-**	**163,000**	-	163,000
Total commitments	**$ 1,976,981**	**$ 47,606,398**	$ 7,125,865	$ 43,789,594

Interest rates and terms on fixed-rate commitments ranged from 5.49% to 16.20% and 4.9 to 30 years, respectively.

Leases and Other Contractual Commitments

The Corporation occupies one location under a long-term operating lease. In addition, the Corporation is party to long-term contracts for data processing and operating systems. The future minimum annual commitments under all operating leases and other contractual commitments as of December 31, 2024 were as follows:

Year	**Lease and Other Contractual Commitments**
2025	**$ 717,180**
2026	**751,502**
2027	**790,298**
2028	**631,368**
2029	**67,468**
Total	**$ 2,957,816**

Note 15 - Fair Value

Fair Value Measurements

The Corporation utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Securities available for sale are recorded at fair value on a recurring basis. Additionally, from time to time, the Corporation may be required to record at fair value other assets on a nonrecurring basis, such as loans held for sale, foreclosed assets, mortgage servicing rights and certain other assets and liabilities. These nonrecurring fair value adjustments typically involve the application of lower of cost or market accounting for write-downs of individual assets.

Following is a description of the valuation methodologies used for assets and liabilities recorded at fair value:

- Securities: Securities available for sale and equity securities are recorded at fair value on a recurring basis. Fair values are determined by quoted market prices (Level 1) or by 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 values of certain municipal securities are determined by computing discounted cash flows using observable and unobservable market inputs (Level 3 inputs).

- Foreclosed Assets: Foreclosed assets are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. Adjustments to foreclosed assets are measured at fair value less costs to sell. Fair values are generally based on third-party appraisals or realtor evaluations of the property. These appraisals and evaluations may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. If these values are based on appraisals less than six months old, they are considered Level 2. If adjustments are made by management and the adjustments are significant, these result in a Level 3 classification of the inputs for determining fair value. In cases where the carrying amount exceeds the fair value, less costs to sell, an impairment loss is recognized through a valuation allowance and the property is reported as nonrecurring Level 2. For Level 3 fair value measurements, management applies adjustments as considered necessary based on the circumstances surrounding each individual property. Adjustments of 14% were made to foreclosed asset appraisals during 2024. There were no foreclosed asset appraisal adjustments during 2023.

- Loans: The Corporation does not record loans at fair value on a recurring basis; however, from time to time, a loan is individually evaluated and a specific allowance for credit losses is established. Individually evaluated loans are measured using one of three methods: the loan's observable market price, the fair value of collateral, or the present value of expected future cash flows. For each period presented, no individually evaluated loans were measured using the loan's observable market price. During the year, if an individually evaluated loan has had a charge off or if the fair value of the collateral is less than the recorded investment in the loan, the Corporation establishes a specific reserve and reports the loan as nonrecurring Level 3. The fair value of collateral of individually evaluated loans is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. If adjustments are made by management and the adjustments are significant, these result in a Level 3 classification.

Fair values of assets and liabilities measured on a recurring and nonrecurring basis at December 31 were as follows:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured on a recurring basis				
2024				
Securities available for sale	**$ 78,349,303**	**$ 9,944,531**	**$ 66,233,388**	**$ 2,171,384**
2023				
Securities available for sale	$ 90,580,670	**$ 22,021,875**	**$ 65,373,822**	**$ 3,184,973**
Assets measured on a nonrecurring basis				
2024				
Foreclosed assets	**$ 232,895**	**$ -**	**$ -**	**$ 232,895**
2023				
Foreclosed assets	$ -	$ -	$ -	$ -

A reconciliation of beginning and ending balances for Level 3 assets measured at fair value on a recurring basis follows:

Level 3 Fair Value Measurements Available-For-Sale Securities	2024	2023
Balance at beginning of year	**$ 3,184,973**	$ 4,134,448
Total gains or losses for the period:		
Included in earnings	**-**	-
Included in other comprehensive income (loss)	**2,411**	94,525
Purchases	**-**	-
Sales	**-**	-
Transfers into Level 3	**-**	-
Transfers out of Level 3	**(1,016,000)**	(1,044,000)
Balance at end of year	**$ 2,171,384**	$ 3,184,973

