Trustar Bank

Consolidated Financial Statements

December 31, 2024, and 2023

Trustar Bank

Contents

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Independent Auditor's Report

Board of Directors
Trustar Bank
Great Falls, Virginia

Opinion

We have audited the consolidated financial statements of Trustar Bank (the Bank), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

BDO USA P.C.

Cleveland, Ohio
March 19, 2025

Consolidated Financial Statements

Trustar Bank

Consolidated Balance Sheets

($ in thousands, except per share data)

Years Ended December 31,	2024	2023
Assets		
Cash	$ 582	$ 586
Interest-bearing balances due from banks	94,185	87,377
Cash and cash equivalents	94,767	87,963
Securities held-to-maturity, at amortized cost, net of allowance for credit losses of $75 and $90, respectively (fair values of $35,919 and $38,966 respectively)	38,955	43,135
Securities available-for-sale, at fair value (amortized cost of $35,182 and $51,957 respectively)	34,416	51,368
Loans receivable, net of allowance for credit losses of $7,645 and $6,036, respectively	753,715	600,767
Bank premises and equipment, net	5,985	4,940
Accrued interest receivable	3,147	2,925
Restricted investment in bank stock, at cost	3,200	4,064
Operating lease right-of-use asset	4,468	5,453
Other assets	3,189	2,704
Total Assets	$ 941,842	$ 803,319
Liabilities and Shareholders' Equity		
Liabilities		
Deposits:		
Non-interest-bearing demand	$ 114,774	$ 105,334
Interest-bearing demand	53,431	35,832
Money market	298,415	193,803
Savings	21,028	10,543
Time deposits	306,460	302,249
Total deposits	794,108	647,761
FHLB advances	55,000	75,000
Accrued interest payable	1,274	1,196
Operating lease liability	6,612	7,301
Other liabilities	3,441	2,886
Total Liabilities	860,435	734,144
Commitments and contingencies (see Note 11)		
Shareholders' Equity		
Preferred stock, $5.00 par value; authorized 1,000,000 shares; 0 shares issued and outstanding, respectively	-	-
Common stock, $5.00 par value; authorized 25,000,000 shares; 8,242,247 shares issued and outstanding and 7,205,626 shares issued and outstanding, respectively	41,211	36,028
Additional paid-in capital	44,339	39,241
Accumulated deficit	(3,424)	(5,505)
Accumulated other comprehensive loss	(719)	(589)
Total Shareholders' Equity	81,407	69,175
Total Liabilities and Shareholders' Equity	$ 941,842	$ 803,319

See accompanying notes to consolidated financial statements.

Trustar Bank

Consolidated Statements of Income
($ in thousands)

Years Ended December 31,	2024	2023
Interest income		
Interest and fees on loans	$ 42,995	$ 32,907
Interest and dividends on securities	3,226	2,189
Interest-bearing balances due from banks	4,453	3,222
Total interest income:	50,674	38,318
Interest expense		
Deposits	26,716	17,584
Borrowings	2,734	2,488
Total Interest expense:	29,450	20,072
Net interest income	21,224	18,246
Provision for credit losses	1,587	1,064
Net interest income after provision for credit losses	19,637	17,182
Non-interest income (loss):		
Gain on sale of mortgage loans, net	-	548
Loss on securities	(199)	-
Net (loss) on sale of assets	-	(650)
Other non-interest income	352	527
Total non-interest income:	153	425
Non-interest expenses:		
Salaries and employee benefits	10,374	9,951
Occupancy	2,141	2,218
Data processing	683	650
Network services	586	633
Professional services	703	1,054
Advertising	362	395
Regulatory assessments	745	707
Gain on debt extinquishment	(28)	(773)
Other operating expenses	1,946	1,675
Total non-interest expenses:	17,512	16,510
Net income before income tax expense (benefit)	2,278	1,097
Income tax expense (benefit)	197	(765)
Net income	$ 2,081	$ 1,862

See accompanying notes to consolidated financial statements.

Trustar Bank

Consolidated Statements of Comprehensive Income

($ in thousands)

Years Ended December 31,	2024	2023
Net Income	$ 2,081	$ 1,862
Other comprehensive (loss) income:		
Unrealized (loss) gain on securities available-for-sale, net of tax (benefit), expense ($47) and $138 respectively	(130)	635
Other comprehensive (loss) income	(130)	635
Total comprehensive income	$ 1,951	$ 2,497

See accompanying notes to consolidated financial statements.

Trustar Bank

Consolidated Statements of Shareholders' Equity

($ in thousands, except per share data)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2022	7,119,309	$ 35,597	$ 38,874	$ (7,183)	$ (1,224)	$ 66,064
Adjustment due to the adoption of ASC 326	-	-	-	(184)	-	(184)
Balance, January 1,2023	7,119,309	$ 35,597	$ 38,874	$ (7,367)	$ (1,224)	$ 65,880
Net income	-	-	-	1,862	-	1,862
Other comprehensive income	-	-	-	-	635	635
Net proceeds from the exercise of warrants	40,817	204	204	-	-	408
Vesting of restricted shares	45,500	227	(227)	-	-	-
Stock based compensation expense	-	-	390	-	-	390
Balance, December 31, 2023	7,205,626	$ 36,028	$ 39,241	$ (5,505)	$ (589)	$ 69,175
Net income	-	-	-	2,081	-	2,081
Other comprehensive loss	-	-	-	-	(130)	(130)
Net proceeds from the exercise of warrants	998,391	4,992	4,992	-	-	9,984
Vesting of restricted shares	38,230	191	(191)	-	-	-
Stock based compensation expense	-	-	297	-	-	297
Balance, December 31, 2024	8,242,247	$ 41,211	$ 44,339	$ (3,424)	$ (719)	$ 81,407

See accompanying notes to consolidated financial statements.

Trustar Bank

Consolidated Statements of Cash Flows
($ in thousands)

December 31,		2024		2023
Cash Flows from Operating Activities				
Net income	$	2,081	$	1,862
Adjustments to reconcile net income to net cash provided by operating activities:				
Net amortization of discounts and premiums		(359)		45
Provision for credit losses		1,587		1,064
Loans originated for sale		-		(43,426)
Gain on sale of mortgage loans, net		-		(548)
Proceeds received from sale of loans originated for sale		-		44,893
Loss on sale of securities		199		-
Loss on sale of assets		-		650
Gain on FHLB advance extinguishment		(28)		-
Stock-based compensation awards		297		390
Depreciation of premises and equipment		509		592
Deferred tax benefit		(233)		(1,443)
Amortization of operating right-of-use assets		985		844
Payments on leases		(1,046)		(605)
Changes in other operating assets and liabilities:				
Increase in accrued interest receivable & other assets		(159)		(1,165)
Increase in accrued interest payable & other liabilities		796		780
Net Cash Provided by Operating Activities		4,629		3,933
Cash Flows from Investing Activities				
Net increase in loans		(154,557)		(82,347)
Purchase of available-for-sale securities		(24,689)		(22,750)
Purchase of held-to-maturity securities		-		(2,209)
Proceeds from repayment of available-for-sale securities		1,976		5,141
Proceeds from repayment of held-to-maturity securities		1,215		2,814
Proceeds from call or maturity of available-for-sale securities		40,000		-
Proceeds from call of held-to-maturity securities		2,561		-
Purchase of restricted bank stock		864		(1,656)
Cash received from sale of assets		-		154
Purchases of premises and equipment		(1,554)		(377)
Net Cash Used in Investing Activities		(134,184)		(101,230)
Cash Flows from Financing Activities				
Net increase in deposits		146,347		109,790
Proceeds from FHLB borrowings		20,000		146,600
Paydowns of FHLB Borrowings		(39,972)		(121,600)
Net proceeds from the exercise of Class A warrants		9,984		408
Net Cash Provided by Financing Activities		136,359		135,198
Net increase in cash and cash equivalents		6,804		37,901
Cash and Cash Equivalents, Beginning		87,963		50,062
Cash and Cash Equivalents, Ending	$	94,767	$	87,963
Supplemental cash flow information:				
Interest paid	$	29,372	$	19,484
Income taxes paid		752		309
Supplementary non-cash disclosures:				
Decrease to accumulated deficit for adoption of new accounting stand	$	-	$	184
Initial recognition of operating lease right of use asset		-		1,837
Initial recognition of operating lease liability		-		1,837

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Organization and Nature of Operations

Trustar Bank (the "Bank") was incorporated on December 8, 2018, under the laws of the Commonwealth of Virginia and is a Virginia state-chartered bank. The Bank obtained its certificate of authorization to do business on May 30, 2019, commenced operations on July 10, 2019, and is a full-service bank providing personal and business lending and deposit services. As a state-chartered bank, the Bank is subject to regulation by the Commonwealth of Virginia State Corporation Commission and the Federal Deposit Insurance Corporation. The Bank maintains its principal office in Great Falls, Virginia and provides financial services primarily to the greater Washington, D.C. metropolitan area.

Trustar Mortgage, LLC Disposition

On November 1, 2023, the Bank completed the sale of all of its membership interest in Trustar Mortgage to Archer Mortgage, LLC for a sales price of $500,000. Cash received at the time of the sale was $125,000 with the remaining $375,000, included in other assets in the consolidated balance sheets, to be received annually for three years on the anniversary date of the sale. Net assets sold and liabilities transferred amounted to $28 thousand. The Bank recorded a gain of $500,000 related to the sale during 2023. On October 18, 2024, Trustar Bank and Archer Mortgage signed an amended agreement to collect 36 equal monthly payments instead of 3 annual payments starting November 1, 2024 for the remaining receivable $375,000. The receivable remaining as of December 31, 2024, is $354,000.

