Your Bank for Generations™

2024

ANNUAL REPORT

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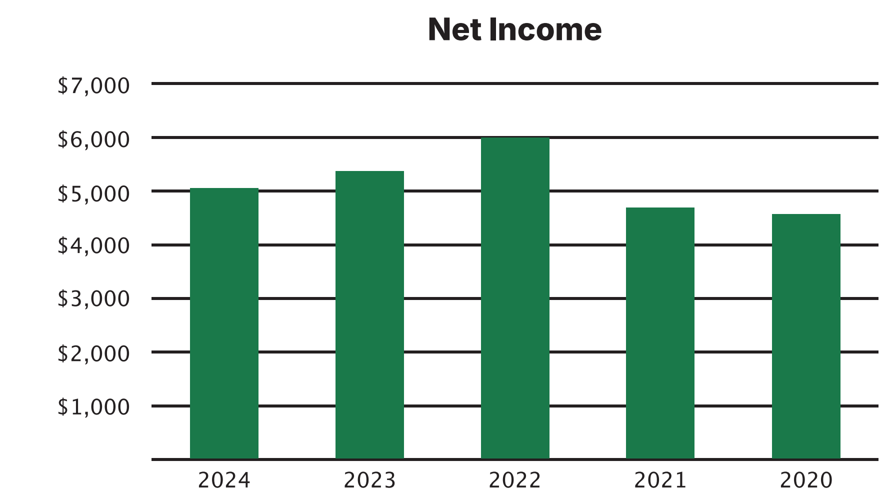
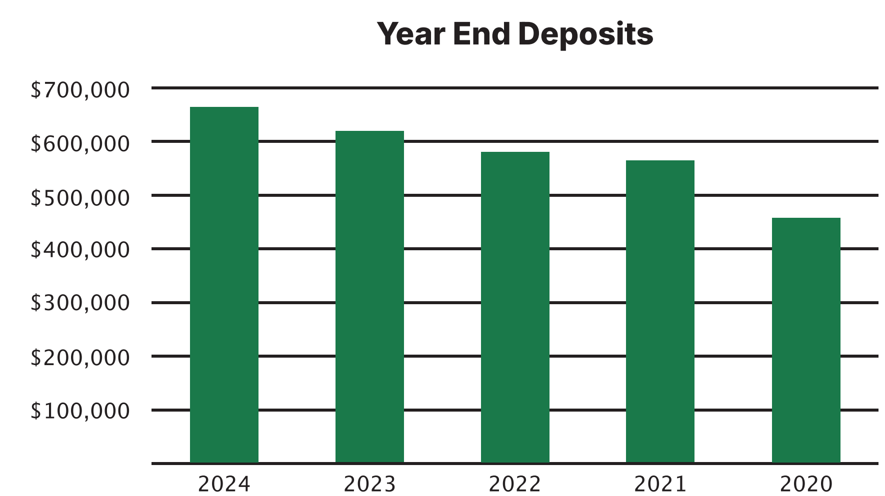
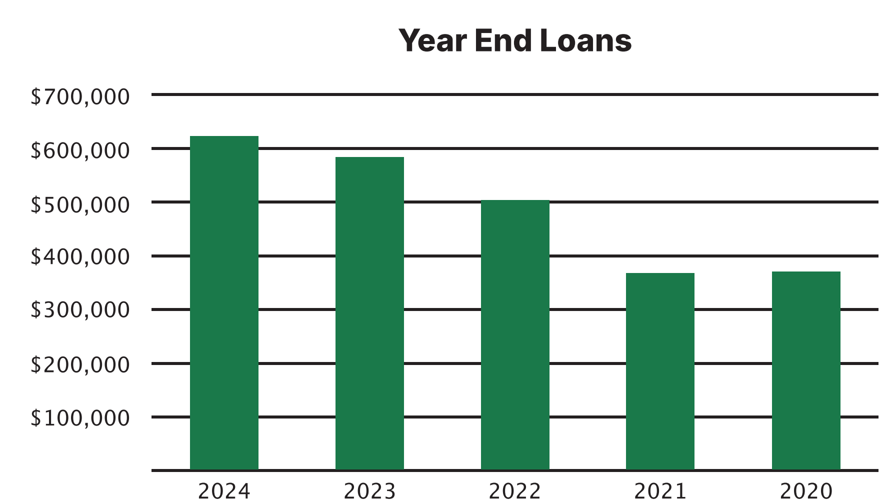
Financial Highlights

Years ended December 31
Dollars in thousands except per share data

	2024	2023	2022	2021	2020
Results of Operations					
Interest Income	$41,495	$35,268	$24,471	$19,974	$19,972
Interest Expense	($15,662)	($11,369)	($2,037)	($1,837)	($2,554)
Net Interest Income	$25,833	$23,899	$22,434	$18,137	$17,418
Provision for Credit Losses	($2,035)	($1,421)	($810)	($625)	($860)
Noninterest Income	$4,408	$4,147	$4,001	$3,932	$3,440
Noninterest Expenses	($22,194)	($20,386)	($18,052)	($15,750)	($14,366)
Income Taxes	($937)	($847)	($1,531)	($989)	($1,060)
Net Income	$5,075	$5,392	$6,042	$4,705	$4,572
Profitability Ratios					
Return on Average Assets	0.66%	0.75%	0.94%	0.80%	0.94%
Return on Average Equity	11.04%	13.05%	14.75%	10.31%	10.63%
Per Common Share					
Net Income	$6.15	$6.53	$7.32	$5.70	$5.49
Cash Dividends Declared	$2.48	$2.43	$2.38	$2.28	$2.20
Book Value	$57.40	$52.69	$46.88	$55.37	$53.35
Last Reported Market Price	$82.00	$78.00	$75.00	$72.00	$72.00
At Year End					
Assets	$778,208	$734,263	$658,251	$627,833	$515,138
Deposits	$665,862	$619,349	$580,745	$565,461	$475,657
Loans, Net	$622,724	$585,527	$504,540	$369,308	$370,548
Borrowings	$54,160	$62,418	$28,870	$11,050	$7,734
Stockholders' Equity	$47,080	$43,189	$38,425	$45,385	$43,732
Equity to Assets Ratio	6.05%	5.88%	5.84%	7.23%	8.49%
Total Capital Risk Weighted Assets Ratio - Bank	11.29%	10.67%	10.62%	13.33%	13.51%
Tier 1 Common Equity Ratio - Bank	10.45%	9.87%	9.92%	12.51%	12.56%







Dear Shareholder,

> **Not many businesses are able to withstand a century of challenges, change, and growth. It is an honor to remain an independent community bank celebrating 100 years.**

Each year as I write this letter for the Annual Report, I am reminded of the privilege I have to lead such a great organization. This year is no exception. While looking forward to sharing the results of this year, I'm excited to set the stage for 2025 and the unique milestone PCB will reach…100 years. Not many businesses are able to withstand a century of challenges, change, and growth. It is an honor to remain an independent community bank celebrating this anniversary.

As you review the timeline depicting various economic challenges throughout our history that correspond to PCB's transformation, I'm confident you will agree – not only have we survived, but we have thrived alongside the communities we serve. All this at a time where we have seen a significant reduction in community banks across our nation; including West Virginia and Virginia in comparison to those in existence when PCB moved to Franklin, West Virginia, in 1937. Very few banks open in one town but later move the entire bank to another town to meet the needs of the community, but we did. Since our humble beginnings in 1925 in Marlinton, we have followed a strategy that officially became our Vision and Mission in the early 2000s and made us who we are today.

The financial industry and PCB have faced substantial changes over the years. Each change produced opportunities and challenges that we traversed. The computerization and digital evolution of banking substantially changed how we do business and how the customer expects service to be delivered. We have tried to capture these changes in the digital timeline included in this report; however, I'm certain the outline doesn't fully showcase the significance of the impact of technology. We will ensure that we continue to keep technology at the forefront, allowing us to remain relevant, but we will never lose sight of the personal aspect of our business. We are relationship driven, and the perfect blend of "high tech" and "high touch" will usher us well into the next 100 years.

There have been many individuals who have helped chart the course of our company including our previous President/CEOs. I would like to specifically mention Richard Homan, who I had the privilege to work with and who served the organization from 1969 to 2010. Additionally, DC Harper (1964–1969), Summers Sharp (1927–1964), and Harry L. Byers (who served as Cashier from 1938 to 1968) provided leadership that positioned PCB to thrive for a century. There are many more directors and individuals who have helped build on our success who will be featured in next year's annual report as we continue to showcase our 100th year of operation. I would, however, like to specifically mention Roger Champ, who recently decided to move to "Director Emeritus" status in 2024. Roger served the organization well and is the last director of the Board that hired me in 2000. I would personally like to thank Roger for his many years of service and support. And, while not sufficient relative to his service, please note his recognition in this year's report.

A century of community banking is significant, but it is also important to highlight 2024's financial performance and share what's on the horizon in this communication. We continued to operate during 2024 in an environment of the longest inverted yield curve in history, pressure on net interest margins, and heightened liquidity pressures. I'm confident that our past emphasis on balance sheet management and the hard work of our team allowed us to successfully navigate these challenges. Consequently, 2024 proved to be another successful year for PCB and by extension ABI. Total assets grew $44.0 million from year-end 2023 to $778.2 million in 2024. Total loans grew $38.0 million over 2023's level and the resulting increased revenue from this growth supported increased operational expenses and funding necessary for this loan growth. We ended the year reporting net income of $5,074,636. This represents a slight reduction in revenue from 2023 when comparing the two years; however, given the margin pressures noted earlier and increased allocation to the reserve for loan losses to support our loan growth, I am very pleased with this year's performance. As we look to 2025, we are starting to see a change in the economic landscape that we believe will be positive for our net interest margin and earnings growth in the future.

I mentioned earlier our upcoming 100-year milestone. Throughout 2025 we will be celebrating this accomplishment. We have outlined the various events we have planned during the year at our various financial centers. I hope to see you at one of these events; however, mark your calendar for October 4, 2025. This is the date we will corporately and collectively celebrate and thank our communities for 100 years. Make plans to join us in Franklin on this date to help us celebrate.

I would like to thank you, our shareholders, for your continued support – many of you navigating the noted changes in the industry, while continuing your trust and faith in us. This support is not taken lightly. Also, to the dedicated team and directors that have worked tirelessly on many of these changes and evolutions, thank you! Without everyone's support, 2024's success would not have been possible, nor would we be looking forward to celebrating 100 years.

Finally, in closing, as you review the financial highlights, financial documents, and other elements of this year's report, should you have any questions or wish to discuss an item further, please feel free to contact me.