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate fair values for financial instruments:

- Carrying amount is considered to approximate fair value for cash and cash equivalents, interest-bearing deposits in banks, Federal Home Loan Bank (FHLB) stock, demand and savings deposits, accrued interest receivable, accrued interest payable, and variable rate loans or deposits that re-price frequently and fully.
- Securities fair values are based on quoted market prices or, if no quotes are available, on the rate, term of the security, and information about the issuer.
- Fixed rate loans and time deposits, and variable rate loans with infrequent re-pricing, are estimated using discounted cash flow analyses or underlying collateral values, where applicable.
- Fair value of Federal Home Loan Bank advances is based on currently available rates for similar financing.
- Fair value of debt is based on current rates for similar financing.
- Fair value of other financial instruments and off-balance sheet items approximate cost and are not considered significant to this presentation.

While these estimates of fair value are based on management's judgment of the most appropriate factors, there is no assurance that if the Corporation had disposed of such items at December 31, 2024 and 2023, the estimated fair values would have been achieved.

Market values may differ depending on various circumstances not taken into consideration in this methodology. The estimated fair values at December 31, 2024 and 2023 should not necessarily be considered to apply at subsequent dates**.**

Financial instruments at December 31 were approximately as follows:

	2024		2023	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
FINANCIAL ASSETS				
Cash and cash equivalents	**$ 55,588,000**	**$ 55,588,000**	$ 32,943,000	$ 32,943,000
Time deposits in banks	**1,743,000**	**1,743,000**	3,735,000	3,735,000
Securities available for sale	**78,349,000**	**78,349,000**	90,581,000	90,581,000
Federal Home Loan Bank stock	**3,726,000**	**3,726,000**	3,726,000	3,726,000
Loans, net of allowance	**392,169,000**	**359,280,000**	413,833,000	385,252,000
Accrued interest receivable	**2,165,000**	**2,165,000**	2,165,000	2,165,000
Total financial assets	**$ 533,740,000**	**$ 500,851,000**	$ 546,983,000	$ 518,402,000
FINANCIAL LIABILITIES				
Demand and savings deposits	**$ (409,165,000)**	**$ (409,165,000)**	$ (419,765,000)	$ (419,765,000)
Time deposits	**(89,342,000)**	**(88,880,000)**	(81,881,000)	(80,643,000)
Federal Home Loan Bank advances	**(4,000,000)**	**(3,868,000)**	(14,000,000)	(13,580,000)
Subordinated debentures	**(10,310,000)**	**(10,310,000)**	(13,403,000)	(13,403,000)
Accrued interest payable	**(273,000)**	**(273,000)**	(250,000)	(250,000)
Total financial liabilities	**$ (513,090,000)**	**$ (512,496,000)**	$ (529,299,000)	$ (527,641,000)

Note 16 – Capital Requirements and Restrictions on Retained Earnings

The Bank is subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations involve quantitative and qualitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings, and other factors. The regulators can lower classifications in certain cases. Failure to meet various capital requirements can initiate regulatory action that could have a direct material effect on the consolidated financial statements. The capital conservation buffer for 2024 and 2023 is 2.50%. The net unrealized gain or loss on available-for-sale securities is not included in computing regulatory capital. Management believes as of December 31, 2024, the Bank meets all capital adequacy requirements to which they are subject.

The prompt corrective action regulations provide five classifications, including well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. These terms are not used to represent overall financial condition.

If only adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions, asset growth, and expansion are limited. Plans for capital restoration are also required. The Bank was categorized as well capitalized at December 31, 2024 and 2023. There are no events or conditions since that time that management believes have changed the institution's category.

The Corporation's primary source of funds to pay dividends to shareholders is the dividends received from the Bank. The Bank is subject to certain state and federal restrictions on the amount of dividends it may declare without prior regulatory approval.

