# 2024 Annual Report


## *A Tradition of Service and Commitment*

pcb
A Proud Community Bank

A subsidiary of Putnam Bancshares, Inc.

## Annual Meeting

The annual meeting of shareholders of
Putnam Bancshares, Inc.

**Thursday, June 12, 2025 | 10:30 am**

Putnam County Bank
Loan Center Boardroom
300 Hurricane Creek Road
Hurricane, West Virginia 25526

## Shareholder Services

Please call (304) 562-9931 or write to:
Putnam Bancshares, Inc.
Shareholder Services
P.O. Box 308
Hurricane, WV 25526

**4 Branches**
**2 Loan Offices**

**Over $120,000 in donations given to the local community**

**Over $191 million in mortgage loans not sold on the secondary market**

# LETTER TO SHAREHOLDERS

The following are the financial results of Putnam Bancshares, Inc. and its wholly-owned subsidiary, Putnam County Bank, for 2024.

The Company reported net income of $3.2 million in 2024. This is in contrast with net income of $4.5 million in 2023. The decrease in net income during 2024 was mainly due to additional cost incurred to dissolve the Bank's Defined Pension Plan. During 2024 the Bank funded the plan over $1.1 million, and the plan was dissolved October 31, 2024. The funding cost incurred during 2024 was expensed through Salaries and Employee Benefits. For additional information on the dissolved Pension Plan, please see Note 10 - Employee Benefit Plans starting on page 35 in this Annual Report.

The Bank also experienced an increase within interest expense during the year of 2024 as interest expense increased from $8.5 million to $13.5 million, but the additional expense incurred for deposits was offset by additional interest income during the year as interest income increased from $25.1 million to $30.0 million. As a result of the increases seen within interest expense and interest income the Bank's net interest income remained the same in both years presented at over $16.0 million.

During 2024, the Federal Reserve Open Market Committee decreased its effective federal funds rate from 5.33% to 4.33%. The 100 basis point decrease was completed during the 4th quarter.

Gross loans rose to $424 million at the end of 2024 from $400 million at the end of 2023, which was an increase of $24 million or 6%. Real estate secured lending led the increase with both Multi-Family and 1-4 Family Residential lending playing a significant role in the increase.

The Company's total capital was $73.8 million at the end of 2024 from $71.8 million at the end of 2023. The increase during 2024 was due to net income booked of $3.2 million which was offset by dividends paid during the year totaling $1.57 million. The Company's capital continues to be very strong by regulatory measures.

The Federal Reserve decreased its target federal funds rate three times in 2024 with a total decrease of 100 basis points with the last adjustment in December. Statewide, the economy continues to see pockets of economic growth. In our area, Mason County is seeing significant growth from the construction of a new steel plant, NuCor. This has spurred an increase in residential real estate demand in Mason, Putnam and Cabell counties.

We are proud of all of our offices as they continue to effectively serve our customers in Hurricane, Scott Depot, Milton and Charleston.

We recognize two of our valued employees who retired during 2024. Don Chapman retired in April with 24 years of employment with the Bank. Patty Thomasson retired in June having been employed with the Bank since 2015. Both Don and Patty continue to work for the Bank in a part-time capacity. We thank both Don and Patty for their dedicated service to the Bank and wish them both the very best. One of the most important aspects of a community bank is it's customers and employees.

Putnam County Bank will continue to serve its customers with the products and services they have come to expect. We continue to provide services that are cost-effective and secure.

We continue to be confident of the future of Putnam Bancshares, Inc. and Putnam County Bank. While the future holds many challenges, there continues to be a place for a local, community-minded institution which works hard every day to satisfy its customers. We expect to meet these challenges with a helpful and knowledgeable staff of professionals that provide services that are timely and meet customer expectations.

If you should have any questions or comments, please call us at (304) 562-9931.

John R. Wilson, Jr.
President and Chief Executive Officer

**We are proud of all of our offices as they continue to effectively serve our customers in Hurricane, Scott Depot, Milton and Charleston.**

# SELECTED FINANCIAL SUMMARY
IN THOUSANDS OF DOLLARS

| | | Four-Year Summary | | |
|---|---|---|---|---|
| | 2024 | 2023 | 2022 | 2021 |
| **YEAR-END BALANCE SHEET SUMMARY** | | | | |
| Loans, Net | 418,979 | 395,147 | 368,600 | 312,239 |
| Investment Securities | 162,471 | 174,689 | 211,609 | 222,641 |
| Total Assets | 649,418 | 609,070 | 635,392 | 678,331 |
| Deposits | 565,042 | 525,921 | 541,598 | 580,699 |
| Shareholders' Equity | 73,805 | 71,897 | 89,549 | 92,544 |
| **AVERAGE BALANCE SHEET SUMMARY** | | | | |
| Loans, Net | 408,732 | 383,536 | 339,987 | 309,481 |
| Investment Securities | 165,437 | 172,374 | 237,945 | 200,275 |
| Total Assets | 637,364 | 619,467 | 669,479 | 663,261 |
| Deposits | 549,073 | 538,662 | 575,109 | 564,185 |
| Shareholders' Equity | 72,799 | 74,836 | 89,482 | 92,723 |
| **SELECTED RATIOS** | | | | |
| Return On Average Assets | 0.51% | 0.73% | 0.88% | 0.40% |
| Return On Average Equity | 4.45% | 6.02% | 6.59% | 2.87% |
| Dividends Declared As a Percentage Of Net Income | 48.73% | 34.01% | 34.62% | 74.31% |
| **SUMMARY OF OPERATIONS** | | | | |
| Interest Income | 30,076 | 25,152 | 19,058 | 15,769 |
| Interest Expense | 13,542 | 8,568 | 2,634 | 3,123 |
| Net Interest Income | 16,534 | 16,584 | 16,424 | 12,645 |
| Provision for Loan Losses | -102 | 332 | -1,423 | -1,088 |
| Noninterest Income | 544 | 765 | 344 | 202 |
| Noninterest Expense | 12,676 | 11,286 | 10,875 | 10,409 |
| Net Income | 3,236 | 4,508 | 5,892 | 2,664 |
| **PER SHARE DATA** | | | | |
| Net Income | 7.39 | 10.29 | 9.82 | 4.44 |
| Cash Dividends | 3.60 | 3.50 | 3.40 | 3.30 |
| Book Value | 168.50 | 164.15 | 149.25 | 154.24 |

# ANALYSIS OF EARNING ASSETS AND INTEREST BEARING LIABILITIES

IN THOUSANDS OF DOLLARS

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| **ASSETS** | **Avg. Balance** | **Interest** | **Yield/Ratio** | **Avg. Balance** | **Interest** | **Yield/Ratio** |
| Loans | | | | | | |
| Commercial | 14,090 | 1,127 | 8.00% | 13,777 | 1,005 | 7.29% |
| Real Estate | 396,039 | 20,035 | 5.06% | 370,718 | 16,886 | 4.55% |
| Consumer | 3,727 | 269 | 7.22% | 3,797 | 279 | 7.35% |
| Total Loans (1) | 413,856 | 21,431 | 5.18% | 388,292 | 18,170 | 4.68% |
| Securities (2) | | | | | | |
| Taxable | 157,314 | 5,996 | 3.81% | 167,565 | 5,025 | 3.00% |
| Tax-Exempt (3) | 14,477 | 427 | 2.95% | 13,338 | 338 | 2.54% |
| Mutual Funds | 1,500 | 38 | 2.53% | 1,500 | 33 | 2.17% |
| Total Securities | 173,291 | 6,461 | 3.73% | 182,403 | 5,396 | 2.96% |
| Interest Bearing Deposit in Banks | 42,705 | 2,062 | 4.83% | 32,119 | 1,530 | 4.76% |
| Federal Funds Sold | 2,461 | 127 | 5.16% | 7,474 | 34 | 0.46% |
| Total Earning Assets | 632,313 | 30,081 | 4.76% | 610,288 | 25,129 | 4.12% |
| Cash and Due from Banks | 5,815 | | | 12,419 | | |
| Premises and Equipment, Net | 4,435 | | | 4,590 | | |
| Other Assets | (75) | | | (3,074) | | |
| Allowance for Credit Losses | (5,124) | | | (4,756) | | |
| **Total Assets (4)** | **637,364** | | | **619,467** | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | | |
| **Interest Bearing Deposit** | | | | | | |
| Super NOW and Business | 126,559 | 636 | 0.50% | 136,580 | 683 | 0.50% |
| Savings | 44,135 | 44 | 0.10% | 46,709 | 46 | 0.10% |
| Time | 276,809 | 12,348 | 4.46% | 245,929 | 7,813 | 3.18% |
| **Total Interest Bearing Deposits** | 447,503 | 13,028 | 2.91% | 429,218 | 8,542 | 1.99% |
| Short-Term Borrowings | 9,426 | 514 | 5.45% | 452 | 26 | 5.75% |
| **Total Interest Bearing Liabilities** | 456,929 | 13,542 | 2.96% | 429,670 | 8,568 | 1.99% |
| Noninterest Bearing Deposits | 101,570 | | | 109,446 | | |
| Accrued Expenses and Other Liabilities | 6,066 | | | 5,515 | | |
| Equity | 72,799 | | | 74,836 | | |
| **Total Liabilities and Equity** | **637,364** | | | **619,467** | | |
| Net Interest Margin | 632,313 | 16,539 | 2.62% | 610,288 | 16,562 | 2.71% |

(1) Includes loans on nonaccrual status.
(2) Represents amortized value.
(3) Tax-exempt income converted to a fully tax-equivalent basis assuming a federal tax of 21% and a state tax of 6.25%
(4) Net of SFAS 107 Market Value.