During the preparation of the 2024 financial statements, management recorded an immaterial adjustment to the 2023 financial statements to reflect the write-off of the goodwill of $1,150,055 related to the disposition of Trustar Mortgage, LLC that was previously reflected in the consolidated balance sheet. The revision changed the previously recorded net gain (loss) on sale of assets from $500,000 to $(650,000) and reduced net income from $3,012,000 to $1,862,000. Management evaluated the impact on the 2023 financial statements and determined it was immaterial. The cash flow statement and impacted disclosures have also been revised along with certain other immaterial adjustments to the cash flow statement.

Basis of Presentation

The accounting and financial reporting policies of the Bank conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry. The policies that materially affect the determination of financial position, results of operations and cash flow are summarized below.

Principles of Consolidation

The consolidated financial statements include the accounts of the Bank and its wholly-owned subsidiaries, Trustar Mortgage, LLC ("Trustar Mortgage") and 774A Walker Road, LLC. Trustar Mortgage primarily originates and sells residential mortgage loans in the greater Washington, D.C. area. On November 1, 2023, the Bank sold its membership interest in Trustar Mortgage. 774A Walker Road LLC was created to purchase the real estate located at 774 Walker Road. The purchase settled on October 20, 2022. Trustar Bank is a tenant, along with five other unrelated businesses. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses and the realizability of deferred tax assets.

Concentrations of Credit Risk

The Bank grants commercial loans, commercial mortgages, residential mortgages and consumer loans to businesses and individuals. Most of the Bank's activities are with customers located in the Greater Washington, D.C. metropolitan area. The concentration of credit by type of loan is set forth in Note 3. Its debtors' ability to honor their contracts is influenced by the region's economy.

Accounting Standards Pending Adoption

ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" amended existing guidance to improve the transparency of income tax disclosures, including disclosure of specific categories in the rate reconciliation, providing additional information for certain reconciling items, and providing details on income taxes paid. The amendments are effective for annual periods beginning after December 15, 2024. The adoption of ASU 2023-09 is not expected to have a significant impact on the Bank's consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03, "Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses" amended the Income Statement—Reporting Comprehensive Income topic in the Accounting Standards Codification to require public companies to disclose, in interim and annual reporting periods, additional information about certain expenses in the notes to financial statements. The amendments are effective for annual periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The Bank will apply the amendments retrospectively to all prior periods presented in the financial statements after the effective date. The adoption of ASU 2023-09 is not expected to have a significant impact on the Bank's consolidated financial statements."

Other accounting standards that have been issued or proposed by the Financial Accounting Standards Board, ("FASB") or other standards-setting bodies are not expected to have a material impact on the Bank's financial position, results of operations or cash flows.

Previously Adopted Accounting Standards in 2023

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

In addition, ASC 326 makes changes to the accounting for credit-related impairment of available-for-sale debt securities by eliminating other-than-temporary impairment charges. Following the expected loss model, credited-related losses on available-for-sale debt securities will be reflected as a valuation allowance for credit losses on those securities.

Accrued interest for all financial instruments is included in a separate line on the face of the consolidated balance sheets. The Bank elected not to measure an allowance for credit losses for accrued interest receivable and instead elected to reverse interest income on loans or securities that are placed on nonaccrual status.

The following table illustrates the impact on the allowance for credit losses from the adoption of ASC 326 (in thousands):

	January 1, 2023 As reported Under ASC 326	December 31, 2022 Pre-ASC 326 Adoption December	Impact of ASC 326 Adoption
		(in thousands)	
Assets:			
Held-to-maturity securites, at amortized cost	$ 44,084	$ 44,084	$ -
Allowance for credit losses on held-to-maturitiy securities			
Corporate debt	$ 125	$ -	$ 125
Loans receivable, at amortized cost	$ 524,647	$ 524,647	$ -
Allowance for credit losses on loans:			
Commercial and industrial	$ 342	$ 793	$ (451)
Commercial real estate	2,313	2,118	195
Commercial construction	1,193	1,370	(177)
1-4 family residential	1,069	850	219
Home equity	242	159	83
Consumer loans	21	28	(7)
Allowance for credit losses on loans:	$ 5,180	$ 5,318	$ (138)
Liabilities:			
Allowance for credit losses on unfunded commitments	$ 197	$ -	$ 197

Presentation of Cash Flows

For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and federal funds sold. Generally, federal funds are purchased or sold for one day periods. As of December 31, 2024, and 2023, the Bank did not have any federal funds sold, but rather overnight cash deposits held at the Federal Reserve Bank, the Federal Home Loan Bank, and its principal correspondent bank.

Cash and Cash Equivalents

The Company considers all highly liquid assets with original maturities of 90 days or less, such as cash on hand, noninterest-bearing and interest-bearing amounts due from banks and federal funds sold, to be “cash equivalents.

Securities

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each balance sheet date.

Securities classified as available-for-sale are those securities that the Bank intends to hold for an indefinite period of time but not necessarily to maturity. Securities available-for-sale are carried at fair value. Any decision to sell a security classified as available-for-sale would be based on various factors, including significant movement in interest rates, changes in maturity mix of the Bank's assets and liabilities, liquidity needs, regulatory capital considerations and other similar factors. Unrealized gains and losses are reported as increases or decreases in other comprehensive income, net of the deferred tax effect. Realized gains or losses, determined on the basis of the cost of the specific securities sold, are included in earnings. Amounts reclassified from accumulated other comprehensive income for unrealized gain (loss) on securities available-for-sale represent realized securities gains or losses, net of tax effects. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Accrued interest receivable on HTM debt securities was excluded from the estimate of credit losses and totaled $290,000 at December 31, 2024 and $378,000 at December 31, 2023.

Securities classified as held-to-maturity are those debt securities the Bank has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or changes in general economic conditions. These securities are carried at cost adjusted for the amortization of premium and accretion of discount, computed by a method which approximates the interest method over the terms of the securities.

The Bank measures expected credit losses on held-to-maturity debt securities on an individual security basis. Estimates are derived by determining the probability of default and loss given default based on a securities final maturity, investment credit rating, and time to maturity.

For available-for-sale debt securities with an unrealized loss position, the Bank will determine whether it has the intent to sell the debt security or whether it is more likely than not it will be required to sell the debt security before the recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income with the establishment of an allowance under CECL. For available-for-sale debt securities that do not meet the criteria, the Bank evaluates whether any decline in fair value is due to the credit loss factors. In making this assessment, management considers any changes to the rating of the security by a rating agency and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit loss is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for credit losses and any deferred fees or costs. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the yield (interest income) of the related loans. The Bank is generally amortizing these amounts using a straight-line method for lines of credit and effective interest rate method for all other loans.

The loans receivable portfolio is segmented into the following classes: commercial and industrial, commercial real estate, construction, 1-4 family residential, home equity, and consumer.

For all classes of loans receivable, the accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest is reversed against interest income during the period the loan is placed on non-accrual. Interest received on nonaccrual loans, including impaired loans, generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectability of the total contractual principal and interest is no longer in doubt. The past due status of all classes of loans receivable is determined based on contractual due dates for loan payments.

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. The allowance for credit losses is increased by the provision for credit losses, and decreased by charge-offs, net of recoveries. Loans deemed to be uncollectible are charged against the allowance for credit losses, and subsequent recoveries, if any, are credited to the allowance. All, or part, of the principal balance of loans receivable are charged off to the allowance as soon as it is determined that the repayment of all, or part, of the principal balance is highly unlikely.

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

The Bank measures expected credit losses for loans on a pooled basis when similar risk characteristics exist. The portfolio segmentation generally follows FDIC call code classifications and the allowance for credit losses is calculated using a vintage model.

The Bank has identified the following primary pools for measuring expected credit losses. There are additional sub-segmentations within each pool, including risk categories.

• *Commercial and industrial loans* - These loans include loans to business enterprises issued for commercial, industrial and/or other professional purposes. These loans are generally secured by equipment, inventory, and accounts receivable of the borrower and repayment is primarily dependent on business cash flows. Commercial and Industrial loans generally require debt service coverage of 1.20x or better. The Bank typically limits furniture fixtures and equipment to loan to value of 100% and accounts receivable to loan to value of 80% and eligible inventory limited to 50% loan to value.

• *Commercial real estate* - these loans consist of two types of commercial real estate: owner occupied commercial real estate and non-owner occupied commercial real estate. Owner occupied commercial real estate mortgage loans are secured by commercial office buildings, industrial buildings, warehouses or retail buildings where the owner of the building occupies the property. For such loans, repayment is largely dependent upon the operation of the borrower's business. The Bank generally requires loan to value of 80%

or lower and debt service coverage of 1.15x or better. Terms outside of these guidelines will have strengths to mitigate additional risk. Non-owner occupied commercial real estate loans consist of investment real estate loans secured by office buildings, industrial buildings, warehouses, retail buildings, and multifamily residential housing. Repayment is primarily dependent on lease income generated from the underlying collateral. The Bank generally requires loan to value of 75% or lower, debt service coverage of 1.25x or better and overall lease terms to match or extend beyond the term of the loan.

• *Construction* - This pool includes loans where the repayment is dependent on the successful completion and eventual sale, refinance or operation of the related real estate project and are thus impacted by market demand and real estate valuations. Construction and land development loans include 1-4 family construction projects and commercial construction projects. Residential construction loans for resale generally have a loan to cost of 80% or lower and commercial construction generally have a loan to cost of 85% or lower. Loan to value would generally be under 80% for commercial speculative construction projects. Owner occupied and non-owner occupied commercial construction projects are underwritten to standard guidelines discussed above.

• *1-4 family residential* - This pool consists of loans secured by 1-4 family residential real estate. For commercial borrowers the bank generally requires loan to value of 75% or lower, debt service coverage of 1.25x or better and overall lease terms to match or extend beyond the term of the loan. For consumer borrowers repayment is primarily dependent on the cash flow of the borrower and may be affected by changes in general economic conditions. Repayment will vary depending on the product, but generally require credit scores of 640 or greater, debt to income below 40% and loan to value maximum of 80%.