The Corporation's ability to pay dividends is dependent on the Bank, which is restricted by state law and regulations. These regulations pose no practical restrictions to paying dividends at historical levels.

Actual and required capital amounts (in thousands) and ratios at December 31 were:

	Actual		Required For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Regulations	
2024	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total Capital (to risk-weighted assets)	**$ 63,138**	**17.0 %**	**$ 29,721**	**8.0 %**	**$ 37,151**	**10.0 %**
Tier 1 Capital (to risk-weighted assets)	**59,628**	**16.1**	**22,291**	**6.0**	**29,721**	**8.0**
Common Tier 1 Capital (to risk-weighted assets)	**59,628**	**16.1**	**16,718**	**4.5**	**24,148**	**6.5**
Tier 1 Capital (to average assets)	**59,628**	**10.3**	**23,113**	**4.0**	**28,892**	**5.0**
2023						
Total Capital (to risk-weighted assets)	$ 60,957	15.6 %	$ 31,302	8.0 %	$ 39,127	10.0 %
Tier 1 Capital (to risk-weighted assets)	57,352	14.7	23,476	6.0	31,302	8.0
Common Tier 1 Capital (to risk-weighted assets)	57,352	14.7	17,607	4.5	25,432	6.5
Tier 1 Capital (to average assets)	57,352	9.6	23,826	4.0	29,782	5.0

Consolidated capital amounts and ratios are not presented as they are not required since the consolidated entity is less than $3 billion in assets and the Bank comprises approximately 99% of the consolidated assets of the holding company.

Note 17 – Accumulated Other Comprehensive Income (Loss)

The comprehensive income (loss) topic of FASB ASC requires the reporting of comprehensive income (loss) in addition to net income. Comprehensive income (loss) is a more inclusive financial reporting methodology that includes disclosures of certain financial information that, historically, has not been recognized in the calculation of net income.

The items of other comprehensive income (loss) included in comprehensive income (loss) is the change in unrealized holding gains (losses) on investment securities classified as available for sale. The reclassification adjustment for gains (losses) realized in net income is recorded as a separate line item on the consolidated statements of income.

The amounts for the years ended December 31 are summarized below:

	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
2024			
Accumulated other comprehensive loss, beginning balance	**$ (10,091,282)**	**$ 2,119,169**	**$ (7,972,113)**
Unrealized gains on securities available for sale:			
Unrealized holding gains arising during the period	**98,093**	**(20,600)**	**77,493**
Other comprehensive gain	**98,093**	**(20,600)**	**77,493**
Accumulated other comprehensive loss, ending balance	**$ (9,993,189)**	**$ 2,098,569**	**$ (7,894,620)**
2023			
Accumulated other comprehensive loss, beginning balance	$ (14,196,935)	$ 2,981,356	$ (11,215,579)
Unrealized gains on securities available for sale:			
Unrealized holding gains arising during the period	4,105,653	(862,187)	3,243,466
Other comprehensive gain	4,105,653	(862,187)	3,243,466
Accumulated other comprehensive loss, ending balance	$ (10,091,282)	$ 2,119,169	$ (7,972,113)

Note 18 – Investment in Qualified Affordable Housing Projects

The Bank holds investments in Cinnaire Michigan Community Fund Limited Partnership XX-2, Cinnaire Michigan Community Fund Limited Partnership XX-3 and Cinnaire Michigan Community Fund Limited Partnership XX-4 (collectively Cinnaire) which are limited liability companies that manage or invest in affordable housing projects that qualify for the low-income housing tax credit. The Bank accounts for its investment in Cinnaire using the proportional amortization method, under which the Bank amortizes the cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance as a component of income tax expense. The Bank recognized approximately $56,000 as an income tax benefit related to these investments in 2024 and $63,000 in 2023.

The Bank’s recorded investment in Cinnaire was approximately $493,000 at December 31, 2024 and $763,000 at December 31, 2023. These investments are included in accrued interest receivable and other assets on the consolidated balance sheets. The Bank’s remaining commitment to provide capital contributions to Cinnaire was approximately $92,000 as of December 31, 2024 and $111,000 as of December 31, 2023. These amounts are included in accrued expenses and other liabilities on the consolidated balance sheets.