# RATE SENSITIVITY ANALYSIS AS OF DECEMBER 31, 2024
IN THOUSANDS OF DOLLARS

| | Three Months or Less | Three to Twelve Months | One to Three Years | Three to Five Years | Five to Fifteen Years | Over Fifteen Years |
|---|---|---|---|---|---|---|
| **REPRICING INTERVAL** | | | | | | |
| **ASSETS** | | | | | | |
| Total Loans (1) | 20,708 | 20,882 | 71,185 | 115,153 | 161,664 | 32,645 |
| Investment Securities (2) | 16,529 | 24,526 | 33,727 | 24,602 | 23,419 | 38,375 |
| Federal Funds Sold | 3,541 | 0 | 0 | 0 | 0 | 0 |
| Total Selected Assets | 40,778 | 45,408 | 104,912 | 139,755 | 185,083 | 71,020 |
| **LIABILITIES** | | | | | | |
| Interest Bearing Deposits (3) | 153,914 | 135,191 | 6,743 | 489 | 0 | 0 |
| Borrowed Funds | 5,000 | 0 | 0 | 0 | 0 | 0 |
| Total Selected Liabilities | 158,914 | 135,191 | 6,743 | 489 | 0 | 0 |
| Differences | (118,136) | (89,783) | 98,169 | 139,266 | 185,083 | 71,020 |
| Cumulative Differences | (118,136) | (207,919) | (109,750) | 29,516 | 214,600 | 285,619 |

(1) Does not include loans on nonaccrual status.
(2) Does not include Federal Reserve Bank Stock or Federal Home Loan Bank Stock. Reported HTM securities at amortized cost and AFS securities at fair value.
(3) Does not include Super NOW, Money Market Deposit Accounts or traditional savings deposits.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Putnam Bancshares, Inc. and Subsidiaries
Hurricane, West Virginia

### Opinion

We have audited the accompanying consolidated financial statements of Putnam Bancshares, Inc. and Subsidiaries (a West Virginia corporation), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Putnam Bancshares, Inc. and Subsidiary as of December 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Putnam Bancshares, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Putnam Bancshares, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

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

Hess, Stewart & Campbell, PLLC

Huntington, West Virginia
March 21, 2025

# CONSOLIDATED BALANCE SHEETS
## YEARS ENDED DECEMBER 31, 2024 AND 2023

| ASSETS | 2024 | 2023 |
|---|---|---|
| Cash and due from banks | $ 52,167,663 | $ 25,047,929 |
| Federal funds sold | 3,541,000 | 2,417,000 |
| Cash and cash equivalents | 55,708,663 | 27,464,929 |
| Investment debt securities available-for-sale, at fair value | 127,178,552 | 129,882,809 |
| Investment debt securities held-to-maturity, at amortized cost | 33,999,057 | 43,500,952 |
| Investment equity securities, at fair value | 1,293,016 | 1,305,449 |
| Restricted stock, at cost | 783,100 | 652,900 |
| Loans | 423,949,803 | 400,177,985 |
| Less: Allowance for credit losses | (4,970,741) | (5,030,731) |
| Net loans | 418,979,062 | 395,147,254 |
| Bank premises and equipment, net | 4,456,068 | 4,484,434 |
| Other real estate owned | 37,500 | - |
| Accrued interest receivable | 1,849,884 | 1,662,319 |
| Other assets | 5,132,870 | 4,969,160 |
| **TOTAL ASSETS** | $ 649,417,772 | $ 609,070,206 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **LIABILITIES** | | |
| Deposits: | | |
| Noninterest-bearing | $ 98,382,348 | $ 106,225,853 |
| Interest-bearing | 466,659,772 | 419,695,502 |
| Total deposits | 565,042,120 | 525,921,355 |
| Advances - Federal Home Loan Bank | 5,000,000 | 5,000,000 |
| Accrued interest payable | 4,147,383 | 3,299,308 |
| Other liabilities | 1,423,732 | 2,952,896 |
| TOTAL LIABILITIES | 575,613,235 | 537,173,559 |
| **STOCKHOLDERS' EQUITY** | | |
| Common stock, $0.50 par value, 1,200,000 shares authorized, 600,000 shares issued, 438,000 shares outstanding | 300,000 | 300,000 |
| Additional paid-in capital | 1,000,000 | 1,000,000 |
| Retained earnings | 102,351,871 | 100,693,065 |
| Accumulated other comprehensive income | (6,179,134) | (6,428,218) |
| Treasury stock, at cost, 162,000 shares | (23,668,200) | (23,668,200) |
| TOTAL STOCKHOLDERS' EQUITY | 73,804,537 | 71,896,647 |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | $ 649,417,772 | $ 609,070,206 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# CONSOLIDATED STATEMENT OF INCOME

## YEARS ENDED DECEMBER 31, 2024 AND 2023

| | 2024 | 2023 |
|---|---|---|
| INTEREST INCOME | | |
| Interest and fees on loans | $ 21,425,840 | $ 18,168,131 |
| Interest and dividends on investment securities: | | |
| Available-for-sale | 4,338,981 | 3,377,665 |
| Held-to-maturity | 2,064,607 | 2,017,878 |
| Federal Reserve Bank dividends | 2,340 | 2,340 |
| Federal Home Loan Bank dividends | 54,735 | 6,891 |
| Other interest income | 2,189,383 | 1,578,822 |
| Total interest income | 30,075,886 | 25,151,727 |
| INTEREST EXPENSE | | |
| Interest on deposits | 13,027,993 | 8,541,792 |
| Interest on advances - Federal Home Loan Bank | 513,646 | 25,988 |
| Total interest expense | 13,541,639 | 8,567,780 |
| NET INTEREST INCOME | 16,534,247 | 16,583,947 |
| PROVISION FOR CREDIT LOSSES | (102,495) | 332,155 |
| NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES | 16,636,742 | 16,251,792 |
| NONINTEREST INCOME | | |
| Service fees | 543,059 | 847,580 |
| Securities gains (losses) | (12,433) | (133,253) |
| Rental income | 14,627 | 12,000 |
| Other income (loss) | (1,599) | 38,868 |
| Total noninterest income | 543,654 | 765,195 |
| NONINTEREST EXPENSES | | |
| Salaries and employee benefits | 7,869,412 | 6,613,691 |
| Equipment and occupancy expenses | 743,935 | 758,747 |
| Data processing | 1,316,103 | 1,275,854 |
| Insurance | 345,452 | 335,475 |
| Professional fees | 430,468 | 395,850 |
| Other real estate operational losses | 10,755 | 192 |
| Directors' fees | 312,000 | 312,000 |
| Computer supplies | 308,295 | 295,583 |
| Other expenses | 1,339,130 | 1,298,405 |
| Total noninterest expenses | 12,675,550 | 11,285,797 |
| INCOME BEFORE INCOME TAX | 4,504,846 | 5,731,190 |
| INCOME TAX EXPENSE | 1,269,240 | 1,223,297 |
| NET INCOME | $ 3,235,606 | $ 4,507,893 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2024 AND 2023

| | 2024 | 2023 |
|---|---|---|
| Net income | $ 3,235,606 | $ 4,507,893 |
| Other comprehensive income (loss): | | |
| Unrealized (losses) gains on available-for-sale securities, net of income tax of $301,034 in 2024 and ($796,653) in 2023 | (944,969) | 2,500,753 |
| Reclassification adjustment for (gains) losses realized, net of income tax (benefit) of $0 in 2024 and ($36,533) in 2023 | - | 114,678 |
| Change in underfunded pension liability, net of income tax (benefit) of $380,384 in 2024 and $135,606 in 2023 | 1,194,053 | 425,677 |
| Other comprehensive income (loss), net of tax | 249,084 | 3,041,108 |
| Comprehensive income (loss) | $ 3,484,690 | $ 7,549,001 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# CONSOLIDATED STATEMENT OF CHANGE IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2024 AND 2023

| | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | Total Equity |
|---|---|---|---|---|---|---|
| BALANCE, December 31, 2022 | $ 300,000 | $ 1,000,000 | $ 97,718,172 | $ (9,469,326) | $ - | $ 89,548,846 |
| Net income | - | - | 4,507,893 | - | - | 4,507,893 |
| Other comprehensive income | - | - | - | 3,041,108 | - | 3,041,108 |
| Purchase of treasury stock | - | - | - | - | (23,668,200) | (23,668,200) |
| Dividends, $3.50 per share | - | - | (1,533,000) | - | - | (1,533,000) |
| BALANCE, December 31, 2023 | 300,000 | 1,000,000 | 100,693,065 | (6,428,218) | (23,668,200) | 71,896,647 |
| Net income | - | - | 3,235,606 | - | - | 3,235,606 |
| Other comprehensive income | - | - | - | 249,084 | - | 249,084 |
| Dividends, $3.60 per share | - | - | (1,576,800) | - | - | (1,576,800) |
| BALANCE, December 31, 2024 | $ 300,000 | $ 1,000,000 | $ 102,351,871 | $ (6,179,134) | $ (23,668,200) | $ 73,804,537 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023

| | 2024 | 2023 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | $ 3,235,606 | $ 4,507,893 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 328,938 | 314,106 |
| Deferred income taxes (benefits) | 156,497 | (189,282) |
| Provision for credit losses | 102,495 | 332,155 |
| Equity in earnings of unconsolidated subsidiary, net of distributions | 2,802 | (2,335) |
| Net premium amortization on investment securities | (1,960,317) | (1,709,389) |
| Change in unrealized loss on equity securities | 12,433 | (17,959) |
| Loss on sale of OREO | - | 22,088 |
| Change in carrying value in OREO | 21,172 | - |
| (Increase) decrease in: | | |
| Interest receivable | (187,565) | (240,421) |
| Other assets | (21,975) | 281,358 |
| Increase (decrease) in: | | |
| Interest payable | 848,075 | 2,761,440 |
| Other liabilities | (335,111) | (193,556) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | 2,203,050 | 5,866,098 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sales and maturities of available-for-sale securities | 23,584,499 | 51,485,026 |
| Purchases of available-for-sale securities | (22,230,535) | (35,179,486) |
| Proceeds from maturities of held-to-maturity securities | 63,550,000 | 86,550,000 |
| Purchases of held-to-maturity securities | (51,983,498) | (60,759,630) |
| Redemptions of restricted stock | 619,800 | - |
| Purchases of restricted stock | (750,000) | (613,900) |
| Purchases of bank premises and equipment | (300,572) | (230,737) |
| Proceeds from sale of other real estate owned | 27,928 | 70,032 |
| Net (increase) decrease in loans | (24,020,903) | (26,971,121) |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | (11,503,281) | 14,350,184 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# CONSOLIDATED STATEMENT OF CASH FLOWS
## YEARS ENDED DECEMBER 31, 2024 AND 2023

| | 2024 | 2023 |
|---|---|---|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net increase (decrease) in demand deposits | $ (4,807,261) | $ (41,063,379) |
| Net increase (decrease) in time deposits | 43,928,026 | 25,386,949 |
| Proceeds from FHLB advances | 15,000,000 | 5,000,000 |
| Payment of FHLB advances | (15,000,000) | - |
| Purchase of treasury stock | - | (23,668,200) |
| Cash dividends paid | (1,576,800) | (1,533,000) |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | 37,543,965 | (35,877,630) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 28,243,734 | (15,661,348) |
| CASH AND CASH EQUIVALENTS, BEGINNING | 27,464,929 | 43,126,277 |
| CASH AND CASH EQUIVALENTS, ENDING | $ 55,708,663 | $ 27,464,929 |
| SUPPLEMENTAL DISCLOSURES | | |
| Cash paid for interest on deposits and borrowings | $ 12,633,082 | $ 5,806,339 |
| Cash paid for income taxes | $ 985,999 | $ 1,608,359 |
| SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITIES | | |
| Loans transferred to foreclosed properties | $ 86,600 | $ 92,120 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

**NOTE 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of operations:** Putnam Bancshares, Inc. (the "Company") is a West Virginia corporation headquartered in Hurricane, West Virginia. The Company owns all of the outstanding shares of common stock of Putnam County Bank. Putnam County Bank (the "Bank") is a West Virginia state-chartered commercial bank that provides commercial, real estate and consumer loans and deposit services principally to individuals and businesses in Putnam County, West Virginia, and the surrounding areas. The Bank has four full-service branches, a limited-service loan center, and a loan production office located in Charleston, West Virginia.

**Basis of presentation:** The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry.

**Principles of consolidation:** The consolidated statements include the accounts of Putnam Bancshares, Inc. and its wholly-owned subsidiary, Putnam County Bank. All significant intercompany balances and transactions have been eliminated.