• *Home equity* - Loans secured by 1-4 family residential properties. Repayment is primarily dependent on the personal cash flow of the borrower and may be affected by changes in general economic conditions. The bank generally requires a debt-to-income below 40% on all home equity lines of credit with loan value generally 80% or less and a minimum credit score of 660.

• *Consumer* - include all loans issued to individuals not secured by 1-4 family residential properties. Repayment is primarily dependent on the personal cash flow of the borrower which may be impacted by changes in economic conditions and unemployment. The Bank generally limits consumer loans to those clients with a minimum 660 credit score and debt to income below 40%.

The Bank uses external sources in the creation of its forecasts, including current economic conditions and forecasts for macroeconomic variables over its reasonable and supportable forecast period (e.g., GDP growth rate, unemployment rate, BBB spread, commercial real estate and home price index). The Bank utilizes a reasonable and supportable forecast period of 24 months. For the contractual term that extends beyond the forecast period, the Bank reverts to historical loss rates immediately starting in the quarter after the forecast period for each loan and in each scenario in which the loan's remaining life is longer than the forecast period.

Additionally, the allowance for credit losses calculation includes subjective adjustment for qualitative risk factors that are likely to cause estimated credit losses to differ from historical experience. These qualitative factors include:

1. Volume and severity of past due, classified and nonaccrual loans and other loan modifications.
2. Nature and volume of the portfolio and terms of loans.
3. Lending policies and procedures, including underwriting standards and collections, charge-off & recovery practices.
4. Experience, ability and depth of lending management and staff.

5. National and local economic and business conditions as well as the condition of various market segments, including the value of underlying collateral for collateral dependent loans.
6. Concentration of credit.
7. Quality of the Bank's loan review process.
8. Effect of external factors, such as geopolitical, competition and legal and regulatory requirements.
9. Loans with identified incomplete financial documentation.

Each factor is assigned a value to reflect improving, stable or declining conditions based on management's best judgment using relevant information available at the time of the evaluation.

Collateral dependent loans are those loans that are non-accruing and on which the borrowers cannot demonstrate the ability to make and are not making regularly scheduled loan payments, thereby making repayment of the loan dependent upon the operation or sale of the collateral securing the loan. Collateral dependent loans are evaluated individually as they do not share similar risk characteristics with other loans and are removed from their respective homogeneous pools. For collateral dependent loans, the Bank has adopted the practical expedient to measure the allowance for credit losses based on the fair value of the collateral.

For commercial loans secured by real estate, estimated fair values are determined primarily through third-party appraisals. When a real estate secured loan becomes impaired, a decision is made regarding whether an updated certified appraisal of the real estate is necessary. This decision is based on various considerations, including the age of the most recent appraisal, the loan-to-value ratio based on the original appraisal and the condition of the property.

For commercial and industrial loans secured by non-real estate collateral, such as accounts receivable, inventory and equipment, estimated fair values are determined based on the borrower's financial statements, inventory reports, accounts receivable aging or equipment appraisals or invoices. Indications of value from these sources are generally discounted based on the age of the financial information or the quality of the assets.

A loan that is refinanced or restructured by the Bank when a borrower is experiencing financial difficulty is generally considered a financial difficulty modification (FDM). Such modification is evaluated to determine if the changes to the loan result in a new loan or a continuation of the existing loan, and to determine the appropriate treatment of deferred loan fees/costs, (i.e. to recognize in income if considered a new loan or to continue amortization if determined to be a continuation of the loan). The allowance for credit losses on a FDM is measured using the same method as all other loans receivable.

The allowance calculation methodology includes further segregation of loan classes into risk rating categories. The borrower's overall financial condition, repayment sources, guarantors and value of collateral, if appropriate, are evaluated annually for commercial loans or when credit deficiencies arise, such as delinquent loan payments, for commercial and consumer loans. Credit quality risk ratings include regulatory classifications of special mention, substandard, doubtful and loss. Loans criticized special mention have potential weaknesses that deserve management's close attention. If uncorrected, the potential weaknesses may result in deterioration of the repayment prospects. Loans classified substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They include loans that are inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified doubtful have all the weaknesses inherent in loans classified substandard with the added characteristic that collection or liquidation in full, on the basis of current conditions and facts, is highly improbable. Loans classified as a loss are considered uncollectible and are charged to the allowance for credit losses. Loans not classified are rated pass.

The Bank maintains an allowance for credit losses for lending-related commitments such as unfunded loan commitments and letters of credit. The Bank estimates expected credit losses over the contractual period in which the Bank is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Bank. The allowance for lending-related commitments on off-balance sheet credit exposures is adjusted as a provision for credit losses. 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 commitments is separately classified on the consolidated balance sheet within other liabilities.

Based on management's comprehensive analysis of the loan portfolio, management believes the current level of the allowance for credit losses is adequate.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over financial assets is deemed to be surrendered when the assets have been isolated from the Bank, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity. When a transfer does not meet the requirements for a sale, the transfer is accounted for as a secured borrowing.

Bank Premises and Equipment

Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized to expense over the shorter of the term of the respective lease or the estimated useful life of the improvements.

Restricted Investment in Bank Stock

Restricted investment in bank stock as of December 31, 2024, and 2023 is comprised of Federal Home Loan Bank ("FHLB") stock and is an equity interest in the FHLB, which does not have readily determinable fair values for purposes of FASB ASC Topic 320, Accounting for Certain Investments in Debt and Equity Securities, because ownership is restricted and the stock lacks a market. This stock is required for membership and can only be sold back to the member institution and is recorded at cost.

Unlike other types of stock, FHLB stock is acquired primarily for the right to receive advances and loan participations rather than for the purpose of maximizing dividends or stock growth. Management's determination of whether this investment is impaired is based on their assessment of the ultimate recoverability of the cost rather than by recognizing temporary declines in value. Management believes no impairment charge is necessary related to the restricted stock as of December 31, 2024, and 2023.

Share-Based Compensation

The Bank recognizes compensation costs related to share-based payment transactions and measure the cost based on the grant-date fair value of the award. The cost will be recognized over the period during which the employee, director, or organizer is required to provide services in exchange for the award. The Bank determines fair value of its stock by applying the same the price to tangible book multiple of a group of peer banks to the Bank's tangible book value. The Bank's policy is to recognize forfeitures as they occur.

Advertising Expense

The Bank follows the policy of charging the costs of advertising to expense as incurred. Advertising expenses totaled $362,000 and $395,000 for the years ended December 31, 2024, and 2023, respectively.

Income Taxes

Current income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the current period taxable income. The Bank determines a net deferred tax asset or liability based on the tax effects of the differences between the book and tax basis of assets and liabilities, net operating loss carryforwards, and enacted changes in tax rates and laws are recognized in the period in which they occur. Net deferred tax assets is captured under "other assets" of the balance sheet and net deferred tax liabilities is captured under "other liabilities".

Deferred income tax expense (benefit) results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of the evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Bank accounts for uncertain tax positions if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold consider the facts, circumstances, and information available at the reporting date and is subject to management's judgment. The Bank had no uncertain tax positions as of December 31, 2024 and 2023.

The Bank recognizes interest and penalties on income taxes, if any, as a component of the provision for income taxes. There were no interest and penalties recognized during the years ended December 31, 2024 and 2023.

The Bank files a consolidated federal and state tax returns for the years ended December 31, 2023, 2022, and 2021 are open for examination as of December 31, 2024.

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Bank has entered into off-balance sheet financial instruments consisting of commitments to extend credit, letters of credit, and risk participation agreements. Such financial instruments are recorded in the balance sheet when they are funded. The Bank estimates expected credit losses on commitments to extend credit over the contractual period (unfunded commitments) in which the Bank is exposed to credit risk on the underlying commitments, unless the obligation is unconditionally cancellable by the Bank. The allowance for unfunded commitments, which is reflected within "Other liabilities" on the consolidated balance sheets is adjusted for as an increase or decrease to the provision for credit losses for unfunded commitments. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The allowance is calculated using the same aggregate reserve rates calculated for the funded portion of loans at the portfolio level applied to the amount of commitments expected to fund.

Leases

The Bank leases certain branch locations and administrative offices which are generally classified as operating leases with right-of-use assets and the associated lease obligations as operating lease liability. For leases where the Bank is the lessee that have initial terms greater than one year, right-of-use assets and corresponding lease liabilities are reported on the balance sheet. Our expected lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Leases with an initial term of less than one year are not recorded on the balance sheet. Operating lease expense is recognized on a straight-line basis over the lease term and included in "Occupancy" expense on the consolidated statements of income.

Operating leases, in which the Bank is the lessee, are recorded as Operating lease right-of-use (“ROU”) assets and Operating lease liabilities on our consolidated balance sheets. We do not currently have any finance leases. Operating lease ROU assets represent our right to use an underlying asset during the lease term and operating lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized as lease commencement based on the present value of the remaining lease payments using a discount rate that represents our Incremental Borrowing Rate (“IBR”). The IBR was calculated for each lease determining the rate for a fully collateralized, fully amortizing loan of the same term as the lease. The IBR for each lease is unique based on the lease term.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available-for-sale securities, which are also recognized as separate components of equity.

Loss Contingencies

The Bank records an accrual for a loss contingency when the estimated loss is both probable and reasonably estimated.