Board of Directors

Back Row (left to right): Daniel Walcutt, Jeffrey Stahl, Richard Prestage, Loren Roslund, Timothy Coscarelly

Front Row (left to right): Brent Hardman, Christopher Goggin, Kevin Collison, Aaron Davis, Heather Cook Fisette

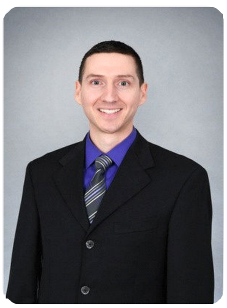
"On behalf of the Board of Directors, I want to extend our deepest appreciation to the dedicated employees of Commercial Bank. Your hard work, commitment, and passion for serving our customers and communities are the foundation of our success. Through your efforts, we continue to uphold our mission: to remain a locally owned and operated community bank, delivering innovative solutions and outstanding customer service while partnering with our employees, customers, and communities to build brighter futures. Thank you for your dedication and excellence—you are the heart of our organization."

- Richard S. Prestage, Chair of the Board

Commercial Bank Executive Officers

Kevin D. Collison
President & CEO

Andrew P. Shafley
Executive Vice President &
Chief Lending Officer



Benjamin Z. Ogle
Chief Financial Officer

Gregory R. Hansen
Senior Vice President &
Commercial Loan Manager

Commercial Bank Officers

Senior Vice Presidents

Sarah J. Doherty	Retail & Business Operations

First Vice Presidents

Corey S. Bailey	Senior Commercial Loan Officer
Matthew O. Fletcher	Credit Administration

Vice Presidents

Garth W. Anderson	Commercial Lender
Kimberly S. Campbell	Compliance & CRA Officer
Paul D. Harger	IT Manager
Amy S. Homich	Commercial Lender
Heidi L. Miller	Senior Mortgage Lender
Jamie L. Ogle	Loan Operations Manager
Janine K. Palmer	Controller
Denise L. Reese	ISO, Security & Risk Officer

Assistant Vice Presidents

Melanie S. Baxter	Branch Administration
Andrea G. Carr	Treasury Management
Nate R. Kirk, Jr.	Mortgage Lender
Tammy L. McCollum	Treasury Management
Roger K. Merritt	System Administrator
Billie G. Smith	Business Development
Sheena M. Williams	Human Resources Manager

Officers

Cody R. Dishaw	BSA Officer & Compliance Admin
Tricia C. Frost	Deposit Operations Manager
Elizabeth A. Nedry	Treasury Management
Heather H. Warren	Mortgage Lender

Celebrating Years of Service

45 Years of Service

"I started at the bank as a co-op student during my senior year, then became a drive-thru teller before joining the administrative team. Helping customers with their financial needs has always been the most rewarding part of my job. Over the years, I've watched the bank grow from three locations to eleven and embrace new technology. It's been incredible to be part of that evolution!"