**Use of estimates:** The preparation of consolidated 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 as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**Cash and cash equivalents:** For purposes of the consolidated statements of cash flows, cash and due from banks includes cash on hand, cash items in process of clearing, federal funds sold, and amounts due from correspondent banks.

**Securities and related allowance for credit losses:** Debt securities classified as held-to-maturity ("HTM") 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 amortization of premium and accretion of discount, computed using the interest method, over their contractual lives. With the adoption of ASU 2016-13, expected credit losses on HTM securities are measured on a collective basis by major security type, when similar risk characteristics exist. Risk characteristics for segmenting HTM debt securities include issuer, maturity, coupon rate, yield, payment frequency, source of repayment, bond payment structure, and embedded options. Upon assignment of the risk characteristics to the major security types, management may further evaluate the qualitative factors associated with these securities to determine the expectation of credit losses, if any. Impairments below cost in the estimated fair value of individual HTM debt securities that are attributable to credit losses are recorded through an allowance for HTM credit losses. Such losses are limited to the amount that amortized cost exceeds fair value, even if the amount of the credit loss is greater. Impairments below cost attributable to other factors are realized in noninterest income in the consolidated statements of income.

Debt securities classified as available-for-sale ("AFS") are those debt securities that the Bank intends to hold for an indefinite period of time but not necessarily to maturity. Any decision to sell a security classified as AFS would be based on various factors, including significant movement in interest rates, changes in the maturity mix of the Bank's assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors. These securities are carried at estimated fair value based on information provided by a third party pricing service with any unrealized gains or losses excluded from net income and reported in accumulated other comprehensive income (loss), which is reported as a separate component of shareholders' equity, net of the related deferred tax effect. Management assesses the financial condition and near-term prospects of the issuer, industry and/or geographic conditions, credit ratings as well as other indicators at the individual security level. Impairments below cost in the estimated fair value of individual AFS debt securities when there is an intent to sell or for which it more likely than not the Bank will be required to sell before the impairment is recovered, are realized in noninterest income in the consolidated statements of income. When there is not an intent to sell or it is more likely than not the Bank will not be required to sell the security before the

**NOTE 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

impairment is recovered, management assesses whether the decline in fair value has resulted from credit losses or other factors. If the present value of discounted cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for AFS credit losses is recorded. Such losses are limited to the amount that amortized cost exceeds fair value, even if the amount of the credit loss is greater. Any future changes in the allowance for credit losses is recorded as provision for (reversal of) credit losses. Losses attributable to other factors are charged to accumulated other comprehensive income.

Gains and losses realized on sales of investment debt securities, determined using the adjusted cost basis of the specific securities sold, are included in noninterest income in the consolidated statements of income.

Equity securities not using the equity method are carried at estimated fair value based on information provided by a third party pricing service with changes in fair value and realized gains or losses reported in noninterest income. If fair value is not readily determinable, the equity security is carried at cost subject to adjustments for any observable market transactions on the same or similar instruments of the investee. All equity securities are evaluated at least annually for impairment. The Bank's equity securities have readily determinable fair values. Because changes in fair value are recorded as they occur, there is no expectation of a gain or loss on the sale of equity securities.

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

Restricted stock is stock from the Federal Home Loan Bank of Pittsburgh ("FHLB") and the Federal Reserve Bank, which are restricted as to their marketability. Because no ready market exists for these investments and they have no quoted market value, the Bank's investment in these stocks are carried at cost and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

**Investment in limited liability company:** The Company entered into an agreement with other individuals to form Putnam County Title Insurance Agency, LLC. The Company has a controlling interest in the LLC, owning 51%. The equity method was used in accounting for the LLC. See Note 18 for additional information.

**Loans and related allowance for credit losses:** The Bank's primary market is Putnam County, West Virginia and surrounding areas. The Bank grants commercial, real estate and consumer loans to its customers, most of whom are located within the Bank's primary market. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent upon the Bank's primary market economic conditions, particularly in the real estate sector.

Loans are either secured or unsecured based on the type of loan and the financial condition of the borrower. The loans are generally expected to be repaid from cash flow or proceeds from the sale of selected assets of the borrower; however, the Bank is exposed to risk of loss on any or all loans due to the borrower's difficulties, which can arise from any number of factors including problems within the respective industry or economic conditions within the Bank's primary market.

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

**NOTE 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

Generally, loans are placed on nonaccrual status when principal or interest is greater than 90 days past due based upon the loan's contractual terms, unless such loans are well secured and in the process of collection. Loans that are on a current payment status or past due less than 90 days may also be classified as nonaccrual if repayment in full of principal and/or interest is in doubt. After a loan is placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Subsequent collections of interest payments on nonaccrual loans are recognized as interest income unless ultimate collectibility of the loan is in doubt. Cash collections on loans where ultimate collectibility remains in doubt are applied as reductions of the loan principal balance and no interest income is recognized until the principal balance has been collected.

Loans may be returned to accrual status when all principal and interest amounts contractually due are reasonably assured of repayment within an acceptable period of time, and there is a sustained period of repayment performance by the borrower.

With the adoption of ASU 2016-13 on January 1, 2023, an allowance for credit losses is established upon origination for all loans through a provision for credit losses charged to earnings. ASU 2016-13 replaced the previous probably incurred loss model, which incorporated only known information as of the balance sheet date. The expected credit loss model is based on management's best estimate of lifetime expected credit losses inherent in the Bank's relevant financial assets. There are two components of the allowance for credit losses: reserves on pooled loans sharing risk characteristics (portfolio segments) and individually evaluated loans that do not fit within a portfolio segment. For loans, expected credit losses are typically estimated using quantitative methods that consider a variety of factors such as historical loss experience, the current credit quality of the portfolio as well as supportable forecasts of the economic outlook over the life of the loan. When management determines that foreclosure is probable, expected credit losses are accrued based on the differences between the loan balance and 1) the value of collateral, if such loans are considered to be collateral dependent and in the process of collection, 2) the present value of future cash flows, or 3) the loan's value as observable in the secondary market. Adjustments are made for selling costs, as appropriate. When management believes the loan is not collectible, the loan is charged off against the allowance. Subsequent recoveries, if any, are credited to the allowance.

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

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

**Off-balance sheet financial instruments:** In the ordinary course of business, the Bank enters into off-balance sheet financial instruments consisting of commitments to extend credit, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded in the consolidated financial statements when they are funded or related fees are incurred or received.

**Bank premises and equipment:** Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed primarily on the straight-line method for Bank premises and equipment over the estimated useful lives of the respective assets as follows:

**NOTE 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

| | |
|---|---|
| Buildings and improvements | 10-40 years |
| Equipment, fixtures and vehicles | 3-10 years |

Repairs, maintenance and minor improvements are charged to occupancy and equipment expense as incurred. Major improvements and additions to premises and equipment are capitalized. Gains or losses on disposition, if any, are included in current operations.

**Other real estate owned:** Other real estate owned consists of real estate held for sale which was acquired through foreclosure on loans secured by such real estate. At the time of acquisition, these properties are recorded at the lower of cost or appraised market value with any write down being charged to the allowance for credit losses. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less estimated selling costs. Revenues and expenses incurred in connection with operating these properties and any direct write downs are included in net cost of operations of other real estate in the Consolidated Statements of Income.

**Advertising costs:** Advertising costs are expensed as incurred and included in other operating expenses. Advertising expense was $277,471 and $237,075 for the years ended December 31, 2024 and 2023, respectively.

**Compensated absences:** Compensated absences have not been accrued since they cannot be reasonably estimated due to restrictions on usage. The Bank recognizes the cost of compensated absences when actually paid.

**Employee benefit plans:** The Bank accounts for its defined benefit plan in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 715, *Employer's Accounting for Pensions*. See Note 10 for additional information.

The Bank adopted a 401(k) plan effective January 1, 2013, and its defined benefit pension plan was frozen as of October 31, 2012. The defined pension plan was terminated effective May 31, 2024.

**Income taxes:** Putnam Bancshares, Inc. and its subsidiary file a consolidated federal income tax return. Income taxes are provided for the tax effects of the transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the bases of the allowances for credit losses, unfunded pension liability and unrealized gains/losses on available-for-sale securities. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the deferred tax assets or liabilities are expected to be settled or realized. Valuation allowances are established when deemed necessary to reduce deferred tax assets to the amount expected to be realized within a short term.

**Treasury Stock:** Common stock shares repurchased are recorded as treasury stock at cost.

**Other comprehensive income:** Accounting principles generally require that recognized revenue, expenses, and gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities and amortization of deferred gains and losses associated with the Company's pension plan, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of other comprehensive income. The components of other comprehensive income and related tax effects are presented within the Consolidated Statements of Comprehensive Income. It is the Company's policy to release stranded tax effects from accumulated other comprehensive income to tax expense (benefit) on an individual item basis.

**NOTE 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Earnings per share:** Earnings per share represent income available to common shareholders divided by the weighted average number of common shares outstanding during the period.

| | 2024 | 2023 |
|---|---|---|
| Net income | $ 3,235,606 | $ 4,507,893 |
| Common shares outstanding | 438,000 | 438,000 |
| Earnings per common share | $ 7.39 | $ 10.29 |
| Divdends paid per common share | $ 3.60 | $ 3.50 |

**Reclassifications:** Certain reclassifications have been made to prior year's financial statements to place them on a basis comparable with the current year.

**Date of management's review of subsequent events:** Management has evaluated the accompanying consolidated financial statements for subsequent events and transactions through March 21, 2025, the date these financial statements were available for issue, based on FASB ASC 855, *Subsequent Events*, and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying consolidated financial statements or require additional disclosure.

**Recent accounting pronouncements:** The following is a summary of recent authoritative pronouncements that could impact the accounting, reporting and/or disclosure of financial information by the Company:

On January 1, 2023, the Company adopted Accounting Standards Update 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments held by the Company that are measured at amortized cost, such as loan receivables and held-to-maturity debt securities. Prior to January 1, 2023, the allowance for losses on such assets was determined based on management's estimate of probable incurred losses. Accounting Standards Update 2016-13 also modified the impairment model on available-for-sale securities whereby credit losses are recognized as an allowance, rather than as a direct write-down. The Company adopted this new guidance utilizing the modified retrospective transition method for loans and prospectively for debt securities available-for-sale. The adoption of this Standard did not have a material impact on the Company's consolidated financial statements but did change how the allowance for credit losses is determined.

On January 1, 2023, the Company adopted Accounting Standards Update 2022-2, *Financing Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, on a prospective basis. Accounting Standards Update 2022-2 eliminates the troubled debt restructuring recognition and measurement accounting guidance and instead requires entities to apply the loan refinancing and restructuring guidance to determine whether a modification results in a new loan or a continuation of an existing loan. Expected credit losses are recorded in the allowance for credit losses. The adoption of this Standard did not have a material impact on the Company's consolidated financial statements.