Respectfully,

William A. Loving, Jr.
President & CEO, Allegheny Bancshares, Inc.
CEO, Pendleton Community Bank

Historical Timeline

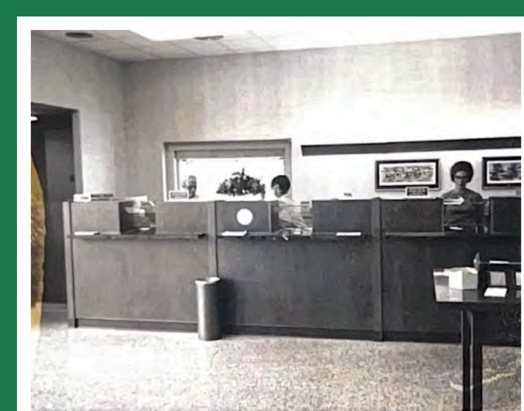
1925 Farmers & Merchants Bank of Marlinton, West Virginia, is established.

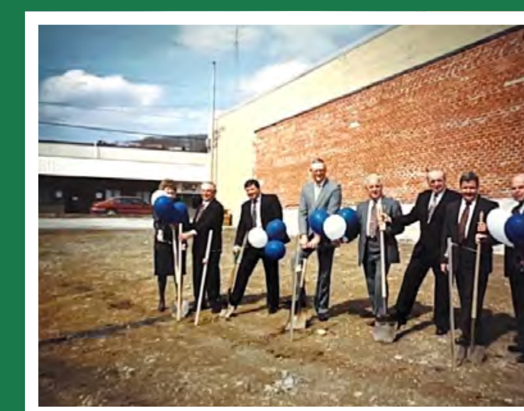
1929 The Great Depression causes the deepest economic downturn in American history.

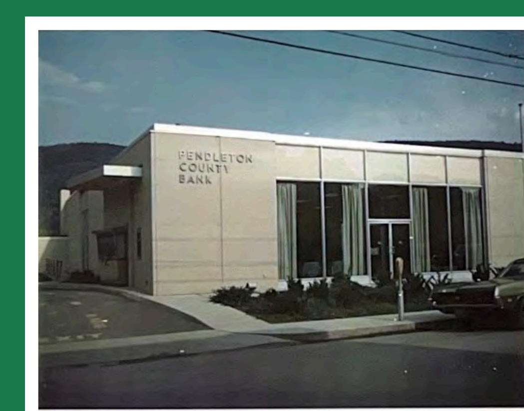
1931 All financial institutions located in Pendleton County, West Virginia, have failed.

1932 The Great Depression worsens as nearly 10,000 banks collapse and the nation’s unemployment rate nears 25%.

1933 President Franklin D. Roosevelt halts a bank run by declaring a four-day bank holiday and ends the international gold standard. Congress then passes the Emergency Banking Act, creating the Federal Deposit Insurance Corporation (FDIC) to safeguard depositors from bank failures.







1937 After being approached by community leaders in Franklin, West Virginia, the shareholders of Farmers and Merchants Bank of Marlinton vote to move the bank’s location to Franklin. The bank is renamed Pendleton County Bank and its asset size is $231 thousand.

1941 The United States enters World War II. Massive government spending for World War II triggers an economic boom that ultimately brings an end to the Great Depression.

1968 Pendleton County Bank relocates in Franklin, West Virginia, to its current site of operation. The bank’s asset size is $4.7 million.

1980 The United States experiences an economic recession, with inflation reaching 13.5%.

1989 The widespread collapse of savings and loan associations result in $160 billion in losses, which significantly impacts the financial ecosystem.

1997 Substantial renovations take place at the Franklin Financial Center to modernize the facility.

1999 Pendleton County Bank serves the community for over 60 years with one office before expanding into Hardy County with the addition of the Moorefield Financial Center. The bank’s asset size is $116.9 million.

2001

Pendleton County Bank revisits its roots by returning to Marlinton and opens a financial center to serve the community. That same year, the shareholders and management team of Pendleton County Bank make the decision to change the financial institution's name to Pendleton Community Bank (PCB) to better represent all stakeholders. The bank's asset size is $123.3 million.

2002

Allegheny Bancshares, Inc., the holding company for PCB, is established.

2006

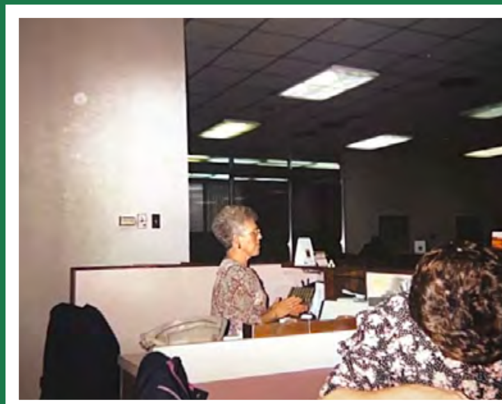
PCB expands its footprint into Virginia and opens a financial center in Harrisonburg on Route 33 and Monte Vista Drive. Many clients from Pendleton County are traveling to Harrisonburg for work or errands, and this financial center helps better serve the bank's customer base. The bank's asset size is $183.6 million.

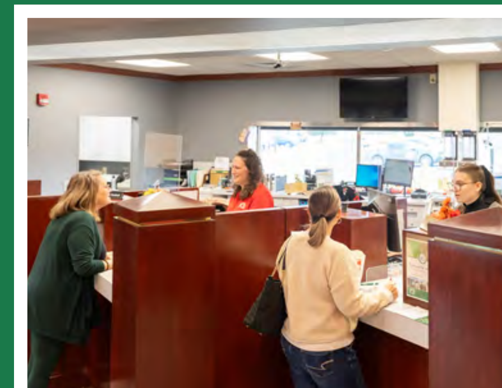
2007

The bursting of the "housing bubble" triggers the subprime mortgage crisis and the Great Recession, once again plunging the banking system into turmoil.

2009

Expansion continues when PCB acquires two branches from Citizens National Bank of Elkins – one in Petersburg and one in Marlinton. Moving into Grant County helps position the financial institution for further growth in northern West Virginia. The Marlinton location is consolidated with the existing PCB financial center. The bank's asset size is $242.4 million.





2014

The decision is made to help build out the Hardy County footprint by adding a loan production office in Wardensville, West Virginia in 2014. The bank's asset size is $267.5 million.

2016

PCB continues expanding its Virginia footprint and opens a financial center in Downtown Harrisonburg, Virginia. The location opens the door for greater commercial activity in the Virginia market. The bank's asset size is $276.3 million.

2019

PCB purchases The Bank of Mount Hope with locations in Beckley, Mount Hope, and Oak Hill, West Virginia. The acquisition further strengthens the bank by enlarging PCB's footprint in the southern market and welcomes new team members and customers. PCB also converts the Wardensville loan production office into a full service financial center. The bank's asset size is $442.2 million.

2021

PCB acquires three financial centers in Bridgewater, Harrisonburg, and Staunton, Virginia, from Carter Bank & Trust. The expansion is strategically beneficial in that it meets the needs of current customers in Harrisonburg and opens the door for new opportunity in Bridgewater and Staunton. The bank also opens a Loan Production Office in Staunton on the north end of town. The bank's asset size is $627.8 million.

2024

The Staunton, Virginia, loan production office is converted into a full service financial center, establishing PCB's 14th location. The bank's asset size is $778.2 million.

Celebrating a Century of Community Banking

In 2025, PCB celebrates 100 years of community banking!

We certainly would not be where we are today without your continued support, and to say thank you, we invite you to join us at an upcoming event to celebrate the milestone.

Moorefield
1/10/25 – 12pm to 4pm

Beckley
2/14/25 – 12pm to 4pm

Harrisonburg Downtown
3/14/25 – 12pm to 4pm

Mount Hope
4/11/25 – 12pm to 4pm

Wardensville
5/9/25 – 12pm to 4pm

Staunton North Augusta
5/17/25 – 8am to 12pm

Harrisonburg South Main
6/13/25 – 12pm to 4pm

Bridgewater
7/11/25 – 12pm to 4pm

Oak Hill
7/25/25 – 12pm to 4pm

Petersburg
8/8/25 – 12pm to 4pm

Harrisonburg West
9/12/25 – 12pm to 4pm

Franklin
10/4/25 – 1pm to 5pm

Staunton Frontier
11/14/25 – 12pm to 4pm

Marlinton
12/12/25 – 12pm to pm

Building Customer Relationships

We understand that banking is about more than just transactions; it's about building relationships. For a century, we have put people first and enjoy building relationships with our family of customers. PCB launched a variety of new products and services, as well as opened a new full-service financial center, to best serve the evolving needs of our customers.

In September 2024, PCB was excited to open its second Financial Center in Staunton. The North Augusta Street location converted from a Loan Production Office to full-service Financial Center to complement our existing office on Frontier Drive. The Augusta County team celebrated with a ribbon cutting on October 2, 2024.

To improve the customer experience, the bank launched contactless debit cards. Cards can now be tapped for quick and easy transactions at any merchant that accepts contactless payments. Or, customers can add their debit card to a mobile wallet like Apple or Google Pay.

PCB also developed a contactless co-branded affinity debit card with WVU Tech... bank with purpose and Golden Bear spirit! Every debit card transaction supports current and future generations of students facing financial hardship and allows them to continue pursuing their dreams. We believe this is "Communiversity" at its best, and a way the entire community can financially support and promote WVU Tech by simply using their card for day-to-day purchases.

Digital Evolution

Over the past century, the evolution of technology has greatly impacted the banking industry. PCB continues to adapt, form partnerships, and roll out new digital solutions to empower our customers with 24/7 access to their finances.

1974

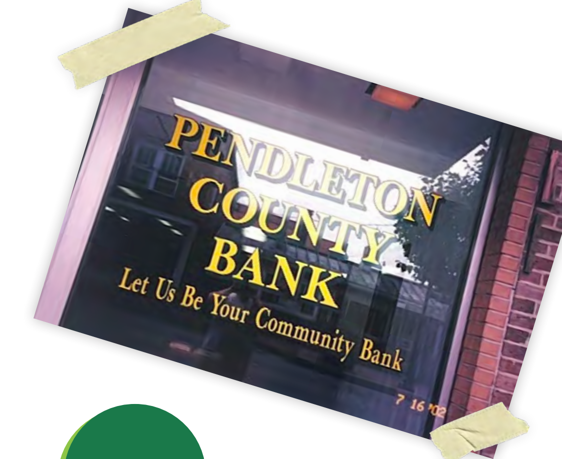
The personal computer is invented.

1993

The World Wide Web becomes available to the broader public revolutionizing the Internet.

1996

PCB installs the first ATM at the Franklin Financial Center following an office renovation. ATM cards are also rolled out to customers.