2. Securities

The amortized costs and fair value of securities as of December 31, 2024, are summarized as follows (in thousands):

December 31,2024	Amoritized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Allowance for Credit Losses
US treasury	$ 4,495	$ -	$ (9)	$ 4,486	$ -
Collateralized mortgage obligation	27,667	4	(765)	26,906	-
Municpal securities	996	4	-	1,000	-
SBA securities	2,024	2	(2)	2,024	$ -
					-
Total available-for-sale	$ 35,182	$ 10	$ (776)	$ 34,416	$ -
US treasury	$ 2,499	$ -	$ (10)	$ 2,489	$ -
Corporate debt	16,312	-	(1,740)	14,572	(75)
Collateralized mortgage obligation	8,861	-	(603)	8,258	-
Municpal securities	11,358	-	(758)	10,600	-
Total held-to-maturity	$ 39,030	$ -	$ (3,111)	$ 35,919	$ (75)

The amortized costs and fair value of securities as of December 31, 2023, are summarized as follows (in thousands):

December 31,2023	Amoritized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Allowance for Credit Losses
US treasury	$ 43,071	$ -	$ (595)	$ 42,476	$ -
Corporate debt	999	1	-	1,000	-
Collateralized mortgage obligation	4,183	6	(14)	4,175	-
Municpal securities	991	6	-	997	-
SBA securities	2,713	7	-	2,720	$ -
Total available-for-sale	$ 51,957	$ 20	$ (609)	$ 51,368	$ -
US treasury	$ 2,494	$ -	$ (85)	$ 2,409	$ -
Corporate debt	16,436	-	(2,436)	14,000	(90)
Collateralized mortgage obligation	10,100	-	(555)	9,545	-
Municpal securities	14,195	-	(1,183)	13,012	-
Total held-to-maturity	$ 43,225	$ -	$ (4,259)	$ 38,966	$ (90)

The amortized cost and fair value of available-for-sale and held-to-maturity securities as of December 31, 2024, by contractual maturity, are shown below (in thousands). Expected maturities may differ from contractual maturities because the securities may be called or prepaid with or without prepayment penalties.

December 31, 2024	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Maturing				
Due under one year	$ 5,491	$ 5,486	$ 8,554	$ 8,452
Due after one year through five years	-	-	8,566	8,044
Due after five years through ten years	-	-	13,049	11,164
Collaterized mortgage obligations	27,667	26,906	8,861	8,259
SBA securities	2,024	2,024	-	-
	$ 35,182	$ 34,416	$ 39,030	$ 35,919

The amortized cost and fair value of available-for-sale and held-to-maturity securities as of December 31, 2023, by contractual maturity, are shown below (in thousands). Expected maturities may differ from contractual maturities because the securities may be called or prepaid with or without prepayment penalties.

December 31, 2023	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Maturing				
Due under one year	$ 39,636	$ 39,143	$ -	$ -
Due after one year through five years	5,424	5,329	17,352	16,281
Due after five years through ten years	-	-	15,773	13,140
Collaterized mortgage obligations	4,183	4,176	10,100	9,545
SBA securities	2,714	2,720	-	-
	$ 51,957	$ 51,368	$ 43,225	$ 38,966

The activity in the allowance for credit losses for held-to-maturity securities for the year ended December 31, 2024, is summarized as follows (in thousands):

	Beginning Balance	Provision	Ending Balance
US treasury	$ -	$ -	$ -
Corporate debt	90	(15)	75
Collateralized mortgage obligation	-	-	-
Municipal Securities	-	-	-
Total	$ 90	$ (15)	$ 75

The activity in the allowance for credit losses for held to maturity securities for the year ended December 31, 2023, is summarized as follows (in thousands):

	Beginning Balance	CECL Adoption Adjustment	Adjusted Balance	Provision	Ending Balance
US treasury	$ -	$ -	$ -	$ -	$ -
Corporate debt	-	125	125	(35)	90
Collateralized mortgage obligation	-	-	-	-	-
Municipal securities	-	-	-	-	-
Total	$ -	$ 125	$ 125	$ (35)	$ 90

The following shows the Bank's available-for-sale securities' gross unrealized losses and fair value for securities without an allowance for credit losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of December 31, 2024, and 2023 (in thousands):

December 31, 2024	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. treasury securities	$ -	$ -	$ 4,486	$ (9)	$ 4,486	$ (9)
Corporate debt	-	-	-	-	-	-
Collateralized mortgage obligation	25,227	(760)	730	(5)	25,957	(765)
Municpal Securities	-	-	-	-	-	-
SBA securities	1,271	(2)	-	-	1,271	(2)
	$ 26,498	$ (762)	$ 5,216	$ (14)	$ 31,714	$ (776)

December 31, 2023	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. treasury securities	$ 14,739	$ (2)	$ 27,736	$ (594)	$ 42,475	$ (596)
Collateralized mortgage obligation	2,357	(13)	-	-	2,357	(13)
	$ 17,096	$ (15)	$ 27,736	$ (594)	$ 44,832	$ (609)

All of the unrealized losses as of December 31, 2024 and 2023, relate principally to changes in interest rates and prepayment assumptions subsequent to the acquisition of specific securities. The Bank evaluates the investment securities in a loss position at least on quarterly basis and determined that declines in fair value are attributable to market volatility, not credit quality or other factors. In arriving at this conclusion, the Bank reviewed third-party credit ratings and considered the severity of the impairment. The municipal securities investments are comprised almost entirely of highly-rated municipal bonds issued by state and local governments throughout the nation. The Bank has no significant concentrations of bond holdings from any one state or local government entity. The investment securities issued by the U.S. government sponsored entities, residential mortgage-backed securities guaranteed by Ginnie Mae, Freddie Mac or Fannie Mae are guaranteed by the U.S. government sponsored enterprises and have no history of credit losses. Management has the intent and ability to hold debt securities until recovery and does not believe it will have to sell the securities prior to recovery.

There were no allowance for credit losses related to the available-for-sale portfolio as of December 31, 2024 or December 31, 2023.

As of December 31, 2024, the Bank had 3 US treasuries, 8 corporate securities, 7 mortgage-backed securities, and 5 municipal bonds that had been in an unrealized loss position for 12 months or more and 1 SBA and 16 mortgage-backed securities in an unrealized loss position less than 12 months. None of these losses exceeded 20.00% of the security's carrying amount.

As of December 31, 2023, the Bank had 13 US treasuries, 8 corporate securities, 5 mortgage backed securities, and 6 municipal bonds in an unrealized loss position for 12 months or more and 3 U.S. treasuries, and 4 mortgage-backed securities in an unrealized loss position less than 12 months, none of which exceeded 36.89% of the security's carrying amount.

Securities with a fair value of $21,860,000 and $54,232,000 were pledged as collateral with the FHLB as of December 31, 2024, and 2023, respectively.

The Bank had no sales from the available-for-sale or held-to-maturity portfolios in 2024 or 2023. One held-to-maturity municipal bond was called during 2024 through a "make whole provision" at a loss on securities of $199,000.

At year-end 2024 and 2023, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholder's' equity.

Accrued interest receivable on available-for-sale investment securities was $139,000 and $250,000 at December 31, 2024 and 2023, respectively. Accrued interest receivable on held-to-maturity investment securities was $290,000 and $378,000 as of December 31, 2024 and 2023, respectively.

3. Loans Receivable

The composition of loans receivable as of December 31, 2024, and 2023 is as follows (in thousands):

	2024	2023
Commercial and industrial	$ 89,804	$ 79,453
Commercial real estate	313,061	243,406
Construction	148,914	126,165
1-4 family residential	185,805	141,340
Home equity	21,863	15,257
Consumer	1,416	1,104
Total loans receivable	760,863	606,725
Unearned net loan origination fees and costs	497	78
Allowance for credit losses	(7,645)	(6,036)
Loans Receivable, Net	$ 753,715	$ 600,767

The Bank's loan portfolio is not concentrated in loans to any single borrower or to a relatively small number of borrowers. Additionally, management is not aware of any concentrations of loans to classes of borrowers or industries that would be similarly affected by economic conditions. In addition to monitoring potential concentrations of loans to particular borrowers or groups of borrowers, industries, and geographic regions, the Bank monitors exposure to credit risk that could arise from potential concentrations of lending products and practices such as loans that subject borrowers to substantial payment increases (e.g. principal deferral periods, loans with initial interest-only periods, etc.), and loans with high loan-to-value ratios. The Bank does have a geographic concentration in the Washington D.C., Maryland, and Virginia metro area. These loans are underwritten and monitored to manage the associated risks.

Accrued interest receivable related to loans receivable totaled $2,592,000 at December 31, 2024, and $2,187,000 at December 31, 2023, and was reported in accrued interest receivable on the consolidated balance sheets.

4. Allowance for Credit Losses

The following tables summarize the activity in the allowance for credit losses by loan class for the year ended December 31, 2024, and information regarding the allowance for credit losses and the recorded investment in loans receivable by loan class as of December 31, 2024 (in thousands):

Allowance for Credit Losses					
	Beginning Balance	Charge-offs	Recoveries	Provisions	Ending Balance
Commercial and industrial	$ 593	$ -	$ -	$ 272	$ 865
Commercial real estate	2,832	-	-	831	3,663
Construction	1,175	-	-	121	1,296
1-4 family residential	1,185	-	-	302	1,487
Home equity	192	-	-	95	287
Consumer	59	-	-	(12)	47
	$ 6,036	$ -	$ -	$ 1,609	$ 7,645

The following tables summarize the activity in the allowance for credit losses by loan class for the year ended December 31, 2023, and information regarding the allowance for credit losses and the recorded investment in loans receivable by loan class as of December 31, 2023 (in thousands):

	Allowance for Credit Losses						
	Beginning Balance	Adjustment for adoption of ASU 2016-13	Adjusted Balance	Charge-offs	Recoveries	Provisions	Ending Balance
Commercial & industrial	$ 793	$ (451)	$ 342	$ -	$ -	$ 251	$ 593
Commercial real estate	2,118	195	2,313	-	-	519	2,832
Construction	1,370	(177)	1,193	-	-	(18)	1,175
1-4 family residential	850	219	1,069	(222)	-	338	1,185
Home equity	159	83	242	-	-	(50)	192
Consumer	28	(7)	21	-	-	38	59
	$ 5,318	$ (138)	$ 5,180	$ (222)	$ -	$ 1,078	$ 6,036