In March 2024, the FASB issued Accounting Standards Update 2024-02, *Codification Improvements – Amendments* to *Remove References to the Concepts Statements*. This Update contains amendments to the Codification that remove references to various FASB Concepts Statements. The Board has a standing project on its agenda to address suggestions received from stakeholders on the Accounting Standards Codification and other incremental improvements to generally accepted accounting principles (GAAP). This effort facilitates Codification updates for technical corrections such as conforming amendments, clarifications to guidance, simplifications to wording or the structure of guidance, and other minor improvements. The Board decided that the types of issues that it will consider through this project are changes to clarify the Codification or correct unintended application of guidance that are not expected to have a significant effect on current accounting practice or cost to most entities.

**NOTE 2. RESTRICTIONS ON CASH AND DUE FROM BANKS**

Certain reserves are required to be maintained at the Federal Reserve Bank. The requirement as of December 31, 2024 and 2023 was $0. At December 31, 2024 and 2023, the Bank had accounts at correspondent banks, excluding the Federal Reserve Bank, which exceeded the FDIC insurable limit of $250,000 by $3,872,653 and $3,469,577, respectively.

**NOTE 3. SECURITIES**

The amortized costs, unrealized gains and losses, and estimated fair values of securities at December 31, 2024 and 2023 are as follows:

| | December 31, 2024 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Available-for-sale: | | | | |
| U.S. Government treasuries | $ 14,804,510 | $ - | $ (127,948) | $ 14,676,562 |
| U.S. Government agencies | 40,118,769 | 119,433 | (44,825) | 40,193,377 |
| Mortgage backed securities | 65,204,359 | - | (7,510,642) | 57,693,717 |
| Municipal bonds | 15,198,503 | - | (583,608) | 14,614,895 |
| Total available-for-sale | $ 135,326,141 | $ 119,433 | $ (8,267,023) | $ 127,178,551 |
| Held-to-maturity: | | | | |
| U.S. Government treasuries | $ 33,999,057 | $ 33,400 | $ (1,846) | $ 34,030,611 |
| Equity: | | | | |
| Mutual funds | $ 1,500,000 | $ - | $ (206,984) | $ 1,293,016 |

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Available-for-sale: | | | | |
| U.S. Government treasuries | $ 15,024,385 | $ - | $ (125,084) | $ 14,899,301 |
| U.S. Government agencies | 35,134,608 | 313,681 | (21,923) | 35,426,366 |
| Mortgage backed securities | 73,302,319 | 20,812 | (6,638,250) | 66,684,881 |
| Municipal bonds | 13,323,085 | 33,040 | (483,864) | 12,872,261 |
| Total available-for-sale | $ 136,784,397 | $ 367,533 | $ (7,269,121) | $ 129,882,809 |
| Held-to-maturity: | | | | |
| U.S. Government treasuries | $ 43,500,952 | $ 50,094 | $ (14,326) | $ 43,536,720 |
| Equity: | | | | |
| Mutual funds | $ 1,500,000 | $ - | $ (194,551) | $ 1,305,449 |

**NOTE 3. SECURITIES (continued)**

The following table shows the proceeds from sales of available-for-sale securities and the gross realized gains and losses on those sales. Gains and losses are computed using the specific-identification method.

| | 2024 | 2023 |
|---|---|---|
| Proceeds from sales of available-for-sale securities | $ - | $ 9,154,538 |
| Gross realized gains | $ - | $ - |
| Gross realized losses | $ - | $ (151,211) |

The scheduled maturities of securities at December 31, 2024, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

| | Available-for-sale securities | | Held-to-maturity securities |
|---|---|---|---|
| | Amortized Cost | Fair Value | Amortized Cost |
| Due within one year | $ 7,078,373 | $ 7,055,689 | $ 33,999,057 |
| Due after one year through five years | 58,630,793 | 58,329,426 | - |
| Due after five years through ten years | 3,662,617 | 3,379,261 | - |
| Due after ten years | 65,954,358 | 58,414,176 | - |
| Totals | $ 135,326,141 | $ 127,178,552 | $ 33,999,057 |

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

| | Less than 12 Months | | 12 Months or More | | Total | |
|---|---|---|---|---|---|---|
| | Estimated Fair Value | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses |
| December 31, 2024 | | | | | | |
| Available-for-sale: | | | | | | |
| U.S. Government treasuries | $ 14,676,562 | $ (127,947) | $ - | $ - | $ 14,676,562 | $ (127,947) |
| U.S. Government agencies | 5,076,039 | (31,185) | 10,039,443 | (13,640) | 15,115,482 | (44,825) |
| Mortgage backed securities | 3,621,605 | (8,315) | 54,072,112 | (7,502,326) | 57,693,717 | (7,510,641) |
| Municipal bonds | 6,172,538 | (115,563) | 8,442,357 | (468,047) | 14,614,895 | (583,610) |
| Total available-for-sale | $ 29,546,744 | $ (283,010) | $ 72,553,912 | $ (7,984,013) | $ 102,100,656 | $ (8,267,023) |

**NOTE 3. SECURITIES (continued)**

| | Less than 12 Months | | 12 Months or More | | Total | |
|---|---|---|---|---|---|---|
| | Estimated Fair Value | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses |
| December 31, 2023 | | | | | | |
| Available-for-sale: | | | | | | |
| U.S. Government treasuries | $ - | $ - | $ 14,899,301 | $ (125,084) | $ 14,899,301 | $ (125,084) |
| U.S. Government agencies | 5,001,053 | (21,923) | - | - | 5,001,053 | (21,923) |
| Mortgage backed securities | - | - | 61,828,870 | (6,638,249) | 61,828,870 | (6,638,249) |
| Municipal bonds | - | - | 8,991,396 | (483,865) | 8,991,396 | (483,865) |
| Total available-for-sale | $ 5,001,053 | $ (21,923) | $ 85,719,567 | $ (7,247,198) | $ 90,720,620 | $ (7,269,121) |

The Bank had 56 available-for-sale securities with an unrealized loss position at December 31, 2024. Unrealized losses on securities have not been recognized into income because the securities are of high credit quality (rated AA or higher), management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuers continue to make timely principal and interest payments on the securities. The fair value is expected to recover as the securities approach maturity.

At December 31, 2024 and 2023, the carrying value of securities pledged to secure public funds totaled $99,060,000 and $99,060,000, respectively. At December 31, 2024 and 2023, the estimated fair values totaled $96,099,788 and $96,910,493, respectively, and were pledged to secure public deposits and for other purposes as required or permitted by law.

**Restricted stock, at cost**

Investment in restricted stocks is principally comprised of restricted stock in the Federal Home Loan Bank (FHLB) of Pittsburgh, which is carried at cost. Federal law requires a member institution of the FHLB to hold stock according to a predetermined formula. The FHLB stock was carried at $744,100 and $613,900 as of December 31, 2024 and 2023, respectively. Restricted stock also includes stock of the Federal Reserve Bank, which is carried at cost, in the amount of $39,000 at December 31, 2024 and 2023.

**NOTE 4. LOANS**

The following table summarizes the components of the Bank's loan portfolio as of December 31, 2024 and 2023:

| | 2024 | 2023 |
|---|---|---|
| Loans | | |
| Commercial | $ 136,501,461 | $ 142,031,074 |
| Real estate | 220,555,856 | 210,377,548 |
| Construction | 39,411,684 | 20,268,375 |
| Other | 27,480,802 | 27,500,988 |
| Total loans | 423,949,803 | 400,177,985 |
| Less allowance for credit losses | (4,970,741) | (5,030,731) |
| Loans, net | $ 418,979,062 | $ 395,147,254 |

**NOTE 4. LOANS (continued)**

A summary of risk characteristics by loan portfolio classification follows:

Commercial: This portfolio consists of nonresidential improved real estate, which includes shopping centers, office buildings, etc. New loans in this portfolio are typically balloon loans with initial fixed rate terms of five years and generally have an original loan-to-value (“LTV”) of 85% or less. These properties are generally located in the Bank’s normal lending area.

Real Estate: This portfolio primarily consists of owner-occupied, full documentation loans secured by properties in the Bank’s normal lending area. New loans in this portfolio are typically balloon mortgages with an initial fixed rate term of 10 years and generally have an original LTV of 90% or less.

Construction: This portfolio consists of residential and commercial construction loans. Loans in this portfolio are typically set for an interest only period of 12 months, during construction phase. Rates are typically prime plus 2% and usually have a set floor of 5%.

Other: This portfolio consists of loans that are unsecured, secured by automobiles, or secured by deposit accounts. This portfolio is generally granted to local customers only.

Management monitors the credit quality of its loans on an ongoing basis. Any loan that is 30 days past its payment due date is considered past due and is included in the past due table below. Past due loans are examined to identify loans for non-accrual status, which are normally loans that are 90 days past due, unless special circumstances exist. Loans may be returned to accrual status when repayment is reasonably assured and there has been demonstrated performance under the terms of the loan.

The following tables present the contractual aging of the recorded investment in past due loans as of December 31, 2024 and 2023:

| | December 31, 2024 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Past due | | | | | | |
| *Dollars in thousands* | 30-59 Days | 60-89 Days | > 90 Days | Total | Current | Total loans | Recorded investment >90 days and accruing |
| Commercial | $ - | $ - | $ - | $ - | $ 136,501 | $ 136,501 | $ - |
| Real estate | 1,342 | 103 | - | 1,445 | 219,111 | 220,556 | - |
| Construction | - | - | - | - | 39,412 | 39,412 | - |
| Other | - | - | - | - | 27,481 | 27,481 | - |
| Totals | $ 1,342 | $ 103 | $ - | $ 1,445 | $ 422,505 | $ 423,950 | $ - |

| | December 31, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Past due | | | | | | |
| *Dollars in thousands* | 30-59 Days | 60-89 Days | > 90 Days | Total | Current | Total loans | Recorded investment >90 days and accruing |
| Commercial | $ - | $ - | $ - | $ - | $ 142,031 | $ 142,031 | $ - |
| Real estate | 546 | 53 | 42 | 641 | 209,737 | 210,378 | - |
| Construction | 251 | - | - | 251 | 20,017 | 20,268 | - |
| Other | 16 | - | 50 | 66 | 27,435 | 27,501 | - |
| Totals | $ 813 | $ 53 | $ 92 | $ 958 | $ 399,220 | $ 400,178 | $ - |

**NOTE 4. LOANS (continued)**

The following table presents the non-accrual loans included in the net balance of loans at December 31, 2024 and 2023, respectively.

| | 2024 | 2023 |
|---|---|---|
| Commercial | $ - | $ 1,447,883 |
| Real estate | 497,331 | 603,458 |
| Construction | - | - |
| Other | - | 49,700 |
| Totals | $ 497,331 | $ 2,101,041 |

If interest on non-accrual loans had been accrued, such income would have approximated $103,885 and $242,466 for the years December 31, 2024 and 2023, respectively.

Loans are categorized into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Bank assigns credit quality indicators of pass, special mention, substandard, and doubtful to its loans. The following definitions are used for risk grades:

Pass: Loans in this category are characterized by borrowers with an average to strong financial condition, sufficient cash flows to service the debt, and repayment history is satisfactory.

Special Mention: Special mention loans have potential weaknesses that deserve management's attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects.

Substandard: A substandard loan is inadequately protected by the sound worth and paying capacity of the borrower or the collateral pledged. Loss potential, while existing in the aggregate amount of substandard loans, does not have to exist in individual assets. They require more intensive supervision by management.