- Debbie Becker, Administrative Assistant

30 Years of Service

Heidi Miller
VP, Senior Mortgage Lender

25 Years of Service

Matt Fletcher
First VP, Credit Admin

Cheryl Leonard
Loan Processing

20 Years of Service

Melanie Baxter
AVP, Branch Admin

Melissa Bacoccini
CLD Team Lead

15 Years of Service

Hannah Peterman
Branch Manager

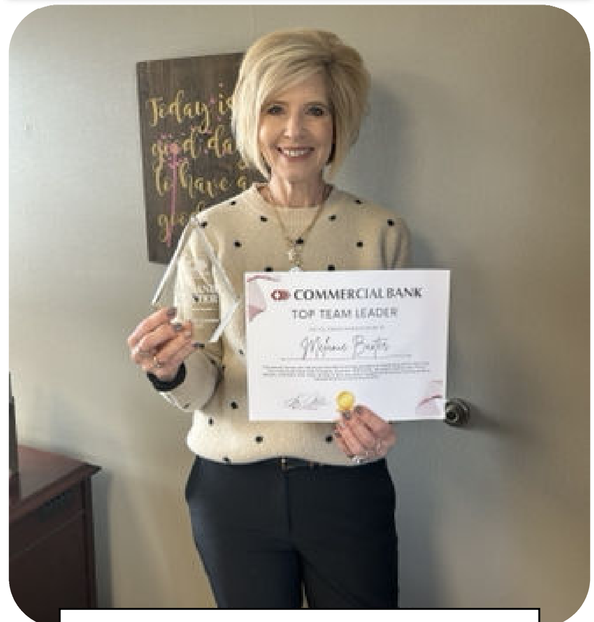
Kari Vernon
Senior Accountant

Employee Recognition Awards

Banker of the Year

Jennifer Little
Middleton Branch Manager

Top Team Leader Award



Melanie Baxter
AVP, Branch Administration

Small Business Lender of the Year

Corey Bailey
First VP, Senior Commercial Loan Officer

Community Impact Award

Nate Kirk
AVP, Mortgage Lender

Employee Community Impact

Commercial Bank Locations

Alma - Wright Avenue Branch
1690 Wright Ave.
Alma, MI 48801
Phone: (989) 463-3901

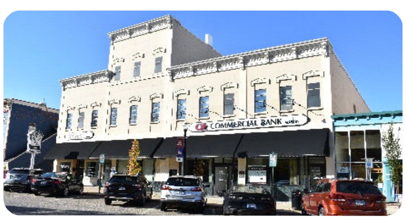
Alma - Loan Production Office
301 North State St.
Alma, MI 48801
Phone: (989) 463-2185

Grand Rapids Branch
240 Lake Michigan Drive NW
Grand Rapids, MI 49534
Phone: (616) 367-3000

Greenville Branch
10530 West Carson City Rd.
Greenville, MI 48838
Phone: (616) 754-7166

Hastings Branch
629 West State St.
Hastings, MI 49058
Phone: (269) 945-9561

Ithaca Branch
101 North Pine River St.
Ithaca, MI 48847
Phone: (989) 875-4144



Mason - Jefferson Branch
322 South Jefferson St.
Mason, MI 48854
Phone: (517) 676-0500

Mason - Cedar Branch
661 North Cedar St.
Mason, MI 48854
Phone: (517) 676-0515

Middleton Branch
101 North Newton St.
Middleton, MI 48856
Phone: (989) 236-7236

Okemos Branch
2112 Jolly Rd.
Okemos, MI 48864
Phone: (517) 337-5000

St. Louis Branch
104 North Mill St.
St. Louis, MI 48880
Phone: (989) 681-5738

Commercial Bank Branch Managers

Back Row (left to right): Bronx Lamey, Melanie Baxter, Jennifer Little, Laura Condon
Front Row (left to right): Kim Garcia, Emilee Haines, Hannah Peterman, Melissa Potter, Keisha Hirschman

Corporate Headquarters

101 North Pine River Street
Ithaca, MI 48847
www.commercial-bank.com
Phone: (989) 875-4144
Fax: (989) 875-4534

Transfer Agent

Commercial National Financial Corporation
Care of Ms. Kim Campbell
101 North Pine River St.
Ithaca, MI 48847
Phone: (989) 875-4144

Annual Report Availability

Commercial National Financial Corporation's annual report is available upon written request without charge from:

Commercial National Financial Corporation
Care of Ms. Janine Palmer
101 North Pine River St.
Ithaca, MI 48847
Phone: (989) 875-4144

Investment Brokers

D.A. Davidson & Co.
Nick Bicking, Senior Vice President, (614) 710-7060 and Tom Dooley, Senior Vice President, (614) 710-7061
Products & services offered through D.A. Davidson & Co. are not affiliated with Commercial Bank
Member SIPC

Stock Symbol: CEFC

COMMERCIAL NATIONAL FINANCIAL CORPORATION

101 North Pine River St.
Ithaca, Michigan 48847
989.875.4144