The following tables summarize the activity in the allowance for credit losses for unfunded commitments for the year ended December 31, 2024, and December 31, 2023 (in thousands):

December 31, 2024	Allowance for Credit Losses		
	Beginning Balance	Provisions	Ending Balance
Unfunded commitments	$ 218	$ (7)	$ 211

December 31, 2023	Allowance for Credit Losses				
	Beginning Balance	Adjustment for adoptionof ASU 2016-13	Adjusted Balance	Provisions	Ending Balance
Unfunded commitments	$ -	$ 197	$ 197	21	$ 218

The following table presents the classes of the loan portfolio summarized by the aggregate pass rating and the classified ratings of special mention, substandard and doubtful within the Bank's Internal risk rating system as of December 31, 2024 based on the loan's origination date (in thousands):

2024 Loans by Origination Date

Commercial and Industrial

	2024	2023	2022	2021	2020	Prior	Total
Pass	$ 20,941	$ 22,318	$ 16,999	$ 14,285	$ 12,241	$ 3,020	$ 89,804
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total commercial and industrial	$ 20,941	$ 22,318	$ 16,999	$ 14,285	$ 12,241	$ 3,020	$ 89,804
Gross charge-offs, YTD	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Commercial Real Estate

	2024	2023	2022	2021	2020	Prior	Total
Pass	$ 73,486	$ 46,404	$ 53,093	$ 59,031	$ 39,916	$ 30,401	$ 302,331
Special mention	615	-	-	2,775	2,149	-	5,539
Substandard	-	-	-	-	5,191	-	5,191
Doubtful	-	-	-	-	-	-	-
Total commercial real estate	$ 74,101	$ 46,404	$ 53,093	$ 61,806	$ 47,256	$ 30,401	$ 313,061
Gross charge-offs, YTD	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Construction

	2024	2023	2022	2021	2020	Prior	Total
Pass	$ 46,586	$ 44,805	$ 40,013	$ 15,368	$ 1,874	$ -	$ 148,645
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	133	135	-	269
Total construction	$ 46,586	$ 44,805	$ 40,013	$ 15,501	$ 2,009	$ -	$ 148,914
Gross charge-offs, YTD	$ -	$ -	$ -	$ -	$ -	$ -	$ -

1-4 Family Residential

	2024	2023	2022	2021	2020	Prior	Total
Pass	$ 55,493	$ 25,152	$ 53,592	$ 32,012	$ 16,492	$ 2,467	$ 185,208
Special mention	-	-	-	-	-	-	-
Substandard	-	-	597	-	-	-	597
Doubtful	-	-	-	-	-	-	-
Total 1-4 family residential	$ 55,493	$ 25,152	$ 54,189	$ 32,012	$ 16,492	$ 2,467	$ 185,805
Gross charge-offs, YTD	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Home Equity

	2024	2023	2022	2021	2020	Prior	Total
Pass	$ 4,400	$ 5,421	$ 4,168	$ 4,713	$ 3,161	$ -	$ 21,863
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total home equity	$ 4,400	$ 5,421	$ 4,168	$ 4,713	$ 3,161	$ -	$ 21,863
Gross charge-offs, YTD	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Consumer

	2024	2023	2022	2021	2020	Prior	Total
Pass	$ 472	$ 539	$ 102	$ -	$ 303	$ -	$ 1,416
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total consumer	$ 472	$ 539	$ 102	$ -	$ 303	$ -	$ 1,416
Gross charge-offs, YTD	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Loans Receivable	$ 201,993	$ 144,639	$ 168,564	$ 128,317	$ 81,462	$ 35,888	$ 760,863
Unearned net loan origination fees and costs							497
Total Loans Receivable, net of unearned fees and costs							761,360
Total gross charge-offs, YTD	$ -	$ -	$ -	$ -	$ -	$ -	$ -

The following table presents the classes of the loan portfolio summarized by the aggregate pass rating and the classified ratings of special mention, substandard and doubtful within the Bank's Internal risk rating system as of December 31, 2023 (in thousands) based on the loan's origination date (in thousands):

2023 Loans by Origination Date

Commercial and Industrial	2023	2022	2021	2020	2019	Total
Pass	$ 27,968	$ 15,947	$ 16,664	$ 15,257	$ 3,617	$ 79,453
Special mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Total commercial and industrial	$ 27,968	$ 15,947	$ 16,664	$ 15,257	$ 3,617	$ 79,453
Gross charge-offs, YTD	$ -	$ -	$ -	$ -	$ -	$ -

Commercial Real Estate	2023	2022	2021	2020	2019	Total
Pass	$ 45,674	$ 54,975	$ 63,594	$ 50,287	$ 28,526	$ 243,056
Special mention	-	-	-	-	-	-
Substandard	-	-	350	-	-	350
Doubtful	-	-	-	-	-	-
Total commercial real estate	$ 45,674	$ 54,975	$ 63,944	$ 50,287	$ 28,526	$ 243,406
Gross charge-offs, YTD	$ -	$ -	$ -	$ -	$ -	$ -

Construction	2023	2022	2021	2020	2019	Total
Pass	$ 44,579	$ 43,594	$ 20,064	$ 9,607	$ 2,725	$ 120,569
Special mention	-	-	3,292	-	-	3,292
Substandard	-	-	1,335	136	833	2,304
Doubtful	-	-	-	-	-	-
Total construction	$ 44,579	$ 43,594	$ 24,691	$ 9,743	$ 3,558	$ 126,165
Gross charge-offs, YTD	$ -	$ -	$ -	$ -	$ -	$ -

1-4 Family Residential	2023	2022	2021	2020	2019	Total
Pass	$ 30,687	$ 55,558	$ 33,884	$ 18,076	$ 2,538	$ 140,743
Special mention	-	-	-	-	-	-
Substandard	-	597	-	-	-	597
Doubtful	-	-	-	-	-	-
Total 1-4 family residential	$ 30,687	$ 56,155	$ 33,884	$ 18,076	$ 2,538	$ 141,340
Gross charge-offs, YTD	$ -	$ -	$ -	$ 222	$ -	$ -

Home Equity	2023	2022	2021	2020	2019	Total
Pass	$ 2,965	$ 3,068	$ 6,404	$ 2,820	$ -	$ 15,257
Special mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Total home equity	$ 2,965	$ 3,068	$ 6,404	$ 2,820	$ -	$ 15,257
Gross charge-offs, YTD	$ -	$ -	$ -	$ -	$ -	$ -

Consumer	2023	2022	2021	2020	2019	Total
Pass	$ 652	$ 113	$ -	$ 339	$ -	$ 1,104
Special mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Total consumer	$ 652	$ 113	$ -	$ 339	$ -	$ 1,104
Gross charge-offs, YTD	$ -	$ -	$ -	$ -	$ -	$ -

Total Loans Receivable	$ 152,525	$ 173,852	$ 145,587	$ 96,522	$ 38,239	$ 606,725
Unearned net loan origination fees and costs						78
Total Loans Receivable, net of unearned fees and costs						606,803
Total gross charge-offs, YTD	$ -	$ -	$ -	$ 222	$ -	$ 222

The performance and credit quality of the loan portfolio is also monitored by analyzing the age of the loans receivable as determined by the length of time a recorded payment is past due. The following tables present the classes of the loan portfolio summarized by the past due status as of (in thousands):

December 31, 2024	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days	Non accrual	Total Past Due	Current	Total Loans Receivables	Recorded Investment >90 Days and Accruing
Commercial and industrial	$ -	$ -	$ -	$ -	$ -	$ 89,804	$ 89,804	$ -
Commercial real estate	-	-	-	-	-	313,061	313,061	-
Construction	-	-	-	269	269	148,645	148,914	-
1-4 family residential	1,215	-	-	-	1,215	184,590	185,805	-
Home equity	-	-	-	-	-	21,863	21,863	-
Consumer	-	-	-	-	-	1,416	1,416	-
	$ 1,215	$ -	$ -	$ -	$ 1,484	$ 759,379	$ 760,863	$ -

December 31, 2023	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days	Non accrual	Total Past Due	Current	Total Loans Receivables	Recorded Investment >90 Days and Accruing
Commercial and industrial	$ -	$ -	$ -	$ -	$ -	$ 79,453	$ 79,453	$ -
Commercial real estate	-	-	-	-	-	243,406	243,406	-
Construction	-	-	-	-	-	126,165	126,165	-
1-4 family residential	-	-	597	-	597	140,743	141,340	597
Home equity	-	-	-	-	-	15,257	15,257	-
Consumer	-	-	-	-	-	1,104	1,104	-
	$ -	$ -	$ 597	$ -	$ 597	$ 606,128	$ 606,725	$ 597

The following presents nonaccrual loans as of December 31, 2024 (in thousands):

December 31, 2024	Nonaccrual with No Allowance for Credit Losses	Nonaccrual with Allowance for Credit Losses	Total Nonaccrual Loans	Interest Income Recognized
Commercial and industrial	$ -	$ -	$ -	$ -
Commercial real estate	-	-	-	-
Construction	-	269	269	28
1-4 family residential	-	-	-	-
Home equity	-	-	-	-
Consumer	-	-	-	-
	$ -	$ 269	$ 269	$ 28

The Bank did not have any nonaccrual loans as of December 31, 2023.

The Bank identifies loans in which the borrower cannot demonstrate the ability to make regularly scheduled payments, and the repayment of the loan is dependent upon the operation or sale of the collateral of the loan. These collateral dependent loans are evaluated individually for allowance for credit losses based on the fair value of the collateral.