Doubtful: Doubtful loans have all the weaknesses inherent in substandard loans, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. These are poor quality loans in which neither the collateral, if any, nor the financial condition of the borrower ensure collectability in full. Loans classified as doubtful are considered impaired.

The following tables present loans based upon the internal risk ratings by class:

| | December 31, 2024 | | | | |
|---|---|---|---|---|---|
| | Commercial | Real estate | Construction | Other | Total |
| Pass | $ 124,163,369 | $ 209,211,164 | $ 39,214,379 | $ 16,917,015 | $ 389,505,927 |
| Special mention | 1,545,226 | 6,769,434 | - | 10,409,799 | 18,724,459 |
| Substandard | 10,792,866 | 4,575,258 | 197,305 | 153,988 | 15,719,417 |
| Doubtful | - | - | - | - | - |
| Totals | $ 136,501,461 | $ 220,555,856 | $ 39,411,684 | $ 27,480,802 | $ 423,949,803 |

**NOTE 4. LOANS (continued)**

| | December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Commercial | Real estate | Construction | Other | Total |
| Pass | $ 125,737,272 | $ 200,198,742 | $ 19,930,484 | $ 26,818,071 | $ 372,684,569 |
| Special mention | 7,174,356 | 5,154,834 | 210,015 | 544,484 | 13,083,689 |
| Substandard | 9,119,446 | 5,023,972 | 127,876 | 138,433 | 14,409,727 |
| Doubtful | - | - | - | - | - |
| Totals | $ 142,031,074 | $ 210,377,548 | $ 20,268,375 | $ 27,500,988 | $ 400,177,985 |

In the normal course of business, the Bank makes loans to directors, executive officers, stockholders and their affiliates on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other customers and did not, in the opinion of management, involve more than the normal credit risk.

The following presents the activity with respect to loans to related parties for 2024 and 2023:

| | 2024 | 2023 |
|---|---|---|
| Balances - January 1, | $ 3,240,072 | $ 5,165,887 |
| New loans | 345,800 | 1,450,000 |
| Repayments | (258,087) | (3,375,815) |
| Balances - December 31, | $ 3,327,785 | $ 3,240,072 |

The following is a summary of impaired loans by class at December 31, 2024 and 2023:

| | December 31, 2024 | | |
|---|---|---|---|
| | Unpaid principal balance | Related allowance | Interest income recognized |
| **With a related allowance** | | | |
| Commercial | $ 1,684,162 | $ 581,259 | $ 104,440 |
| Real estate | 167,733 | 167,733 | 5,494 |
| Other | - | - | - |
| Totals | $ 1,851,895 | $ 748,992 | $ 109,934 |
| **With no related allowance** | | | |
| Commercial | $ - | $ - | $ - |
| Real estate | - | - | - |
| Other | - | - | - |
| Totals | $ - | $ - | $ - |
| **Total** | | | |
| Commercial | $ 1,684,162 | $ 581,259 | $ 104,440 |
| Real estate | 167,733 | 167,733 | 5,494 |
| Other | - | - | - |
| Totals | $ 1,851,895 | $ 748,992 | $ 109,934 |

**NOTE 4. LOANS (continued)**

| | December 31, 2023 | | |
|---|---|---|---|
| | Unpaid principal balance | Related allowance | Interest income recognized |
| **With a related allowance** | | | |
| Commercial | $ 5,182,443 | $ 1,536,500 | $ 227,322 |
| Real estate | 1,018,206 | 561,526 | 61,389 |
| Other | 49,700 | 28,701 | - |
| Totals | $ 6,250,349 | $ 2,126,727 | $ 288,711 |
| **With no related allowance** | | | |
| Commercial | $ 868,011 | $ - | $ 60,901 |
| Real estate | 333,539 | - | 11,983 |
| Other | 41,610 | - | 2,435 |
| Totals | $ 1,243,160 | $ - | $ 75,319 |
| **Total** | | | |
| Commercial | $ 6,050,454 | $ 1,536,500 | $ 288,223 |
| Real estate | 1,351,745 | 561,526 | 73,372 |
| Other | 91,310 | 28,701 | 2,435 |
| Totals | $ 7,493,509 | $ 2,126,727 | $ 364,030 |

**NOTE 5. ALLOWANCE FOR CREDIT LOSSES – LOANS**

The allowance for credit losses (“ACL”) is a valuation account that is deducted from the loan's amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the loan becomes uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged off and expected to be charged off.

The ACL represents management's estimate of lifetime credit losses inherent in loans as of the statement of financial condition date. The ACL 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. No single statistic or measurement determines the adequacy of the allowance for credit losses. Changes in the allowance for credit losses and the related provision expense can materially affect net income.

The Bank measures expected credit losses for loans on a pooled basis when similar risk characteristics exist. The Bank's portfolio segments are based on the associated risks within that segment. Each class of loan requires significant judgement to determine the estimation method that fits the credit risk characteristics of its portfolio segment. The Bank has identified the following portfolio segments and calculates the allowance for credit losses for each using the weighted average remaining maturity (“WARM”) methodology:

- 1-4 family residential construction loans,
- Other construction loans and all land development and other land loans,
- Secured by farmland,
- Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit,
- Secured by first lien loans,
- Secured by junior lien loans,

**NOTE 5. ALLOWANCE FOR CREDIT LOSSES – LOANS (continued)**

- Secured by multifamily (five or more) residential properties,
- Loans secured by owner-occupied, nonfarm residential properties,
- Loans secured by other nonfarm nonresidential properties.
- Commercial and industrial loans
- Automobile loans

These segments match the Bank's Call report segmentation.

Each segment has similar risk characteristics as compared to the other segments, including the following:

- **Credit Risk:** The risk that borrowers may default on their mortgage payments. This risk is influenced by factors such as borrowers' creditworthiness, employment stability, and overall financial health.
- **Market Risk:** Changes in the real estate market, including property values and regional economic conditions, can impact the value of the underlying collateral and the overall performance of the mortgage portfolio.
- **Prepayment Risk:** The risk that borrowers may pay off their mortgages earlier than expected, especially in a low-interest-rate environment. This can impact the Bank's expected interest income and the duration of its mortgage assets.
- **Concentration Risk:** Overexposure to a particular geographic area, property type, or borrower segment can increase risk. Concentration risk makes the portfolio more vulnerable to localized economic downturns or industry-specific challenges.
- **Operational Risk:** Risks related to the day-to-day operations of managing a mortgage loan portfolio, including errors in loan servicing, fraud, and the effectiveness of internal processes and controls.
- **Regulatory and Compliance Risk:** The risk of non-compliance with mortgage-related regulations and the potential impact of changes in regulatory requirements on the bank's mortgage lending practices.
- **Credit Concentration Risk:** Concentration of mortgage loans with specific characteristics, such as adjustable-rate mortgages or loans with high loan-to-value ratios, can increase vulnerability to certain market conditions.
- **Legal and Documentation Risk:** The risk associated with incomplete or inaccurate documentation, legal challenges related to foreclosure, and compliance with applicable laws in mortgage origination and servicing.

To meet the objectives of ASU 2016-13, the Bank has an established methodology to determine the adequacy of the ACL that assesses the risks and losses inherent in the Bank's portfolio. Loss estimates have been developed by averaging losses as stated in the Bank's quarterly Call reports. Loss rates are available going back to March 31, 2004.

Additionally, the ACL calculation includes subjective adjustments for qualitative risk factors ("Q-factors") that are likely to cause estimated credit losses to differ from historical experience. These Q-factors may increase or reduce reserve levels and include the following:

- Changes in lending policies and procedures, including changes in underwriting standards and collections, charge offs, and recovery practices.
- Changes in international, national, regional, and local conditions.
- Changes in the nature and volume of the portfolio and terms of loans.
- Changes in the experience, depth, and ability of lending management.
- Changes in the volume and severity of past due loans and other similar conditions.

**NOTE 5. ALLOWANCE FOR CREDIT LOSSES – LOANS (continued)**

- Changes in the quality of the organization's loan review system.
- Changes in the value of underlying collateral for collateral dependent loans.
- The existence and effect of any concentrations of credit and changes in the levels of such concentrations.
- The effect of other external factors (i.e. competition, legal and regulatory requirements) on the level of estimated credit losses.
- Reasonable and supportable forecasts.

The Bank considers a variety of economic scenarios to establish a range of potential outcomes for each criterion the Bank applies to the allowance calculation. Management applies judgement to develop its view of loss probability within a range, using external and internal parameters with the objective of establishing an allowance for the losses inherent within these portfolios as of the reporting date. Management considers such factors as past events, current conditions, and reasonable and supportable forecasts about the future. For the years ended December 31, 2024 and 2023, an eight-quarter lookback period for loss rates which extends beyond the reasonable and supportable forecast period was utilized.

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

| **2024** | Commercial | Real estate | Construction | Other | Total |
|---|---|---|---|---|---|
| **Allowance for credit losses** | | | | | |
| Beginning balance | $ 2,641,930 | $ 1,666,886 | $ 651,789 | $ 70,126 | $ 5,030,731 |
| Charge-offs | - | (58,731) | - | - | (58,731) |
| Recoveries | 175,340 | 32,922 | - | 10,720 | 218,982 |
| Provision | (1,112,908) | 316,933 | 593,424 | (17,691) | (220,242) |
| Ending balance | $ 1,704,362 | $ 1,958,010 | $ 1,245,213 | $ 63,155 | $ 4,970,740 |
| **Allowance related to:** | | | | | |
| Loans individually evaluated for impairment | $ 581,259 | $ 167,733 | $ - | $ - | $ 748,992 |
| Loans collectively evaluated for impairment | 1,123,103 | 1,790,277 | 1,245,213 | 63,155 | 4,221,748 |
| Totals | $ 1,704,362 | $ 1,958,010 | $ 1,245,213 | $ 63,155 | $ 4,970,740 |
| **Loans** | | | | | |
| Loans individually evaluated for impairment | $ 1,684,162 | $ 167,733 | $ - | $ - | $ 1,851,895 |
| Loans collectively evaluated for impairment | 134,817,299 | 220,388,123 | 39,411,684 | 27,480,802 | 422,097,908 |
| Totals | $ 136,501,461 | $ 220,555,856 | $ 39,411,684 | $ 27,480,802 | $ 423,949,803 |

**NOTE 5. ALLOWANCE FOR CREDIT LOSSES – LOANS (continued)**

| 2023 | Commercial | Real estate | Construction | Other | Total |
|---|---|---|---|---|---|
| **Allowance for credit losses** | | | | | |
| Beginning balance, prior to adoption of FASB ASU 2016-13 | $ 2,841,480 | $ 1,087,586 | $ 492,338 | $ 63,435 | $ 4,484,839 |
| Impact of adopting FASB ASU 2016-13 | 30,912 | 11,776 | 5,397 | 983 | 49,068 |
| Charge-offs | (20,176) | (22,088) | - | (5,097) | (47,361) |
| Recoveries | 207,203 | 20,402 | 2,705 | 60 | 230,370 |
| Provision | (417,489) | 569,210 | 151,349 | 10,745 | 313,815 |
| Ending balance | $ 2,641,930 | $ 1,666,886 | $ 651,789 | $ 70,126 | $ 5,030,731 |
| **Allowance related to:** | | | | | |
| Loans individually evaluated for impairment | $ 1,536,500 | $ 561,526 | $ - | $ 28,701 | $ 2,126,727 |
| Loans collectively evaluated for impairment | 1,105,430 | 1,105,360 | 651,789 | 41,425 | 2,904,004 |
| Totals | $ 2,641,930 | $ 1,666,886 | $ 651,789 | $ 70,126 | $ 5,030,731 |
| **Loans** | | | | | |
| Loans individually evaluated for impairment | $ 6,050,454 | $ 1,351,745 | $ - | $ 91,310 | $ 7,493,509 |
| Loans collectively evaluated for impairment | 135,980,620 | 209,025,803 | 20,268,375 | 27,409,678 | 392,684,476 |
| Totals | $ 142,031,074 | $ 210,377,548 | $ 20,268,375 | $ 27,500,988 | $ 400,177,985 |

Both commercial and consumer loans are deemed impaired upon being contractually modified. Loan modifications typically result from loss mitigation activities and occur when the Bank grants a concession to a borrower who is experiencing financial difficulty in order to minimize the loss. The modifications for the years ended December 31, 2024 and 2023, were concessions on the interest rate charged and paying real estate taxes. The effect of the modifications to the Company was a reduction in interest income.