2002

PCB replaces current item processing equipment and introduces image statements.

2003

Telephone banking is launched as a new product, giving customers access to their account information and support outside of regular banking hours.

2004

PCB launches our website as well as online banking and bill pay, allowing customers more access to their finances.

2007

The first iPhone is released, making smartphones mainstream.

2011

PCB launches mobile banking, giving customers access to their banking information anytime, anywhere. The bank also refreshes the look and feel of the website.

2019

PCB undergoes another website refresh.

2023

PCB rolls out Banno, a modern and user-friendly digital banking solution and also introduces a customer chat feature.

2024

PCB unveils a new, modern website offering expanded features and positions the bank to further provide additional digital banking products and services.

Helping Our Community

From our humble beginnings in 1925, PCB has always believed in giving back and making a difference in the communities we serve. That is why we are dedicated to giving back through contributions, sponsorships, and volunteerism. When our communities succeed, we succeed.

Throughout 2024, PCB contributed the following in our communities:

- $210,000 in financial contributions
- 300 organizations helped
- 5,464 volunteer hours
- 200 events supported

Our Mission, Vision, and Values

Our Mission

PCB, an Independent Community Bank, is dedicated to facilitating financial success for our customers, encouraging professional success for our team members, and stimulating economic growth in our communities, thereby enhancing the value of Your Bank®.

Our Vision

To be a company that focuses on our family – team members, customers, and communities – while maximizing shareholder value.

Our Values

- Utmost Integrity
- Customer Driven
- Team Member Focused
- Community Centered

Board of Directors

William Loving
President & CEO, Allegheny Bancshares, Inc
CEO, Pendleton Community Bank

Chad Branson | Chair
Associate Broker,
Old Dominion Realty

Laura Simpson Evick | Vice Chair
Partner, Hoover Penrod, PLC

Dr. William Bosley | Secretary
Owner, Bosley Eye Care Inc.

Dennis Wenger
Owner, Spectrum Land &
Home Services LLC

Mike Lively
Retired Commercial Insurance Agent

Ryan Boggs, CPA
Partner, Beachy Arehart PLLC

T. Ramon Stuart, Ph.D.
President, WVU Institute
of Technology

William Beard, Jr.
Farmer

Celebrating Roger Champ, Director Emeritus

For over 30 years, Roger Champ faithfully served as a Member of our Board of Directors, and in 2024, retired from his position. He is an important piece of our family and as such will continue serving as a Director Emeritus.

During his tenure, Roger's commitment to PCB extended beyond the board room. You'd often find him attending community events, serving hot dogs at Customer Appreciation Day, or just dropping by the office to chat. Although he has retired, we know we'll continue to see him often and look forward to those interactions.

Congratulations, Roger, and thank you! Wishing you a restful retirement enjoying time with family, friends, and many successful hunting trips.

PCB Advisory Boards

Harrisonburg-Rockingham County, Virginia Advisory Board

Bernard Hamann
Owner & CMO, Rocktown Realty

Catherine Slusher
OB/GYN Provider, Sentara Obstetrics, Gynecology & Midwifery Specialists

Chris Rooker
Associate Broker, Nest Realty Shenandoah Valley

Hahns Kanode
Agronomy Consultant, Houff Corporation; Business Owner

Lewis Horst
President & CEO, Shen-Valley Custom

Troy Suter
President & CEO, LD&B Insurance and Financial Services

Staunton-Augusta County, Virginia Advisory Board

Allen Dahl
Business Partner, Triangle Real Estate Group

Andrew Wiley
Owner, Consumers Auto Warehouse

Butch Smiley
CEO, Frontier Culture Museum

Charlie Bishop
Real Estate Agent, Premier Properties

Jeff Ramsey
Business Entrepreneur

Scott Simons
Business Entrepreneur

Raleigh-Fayette Counties, West Virginia Advisory Board

Cindy Bower
CPA, Cynthia R Bower

Jimmy Songer
Retired Commercial Insurance Agent

Kenny Howell
Athletic Director, WVU Tech

Kevin Willis
Owner, DTE Repair & Towing, The Frozen Barn

Marla Sinko
Realtor and Broker, Glade Springs Real Estate

Matt Stanley
President, CEO, Chairman of the Board, Beckley Water Company

Mike Kessinger
Mayor, City of Mount Hope

Paige Ward
Owner, United Cycle

Scott Underwood
Owner, American Campers

Tiffany Kapp, MBA
President, Compliance WV

Team Members Years of Service

Sheldon Arbaugh – EVP WV Area Executive | 29 Years
Rhonda Tredway – VP Business Development Officer | 25 Years
Bill Loving – Chief Executive Officer | 24 Years
Tammy Clutter – VP Information Security Officer | 23 Years
Erin Sites – VP Assistant Chief Financial Officer | 22 Years
Kathy Parker – VP Executive Assistant / Investor Relations | 22 Years
Amanda Smith – SVP Products & Service Director | 21 Years
Josh Byers – EVP Chief Credit Officer | 20 Years
Mark Williams – VP Director of Compliance | 18 Years
Joseph Vetter – VP Market Leader | 13 Years
Monika Marshall – SVP Human Resources Director | 13 Years
Kendall Beverage – VP Market Leader | 10 Years
Stephanie Kile – VP Operations Manager | 8 Years
Jonah Pence – EVP VA Area Executive & Chief Banking Officer | 5 Years
Tammy Kesner – EVP Chief Financial Officer | 4 Years
Neil Hayslett – President / Chief Operating Officer | 4 Years
JT Bishop – SVP Market Leader | 4 Years
Aaron Green – EVP Chief Lending Officer | 4 Years
Sarah Hale – VP Business Banking Officer | 4 Years
Kelsey Dean – VP Marketing Director | 3 Years
Dave Martin – VP Facilities Manager / Security Officer | 3 Years
Karen Ewing – VP Market Leader | 3 Years
Mike Deel – VP Chief Information Officer | 3 Years
Jordan Dean – VP Market Leader | 2 Years
Ryan May – VP Director of Dealer Finance | 2 Years
Natalie Strickler-Alt – VP Financial Center Administrator | 1 Year
Joanie Ours – VP Business Development Officer | <1 Year

38 years

Tony Calhoun

25-30 years

Joy Hersey
Diana Williams
Tammy Smith

20-25 years

Margaret Shriver
Donna Idleman
Lori Roberson
Leigh Richardson
Trina Whitt
Misty Taylor
Debbie Propst
Nancy Mallow
Evelyn Simmons

15-20 years

Tammy Davis
Marc Craun
Selina King
Teresa Heavner
Trish Flynn
Darla Jones
Brittany Mitters
Holly Beachler
Kim Fox
Sharon Stickley
Julie Pence
Duwan Romage
Susan Payne
Katie Sinnett
Samantha Farley

10-15 years

Linda Walker
Dayne Davis
Angel Dove
Yvette Britt-Boggess
Jessica Basagic
Michelle Bickford
Nick Yoder
Sarah Burns
Judy Snyder
Christina Branham
Sam Puchany
Laura Roadcap

5-10 years

Steven Gravely
Katie Jackson
Nicole Marsh
Missy Elliott
Natasha Simmons
Donna Miller
Clay Richardson
Carly Knicely
Rebekah Byers
Casey Goldizen
Christopher Mabes
Teri Dion
Kimberly Reyes
Brionna Hartman
Diana Ramirez
Kelcy Young
Joan Mathias
Crystal Merrick

0-5 years

Holly Bailey
Doreen D'Alberti
Darla Ruddle
Allie Sharp
Chelsey Simmons
Courtney Martiny
Barbie Gowl
Caleb Elswick
Hillary Mclaughlin
Katie Ours
James Sneed
Michael Parker
Jaime McDonald
Kerry Watkins
Amy Nazelrodt
Michelle Galindo
Amanda Teter
Emily Elliott
Heather Porcella
Ashleigh Moon
Melinda Cutlip
Constance Heavenrich
Pam Atkins
Katrina Copley
Cassie Carter
Karlee Hinkle
Miranda Foreman
Destiney Shifflett
Caitlin Hise
Shelia Burnett
Abbie Cox
Jared Lively
Sage Massie
Zoe Crook
Jessica Orellana
Chelsey Lam
Sydney Maldonado
Clayton Justice
Taylor Southerly
Josh Edmonds
Serenity Henry
Chloe Horst
Vince Harlow
Sean Manning
Jennifer Acord
Haleigh Bulman
Kristin Catterton
Dawn Mallow
Courtney Gilkerson
Jessica Chew
Matt Martin
Lauren Dunbrack
Regina Sparks
Tianna Rodgers
Jordan Branner
Leah Renner
Lexi Bryant
Abbey Fisher
Katelyn Turner
Brandi Cantley
Anna Helmick
Brayden Lueders
Chantay Fields
Kristie Siron
Kristi Martin
Denise Coniglio
Emily Conley

Our All In Team Members

All In team members live out PCB's values in the community and lead by example within the organization. Each month, team members are nominated and voted for by their peers. The winner receives a reward, recognition, and PCB makes a charitable donation back to a nonprofit selected by our monthly winner.

January – Jessica Orellana | Rockingham Harrisonburg SPCA

February – Nancy Mallow | Pendleton Senior and Family Services

March – Rhonda Tredway | New River Humane Society

April – Allie Sharp | Pocahontas County Energy Express

May – Linda Walker | AWAY

July – Christina Branham | Grant Memorial Hospital - Auxiliary

September – Katie Jackson | Stone Haven

October – Jessica Basagic | Warner's Drive-In

November – Sharon Stickley | Rockingham Harrisonburg SPCA

December – Kerry Watkins | Pocahontas County Family Resource Network

All In Team Member of the Year: *Katie Jackson*

Our Financial Centers

Virginia Offices

Bridgewater, VA
Harrisonburg, VA (Downtown)
Harrisonburg, VA (South Main)
Harrisonburg, VA (West)
Staunton, VA (Frontier)
Staunton, VA (North Augusta)

West Virginia Offices

Beckley, WV
Franklin, WV
Marlinton, WV
Moorefield, WV
Mount Hope, WV
Oak Hill, WV
Petersburg, WV
Wardensville, WV

Please, visit yourbank.bank for a complete list of financial center addresses and phone numbers.