The following tables present an analysis of collateral-dependent loans of the Bank by class of loans as of December 31, 2024, and December 31, 2023 (in thousands):

December 31, 2024	Residential Property	Business Assets	Commercial Property	Total Collateral-Dependent
Commercial and industrial	$ -	-	-	$ -
Commercial real estate	5,191	-	-	5,191
Construction	269	-	-	269
1-4 family residential	597	-	-	597
Home equity	-	-	-	-
Consumer	-	-	-	-
	$ 6,057	-	-	$ 6,057

December 31, 2023	Residential Property	Business Assets	Commercial Property	Total Collateral-Dependent
Commercial and industrial	$ -	-	-	$ -
Commercial real estate	-	-	350	350
Construction	2,304	-	-	2,304
1-4 family residential	597	-	-	597
Home equity	-	-	-	-
Consumer	-	-	-	-
	$ 2,901	-	350	$ 3,251

Modifications to borrowers experiencing financial difficulty may include interest rate reductions, principal or interest forgiveness, forbearances, term extensions, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of collateral. There was one modification to borrowers experiencing financial difficulty during the year ended December 31, 2024. There were no modifications to borrowers experiencing financial difficulty during the year ended December 31, 2023

The following table presents the amortized cost basis of the one loans as of December 31, 2024 that was both experiencing financial difficulty and modified during the period, by class and by type of modification. During 2024, the maturity date of this loan was extended by three years. 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 (in thousands):

December 31, 2024	Term Extension	Financing Receivable
Commercial and industrial	$ -	- %
Commercial real estate	5,194	1.66
Construction	-	-
1-4 family residential	-	-
Home equity	-	-
Consumer	-	-
	$ 5,194	0.68 %

5. Bank Premises and Equipment

The components of bank premises and equipment as of December 31, 2024, and 2023 are as follows (in thousands):

	2024	2023	Estimated Useful Lives
Land	$ 1,418	$ 540	
Building	2,398	2,160	40
Leasehold Improvements	2,338	2,280	3-10
Furniture	515	506	3-10
Office Equipment	342	306	3-10
Network Systems	353	351	3-10
Branch Systems & Equipment	240	190	3-10
Vehicles	112	112	5
Construction in progress	283	-	
Total bank premises and equipment before accumulated depreciatio	7,999	6,445	
Accumulated depreciation	(2,014)	(1,505)	
Net total bank premises and equipment	$ 5,985	$ 4,940	

Depreciation expense charged to operations amounted to $509,000 and $592,000 for the years ended December 31, 2024, and 2023, respectively.

On May 31, 2024, Trustar Bank ("the Bank") purchased property at 7901 Norfolk Avenue, Bethesda, MD 20814, which the Bank will utilize as a full-service branch location. The total purchase price was $1,098,000 and included land and a building. The building will be depreciated with a useful life of 40 years in accordance with the Bank's fixed asset policies.

6. Deposits

The components of deposits as of December 31, 2024, and 2023 are as follows (in thousands):

December 31,	2024	2023
Noninterest-bearing demand	$ 114,774	$ 105,334
Interest-bearing demand	53,431	35,832
Money market	298,415	193,803
Savings	21,028	10,543
Time, <$250,000	192,357	176,398
Time, >= $250,000	114,103	125,851
Total Deposits	$ 794,108	$ 647,761

The Bank's deposit portfolio has one customer that represents a significant deposit concentration. The Bank also has a concentration to public funds. The following table presents these deposit concentrations as a percentage of our deposit base.

December 31,	2024	2023
Government Contractor	12.9 %	7.5 %
Virginia Public Funds	10.9 %	4.8 %

As of December 31, 2024, the Bank’s public funds holdings consisting of $86.0 million of which $63.9 million were placed as reciprocal deposits through the Certificate of Deposit Account Registry Services ("CDARS") and Insured Cash Sweep ("ICS").

As of December 31, 2023, the Bank’s public funds holdings consisting of $31.4 million of which $31.1 were placed in reciprocal deposits through the Certificate of Deposit Account Registry Services ("CDARS") and Insured Cash Sweep ("ICS").

As of December 31, 2024, the scheduled maturities of time deposits are as follows (in thousands):

December 31,	2024
2025	$ 234,249
2026	40,877
2027	19,766
2028	10,320
2029	1,248
	$ 306,460

7. Borrowings

As of December 31, 2024, the Bank’s remaining borrowing capacity (excess of collateral) with the Federal Home Loan Bank of Atlanta (FHLB) was $95.7 million. This was calculated using a “lendable collateral value” of $174.7 million less a "total credit exposure" of $79.0 million. "Lendable collateral value" represents the total value of eligible collateral pledged. As of December 31, 2024, the Bank had a $24.0 million letter of credit to secure public funds and the following credit exposure with the FHLB (in thousands):

Product Description	Maturity Date	Principal Balance	Current Rate
Fixed Rate	10/21/2027	10,000	4.61%
Fixed Rate	10/22/2027	10,000	4.57%
Fixed Rate	10/10/2028	10,000	4.78%
Fixed Rate	10/24/2028	10,000	4.99%
Fixed Rate	11/02/2028	10,000	4.83%
Fixed Rate	06/14/2027	5,000	4.59%
		$ 55,000	4.74%

At December 31, 2024, the contractual maturities of borrowings were as follows for the years ending *(in thousands:)*

2025	$ -
2026	-
2027	25,000
2028	30,000
2029	-
Total	$ 55,000

As of December 31, 2023, the Bank's remaining borrowing capacity (excess of collateral) with the Federal Home Loan Bank of Atlanta (FHLB) stood at $32.4 million "lendable collateral value" of $143.4 million less "total credit exposure" of $111.0 million. "Lendable collateral value" represents the total value of eligible collateral pledged. As of December 31, 2023, the Bank had a $36.0 million letter of credit to secure public funds and the following credit exposure with the FHLB (in thousands):

Product Description	Maturity Date	Principal Balance	Current Rate
Fixed Rate	10/21/27	10,000	4.61%
Fixed Rate	10/22/27	20,000	4.57%
Fixed Rate	9/5/28	10,000	4.45%
Fixed Rate	10/10/28	10,000	4.78%
Fixed Rate	10/24/28	10,000	4.99%
Fixed Rate	11/2/28	10,000	4.83%
Variable Rate	5/31/24	5,000	5.57%
		$ 75,000	4.75%

Additionally, as of December 31, 2024 and December 31, 2023, the Bank maintained a $10.0 million unsecured federal funds overnight line of credit with PNC Bank, N.A. (PNC) and a $20.0 million unsecured overnight line of credit with Pacific Coast Bankers' Bank (PCBB). As of December 31, 2024 and December 31, 2023, there were no outstanding balances with either PNC or PCBB.

8. Income Taxes

The components of income tax expense (benefit) for the years ended December 31, 2024, and 2023 are as follows (in thousands):

	2024	2023
Federal tax	$ 386	$ 548
State tax	44	130
Deferred	(233)	(1,443)
Total	$ 197	$ (765)

Differences between the statutory tax rate of 21% and the effective rate are primarily the result of the removal and adjustment of the valuation allowance of the deferred tax asset as of December 31, 2024, and December 31, 2023.

A reconciliation of the federal corporate income tax rate and the effective tax rate on income before income taxes from continuing operations is summarized below:

December 31,	2024	2023
Statutory income tax	21.00 %	21.00 %
State tax expense	2.21	6.56
Reversal of valuation allowance	-	(172.29)
Prior year true up	(15.18)	7.75
Permanent differences	2.84	5.10
Other	(2.23)	2.00
Entity disposition adjustments	-	60.16
Effective income tax rate	8.64 %	(69.72) %

The components of the net deferred asset as of December 31, 2024, and 2023 are as follows (in thousands):

	2024	2023
Deferred tax assets:		
Organizational costs	$ 159	$ 170
State Bonus Depreciation	30	27
Compensation accrual	-	116
Operating lease liabilities	1,597	1,706
Equity compensation	33	1
Intangible assets	47	50
Bad debt expense	1,847	1,417
Other reserves	70	72
Unrealized losses on AFS Securities	185	138
Total Deferred Tax Assets	3,968	3,697
Deferred tax liabilities:		
Property equipment	(334)	(361)
Right-of-use asset	(1,080)	(1,274)
Prepaid expenses	(73)	(39)
Deferred loan costs	(758)	(580)
Total Deferred Tax Liabilities	(2,244)	(2,254)
Net Deferred Tax Assets	$ 1,724	$ 1,443

In assessing the realizability of deferred tax assets as of December 31, 2024, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and prudent, feasible and permissible as well as available tax planning strategies in making this assessment. Based on its review of all available evidence, Management determined it was more likely than not that the deferred tax assets will be realized and removed the valuation allowance on the deferred tax asset as of December 31, 2023. The Bank has no net operating loss carryforwards available for federal income tax or state tax purposes.

9. Lease Commitments

In 2019, the Bank entered into an operating lease agreement for back-office operations in Great Falls, Virginia. The original lease commenced on April 1, 2019, and had a 3-year term. In October 2022, Trustar Bank created a wholly-owned subsidiary (774A Walker Road, LLC) and purchased the building from the landlord who is also a member of the Board of Directors.

The Bank entered into a 10-year lease agreement that commenced on June 1, 2020, for a branch office in Reston, Virginia.

The Bank also leases office space in McLean, Virginia. The original lease commenced on July 1, 2019, and houses commercial lending operations, compliance, legal, as well as a branch office. Effective November 2023, the Bank entered into a new eleven-year lease agreement with the landlord and moved to a different floor.

In January 2021, the Bank entered into a multi-year sublease agreement with Capital One for its Great Falls branch office. The lease ended at the end of December 2024 with the relocation of the Great Falls branch office.

In February 2021, the Bank began renting a small office located in Potomac, Maryland on a “month-to-month” basis

In July 2023, the Bank began renting a small office located in Washington, D.C. on a “month-to-month” basis.

In January 2023, the Bank entered into a 10-year lease agreement with 748 Walker Road, LLC for the relocation of its Great Falls branch office, that occurred in December 2024.