The following tables present loan modifications by class at December 31, 2024 and 2023:

| 2024 | Number of contracts | Unpaid principal balance |
|---|---|---|
| Commercial | 9 | $ 6,641,769 |
| Real estate | 9 | 1,341,608 |
| Construction | 1 | 11,083 |
| Other | - | - |
| Totals | 19 | $ 7,994,460 |

**NOTE 5. ALLOWANCE FOR CREDIT LOSSES – LOANS (continued)**

| 2023 | Number of contracts | Unpaid principal balance |
|---|---|---|
| Commercial | 9 | $ 6,814,368 |
| Real estate | 10 | 1,443,860 |
| Construction | 1 | 21,909 |
| Other | - | - |
| Totals | 20 | $ 8,280,137 |

Default occurs when payments are not received in accordance with terms specified in the loan document, which may result in the loan being fully or partially charged-off. For the years ended December 31, 2024 and 2023, there were no modified loans that subsequently defaulted and resulted in a principal charge-off.

**NOTE 6. BANK PREMISES AND EQUIPMENT**

Major classifications of bank premises and equipment and the total accumulated depreciation are as follows:

| | 2024 | 2023 |
|---|---|---|
| Buildings and improvements | $ 6,080,687 | $ 5,995,237 |
| Furniture and fixtures | 2,683,710 | 2,633,690 |
| Vehicles | 293,541 | 239,909 |
| | 9,057,938 | 8,868,836 |
| Less: accumulated depreciation | (4,852,330) | (4,634,862) |
| | 4,205,608 | 4,233,974 |
| Land | 250,460 | 250,460 |
| Bank premises and equipment, net | $ 4,456,068 | $ 4,484,434 |

Depreciation expense for the years ended December 31, 2024 and 2023, totaled $328,938 and $314,106, respectively, and is included in equipment and occupancy expense in the Consolidated Statements of Income.

Management of the Company accounted for its leases as if they were short-term because it does not believe that such treatment would have a material impact on the consolidated financial statements. The Bank has entered into a noncancelable lease agreement with a related party, consummated at arm's length, for its Teays Valley branch. The Bank has also entered into a noncancelable lease for office space in Charleston, WV. Rent expense for these operating leases approximated $84,457 and $83,327 for the years ended December 31, 2024 and 2023, respectively. The minimum annual rental commitment under these leases, exclusive of taxes and other charges, payable by the lessee at December 31, 2024, is as follows:

| Year | Amount |
|---|---|
| 2025 | $ 81,473 |
| 2026 | 76,204 |
| 2027 | - |
| 2028 | - |
| 2029 and thereafter | - |
| Total | $ 157,677 |

**NOTE 7. DEPOSITS**

The following is a summary of major categories of deposits at December 31, 2024 and 2023:

| | 2024 | 2023 |
|---|---|---|
| Non-interest bearing | $ 98,382,348 | $ 106,225,853 |
| Interest bearing: | | |
| Time deposits under $250,000 | 169,637,568 | 155,901,716 |
| Time deposits greater than or equal to $250,000 | 126,696,196 | 96,504,022 |
| Total time deposits | 296,333,764 | 252,405,738 |
| Super NOW and business checking | 126,237,417 | 122,346,307 |
| Savings | 44,088,591 | 44,943,457 |
| Total interest bearing deposits | 466,659,772 | 419,695,502 |
| Total deposits | $ 565,042,120 | $ 525,921,355 |

Scheduled maturities of time and certificates of deposit at December 31, 2024, are as follows:

| Year | Amount |
|---|---|
| 2025 | $ 251,527,885 |
| 2026 | 5,712,583 |
| 2027 | 1,030,491 |
| 2028 | 38,062,805 |
| Total | $ 296,333,764 |

The Bank has, and expects to have in the future, banking transactions in the ordinary course of business with directors and officers of the Bank and their associates. Such related party deposits were accepted on substantially the same terms including interest rates and maturities as those prevailing at the time for comparable transactions with unrelated parties. Aggregate deposit transactions with related parties approximated $76,296,224 and $69,778,223 at December 31, 2024 and 2023, respectively.

**NOTE 8. ADVANCES – FEDERAL HOME LOAN BANK**

Advances of $5,000,000 and $5,000,000 from the Federal Home Loan Bank (FHLB) of Pittsburgh were reported as of December 31, 2024 and 2023, respectively. The balance as of December 31, 2024 consisted of a single advance with an interest rate of 5.137% and a maturity date of January 9, 2025. The advance was obtained to fund loan growth and is secured by the Bank's loan portfolio with certain loans excluded such as insider loans, substandard loans, and past due loans. Interest expense on advances from the FHLB of Pittsburgh for the years ended December 31, 2024 and 2023 totaled $513,646 and $25,988, respectively.

The Bank also entered into a letter of credit with the FHLB for the purpose of collateralizing public deposits. Letters of credit outstanding at December 31, 2024 and 2023 totaled $20,000,000 and $0, respectively. The letter of credit has a maturity date of August 22, 2025.

## NOTE 9. INCOME TAXES

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

| | 2024 | 2023 |
|---|---|---|
| Current expense: | | |
| Federal | $ 976,093 | $ 1,211,127 |
| State | 136,650 | 201,452 |
| Total current | 1,112,743 | 1,412,579 |
| Deferred expense (benefit): | | |
| Federal | 119,107 | (203,532) |
| State | 37,390 | 14,250 |
| Total deferred | 156,497 | (189,282) |
| Income tax expense | $ 1,269,240 | $ 1,223,297 |

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities at December 31, 2024 and 2023, are as follows:

| | 2024 | 2023 |
|---|---|---|
| **Deferred tax assets:** | | |
| Allowance for credit losses - loans | $ 1,200,931 | $ 1,215,425 |
| Defined benefit plan | - | 320,254 |
| Nonaccrual interest | 25,099 | 58,580 |
| Unrealized loss on available-for-sale securities | 1,986,483 | 1,737,912 |
| Other | 4,246 | 4,246 |
| Total deferred tax assets | 3,216,759 | 3,336,417 |
| **Deferred tax liabilities:** | | |
| Unrealized gain on available-for-sale securities | (18,025) | (70,489) |
| Depreciation and amortization | (118,273) | (110,946) |
| Total deferred tax liabilities | (136,298) | (181,435) |
| Net deferred tax assets | $ 3,080,461 | $ 3,154,982 |

No valuation allowance for deferred tax assets was recorded at December 31, 2024 and 2023, as the Company believes it is more likely than not that all of the deferred tax assets will be realized because they were supported by recoverable taxes paid in prior years.

**NOTE 9. INCOME TAXES (continued)**

A reconciliation of the significant differences between the federal statutory income tax rate and the Company's effective income tax rate is as follows:

| | 2024 | 2023 |
|---|---|---|
| Federal statutory rate | $ 946,018 | $ 1,203,550 |
| Increase (decrease) resulting from: | | |
| State income tax, net of federal tax benefit | 107,954 | 159,147 |
| Tax exempt interest income | (71,518) | (72,877) |
| Nondeductible expense | 15,210 | 9,924 |
| Other items, net | 271,576 | (76,447) |
| Income tax expense | $ 1,269,240 | $ 1,223,297 |

**NOTE 10. EMPLOYEE BENEFIT PLANS**

The Company provides retirement benefits to its employees through the Putnam County Bank 401(k) Plan, which is intended to be compliant with Employee Retirement Income Security Act (ERISA) Section 404(c). The Company's total expense associated with the retirement benefit plan approximated $114,727 and $103,535 for the years ended December 31, 2024 and 2023, respectively.

The Company also maintains a defined benefit pension plan ("the Defined Benefit Plan"). The Defined Benefit Plan was frozen as of October 31, 2012. The Defined Benefit Plan maintains a December 31 year-end for purposes of computing its benefit obligations.

The following table sets summarizes activity with the frozen Defined Benefit Plan in 2024 and 2023:

| | 2024 | 2023 |
|---|---|---|
| Change in fair value of plan assets: | | |
| Fair value at beginning of measurement period | $ 5,980,141 | $ 5,605,247 |
| Actual gain/(loss) on plan assets | 261,830 | 609,738 |
| Contributions | 1,194,106 | 150,649 |
| Benefits paid | (366,273) | (385,493) |
| Settlements | (7,069,804) | - |
| Fair value at end of measurement period | - | 5,980,141 |
| Change in benefit obligation: | | |
| Benefit obligation at beginning of measurement period | (7,305,697) | (7,557,259) |
| Interest cost | (352,915) | (364,676) |
| Actuarial gain/(loss) | 222,535 | 222,987 |
| Benefits paid | 366,273 | 385,493 |
| Assumption changes | - | 7,758 |
| Settlements | 7,069,804 | - |
| Benefit obligation at end of measurement period | - | (7,305,697) |
| Funded status | $ - | $ (1,325,556) |

**NOTE 10. EMPLOYEE BENEFIT PLANS (continued)**

| | | |
|---|---|---|
| Weighted-average assumptions for balance sheet liability at end of year: | | |
| Discount rate | N/A | 5.01% |
| Expected long-term rate of return | N/A | 5.50% |
| | | |
| Weighted-average assumptions for benefit cost at beginning of year: | | |
| Discount rate | 5.01% | 5.00% |
| Expected long-term rate of return | 5.50% | 6.75% |

The unfunded status of the plan as of December 31, 2024 is included within Other Liabilities on the Consolidated Balance Sheets. At December 31, 2024, Accumulated Other Comprehensive Income includes a balance of $0, net of tax, related to the underfunded pension liability.

The Defined Benefit Plan was terminated effective May 31, 2024. This was accomplished by purchasing a group annuity contract with an insurance carrier.