PENDLETON COUNTY BANK
Let Us Be Your Community Bank
FDIC

Local and Statewide Honors

Best of West Virginia
West Virginia Living Magazine

Best Bank

Valley Favorites
The News Virginian

Favorite Bank
Favorite Mortgage Company
Favorite Place to Work

Shenandoah Valley Best
Harrisonburg Radio Group

Best Ag Lender
Best Customer Service
Best Home Mortgage
Best Bank

Best of the Valley
Daily News Record

Best Company to Work For
Best Mortgage Company
Best Bank (*Finalist*)

Best of Fayette County Readers' Choice Awards
The Fayette Tribune

Best Bank

Your Bank for Generations™

2024

ANNUAL REPORT

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ALLEGHENY BANCSHARES, INC.
ANNUAL DISCLOSURE STATEMENT

December 31, 2024

This **ANNUAL DISCLOSURE STATEMENT** is being provided by the management of the bank. The information is the representation of management and is correct in all material respects to the best of management's knowledge.

This statement has not been reviewed, or confirmed for accuracy or relevance, by the Federal Deposit Insurance Corporation.

Sincerely,

William A. "Bill" Loving, Jr., CLBB
CEO

Allegheny Bancshares, Inc.
PO Box 487
Franklin, WV 26807
PH: 304-358-2311
Fax: 304-358-7997

800.464.1976
YHBcpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Allegheny Bancshares, Inc.
Franklin, West Virginia

Opinion

We have audited the accompanying consolidated financial statements of Allegheny Bancshares, Inc. and its subsidiary (the Company), which comprise the consolidated statements of financial condition as of December 31, 2024 and 2023, the related consolidated statements of income, comprehensive income, cash flows and changes in stockholders' equity for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 the Company'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 financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Other Information Included in the Annual Report

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

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

Yount, Hyde & Barbour, P.C.

Owings Mills, Maryland
March 20, 2025

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2024 AND 2023

	2024	2023
ASSETS		
Cash and due from banks	$ 9,202,488	$ 9,891,811
Fed funds sold and interest-bearing deposits in banks	14,590,086	163,574
Cash and cash equivalents	23,792,574	10,055,385
Certificates of deposit in other banks	600,000	1,716,227
Investment securities available for sale, at fair value	87,184,403	94,097,944
Restricted equity securities, at cost	2,146,195	2,533,295
Loans held for investment	627,760,799	589,856,060
Less: allowance for credit losses	(5,036,853)	(4,329,118)
Net loans held for investment	622,723,946	585,526,942
Bank premises and equipment, net	10,067,106	10,017,317
Interest receivable	2,888,735	2,881,537
Goodwill	5,117,001	5,117,001
Core deposit intangible, net	841,612	1,003,612
Bank owned life insurance	12,719,468	12,404,615
Other assets	10,126,479	8,909,338
Total Assets	$ 778,207,519	$ 734,263,213
LIABILITIES		
Deposits		
Noninterest bearing	$ 153,832,030	$ 157,521,453
Interest bearing:		
Demand	88,726,901	79,874,996
Savings	235,414,888	219,283,647
Time deposits over $250,000	39,837,601	33,830,722
Other time deposits	148,050,408	128,837,729
Total Deposits	665,861,828	619,348,547
Securities sold under agreements to repurchase	85,002	148,993
Subordinated debt	14,875,000	9,900,000
Federal Home Loan Bank advances	39,285,088	52,518,127
Accrued expenses and other liabilities	11,020,821	9,158,196
Total Liabilities	731,127,739	691,073,863
STOCKHOLDERS' EQUITY		
Common stock; $1 par value, 2,000,000 shares authorized, 784,554 shares issued in 2024 and 2023	784,554	784,554
Class A Common stock; $1 par value, 2,000,000 shares authorized, 108,872 shares issued in 2024 and 2023	108,872	108,872
Class B Common stock, $1 par value, 2,000,000 shares authorized, 6,574 shares issued in 2024 and 2023	6,574	6,574
Additional paid in capital	910,000	900,000
Retained earnings	57,582,220	54,555,957
Accumulated other comprehensive loss	(7,660,693)	(8,484,860)
Common Treasury stock (at cost, 75,987 and 76,487 shares, respectively)	(4,423,627)	(4,453,627)
Class A Treasury stock (at cost, 3,785 shares)	(227,100)	(227,100)
Class B Treasury stock (at cost, 17 shares)	(1,020)	(1,020)
Total Stockholders' Equity	47,079,780	43,189,350
Total Liabilities and Stockholders' Equity	$ 778,207,519	$ 734,263,213

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Interest Income:		
Loans and fees	$ 38,084,710	$ 32,209,305
Interest bearing deposits in banks	851,318	242,559
Investment securities – taxable	2,179,719	2,385,019
Investment securities – nontaxable	378,947	430,824
Total Interest Income	41,494,694	35,267,707
Interest Expense:		
Interest on deposits	12,718,540	8,485,458
Interest on borrowings	2,942,976	2,883,803
Total Interest Expense	15,661,516	11,369,261
Net Interest Income	25,833,178	23,898,446
Provision for credit losses	2,035,258	1,420,791
Net Interest Income After Provision for Credit Losses	23,797,920	22,477,655
Noninterest Income:		
Service charges, fees and commissions	1,619,491	1,660,969
Increase in cash value of bank owned life insurance	314,853	282,087
Gain on sale of Visa Stock	--	102,502
Loss on sale of available for sale securities, net	--	(14,663)
Other income	2,473,839	2,116,237
Total Noninterest Income	4,408,183	4,147,132
Noninterest Expense:		
Salaries and benefits	12,606,016	11,478,190
Occupancy expenses	1,256,611	1,195,367
Equipment expenses	1,978,195	2,132,902
Director fees	456,648	475,371
Core deposit intangible amortization	162,000	162,000
Gain on sale of other real estate owned, net	--	(11,618)
Other expenses	5,734,886	4,953,329
Total Noninterest Expenses	22,194,356	20,385,541
Income before Income Taxes	6,011,747	6,239,246
Income Tax Expense	937,111	847,235
Net Income	$ 5,074,636	$ 5,392,011
Net Income per share of Common, basic and diluted	$ 6.15	$ 6.53
Net Income per share of Common Class A, basic and diluted	$ 6.45	$ 6.86
Net Income per share of Common Class B, basic and diluted	$ 6.76	$ 7.18
Cash dividends paid per share of Common	$ 2.48	$ 2.43
Cash dividends paid per share of Common Class A	$ 2.60	$ 2.55
Cash dividends paid per share of Common Class B	$ 2.73	$ 2.67
Weighted Average Shares Outstanding, Common	708,124	708,067
Weighted Average Shares Outstanding, Common Class A	110,341	110,341
Weighted Average Shares Outstanding, Common Class B	7,213	7,213

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Net Income	$ 5,074,636	$ 5,392,011
Other comprehensive income		
Unrealized gains arising during the period on available for sale securities	1,042,849	1,993,030
Adjustment for income tax expense	(218,998)	(418,536)
	823,851	1,574,494
Reclassification adjustment for net losses (gains) included in net income	400	(87,839)
Adjustment for income tax (benefit) expense	(84)	18,341
	316	(69,498)
Total other comprehensive income	824,167	1,504,996
Total comprehensive income	$ 5,898,803	$ 6,897,007

See accompanying notes to consolidated financial statements.

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

	2024	2023
Cash Flows from Operating Activities:		
Net Income	$ 5,074,636	$ 5,392,011
Adjustment to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	2,035,258	1,420,791
Depreciation and amortization	774,039	731,182
Core deposit intangible amortization	162,000	162,000
Net amortization of available for sale securities	334,880	341,005
Right of use asset amortization	170,647	163,699
Gain on sale of Visa Stock	--	(102,502)
Loss on sale of available for sale securities, net	--	14,663
Loss on sale of bank premises and equipment	2,709	918
Deferred income tax benefit	(271,043)	(249,576)
Increase in bank owned life insurance	(314,853)	(282,087)
Gain on sale of other real estate owned, net	--	(11,618)
Net change in interest receivable	(7,198)	(596,930)
Net change in other assets	(1,335,427)	(1,171,239)
Net change in accrued expense and other liabilities	1,862,625	498,166
Net Cash Provided by Operating Activities	8,488,273	6,310,483
Cash Flows from Investing Activities:		
Proceeds from sales, calls and maturities of available for sale securities	7,621,509	9,914,422
Purchase of restricted equity securities	--	(1,523,400)
Redemption of restricted equity securities	387,100	--
Proceeds from sale of other real estate owned	--	11,618
Purchase of bank premises and equipment	(826,536)	(1,304,696)
Net changes in loans	(39,232,262)	(82,407,802)
Maturities of certificates of deposits in other banks	1,116,227	377,175
Net Cash Used in Investing Activities	(30,933,962)	(74,932,683)
Cash Flows from Financing Activities:		
Net change in demand and savings deposits	21,293,723	(6,080,488)
Net change in time deposits	25,219,558	44,683,981
Net change in securities sold under agreements to repurchase	(63,991)	(1,528,216)
Proceeds from issuance of subordinated debt	4,975,000	400,000
Proceeds from Federal Home Loan Bank advances	--	33,148,088
Repayment of Federal Home Loan Bank advances	(13,233,039)	--
Proceeds from sale of treasury stock	40,000	--
Cash dividends paid	(2,048,373)	(2,006,082)
Net Cash Provided by Financing Activities	36,182,878	68,617,283
Cash and Cash Equivalents		
Net increase (decrease) in cash and cash equivalents	13,737,189	(4,917)
Cash and cash equivalents, January 1	10,055,385	10,060,302
Cash and cash equivalents, December 31	$ 23,792,574	$ 10,055,385
Supplemental Disclosure of Cash Paid During the Year for:		
Interest	$ 15,282,137	$ 10,871,601
Income taxes	$ 460,000	$ 1,312,681
Supplemental Schedule of Noncash Investing and Financing Activities:		
Unrealized gains on securities available for sale	$ 1,043,249	$ 1,905,057

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	Total	Common Stock	Class A Common Stock	Class B Common Stock
Balance December 31, 2022	$ 38,425,075	$ 784,554	$ 108,872	$ 6,574
Net Income	5,392,011	---	---	---
Other Comprehensive Income	1,504,996	---	---	---
Adoption of ASU 2016-13	(126,650)	---	---	---
Dividends Paid	(2,006,082)	---	---	---
Balance December 31, 2023	$ 43,189,350	$ 784,554	$ 108,872	$ 6,574
Net Income	5,074,636	---	---	---
Other Comprehensive Income	824,167	---	---	---
Sales of Treasury Stock	40,000	---	---	---
Dividends Paid	(2,048,373)	---	---	---
Balance December 31, 2024	$ 47,079,780	$ 784,554	$ 108,872	$ 6,574

See accompanying notes to consolidated financial statements.

Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Common Treasury Stock	Class A Treasury Stock	Class B Treasury Stock
$ 900,000	$ 51,296,678	$ (9,989,856)	$ (4,453,627)	$ (227,100)	$ (1,020)
---	5,392,011	---	---	---	---
---	---	1,504,996	---	---	---
---	(126,650)	---	---	---	---
---	(2,006,082)	---	---	---	---
$ 900,000	$ 54,555,957	$ (8,484,860)	$ (4,453,627)	$ (227,100)	$ (1,020)
---	5,074,636	---	---	---	---
---	---	824,167	---	---	---
10,000	---	---	30,000	---	---
---	(2,048,373)	---	---	---	---
$ 910,000	$ 57,582,220	$ (7,660,693)	$ (4,423,627)	$ (227,100)	$ (1,020)

See accompanying notes to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Allegheny Bancshares ("Company") is a bank holding company and operates under a charter issued by the state of West Virginia. The Company owns all of the outstanding stock of Pendleton Community Bank ("Bank"), which operates under a charter issued by the State of West Virginia. The Bank provides commercial banking services to customers and is headquartered in Pendleton County, West Virginia. As a state-chartered bank, the Bank is subject to regulation by the Department of Banking for the State of West Virginia and the Federal Deposit Insurance Corporation. The Bank is engaged in the general commercial banking business offering a full range of banking services focused primarily towards serving individuals, small businesses, the agricultural industry, local government entities, and the professional community.

The Bank's primary trade area includes the West Virginia localities of Pendleton, Grant, Hardy, Pocahontas, Greenbrier, Fayette, and Raleigh counties, with full service financial centers in the towns of Franklin, Marlinton, Moorefield, Petersburg, Wardensville, Mount Hope, Beckley, and Oak Hill. The institution currently operates six financial centers in the Virginia communities of Harrisonburg, Bridgewater and Staunton, and a loan production office in Harrisonburg.

The accounting and reporting policies of the Company and its subsidiary conform to U.S. generally accepted accounting principles and to accepted practice within the banking industry. A summary of significant accounting policies is as follows:

Classes of Common Stock –The Company has three classes of common stock as follows: Common Stock, Class A Common Stock and Class B Common Stock. Common Stock has full voting rights on any and all matters that come before a vote of the Company's shareholders.

Class A Common Stock shareholders receive a 5% premium over the dividend paid on Common Stock, and Class A shareholders are only allowed to vote if shareholders are being asked to approve a merger, consolidation, conversion or sale of assets outside the normal course of business. Class A Common Stock will have a liquidation preference over Common Stock and Class B Common Stock.

Class B Common Stock shareholders receive a 10% premium over the dividend paid on Common Stock, and Class B shareholders are only allowed to vote if shareholders are being asked to approve a merger, consolidation, conversion or sale of assets outside the normal course of business. Class B Common Stock will have a liquidation preference over Common Stock, but after Class A Common Stock.

Consolidation Policy – The consolidated financial statements include Allegheny Bancshares, Inc. and Pendleton Community Bank. All significant intercompany balances and transactions have been eliminated.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for credit losses and the valuation of real estate in connection with foreclosures or in satisfaction of loans. In connection with the determination of the allowances for credit losses and foreclosed real estate, management obtains independent appraisals for significant properties.

While management uses available information to recognize loan losses, future additions to the allowance may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as a part of their routine examination process, periodically review the Company's allowance for credit losses. Such agencies may require the Company to recognize additions to the allowance based on their judgments about information available to them at the time of their examinations. Because of these factors, it is reasonably possible that the allowance for credit losses may change materially in the near term.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Cash and Cash Equivalents – Cash and cash equivalents as used in the consolidated statement of financial condition and consolidated cash flow statements is defined as cash on hand and noninterest bearing and interest-bearing funds at correspondent institutions.

Investment Securities – Investment securities which the Company intends to hold for indefinite periods of time, including investment securities used as part of the Company's asset/liability management strategy, are classified as available for sale. These investment securities are carried at fair value.

Interest and dividends on securities and amortization of premiums and accretion of discounts on securities are reported as interest income using the effective interest method. Gains and losses on the sale of investment securities are determined using the specific identification method.

Investment securities available for sale are required to be individually evaluated for impairment. A security is considered impaired if the fair value of the security is less than its amortized cost basis. If management concludes that it does not intend to sell an impaired security, and it is not more likely than not management will be required to sell an impaired security before recovery of its amortized cost basis, the Company would only be required to record the portion of the impairment related to credit losses (if any) in an allowance for credit losses with an offsetting entry to net income. Any portion of the impairment not related to credit losses is recorded through other comprehensive income. The Company holds a subordinated debt note whereby interest payments have not been received as agreed upon; therefore, the security has been placed on nonaccrual and is considered a substandard asset; however, the issuer's underlying capital levels are considered well capitalized, based upon information available at the present time the Company anticipates receiving full principal and interest.

Loans Held for Investment – Loans are intended to be held until maturity and are shown on the consolidated statement of financial condition net of the allowance for credit losses. Interest is computed by using an effective interest method which generally results in level rates of return on principal. Interest income is generally not recognized on loans classified as nonaccrual loans. Payments received on such loans are applied as a reduction of the loan principal balance. Interest income on other individually evaluated loans is recognized only to the extent of interest payments received. Loans will remain in nonaccrual status until the borrower's financial condition has improved to a point that the likelihood of further loss is remote.

The accrual of interest on all loans is discontinued when in management's opinion the borrower may be unable to meet payments as they become due. These loans are considered nonaccrual loans, and all interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income.

Loan origination fees and costs are deferred and recognized as an adjustment of the related loan yield using the interest method.

In the normal course of business, to meet the credit needs of its customers, the Company has made commitments to extend credit. These commitments represent a credit risk. The Company uses the same credit policies in making commitments as it does for other loans. Commitments to extend credit are generally made for a period of one year or less. Collateral and other security for the commitments are determined on a case-by-case basis. Since some of the commitments are expected to expire without being drawn upon, the contract or notional amounts do not necessarily represent future cash requirements. See Note 4 for lending commitments as of December 31, 2024 and 2023.

Allowance for Credit Losses – On January 1, 2023, the Company adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables, and held-to-maturity debt securities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by the lessor in accordance with Topic 842 on leases. In addition, ASC 326 made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities if management does not intend to sell or believes that it is more likely than not they will be required to sell.

The Company adopted ASC 326 and all subsequent amendments effective January 1, 2023, using the modified retrospective method for all financial assets measured at amortized cost, and off-balance-sheet credit exposures. The Company recorded a net decrease to retained earnings of $126,650 as of January 1, 2023, for the cumulative effect of adopting ASC 326. The transition adjustment includes a $168,816 increase in the reserve for unfunded commitments. The adjustment to retained earnings was net of $42,166 of deferred income tax. Subsequent to adoption, the Company will record adjustments to its allowances for credit losses and reserves for unfunded commitments through the provision for credit losses in the Consolidated Statements of Income.

The Company is utilizing a third-party model to tabulate its estimate of current expected credit losses, using a vintage methodology. In accordance with ASC 326, the Company has segmented its loan portfolio based on similar risk characteristics which include call report codes. The Company primarily utilizes a Basel II approach with the addition of probability of default and of probability of attrition to facilitate lifetime loss forecasting. To further adjust the allowance for expected losses not already included within the quantitative component of the calculation, the Company may consider the following qualitative adjustment factors: lending policy, portfolio mix, staff experience, volume of problem loans, loan review changes, and concentrations. The Company's CECL implementation process was overseen by the CECL Committee consisting of upper-level management and included an assessment of data availability and gap analysis, data collection, consideration and analysis of multiple loss estimation methodologies, an assessment of relevant qualitative factors and correlation analysis of multiple potential loss drivers and their impact on the Company's historical loss experience.

The allowance for credit losses is established as losses are estimated to have occurred through a provision for credit losses charged to earnings. Loan losses are charged against the allowance when management believes the non-collectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The primary tool used in managing and controlling problem loans is a watch list report. The report is a listing of loans, primarily with balances over $100,000, or commitments that are either demonstrating signs of becoming problematic or currently considered problem loans. Changes to the report are determined by the Chief Credit Officer.

Occurrence of any of the following criteria is a basis for adding a loan to the watch list report.

- Loans classified as substandard, doubtful or loss by Company management, bank examiners, external auditors or loan review based upon financial trends.
- Loans on nonaccrual status.
- Loans more than 90 days delinquent.
- Loans judgmentally selected by executive management or the Board of Directors, due to unexpected changes or events which could have a potentially adverse effect on the borrower's ability to repay.

The following guidance has been given as an aid to loan officers in detecting problem loans.

- Financial Statement Analysis – As customer financial statements are received, they should be immediately analyzed to see if there are any significant changes in financial position or operating results.
- Delayed Financial Statements – If we are having problems getting financial statements from a customer, a problem may be developing.
- Delinquent Principal or Interest – Delinquencies are often the first indication of a problem. We carefully review each loan as soon as it becomes past due.
- Lack of Cooperation – It is in the borrower's best interest to cooperate with the Bank. We suspect a problem if the customer becomes uncooperative.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

- Other Red Flags – The following are additional red flags which could mean a problem situation is developing: more than two extension payments within the past 12 months; illness or death of a principal or key employee; overdrafts; unexpected renewals or unanticipated new borrowing; deteriorating financial ratios; irresponsible behavior on the part of a borrower or cancellation of insurance.

The allowance consists of specific and general components. The specific component relates to nonhomogeneous loans that are classified as either doubtful or substandard or loans exceeding 90 days past due or on non-accrual that exceed $250,000. For such loans, that are also classified as individually evaluated, an allowance is established when the collateral value less estimated costs to sell, or observable market price (or discounted cash flows) of the individually evaluated loan is lower than that carrying value of that loan. The general component covers pools of loans that share common risk characteristics.

The Bank utilizes a risk grading matrix to assign a risk grade to each of its loans. Credits are graded on a scale of 1 to 8. A description of the general characteristics of the 8 risk grades is as follows:

Risk Grades 1 through 4 (Pass): There are five different risk grades considered to be "Pass" grades. The first four grades are considered those performing credits that presently are considered lesser risk to the Bank. Credits in the Risk Grade 1 category exhibit a combination of superior credit, low debt to income and reduced loan to value (if secured) or are secured by deposit accounts held by the Bank. As such these loans are of very low risk. The repayment program is well-defined and achievable and repayment sources are numerous. Risk Grade 2 is reserved for loans secured by readily marketable collateral, or loans that are better than average credit risks due to the financial strength of the borrower and or the abundance of collateral. A Risk Grade of 3 is reserved for the Bank's loans that are considered average credit risk, with no apparent weakness. These loans have no significant identifiable risk of collection. Generally, loans assigned this grade have documented historical cash flow that meets or exceeds required minimum Bank guidelines or that can be supplemented with verifiable cash flow from other sources as well as adequate secondary sources to liquidate debt.