	December 31,	
	2024	2023
Right-of-use asset	$ 4,468	$ 5,453
Operating lease liability	6,612	7,301
Weighted remaining lease term in years	8.1	6.5
Weighted average discount rate	4.16%	2.68%

ROU lease expense was $995,000 and $1,023,000 for the years ended December 31, 2024, and 2023, respectively.

Short term lease expense was $23,000 and $20,000 for the years ended December 31, 2024, and 2023, respectively.

Cash paid on leases amounted to $1,046,000 and $605,000 for the years ended December 31, 2024, and 2023, respectively.

Future minimum lease payments by year and in the aggregate, under these operating lease agreements with initial terms of one year or more as of December 31, 2024, are as follows (in thousands):

Year Ending December 31,		
2025	$	904
2026		931
2027		954
2028		978
2029		1,002
Thereafter		3,093
Total	$	7,862
Plus: imputed interest		(1,250)
Net, future minimum lease payments	$	6,612

10. Transactions with Related Parties

The Bank has had, and may be expected to have in the future, banking transactions in the ordinary course of business with its executive officers, directors, principal shareholders, their immediate families and affiliated companies (commonly referred to as related parties). There were 11 loans receivable totaling $10,886,000 and 11 loans receivable totaling $12,790,000 to related parties as of December 31, 2024, and 2023, respectively. During 2024, $806,000 of advances were made and repayments totaled $2,709,000 on related party loans. During 2023, $632,000 of advances were made and repayments totaled $1,160,000 on related party loans. Deposits of related parties totaled $24,519,000 and $27,430,000 as of December 31, 2024, and 2023.

11. Commitments and Contingencies

Commitments

In the normal course of business, there are various outstanding commitments to extend credit that are not reflected in the financial statements. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment. Commitments may expire without being used. The following table presents the Bank's outstanding loan commitments.

December 31,	Contract Amount			
		2024		2023
Unfunded commitments under lines of credit	$	104,660	$	105,406
Letters of credit		2,917		1,252

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include personal or commercial real estate, accounts receivable, inventory and equipment.

Outstanding letters of credit written are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The majority of these standby letters of credit expire within the next twelve months. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending other loan commitments. The Bank requires collateral supporting these letters of credit as deemed necessary. The nature of the standby letters of credit is a stand-alone.

Credit risk participation agreements arise when Trustar Bank contracts with other financial institutions as a guarantor to share credit risk associated with interest rate swaps. These agreements provide for reimbursement of losses resulting from a third-party default on the underlying swap. At December 31, 2024, Trustar had entered into one risk participation agreement as a guarantor with aggregate notional amounts of $2.9 million. The aggregate fair value of this risk participation agreement is immaterial at December 31, 2024. At December 31, 2023, Trustar had not entered into risk participation agreements as a guarantor.

Contingencies

The Bank, in the normal course of business, may be subject to various pending and threatened lawsuits in which claims for monetary damages are asserted. The Bank is not involved in any legal proceedings which, in management's opinion, could have a material effect on the consolidated financial position of the Bank.

12. Regulatory Matters

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

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

The Bank's actual capital amounts and ratios as of December 31, 2024, and 2023 are presented in the following table (in thousands):

December 31, 2024	Actual		For Capital Adequacy Purposes		Minimum Capital Adequacy with Capital Buffer Amount		To Be Well Capitalized Under Prompt Corrective Action Provisions Ratio	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets):	$ 90,058	12.06%	$ 59,733	8.00%	$ 78,399	10.50%	$ 74,666	10.00%
Tier 1 capital (to risk-weighted assets):	$ 82,126	11.00%	$ 33,600	4.50%	$ 52,266	7.00%	$ 48,533	6.50%
Common Equity Tier 1 capital (to risk-weighted assets):	$ 82,126	11.00%	$ 44,800	6.00%	$ 63,466	8.50%	$ 59,733	8.00%
Leverage capital (to average assets):	$ 82,126	8.80%	$ 37,346	4.00%	$ 60,687	6.50%	$ 46,682	5.00%

December 31, 2023	Actual		For Capital Adequacy Purposes		Minimum Capital Adequacy with Capital Buffer Amount		Under Prompt Corrective Action Provisions Ratio	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets):	$ 76,109	12.22%	$ 49,839	8.00%	$ 65,413	10.50%	$ 62,298	10.00%
Tier 1 capital (to risk-weighted assets):	$ 69,764	11.20%	$ 28,034	4.50%	$ 43,609	7.00%	$ 40,494	6.50%
Common Equity Tier 1 capital (to risk-weighted assets):	$ 69,764	11.20%	$ 37,379	6.00%	$ 52,954	8.50%	$ 49,839	8.00%
Leverage capital (to average assets):	$ 69,764	9.19%	$ 30,358	4.00%	$ 49,333	6.50%	$ 37,948	5.00%

The Bank is subject to certain restrictions on the amount of cash dividends that it may declare due to regulatory considerations.

13. Stock Compensation Plans

On February 24, 2020, the Board of Directors adopted the 2020 Stock Incentive Plan (the "2020 Plan"). The 2020 Plan provides for grants of incentive stock options, nonqualified stock options, restricted stock, restricted stock units, stock appreciation rights, stock awards, and performance units to key employees, non-employee directors, and consultants or advisors of the Bank or its subsidiaries. The maximum number of shares available for issuance under the Plan is 1,000,000. As of December 31, 2024, only stock options and restricted grants have been issued. Restricted grants have been newly issued shares.

Under the 2020 Plan, employees, non-employee directors, consultants or advisors are eligible to receive options to purchase shares of common stock at no less than the fair value on the date the option is granted. Each grant vests over a period determined by the grant agreement and expire no later than ten years from the date of the grant.

Employees, non-employee directors, consultants or advisors are eligible to receive grants of restricted stock under the Plan. Terms of each grant are specified in the grant agreement.

The weighted average grant-date calculated value of options granted to employees in 2024 and 2023 was $3.13 and $2.61, respectively. The calculated value of the options awarded under the option plans is estimated on the date of grant using the Black-Scholes valuation model with the following weighted average assumptions in 2024 and 2023, which is dependent upon certain assumptions as presented below:

December 31, 2024	
Expected life (in years)	6.50
Risk-free interest rate	4.31%
Expected volatility	34.97%
Expected dividend yield	0.00%

December 31, 2023	
Expected life (in years)	6.48
Risk-free interest rate	3.93%
Expected volatility	33.70%
Expected dividend yield	0.00%

The expected life of the options was estimated using the average vesting period of the options granted and represents the period of time that options granted are expected to be outstanding. The risk-free interest rate is the U.S. Treasury rate commensurate with the expected life of the options on the grant date. Volatility of the Bank's stock price in 2024 and 2023 was based on historical volatility of a selected peer group.

Information regarding the Bank's stock option plan for the years ended December 31, 2024, and 2023 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Options outstanding, January 1, 2024	254,082	$11.08	
Options granted	75,900	$12.00	
Options exercised	-	$0.00	
Options forfeited	(16,542)	$11.40	
Options expired	(10,065)	$10.42	
Options Outstanding, December 31, 2024	303,375	$11.31	7.4 years
Options Exercisable, December 31, 2024	110,181	$10.64	6.2 years

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Options outstanding, January 1, 2023	190,400	$10.00	
Options granted	108,682	$12.00	
Options exercised	-	$0.00	
Options forfeited	(37,500)	$11.35	
Options expired	(7,500)	$10.29	
Options Outstanding, December 31, 2023	254,082	$11.08	7.4 years
Options Exercisable, December 31, 2023	72,952	$10.31	6.3 years

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

	Shares	Weighted Average Grant Date Calculated Value
Nonvested options, January 1, 2024	181,130	$ 2.03
Granted	75,900	3.13
Vested	(47,294)	1.78
Forfeited	(16,542)	2.15
Nonvested options, December 31, 2024	193,194	$ 2.51

	Shares	Weighted Average Grant Date Calculated Value
Nonvested options, January 1, 2023	149,100	$ 1.46
Granted	108,682	2.61
Vested	(39,152)	1.40
Forfeited	(37,500)	1.95
Nonvested options, December 31, 2023	181,130	$ 2.03

Stock-based compensation expense related to stock options for the years ended December 31, 2024, and 2023 totaled $113,000 and $80,000, respectively. The unamortized stock option expense was approximately $384,000 as of December 31, 2024. The expense is expected to be recognized over a weighted-average period of 1.6 years. Stock-based compensation awards are generally amortized over a period of five years from the date they are granted.

The following table provides information about nonvested restricted stock for the years ended December 31, 2024, and 2023:

	Shares		Weighted Average Grant Date Calculated Value
Nonvested restricted stock, January 1, 2024	209,500	$	6.82
Granted	16,000		9.08
Vested	(38,230)		7.38
Forfeited	-		-
Nonvested restricted stock, December 31, 2024	187,270	$	6.90

	Shares		Weighted Average Grant Date Calculated Value
Nonvested restricted stock, January 1, 2023	242,000	$	6.82
Granted	13,000		8.57
Vested	(45,500)		7.31
Forfeited	-		-
Nonvested restricted stock, December 31, 2023	209,500	$	6.82

Stock-based compensation expense related to restricted stock for the year ended December 31, 2024, and 2023 totaled $184,000 and $310,000, respectively. Restricted stock grants vest over 1-, 2-, 3-, or 13-year period. A total of 178,730 grants have vested as of December 31, 2024. The unamortized stock compensation cost related to restricted stock was approximately $1.2 million as of December 31, 2024, and is expected to be recognized over a weighted-average period of 3.5 years.

14. Shareholders' Equity

Stock Warrants

The Bank issued Class A and Class B stock purchase warrants in connection with its initial stock offering.