The following table presents the components of the net periodic pension cost of the Defined Benefit Plan:

| | 2024 | 2023 |
|---|---|---|
| Components of net periodic benefit: | | |
| Interest cost | $ 352,915 | $ 364,676 |
| Expected return on plan assets | (402,116) | (427,816) |
| Amortization of unrecognized (gain)/loss | 111,459 | 148,616 |
| Settlement | 2,097,583 | - |
| Net periodic pension cost | $ 2,159,841 | $ 85,476 |

Asset allocation for the Defined Benefit Pension Plan as of the measurement date, by asset category, is as follows:

| Plan Assets | Target Allocation 2024 | Target Allocation 2023 | Percentage of plan assets at December 31, 2024 | Percentage of plan assets at December 31, 2023 |
|---|---|---|---|---|
| Equities | N/A | 0% - 40% | N/A | 28% |
| Fixed income | N/A | 60% - 98% | N/A | 65% |
| Other | N/A | 0% - 35% | N/A | 6% |
| Totals | | | N/A | 100% |

The primary long-term objective for the plan is to maintain assets at a level that will sufficiently cover future beneficiary obligations. The plan is overseen by USI Consulting Group, who will invest the assets of the plan in a diversified combination of asset classes, investment strategies, and pooled vehicles. The asset allocation guidelines displayed in the table above reflect the Bank's risk tolerance and long-term objectives and is reviewed periodically to meet the above target allocations. The expected long-term rate of return for the plan's assets is based on the expected return of each of the above categories, weighted based on the median of the target allocation for each class. The major categories of assets in the Company's Defined Benefit Plan as of year-end are presented in the following table. Assets are segregated by the level of the valuation inputs within the fair value hierarchy established by ASC Topic 820 utilized to measure fair value (see Note 15 for fair value hierarchy).

**NOTE 10. EMPLOYEE BENEFIT PLANS (continued)**

The following tables present the balances of the plan assets, by fair value, as of December 31, 2024 and 2023:

| December 31, 2024 | Fair Value Measurement Using Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Cash and cash equivalents | $ - | $ - | $ - | $ - |
| Fixed income mutual funds | - | - | - | - |
| Alternative investments | - | - | - | - |
| Equity mutual funds | - | - | - | - |
| Totals | $ - | $ - | $ - | $ - |

| December 31, 2023 | Fair Value Measurement Using Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Cash and cash equivalents | $ - | $ - | $ - | $ - |
| Fixed income mutual funds | 3,887,092 | - | - | 3,887,092 |
| Alternative investments | - | 388,709 | - | 388,709 |
| Equity mutual funds | 1,704,340 | - | - | 1,704,340 |
| Totals | $ 5,591,432 | $ 388,709 | $ - | $ 5,980,141 |

**NOTE 11. RELATED PARTY TRANSACTIONS**

In the normal course of business, the Company and its subsidiary, Putnam County Bank, have loans, deposits and other transactions with its executive officers, directors and certain business organizations and individuals with which such persons are associated as discussed in Notes 4, 6 and 7. In the opinion of management, such transactions are consistent with prudent banking practices and are within applicable banking regulations.

**NOTE 12. COMMITMENTS AND CONTINGENCIES**

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

A summary of the notional amounts of the financial instruments with off-balance sheet risk at December 31, 2024 and 2023 is as follows:

| Contract Amount | 2024 | 2023 |
|---|---|---|
| Commitments to extend credit | $ 25,777,849 | $ 25,096,366 |
| Commercial and standby letters of credit | 44,500 | 54,500 |
| Totals | $ 25,822,349 | $ 25,150,866 |

**NOTE 12. COMMITMENTS AND CONTINGENCIES (continued)**

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and commercial and standby letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

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

Commercial and standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. These guarantees are primarily issued to support private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans.

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Based upon information currently available, management believes that such loss contingencies, in the aggregate, will not have a material adverse effect on the Bank's business, financial position, or results of operations.

**NOTE 13. CONCENTRATION OF CREDIT RISK**

The majority of the Bank's loans, commitments, and commercial and standby letters of credit have been granted to customers in the Bank's market area. Investments in state and municipal securities and loans to governmental entities are within the Bank's home state. The concentrations of credit by type of loan are set forth in Note 4. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Commercial and standby letters of credit were granted primarily to commercial borrowers.

**NOTE 14. REGULATORY MATTERS**

Putnam Bancshares, Inc.'s principal source of funds for future dividend payments to shareholders is from dividend payments received from its wholly-owned subsidiary, Putnam County Bank.

The Bank, as a state chartered member bank of the Federal Reserve System, is subject to the dividend restrictions set forth by the West Virginia Division of Financial Institutions as well as the Federal Reserve Board. Under such restrictions, the Bank may not, without the prior approval of the West Virginia Division of Financial Institutions and the Federal Reserve Board, declare dividends in excess of the sum of the current year's net income, as defined, plus the retained net profits from the two preceding years. The Bank normally restricts dividends to a lesser amount. The dividends as of December 31, 2024, that the Bank could declare without the approval of the West Virginia Division of Financial Institutions and the Federal Reserve Board amounted to approximately $0. This was due to the Bank upstreaming a dividend in the amount of $23,668,200 to the Holding Company for it to purchase 162,000 shares of outstanding common stock from a shareholder's estate during 2023. As of December 31, 2024 and 2023, those 162,000 shares are held as Treasury Stock. During 2024, the Bank obtained approval from the West Virginia Division of Financial Institutions and the Federal Reserve Board to pay its normally declared dividends.

**NOTE 14. REGULATORY MATTERS (continued)**

In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework (CBLR framework), for qualifying community banking organizations, consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act. The final rule became effective on January 1, 2020 and was elected by the Bank as of December 31, 2022. In April 2020, the federal banking agencies issued an interim final rule that makes temporary changes to the CBLR framework, pursuant to section 4012 of the CARES Act, and a second interim final rule that provides a graduated increase in the community bank leverage ratio requirement after the expiration of the temporary changes implemented pursuant to section 4012 of the CARES Act.

The community bank leverage ratio removes the requirement for qualifying banking organizations to calculate and report risk-based capital, but rather only requires a Tier 1 to average assets (leverage) ratio. Qualifying banking organizations that elect to use the community bank leverage ratio framework and that maintain a leverage ratio of greater than required minimums will be considered to have satisfied the generally applicable risk based and leverage capital requirements in the agencies' capital rules (generally applicable rule) and, if applicable, will be considered to have met the well capitalized ratio requirements for purpose of section 38 of the Federal Deposit Insurance Act. Under the interim final rules the community bank leverage ratio minimum requirement is 9% for calendar year 2022 and beyond. The interim rule allows for a two-quarter grace period to correct a ratio that falls below the required amount, provided the bank maintains a leverage ratio of 8% for calendar year 2022 and beyond.

Under the final rule, an eligible banking organization can opt out of the CBLR framework and revert bank to the risk-weighting framework without restriction. As of December 31, 2024 and 2023, both the Company and Bank were qualifying community banking organizations as defined by the federal banking agencies.

As of December 31, 2024 and 2023, the Bank exceeded all capital adequacy requirements to which it is subject and had regulatory capital ratios in excess of the levels established for well capitalized institutions. As of December 31, 2024, the most recent notification from the Bank's primary regulatory agency categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum total risk-based, Tier I leverage ratios as set forth in the table below. There are no conditions or events since the notification that management believes have changed the Bank's category.

The Bank's actual ratios as well as a comparison of the period-end capital balances with the related amounts established by the regulatory agencies are as follows:

| | | Capital amounts | | |
|---|---|---|---|---|
| | Ratios | Actual | Minimum | Well capitalized |
| December 31, 2024 | | | | |
| Tier 1 leverage capital | | | | |
| (to adjusted average assets) | 12.17% | $ 79,843,000 | $ 59,041,000 | ≥ $59,041,000 |
| December 31, 2023 | | | | |
| Tier 1 leverage capital | | | | |
| (to adjusted average assets) | 12.64% | $ 77,963,000 | $ 55,522,000 | ≥ $55,522,000 |

**NOTE 15. FAIR VALUES OF FINANCIAL INSTRUMENTS**

ASC Topic 820, *Fair Value Measurement and Disclosures*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Accordingly, securities available-for-sale are recorded at fair value on a recurring basis. Additionally, from time to time, the Bank may be required to record other assets at fair value on a nonrecurring basis. These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or write-downs of individual assets.

A description of the valuation methodologies used for assets and liabilities recorded at fair value follows, as well as the classification of such instruments within the valuation hierarchy:

Securities Available-for-Sale: Securities are classified within Level 1 where quoted market prices are available in an active market. Inputs include securities that have quoted prices in active markets for identical assets. If quoted market prices are not available, fair value is estimated using quoted prices of securities with similar characteristics, at which point the securities would be classified with Level 2 of the hierarchy. Level 2 securities include mortgage-backed securities issued by government sponsored entities and municipal bonds.

Impaired Loans: Loans are designated as impaired when, in the judgement of management based on current information and events, it is probable that all amounts due according to the contractual terms of the loan agreement will not be collected. The measurement of loss associated with impaired loans can be based on either the observable market price of the loan or the fair value of the collateral. All loans for which an impairment loss has been recognized as of December 31, 2024 and 2023, are collateralized by real estate. Fair value has been measured based on the collateral securing these loans utilizing current appraisals, or capitalization techniques (Level 3). Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and are adjusted accordingly, based on the same factors identified above.

Other Real Estate Owned ("OREO"): Properties are recorded at the balance of the loan or at estimated fair value less estimated selling costs, whichever is less, at the date acquired. Fair values of OREO at December 31, 2024, are determined by sales agreements or appraisals, and costs to sell are based on estimation per the terms and conditions of the sales agreements or amounts commonly used in real estate transactions. Inputs include appraisal values on the properties or recent sales activity for similar assets in the property's market, and thus OREO measured at fair value would be classified within Level 3 of the hierarchy.

**NOTE 15. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

**Assets at Fair Value on a Recurring Basis**

| | Fair Value Measurement Using | | | |
|---|---|---|---|---|
| December 31, 2024 | Level 1 | Level 2 | Level 3 | Total |
| **Available-for-sale securities** | | | | |
| U.S. Government treasuries | $ - | $ 14,676,562 | $ - | $ 14,676,562 |
| U.S. Government agencies | - | 40,193,377 | - | 40,193,377 |
| Mortgage backed securities | - | 57,693,717 | - | 57,693,717 |
| Municipal bonds | - | 14,614,895 | - | 14,614,895 |
| Totals | $ - | $ 127,178,551 | $ - | $ 127,178,551 |
| **Equity securities** | | | | |
| Mutual funds | $ 1,293,016 | $ - | $ - | $ 1,293,016 |

| | Fair Value Measurement Using | | | |
|---|---|---|---|---|
| December 31, 2023 | Level 1 | Level 2 | Level 3 | Total |
| **Available-for-sale securities** | | | | |
| U.S. Government treasuries | $ - | $ 14,899,301 | $ - | $ 14,899,301 |
| U.S. Government agencies | - | 35,426,366 | - | 35,426,366 |
| Mortgage backed securities | - | 66,684,881 | - | 66,684,881 |
| Municipal bonds | - | 12,872,261 | - | 12,872,261 |
| Totals | $ - | $ 129,882,809 | $ - | $ 129,882,809 |
| **Equity securities** | | | | |
| Mutual funds | $ 1,305,449 | $ - | $ - | $ 1,305,449 |

**Assets Recorded at Fair Value on a Nonrecurring Basis**

The Bank may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with U.S. generally accepted accounting principles. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. The following table measures financial assets measured at fair value on a nonrecurring basis as of December 31, 2024 and 2023:

| | Fair Value Measurement Using | | | |
|---|---|---|---|---|
| December 31, 2024 | Level 1 | Level 2 | Level 3 | Total |
| Impaired loans | $ - | $ - | $ 1,102,903 | $ 1,102,903 |
| OREO | $ - | $ - | $ 37,500 | $ 37,500 |

**NOTE 15. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

| | Fair Value Measurement Using | | | |
|---|---|---|---|---|
| December 31, 2023 | Level 1 | Level 2 | Level 3 | Total |
| Impaired loans | $ - | $ - | $ 4,123,622 | $ 4,123,622 |
| OREO | $ - | $ - | $ - | $ - |

ASC Topic 825 provides the Company with an option to report selected financial assets and liabilities at fair value. The fair value option established by this statement permits the Company to choose to measure eligible items at fair value at specified election dates and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each reporting date subsequent to implementation.