Finally, debts with a Risk Grade of 4 are loans considered to exhibit slightly more than average credit risk. They meet the credit guidelines; however, they have certain characteristics which call into question the borrower's financial well-being. It may be elevated debt to income ratio, high loan to value ratio, balance sheet weakness or a cash flow weakness that is deemed to be temporary in nature. These are credits that may require more frequent monitoring.

Risk Grade 5 – Special Mention: The fifth and lowest pass grade is given to this level of risk. These loans have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in the deterioration of the repayment prospects for the asset or in the Bank's credit position at some future date. These loans are not adversely classified and do not expose the Bank to a sufficient risk to warrant adverse classification. Failure to properly monitor such loans or to correct deficiencies could result in greater credit risk in the future.

Risk Grade 6 – Substandard: A substandard loan is inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified as substandard must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt; they are characterized by the possibility that the Bank may sustain some loss if the deficiencies are not corrected. Loans in this category are characterized by deterioration in the quality exhibited by any number of well-defined weaknesses requiring corrective action.

Such loans are no longer considered to be adequately protected due to the borrower's declining net worth, lack of earnings capacity, declining collateral margins, and/or unperfected collateral positions. The possibility of loss of a portion of the loan balance cannot be ruled out. The repayment ability of the borrower is marginal or weak, and the loan may have exhibited excessive overdue status or extensions and renewals.

Risk Grade 7 – Doubtful: Loans classified Doubtful have all the weaknesses inherent in loans classified Substandard, plus the added characteristic that the weaknesses make collection or liquidation in full on the

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

basis of current existing facts, conditions, and values highly questionable and improbable. However, these loans are not yet rated as a loss because certain events may occur which would salvage the debt.

The ability of the borrower to service the debt is extremely weak, overdue status is constant, the debt has been placed on non-accrual status, and no definite repayment schedule exists. Doubtful is a temporary grade where a loss is expected but is presently not quantified with any degree of accuracy. Once the loss position is determined, the amount is charged off.

Risk Grade 8 – Loss: Loans classified Loss are considered uncollectible and of such little value that their continuance as bankable assets are not warranted.

All classes of loans are considered individually evaluated when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as individually evaluated. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Specific allowances on individually evaluated loans are measured on a loan-by-loan basis for commercial real estate, residential real estate, and construction loans by either the fair value of the collateral less estimated costs to sell, or present value of expected future cash flows discounted at the loan's effective interest rate.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Bank does not generally separately identify individually evaluated loans for impairment disclosures, unless such loans are in excess of $250,000.

Charge-off consideration shall be given to loans evaluated in connection with the Bank's loan review policy and procedures and loans identified for repossession or foreclosure. In any event, it shall be the policy of the Bank to charge-off amounts deemed uncollectible in the periods when identified. All charge-off amounts are approved by the Board of Directors.

Transfers of Financial Assets – Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank – put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Other Real Estate Owned – Asset acquired through, or in lieu of, loan foreclosures are held for sale and are initially recorded at fair value, less estimated costs to sell at the date of foreclosure, establishing a new cost basis. Any required write down at the time of foreclosure is charged to the allowance for credit losses. Physical possession of residential real estate collateralizing a consumer mortgage loan occurs when legal title is obtained upon completion of a foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar loan agreement. Subsequent to foreclosure, management periodically performs valuations, and the assets are carried at the lower of carrying amount or fair value less estimated costs to sell. Revenue and expenses from operations and changes in valuation allowance are included in noninterest expenses. The Company did not hold any Other Real Estate Owned as of December 31, 2024 and 2023.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Bank Premises and Equipment – Land is carried at cost. Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is charged to income over the estimated useful lives of the assets principally on a straight-line method.

For buildings and improvements, the estimated useful lives are between 10 and 50 years, the estimated lives for furniture and equipment are 5 to 10 years. Leasehold improvements are amortized over the shorter of the useful life of the improvements or the term of the lease.

Bank Owned Life Insurance – The Company has purchased life insurance policies on certain key employees. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the statement of financial condition date, which is the cash surrender value adjusted for other amounts due that are probable at settlement. Increases in the cash surrender value are recognized as noninterest income.

Goodwill – The Company follows FASB ASC 350-20*, Intangibles-Goodwill and Other* which gives the Company the option to qualitatively determine whether they can bypass the two-step goodwill impairment test. The Company continues to perform the two-step process under ASC 350-20. Provisions within this statement require at least an annual impairment review or more often if certain impairment conditions exist. The Goodwill resulted from a financial center acquisition in 2009, the acquisition of Mount Hope Bankshares in 2019, and a 3 financial center acquisition in 2021.

Income Taxes – Deferred income tax assets and liabilities are determined using the balance sheet method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefits that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for uncertain tax positions in the accompanying consolidated statement of financial condition along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with the uncertain tax positions are classified as additional income taxes in the Consolidated Statements of Income. As of December 31, 2024 and 2023, the Company has not identified and recorded any uncertain tax positions.

Net Income per Share – Basic earnings per common share represent income available to common shareholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. The Company had no dilutive potential common shares during the calendar years 2024 and 2023. Earnings per common share is computed using the two-class method. The Class A Common shares carry a 5% dividend preference over common shares, and Class B shares carry a 10% dividend preference over Common shares.

Fair Value of Financial Instruments – Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully discussed in Note 18. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumption or in market conditions significantly affect the estimates.

Advertising – The Bank follows the policy of charging the costs of advertising to expenses as incurred. Total advertising expenses incurred for 2024 and 2023 were $613,354 and $612,289, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Comprehensive Income – Accounting principles generally require that recognized revenue, expenses, 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, are reported as a separate component of the equity section of the consolidated statement of financial condition, such items, along with net income, are components of comprehensive income (loss).

Lease Accounting **–** The Company accounts for leases in accordance with ASC 842. As such, the consolidated statement of financial condition includes both a lease liability and a right-of-use asset. The lease liability is the Company's obligation to make lease payments arising from a lease, measured on a discounted basis. The right-of-use asset is an asset that represents the Company's right to use, or control the use of, a specified asset for the lease term.

Recent Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." The amendments in this ASU require an entity to disclose the amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes and the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions that are equal to or greater than five percent of total income taxes paid (net of refunds received). Additionally, the amendments in this ASU require an entity to disclose income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign and income tax expense (or benefit) from continuing operations disaggregated by federal, state, and foreign. This ASU is effective for annual periods beginning after December 15, 2025. Early adoption is permitted. The amendments should be applied on a prospective basis; however, retrospective application is permitted. The Company does not expect the adoption of ASU 2023-06 to have a material impact on its consolidated financial statements.

In August 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-05, "Business Combinations – Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement." This ASU applies to the formation of entities that meet the definition of a joint venture (or a corporate joint venture) as defined in the FASB Accounting Standards Codification Master Glossary. While joint ventures are defined in the Master Glossary, there has been no specific guidance in the Codification that applies to the formation accounting by a joint venture in its separate financial statements. The amendments in the ASU require that a joint venture apply a new basis of accounting upon formation. As a result, a newly formed joint venture, upon formation, would initially measure its assets and liabilities at fair value (with exceptions to fair value measurement that are consistent with the business combinations guidance). This ASU is effective on a prospective basis for all joint ventures with a formation date on or after January 1, 2025. Early adoption of ASU No. 2023-05 is permitted in any interim or annual period in which financial statements have not yet been issued (or made available for issuance). A joint venture that elects to early adopt may apply ASU No. 2023-05 either prospectively or retrospectively. The Company does not expect the adoption of ASU 2023-05 to have a material impact on its consolidated financial statements.

Recently Adopted Accounting Pronouncements

On January 1, 2024, the Company adopted ASU 2023-01, "Leases (Topic 842): Common Control Arrangements." The amendments in this ASU provide a practical expedient to use the written terms and conditions of a common control arrangement to determine whether a lease exists, and, if so, the classification of and accounting for that lease. In addition, the ASU requires all entities to amortize leasehold improvements associated with common control leases over the useful life to the common control group. The Company adopted ASU 2023-01 on a prospective basis and the adoption did not have a material impact on its consolidated financial statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

On January 1, 2024, the Company adopted ASU 2023-02, "Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method." These amendments allow reporting entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. The adoption of ASU 2023-02 did not have a material impact on the consolidated financial statements.

Subsequent Events:

The Company evaluated subsequent events that have occurred after the statement of financial condition date, but before the financial statements are issued. There are two types of subsequent events (1) recognized, or those that provide additional evidence about conditions that existed at the date of the statement of financial condition, including the estimates inherent in the process of preparing financial statements, and (2) non-recognized, or those that provide evidence about conditions that did not exist at the date of the statement of financial condition but arose after that date.

Subsequent events have been considered through March 20, 2025; the date financial statements were available to be issued. Based on the evaluation, the Company identified no subsequent events.

NOTE 2 INVESTMENT SECURITIES:

The amortized cost and fair values of securities are as follows (in thousands):

December 31, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
U.S. Treasury securities	$ 11,133	$ ---	$ 684	$ 10,449
Mortgage-backed obligations of federal agencies	17,617	---	1,413	16,204
Corporate securities	12,425	---	1,531	10,894
Government sponsored enterprises	13,706	---	1,509	12,197
SBA guaranteed loan pool certificates	617	---	4	613
Obligations of states and political subdivisions	41,381	---	4,554	36,827
Total	$ 96,879	$ ---	$ 9,695	$ 87,184

December 31, 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
U.S. Treasury securities	$ 16,161	$ ---	$ 910	$ 15,251
Mortgage-backed obligations of federal agencies	19,663	---	1,634	18,029
Corporate securities	12,395	---	2,016	10,380
Government sponsored enterprises	13,692	---	1,734	11,958
SBA guaranteed loan pool certificates	814	1	3	812
Obligations of states and political subdivisions	42,111	---	4,443	37,668
Total	$ 104,836	$ 1	$ 10,740	$ 94,098

NOTE 2 INVESTMENT SECURITIES (CONTINUED):

For the year ended December 31, 2024, there were no proceeds from sales of securities available for sale. For the year ended December 31, 2023, proceeds from sales of securities available for sale totaled $6,257,583. Gross gains on sale of available for sale securities totaled $24,778 in 2023. Gross losses on sale of available for sale securities totaled $39,441 in 2023. Redemptions of restricted investments totaled $387,100 for the year ended December 31, 2024. Purchases of restricted investments totaled $1,523,400 for the year ended December 31, 2023.