Class A warrants were issued as part of the stock purchase unit, with each unit consisting of 100 shares of common stock and 25 Class A warrants. Each Class A warrant is exercisable to acquire one share of common stock for an exercise price of $10.00 per share. Class A warrants expire on the fifth anniversary of the date that the Bank opened for business (July 10, 2019), subject to earlier call for exercise after the third anniversary of the date that the Bank opened for business by the Bank's board of directors.

Class B warrants were issued in connection with its initial stock offering, giving certain organizers and directors the right to purchase a total of 96,000 shares of common stock at the initial offering price of $10.00 per share. For organizers, the warrants serve as a reward and compensation for bearing the financial risk of the Bank's organization by advancing "seed money" for its organizational and pre-opening expenses. For the initial directors, the warrants serve as an incentive for them to build the Bank's business. Each Class B warrant is exercisable to acquire one share for an exercise price of $10.00 per share. Class B warrants expire on the tenth anniversary of the date that the Bank opened for business (July 10, 2019). If the Bank's federal or state regulators require the Bank to raise additional capital, the Class B warrants must be exercised with 31 calendar days of the issuance of such capital directive.

The fair values of the Class A and B warrants were estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 0% for both, risk-free interest rate of 1.84% for Class A warrants and 2.05% for Class B warrants, expected life of 3 years for Class A warrants and 10 years for Class B warrants, and expected volatility of 20% for both. The fair value of Class A and B warrants was $1.62 and $3.29 per share, respectively.

December 31, 2024	Number of Class A Warrants	Number of Class B Warrants	Weighted-Average Exercise Price
Outstanding, beginning of year	1,326,474	95,000	$ 10.00
Granted	-	-	-
Exercised	(998,391)	-	10.00
Expired	(328,083)	-	10.00
Outstanding, end of year	-	95,000	$ 10.00
Exercisable at end of year	-	95,000	$ 10.00

December 31, 2023	Number of Warrants	Number of Class B Warrants	Weighted-Average Exercise Price
Outstanding, beginning of year	1,367,291	95,000	$ 10.00
Granted	-	-	-
Exercised	(40,817)	-	10.00
Expired	-	-	-
Outstanding, end of year	1,326,474	95,000	$ 10.00
Exercisable at end of year	1,326,474	95,000	$ 10.00

The class B warrants have a weighted-average remaining contractual life of 4.53 years as of December 31, 2024.

15. Fair Value Measurements and Fair Values of Financial Instruments

Management uses its best judgment in estimating the fair value of the Bank's financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Bank could have realized in a sales transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective year ends and have not been re-evaluated or updated for the purpose of these financial statements subsequent to these respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each reporting date.

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

Fair value measurement guidance establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

> Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
>
> Level 2 - Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.
>
> Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported with little or no market activity).

An asset or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used as of December 31, 2024, and 2023 is as follows (in thousands):

December 31, 2024	Total	Quoted Prices in Active Markets for Indentical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale Securities:				
US treasury	$ 4,486	$ -	$ 4,486	$ -
Collateralized mortgage obligation	26,906	-	26,906	-
Municipal securities	1,000	-	1,000	-
SBA Securities	2,024	-	2,024	-
Total	$ 34,416	$ -	$ 34,416	$ -

December 31, 2023	Total	Quoted Prices in Active Markets for Indentical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale Securities:				
US treasury	$ 42,476	$ -	$ 42,476	$ -
Corporate debt	1,000	-	1,000	-
Collateralized mortgage obligation	4,175	-	4,175	-
Municipal securities	997	-	997	-
SBA Securities	2,720	-	2,720	-
Total	$ 51,368	$ -	$ 51,368	$ -

The following summarizes the Company's assets that were measured at fair value on a nonrecurring basis as of December 31, 2024, and 2023 (in thousands):

		Fair Value Measurements Using		
December 31, 2024	Total	Quoted Prices in Active Markets for Indentical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Collateral-dependent loans				
Construction	$ 269	$ -	$ -	$ 269
Total	$ 269	$ -	$ -	$ 269

There were no assets that were measured at fair value on a nonrecurring basis as of December 31, 2023.

The following table displays quantitative information about Level 3 Fair Value Measurements for December 31, 2024 and 2023 (dollars in thousands):

December 31, 2024	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average
Assets					
Collateral-dependent loans					
Construction	$ 269	Discounted Appraised Value	Marketability/Selling Costs	0 - 25%	18%
Total	$ 269				

Unobservable inputs were discounted by the estimated selling costs of the instruments.

The carrying amounts and estimated fair values of financial instruments not carried at fair value as of December 31, 2024 and 2023 are as follows (in thousands):

December 31, 2024 (in thousands)	Level in Fair Value Hierarchy	Carrying Amount	Fair Value
Financial Assets:			
Cash	Level 1	$ 582	$ 582
Interest bearing balances due from banks	Level 1	94,185	94,185
Securities held-to-maturity	Level 2	38,955	35,919
Securities available-for-sale	Level 2	34,416	34,416
Loans receivable, net	Level 3	753,715	753,438
Restricted investment in bank stock	Level 2	3,200	3,200
Accrued interest receivable	Level 1	3,147	3,147
Financial Liabilities:			
Noninterest-bearing demand deposits	Level 1	114,774	114,774
Interest-bearing demand deposits	Level 1	53,431	53,431
Money market	Level 1	298,415	298,415
Savings	Level 1	21,028	21,028
Time deposits	Level 2	306,460	307,514
FHLB borrowings	Level 2	55,000	55,756
Accrued interest payable	Level 1	1,274	1,274
Off-balance sheet instruments		-	-

December 31, 2023 (in thousands)	Level in Fair Value Hierarchy	Carrying Amount	Fair Value
Financial Assets:			
Cash	Level 1	$ 586	$ 586
Interest bearing balances due from banks	Level 1	87,377	87,377
Securities held-to-maturity	Level 2	43,135	38,876
Securities available-for-sale	Level 2	51,368	51,368
Loans receivable, net	Level 3	600,767	584,362
Restricted investment in bank stock	Level 2	4,064	4,064
Accrued interest receivable	Level 1	2,925	2,925
Financial Liabilities:			
Noninterest-bearing demand deposits	Level 1	105,334	105,334
Interest-bearing demand deposits	Level 1	35,832	35,832
Money market	Level 1	193,803	193,803
Savings	Level 1	10,543	10,543
Time deposits	Level 2	302,249	303,891
FHLB borrowings	Level 2	75,000	76,989
Accrued interest payable	Level 1	1,196	1,196
Off-balance sheet instruments		-	-

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Bank's entire holdings of a particular financial instrument. Because no highly liquid market exists for a significant portion of the Bank's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on- and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Significant assets and liabilities that are not considered financial assets or liabilities include net premises and equipment, intangible and other assets such as deferred income taxes, prepaid expense accounts, income taxes currently payable, and other various accrued expenses. In addition, the income tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of the estimates.

16. Revenue Recognition

Topic 606's core principle is built on the contract between a vendor and a customer for the provision of goods and services. It attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled.

Management determined that revenue derived from financial instruments, including revenue from loans receivable, along with non-interest income resulting from other loans receivable related fees, are not within the scope of Topic 606.

Topic 606 is applicable to non-interest income streams such as service charges on deposits and other non-interest income. Non-interest revenue streams in-scope of Topic 606 are discussed below.

Service Charges on Deposit Accounts:

The Bank earns fees from its deposit customers for transaction-based, account maintenance, and processing or handling. Overdraft fees are recognized at the point in time that the overdraft occurs. Maintenance and activity fees include account maintenance fees and transaction-based fees. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of the month, representing the period over which the Bank satisfies the performance obligation. Transaction-based fees, which include services such as ATM usage fees from non-customers, stop payment charges, statement rendering, are recognized at the time the transaction is executed as that is the point in time the Bank fulfills the customer's request. Service charges on deposits are withdrawn from the customer's account balance.

Other service charges, commissions, and fees:

The Bank earns interchange income on its customers' debit and credit card usage and earns fees from other services utilized by its customers. "Bankcard interchange income" is primarily comprised of interchange fees earned whenever the Bank's debit and credit cards are processed through card payment networks such as MasterCard. 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 fees are offset with interchange expenses and are presented on a net basis.

"Other service charges and fees" includes revenue from processing wire transfers, bill pay service, cashier's checks, ATM surcharge fees, and other services. The Bank's performance obligation for fees, exchange, and other service charges are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month. Non-interest income for the years ended December 31, 2024 and 2023 are listed below (in thousand):

	2024	2023
Non-Interest Income		
In-scope of Topic 606		
Service charges on deposit accounts	$ 130	$ 214
Other service charges and fees	68	181
Non-Interest Income (in-scope of Topic 606)	198	395
Non-Interest Income (out-of-scope of Topic 606)	(45)	30
Total Non-Interest Income	$ 153	$ 425

Contract Balances

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

17. 401k Plan

The Bank offers a 401k plan that allows employees to contribute up to the maximum amount allowed annually by the Internal Revenue Code. At the end of each year, the Bank's CEO proposes a discretionary percentage match of the employee's total gross compensation. The approved match and expense for December 31, 2024, and 2023 was 5% and $315 thousand and 4% and $272 thousand, respectively. This expense is recorded in salaries and employee benefits in the consolidated statements of income

18. Subsequent Events

The Bank has evaluated events and transactions occurring subsequent to the balance sheet date of December 31, 2024, for items that should potentially be recognized or disclosed in these financial statements. As of March 19, 2025, the Bank was in the process of a capital raise. The Bank is offering up to 625 units (the "Units" and each, a "Unit"), at $24,000 per Unit, with each Unit consisting of 2,000 shares of the Bank's common stock ("Common Stock") and 2,000 warrants to acquire one share of Common Stock, to raise up to $15 million dollars in additional capital to support the Bank's ongoing growth. The evaluation was conducted through March 19, 2025, the date these financial statements were available to be issued.