The Company has chosen not to elect the fair value option for any items that are not already required to be measured at fair value in accordance with U.S. GAAP and, as such, has not included any gains or losses in earnings for the year ended December 31, 2024.

**NOTE 16. REVENUE FROM CONTRACTS WITH CUSTOMERS**

In accordance with Topic 606, revenues are recognized when control of promised goods or services is transferred to customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of Topic 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligation in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of Topic 606, the Company assesses the goods or services that are promised within each contract and identifies those that contain performance obligation, and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

The following is a description of the Company's revenue streams accounted for under ASC 606:

> Service Charges on Deposit Accounts: The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance. For the years ended December 31, 2024 and 2023, service charges and fees on deposit accounts was $121,376 and $433,619, respectively.

**NOTE 16. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)**

Interchange Income: Interchange income represents fees earned when a debit card issued by the Company is used. The Company earns interchange fees from debit cardholder transactions through a payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder. The performance obligation is satisfied and the fees are earned when the cost of the transaction is charged to the card. Certain expenses directly associated with the debit card are recorded on a net basis with the fee income. For the years ended December 31, 2024 and 2023, interchange income was $421,683 and $428,940, respectively.

Gains/Losses on Sales of OREO: Gains and losses on the sale of OREO are included in non-interest expense. The Company records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Company finances the sale of OREO to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the OREO asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Company adjusts the transaction price and related gain (loss) on sale if a significant financing component is present. For the years ended December 31, 2024 and 2023, the net gain (loss) on the sale of OREO was $0 and $0, respectively.

**NOTE 17. EMPLOYEE RETENTION CREDIT**

The CARES Act provides an employee retention credit which is a refundable tax credit against certain employment taxes per employee for eligible employers. The Company qualified for the tax credit under the CARES Act. During the fiscal year ended December 31, 2022, the Company recognized income of $1,211,656 related to the CARES Act employee retention credit. As of December 31, 2024 and 2023, the Company had a $389,843 receivable balance from the United States government related to the employee retention credit, which is recorded in other assets on the Consolidated Balance Sheets.

## NOTE 18. PARENT COMPANY FINANCIAL INFORMATION

Condensed financial information of Putnam Bancshares, Inc. (Parent Company) is presented below.

| **BALANCE SHEETS** | December 31, 2024 | December 31, 2023 |
|---|---|---|
| ASSETS | | |
| Cash | $ 111,914 | $ 101,744 |
| Investment in Putnam County Bank | 73,677,787 | 71,749,702 |
| Investment in Putnam County Title Insurance Agency | 14,836 | 45,201 |
| TOTAL ASSETS | $ 73,804,537 | $ 71,896,647 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Accounts payable | $ - | $ - |
| Income taxes payable | - | - |
| TOTAL LIABILITIES | - | - |
| STOCKHOLDERS' EQUITY | 73,804,537 | 71,896,647 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 73,804,537 | $ 71,896,647 |

| **STATEMENTS OF INCOME** | Years Ended 2024 | Years Ended 2023 |
|---|---|---|
| INCOME | $ 1,576,800 | $ 25,201,200 |
| EXPENSES: | | |
| Operating expenses | 10,230 | 28,093 |
| Income before income tax benefit and equity in undistributed earnings of subsidiaries | 1,566,570 | 25,173,107 |
| Applicable income taxes | - | - |
| Income before equity in undistributed earnings of subsidiaries | 1,566,570 | 25,173,107 |
| Equity in undistributed earnings of subsidiaries | 1,669,036 | (20,665,214) |
| Net income | $ 3,235,606 | $ 4,507,893 |

**NOTE 18. PARENT COMPANY FINANCIAL INFORMATION (continued)**

| STATEMENTS OF CASH FLOWS | Years Ended | |
|---|---|---|
| | 2024 | 2023 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | $ 3,235,606 | $ 4,507,893 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Equity in undistributed earnings of subsidiaries | (1,669,036) | 20,665,214 |
| Increase/(decrease) in accounts payable | - | (26,502) |
| Increase/(decrease) in income taxes payable | - | - |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 1,566,570 | 25,146,605 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Distribution from subsidiary | 20,400 | - |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 20,400 | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividends paid | (1,576,800) | (25,201,200) |
| NET CASH USED IN FINANCING ACTIVITIES | (1,576,800) | (25,201,200) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 10,170 | (54,595) |
| CASH AND CASH EQUIVALENTS, BEGINNING | 101,744 | 156,339 |
| CASH AND CASH EQUIVALENTS, ENDING | $ 111,914 | $ 101,744 |

# OFFICERS & EMPLOYEES

**JOHN R. WILSON, JR.**
President/Chief Executive Officer

**ALLISON W. JONES**
Executive Vice President

**MATTHEW B. CALL**
Senior Vice President/Chief Loan Officer

**MICHELLE M. DAUGHERTY**
Senior Vice President/Chief Credit Officer

**GREG M. MICK**
Senior Vice President/Chief Operations Officer

**PHILLIP J. BALL**
Senior Vice President/Chief Financial Officer

**LEIGH A. SHIRKEY**
Senior Auditor/Compliance Officer

**TIMOTHY A. PAXTON**
Vice President/Commercial Loan Officer

**A. KAYE TURLEY**
Assistant Vice President/Deposit Operations Manager

**BRYAN J. MCCALLISTER**
Bank Secrecy/Security Officer

**WILLIAM T. CAPEHART**
Information Technology Manager

**CLAUDIA S. LEADMAN**
Loan Operations Manager

**WHITNEY B. HARRIS**
HMDA/CRA Officer

**BETH J. CARNEFIX**
Branch Manager

**KELLY L. SHAW**
Branch Manager

**GARY L. FLETCHER**
Branch Manager

**THOMAS P. SCHMADER, IV**
Assistant Vice President/Commercial Loan Officer

**KATIE M. ALLEN**
Assistant Vice President/Consumer Loan Officer

**CORY B. KIDDER**
Assistant Vice President/Commercial Loan Officer

**DANNY G. MORRIS**
Consumer Loan Officer

**MARGIE M. WHITE**
Consumer Loan Officer

**DEVYN L. SMITH**
Consumer Loan Officer

**REBECCA L. FOSTER**
Vault Manager

**TINA M. LEADMON**
Paying & Receiving

**DENISE D. EDWARDS**
Accounting

**RHONDA L. FAIRCHILD**
Electronic Banking

**PENNY L. COLLIER**
Proof Operations

**DEBORAH R. MILTON**
Loan Operations

**TAMMY J. SOVINE**
Data Process Verification

**TINA M. ELLISON**
Bookkeeping

**JOY M. PERSINGER**
Paying & Receiving

**BETTY J. MORRIS**
Paying & Receiving

**SUZANNE A. CRAIGO**
Proof Operations

**KERA D. TAYLOR**
Audit Clerk

**CHERYL L. HALSTEAD**
Paying & Receiving

**DON C. CHAPMAN**
Bank Secrecy Assistant

**RETHA A. LEMON**
Paying & Receiving

**JONATHAN S. FISHER, II**
Credit Administrator

**JAMES S. CONIFF**
Evaluations/Appraisal Review

**JANET F. BENJAMIN**
Paying & Receiving

**MARY B. JORDAN**
Bookkeeping Manager

**ELIZABETH H. HANDLEY**
Paying & Receiving

**BRUCE A. SCARBERRY**
Building Maintenance

**PATRICIA J. THOMASSON**
Accounting Clerk

**ASHLEY R. SEARLS**
Bookkeeping

**MICHELLE R. JIVIDEN**
Assistant Branch Manager

**SHANNA N. WICKLINE**
Loan Operations

**CLAYTON E. WILLIS**
Construction Loan Manager

**D. ERIC HAYSLETT**
Human Resources Director

**CHARLES H. PEAK, III**
Credit Administrator

**DAWN R. MORGAN**
Assistant Branch Manager

**ANNDREA D. SPANGLER**
Assistant Vice President/Customer Service Representative

**RYAN L. EARY**
Assistant Branch Manager

**SHELIA M. YOUNG**
Loan Operations

**SARAH E. SHIRKEY**
Electronic Banking

**MICHELLE L. VANCE**
Bookkeeping

**SANDRA L. SOWARDS**
Paying & Receiving

**ELIZABETH A. ELLISON**
Loan Operations

**ELIZABETH E. JAYNES-HOBSTETTER**
Loan Operations

**BRITTANY N. NELSON**
Paying & Receiving

**DUSTIN R. PENDLEBERRY**
Paying & Receiving

**JAMES R. HOLSTINE**
Senior Credit Analyst

**RYAN M. WINGO**
Controller

**HANNA L. HUNT**
Loan Operations

**BRIAN E. DONOHOE**
Loan Operations

**RUSSELL R. AKERS II**
Senior Credit Analyst

**DYLAN R. QUENTRILL**
Paying & Receiving

**BRYCE A. RAINES**
Credit Analyst

**TAYLOR B. BARNETT**
Paying & Receiving

**JOSHUA R. STEELE**
Information Technology Assistant

**AMY A. ASHWORTH**
Bank Secrecy Assistant

**JESSICA L. CANTRELL**
Loan Receptionist

**EMILY P. ARMSTRONG**
Paying & Receiving

**AMBER I. LEE**
Paying & Receiving

**DAVID K. LAKE**
Bookkeeping

**A. DANIELLE FORTNER**
Bookkeeping

# BOARD OF DIRECTORS

**TIM HAYSLETT**
Chair of the Board
President / Hayslett Construction Company

**ROGER HAYSLETT**
Vice President / Hayslett Construction Company

**STEPHEN HODGES, JR.**
President / Stephen Hodges Home Builders, Inc.

**ALLISON W. JONES**
Executive Vice President

**BETH M. WILLIAMSON**
Owner / Halfway Market and Milton Flea Market

**JOHN R. WILSON, JR.**
President / Chief Executive Officer

**GLEN YEAGER**
Member / Yeager Land, LLC.

**GARY D. YOUNG**
President / G & G Builders, Inc.

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