The following table shows the gross unrealized losses and fair value of the Company's investment securities with unrealized losses (in thousands), aggregated by investment category and length of time that individual securities have been in a continuous, unrealized loss position as of December 31. The Company has not recorded an allowance for credit losses on its investment securities available for sale. Management does not intend to sell, and it is unlikely management will be required to sell, the securities prior to their anticipated recovery. The unrealized losses on the Company's investment securities were caused primarily by an increase in interest rates, but the Company feels that no material impairment of value is due to the deteriorating financial condition of the issuers. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost of the investment. The Company has 139 investments that have unrealized losses as of December 31, 2024 and considers them to be temporarily impaired.

	Less than 12 Months		12 Months or Greater	
December 31, 2024	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Description of Securities:				
U.S. Treasury securities	$ ---	$ ---	$ 10,449	$ 684
Mortgage-backed obligations of federal agencies	985	2	14,612	1,411
Corporate securities	768	12	9,626	1,519
Government sponsored enterprises	---	---	12,197	1,509
SBA guaranteed loan pool certificates	57	---	556	4
Obligations of states and political subdivisions	479	22	35,746	4,532
Total	$ 2,289	$ 36	$ 83,186	$ 9,659

	Less than 12 Months		12 Months or Greater	
December 31, 2023	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Description of Securities:				
U.S. Treasury securities	$ ---	$ ---	$ 15,251	$ 910
Mortgage-backed obligations of federal agencies	---	---	18,029	1,634
Corporate securities	---	---	9,879	2,016
Government sponsored enterprises	---	---	11,958	1,734
SBA guaranteed loan pool certificates	71	1	640	2
Obligations of states and political subdivisions	1,695	11	34,852	4,432
Total	$ 1,766	$ 12	$ 90,609	$ 10,728

NOTE 2 INVESTMENT SECURITIES (CONTINUED):

A maturity schedule of securities in thousands as of December 31, 2024, by contractual maturity, is shown below. Actual maturities may differ because borrowers may have the right to call or prepay obligations.

Securities Available for Sale:	**Amortized Cost**	**Fair Value**
In one year or less	$ 5,009	$ 4,986
After one year through five years	33,426	30,817
After five years through ten years	36,461	31,559
Over ten years	21,983	19,822
Total available for sale	$ 96,879	$ 87,184

The carrying value of securities pledged by the Company to secure deposits, repurchase agreements and for other purposes amounted to $56,904,745 and $65,768,272 as of December 31, 2024 and 2023, respectively.

NOTE 3 RESTRICTED EQUITY SECURITIES:

Restricted equity securities are considered restricted due to lack of marketability. They consist of stock in the Federal Home Loan Bank (FHLB), stock in Federal Agricultural Mortgage Corporation (Farmer Mac) and stock in ICBA Reinsurance Company, LTD. Investment in the FHLB stock is determined by the level of the Bank's participation with FHLB's various products and is collateral against outstanding borrowings from that institution. The FHLB stock is carried at cost of $2,129,700 and $2,516,800 as of December 31, 2024 and 2023, respectively. The Farmer Mac stock and the ICBA Reinsurance Company stock is the level of stock required to participate in their programs. The Farmer Mac stock carrying value is $14,000 and the ICBA Reinsurance Company stock is carried at its cost of $2,495 as of December 31, 2024 and 2023. Management evaluates these restricted securities for impairment on an annual basis, and more often when conditions warrant.

NOTE 4 LOANS HELD FOR INVESTMENT:

Loans receivable outstanding as of December 31, 2024 and 2023 are summarized in the table below (in thousands):

	2024	**2023**
Commercial Real Estate:		
Construction and land development	$ 49,089	$ 41,803
Agriculture	27,144	25,667
Other commercial	106,060	107,775
Residential Real Estate:		
Construction	20,784	15,145
Consumer residential	232,263	222,787
Non-Real Estate:		
Commercial and industrial	41,126	42,003
Consumer	136,355	114,416
Nonprofit and tax-exempt	14,940	20,260
Total Loans	627,761	589,856
Less: Allowance for credit losses	5,037	4,329
Loans Held for Investment	$ 622,724	$ 585,527

Demand deposit accounts that are overdrawn have been reclassified as loans since they represent an amount owed to the Bank. Overdrawn deposit accounts included in the non-real estate consumer loan balance above are $586,497 and $245,325 as of December 31, 2024 and 2023, respectively.

NOTE 4 LOANS HELD FOR INVESTMENT (CONTINUED):

Substantially all of our 1-4 family mortgages, as well as our multi-family residential mortgages, are pledged under a blanket lien with the Federal Home Loan Bank for borrowings.

Loans on a nonaccrual basis were $2,540,064 and $367,035 as of December 31, 2024 and 2023 (0.40% and 0.06% of total loans), respectively. Accruing loans which are contractually past due 90 days or more as to principal or interest totaled $2,469,892 and $2,184,702 as of December 31, 2024 and 2023 (0.39% and 0.37% of total loans, respectively). Past due status is determined based on the contractual terms of the loan agreement.

The past due status of loans as of December 31, 2024 were as follows (in thousands):

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Recorded investment 90+ Days and Accruing
Commercial Real Estate:							
Construction and land development	$ 185	$ ---	$ 3,014	$ 3,199	$ 45,890	$ 49,089	$ 1,095
Agriculture	---	---	---	---	27,144	27,144	---
Other commercial	---	364	625	989	105,071	106,060	625
Residential Real Estate:							
Construction	---	---	344	344	20,440	20,784	344
Consumer residential	432	872	31	1,335	230,928	232,263	31
Non-Real Estate:							
Commercial and industrial	666	314	98	1,078	40,048	41,126	---
Consumer	2,153	887	695	3,735	132,620	136,355	375
Nonprofit and tax-exempt	---	---	---	---	14,940	14,940	---
Total	$ 3,436	$ 2,437	$ 4,807	$ 10,680	$ 617,081	$ 627,761	$ 2,470

The past due status of loans as of December 31, 2023 were as follows (in thousands):

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Recorded investment 90+ Days and Accruing
Commercial Real Estate:							
Construction and land development	$ 59	$ ---	$ 1,093	$ 1,152	$ 40,651	$ 41,803	$ 1,093
Agriculture	8	---	---	8	25,659	25,667	---
Other commercial	160	---	710	870	106,905	107,775	623
Residential Real Estate:							
Construction	---	170	---	170	14,975	15,145	---
Consumer residential	1,415	432	288	2,135	220,652	222,787	288
Non-Real Estate:							
Commercial and industrial	118	96	78	292	41,711	42,003	---
Consumer	1,969	686	202	2,857	111,559	114,416	181
Nonprofit and tax-exempt	---	---	---	---	20,260	20,260	---
Total	$ 3,729	$ 1,384	$ 2,371	$ 7,484	$ 582,372	$ 589,856	$ 2,185

NOTE 4 LOANS HELD FOR INVESTMENT (CONTINUED):

Loans by credit quality indicators as of December 31, 2024 were as follows (in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
Commercial Real Estate:					
Construction and land development	$ 45,103	$ 1,478	$ 2,508	$ ---	$ 49,089
Agriculture	26,531	613	---	---	27,144
Other commercial	98,145	6,731	1,184	---	106,060
Residential Real Estate:					
Construction	19,696	843	245	---	20,784
Consumer residential	227,988	3,857	418	---	232,263
Non-Real Estate:					
Commercial and industrial	39,928	382	816	---	41,126
Consumer	133,190	2,560	605	---	136,355
Non-Profit and tax-exempt	14,940	---	---	---	14,940
Total	$ 605,521	$ 16,464	$ 5,776	$ ---	$ 627,761

Loans by credit quality indicators as of December 31, 2023 were as follows (in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
Commercial Real Estate:					
Construction and land development	$ 38,275	$ 2,909	$ 619	$ ---	$ 41,803
Agriculture	25,350	317	---	---	25,667
Other commercial	104,318	2,105	1,352	---	107,775
Residential Real Estate:					
Construction	15,026	119	---	---	15,145
Consumer residential	218,918	2,831	1,038	---	222,787
Non-Real Estate:					
Commercial and industrial	41,237	639	127	---	42,003
Consumer	113,250	830	336	---	114,416
Non-Profit and tax-exempt	20,260	---	---	---	20,260
Total	$ 576,634	$ 9,750	$ 3,472	$ ---	$ 589,856

The following table presents nonaccrual loans as of December 31, 2024 and 2023 (in thousands):

	December 31, 2024		December 31, 2023	
	Total Non-Accrual	With a Specific Allowance	Total Non-Accrual	With a Specific Allowance
Commercial Real Estate:				
Construction and land development	$ 1,919	$ ---	$ ---	$ ---
Agriculture	---	---	---	---
Other commercial	---	---	87	87
Residential Real Estate:				
Construction	---	---	---	---
Consumer residential	---	---	---	---
Non-Real Estate:				
Commercial and industrial	164	---	78	---
Consumer	457	---	202	---
Non-Profit and tax-exempt	---	---	---	---
Total	$ 2,540	$ ---	$ 367	$ 87

NOTE 4 LOANS HELD FOR INVESTMENT (CONTINUED):

From time to time, we may modify certain loans to borrowers who are experiencing financial difficulty. In some cases, these modifications may result in new loans. Loan modifications to borrowers who experience financial difficulty may be in the form of a principal forgiveness, an interest rate reduction or other-than-insignificant payment delay, a term extension, or a combination thereof, among other situations. The Company modified 6 loans to borrowers experiencing financial distress during the year ended December 31, 2024 and 5 loans for the year ended December 31, 2023. There were no commitments to lend additional funds to these borrowers at December 31, 2024. The period-end balance of loan modifications, segregated by type of modification, to borrowers experiencing financial difficulty during 2024 and 2023, regardless of whether such modifications resulted in a new loan, are set forth in the table below (in thousands).

December 31, 2024	Term Extension	Percent of Total Class of Loans	Payment Delay & Term Extension	Percent of Total Class of Loans	Interest Rate Reduction & Term Extension	Percent of Total Class of Loans
Commercial Real Estate:						
Construction and land development	$ 1,756	3.58%	$ ---	0.00%	$ ---	0.00%
Agriculture	---	0.00%	---	0.00%	---	0.00%
Other commercial	---	0.00%	---	0.00%	---	0.00%
Residential Real Estate:						
Construction	572	2.75%	---	0.00%	---	0.00%
Consumer residential	560	0.24%	484	0.21%	---	0.00%
Non-Real Estate:						
Commercial and industrial	95	0.23%	---	0.00%	--	0.00%
Consumer	---	0.00%	---	0.00%	---	0.00%
Non-Profit and tax-exempt	---	0.00%	---	0.00%	---	0.00%
Total	$ 2,983	0.48%	$ 484	0.08%	$ ---	0.00%

December 31, 2023	Payment Delay	Percent of Total Class of Loans	Payment Delay & Term Extension	Percent of Total Class of Loans	Interest Rate Reduction & Term Extension	Percent of Total Class of Loans
Commercial Real Estate:						
Construction and land development	$ ---	0.00%	$ ---	0.00%	$ ---	0.00%
Agriculture	---	0.00%	---	0.00%	---	0.00%
Other commercial	---	0.00%	---	0.00%	212	0.20%
Residential Real Estate:						
Construction	---	0.00%	---	0.00%	---	0.00%
Consumer residential	648	0.29%	577	0.26%	---	0.00%
Non-Real Estate:						
Commercial and industrial	---	0.00%	---	0.00%	93	0.22%
Consumer	---	0.00%	---	0.00%	---	0.00%
Non-Profit and tax-exempt	---	0.00%	---	0.00%	---	0.00%
Total	$ 648	0.11%	$ 577	0.10%	$ 305	0.05%

NOTE 4 LOANS HELD FOR INVESTMENT (CONTINUED):

The following table details the collateral dependent loans that were evaluated for expected credit losses on an individual basis and the related specific allocations by loan portfolio segment as of December 31, 2024 and 2023 (in thousands):

	December 31, 2024	Specific Allowance	December 31, 2023	Specific Allowance
Commercial Real Estate:				
Construction and Land Development	$ 3,352	$ ---	$ 1,607	$ ---
Agriculture	---	---	---	---
Other commercial	1,743	---	1,861	81
Residential Real Estate:				
Construction	---	---	---	---
Consumer residential	293	---	855	---
Non-Real Estate:				
Commercial and industrial	---	---	---	---
Consumer	---	---	---	---
Non-profit and tax-exempt loans	---	---	---	---
Total	$ 5,388	$ ---	$ 4,323	$ 81

Allowance For Credit Losses - Loans. The allowance for credit losses on loans is a contra-asset valuation account, calculated in accordance with ASC 326, that is deducted from the amortized cost basis of loans to present the net amount expected to be collected. The amount of the allowance represents management's best estimate of current expected credit losses on loans considering available information, from internal and external sources, relevant to assessing collectability over the loans' contractual terms, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals and modifications unless (i) management has a reasonable expectation that a loan to an individual borrower that is experiencing financial difficulty will be modified or (ii) such extension or renewal options are not unconditionally cancellable by us and, in such cases, the borrower is likely to meet applicable conditions and likely to request extension or renewal. Relevant available information includes historical credit loss experience, current conditions and reasonable and supportable forecasts. While historical credit loss experience provides the basis for the estimation of expected credit losses, adjustments to historical loss information may be made for differences in current portfolio-specific risk characteristics, environmental conditions or other relevant factors. The allowance for credit losses is measured on a collective basis for portfolios of loans when similar risk characteristics exist. Loans that do not share risk characteristics are evaluated for expected credit losses on an individual basis and excluded from the collective evaluation. Expected credit losses for collateral dependent loans, including loans where the borrower is experiencing financial difficulty, but foreclosure is not probable, are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

Credit loss expense related to loans reflects the totality of actions taken on all loans for a particular period including any necessary increases or decreases in the allowance related to changes in credit loss expectations associated with specific loans or pools of loans. Portions of the allowance may be allocated for specific credits; however, the entire allowance is available for any credit that, in management’s judgment, should be charged off. While management utilizes its best judgment and information available, the ultimate appropriateness of the allowance is dependent upon a variety of factors beyond our control, including the performance of our loan portfolio, the economy, changes in interest rates and the view of the regulatory authorities toward loan classifications.

In calculating the allowance for credit losses, most loans are segmented into pools based upon similar characteristics and risk profiles. Common characteristics and risk profiles include the type/purpose of loan, underlying collateral, geographical similarity and historical/expected credit loss patterns. In developing these loan pools for the purposes of modeling expected credit losses, we also analyzed the degree of correlation in how loans within each portfolio respond when subjected to varying economic conditions and scenarios as well as other portfolio stress factors. We periodically reassess each pool to ensure the loans within the pool continue to share similar characteristics and risk profiles and to determine whether further segmentation is necessary.

NOTE 4 LOANS HELD FOR INVESTMENT (CONTINUED):

The Company is utilizing the Vintage Model for the calculation. The model estimates lifetime gross credit losses for all outstanding loans aggregated by origination vintage and segment. Vintage is a multi-horizon, age-period-cohort model that considers both probability of default (PD) and probability of attrition (PA) in a competing risks approach necessary to determine the life of the loan. Vintage refers to the time of the loan originations for each loan product. Due to changing underwriting standards over time, loans originated in similar time periods may experience similar loss expectations throughout a product's lifecycle. The lifecycle for each loan product sets the base expectations of loss in the vintage model. The actual performance of each vintage up through the current month is then used to adjust future loss expectations either up or down throughout the remaining portion of the lifecycle. Loss rates are correlated to changes in economic conditions. The relationship between economic indexes and losses are applied to the forecasted time horizon. Lags and windows are applied as changes in economic index rates do not immediately impact loan losses. The Company utilizes a third party to perform the calculation as well as calculating qualitative factors and individually evaluating impaired loans internally. The total of the 3 individual components comprises the contra account shown on the balance sheet.

The Company maintains an allowance for credit losses on off-balance sheet credit exposures such as unfunded balances for existing lines of credit, commitments to extend future credit, as well as both standby and commercial letters of credit when there is a contractual obligation to extend credit and when this extension of credit is not unconditionally cancellable (i.e. commitment cannot be canceled at any time). The allowance for credit losses on off-balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur, which is based on a historical funding analysis derived from internal information, and an estimate of expected credit losses on commitments expected to be funded over its estimated life, which are the same loss rates that are used in computing the allowance for credit losses on loans. The allowance for credit losses for off-balance sheet credit exposure of $8,588 at December 31, 2024 and $169,446 at December 31, 2023 is classified on the balance sheet within Accrued Expenses and Other Liabilities.

The following table presents the balance and activity in the allowance for credit losses for off-balance sheet credit exposure for the year ended December 31, 2024 and 2023:

Balance, December 31, 2023	$	169,446
Recovery of off-balance sheet credit losses, net		(160,858)
Balance, December 31, 2024	$	8,588

Balance, December 31, 2022	$	---
Adjustment to allowance for off-balance sheet credit losses upon adoption of ASU 2016-13		168,816
Provision for off-balance sheet credit losses, net		630
Balance, December 31, 2023	$	169,446

The following tables summarize the activity in the allowance for credit losses on loans by loan class for the year ended December 31, 2024 and 2023 (in thousands).

2024										
	Real Estate Secured					Non-Real Estate				
	Commercial			Residential						
	Construction & Land Development	Agricultural	Other Commercial	Construction	Consumer Residential	Commercial & Industrial	Consumer	Non-Profit & Tax Exempt	Unallocated	Total
Beginning Balance	$ 272	$ 53	$ 769	$ 7	$ 1,072	$ 151	$ 1,932	$ 73	$ ---	$ 4,329
Charge-offs	---	---	(81)	---	(50)	(32)	(1,557)	---	---	(1,720)
Recoveries	---	---	2	---	---	---	230	---	---	232
Provision	(177)	8	(493)	(1)	(78)	56	2,866	15	---	2,196
Ending Balance	$ 95	$ 61	$ 197	$ 6	$ 944	$ 175	$ 3,471	$ 88	$ ---	$ 5,037

NOTE 4 LOANS HELD FOR INVESTMENT (CONTINUED):

Ending Balance individually evaluated for impairment	---	---	---	---	---	---	---	---	---	---
Ending balance collectively evaluated for impairment	95	61	197	6	944	175	3,471	88	---	5,037
Loans:										
Ending Balance individually evaluated for impairment	3,352	---	1,743	---	293	---	---	---	---	5,388
Ending balance collectively evaluated for impairment	45,737	27,144	104,317	20,784	231,970	41,126	136,355	14,940	---	622,373
Total Loans	$ 49,089	$ 27,144	$ 106,060	$ 20,784	$ 232,263	$ 41,126	$ 136,355	$ 14,940	$ ---	$ 627,761

2023

	Real Estate Secured					Non-Real Estate				
	Commercial			Residential						
	Construction & Land Development	Agricultural	Other Commercial	Construction	Consumer Residential	Commercial & Industrial	Consumer	Non-Profit & Tax Exempt	Unallocated	Total
Beginning Balance	$ 423	$ 131	$ 851	$ 71	$ 959	$ 269	$ 771	$ 67	$ 103	$ 3,645
Charge-offs	---	---	---	---	---	(53)	(889)	---	---	(942)
Recoveries	---	---	---	---	---	---	205	---	---	205
Provision	(151)	(78)	(82)	(64)	113	(65)	1,845	6	(103)	1,421
Ending Balance	$ 272	$ 53	$ 769	$ 7	$ 1,072	$ 151	$ 1,932	$ 73	$ ---	$ 4,329
Ending Balance individually valued for impairment	---	---	81	---	---	---	---	---	---	81
Ending balance collectively evaluated for impairment	272	53	688	7	1,072	151	1,932	73	---	4,248
Loans:										
Ending Balance individually evaluated for impairment	1,607	---	1,861	---	855	---	---	---	---	4,323
Ending balance collectively evaluated for impairment	40,196	25,667	105,914	15,145	221,932	42,003	114,416	20,260	---	585,533
Total Loans	$ 41,803	$ 25,667	$ 107,775	$ 15,145	$ 222,787	$ 42,003	$ 114,416	$ 20,260	$ ---	$ 589,856

NOTE 5 OTHER REAL ESTATE OWNED:

At year end 2024 and 2023, the Company did not own other real estate owned. During the year ended December 31, 2023, the Company sold other real estate owned that was recorded at no value on the consolidated statement of financial condition. The Company received proceeds and recorded a gain on the sale of $11,618.

NOTE 6 BANK PREMISES AND EQUIPMENT:

Bank premises and equipment as of December 31, 2024 and December 31, 2023 are summarized as follows (in thousands):

	2024	2023
Bank buildings and improvements	$ 12,825	$ 12,507
Furniture and equipment	6,103	5,943
Total Cost	18,928	18,450
Less accumulated depreciation	8,861	8,433
Bank premises and equipment	$ 10,067	$ 10,017

Depreciation expense on these premises and equipment totaled $774,039 and $731,182 for the years ended December 31, 2024 and 2023, respectively.

NOTE 7 LEASES:

Lease liabilities represent the Company's obligation to make lease payments and are presented at each reporting date as the net present value of the remaining contractual cash flows. Cash flows are discounted at the Company's incremental borrowing rate in effect at the commencement date of the lease if the rate implicit in the lease is unattainable. Right-of-use assets represent the Company's right to use the underlying asset for the lease term and are calculated as the sum of the lease liability and if applicable, prepaid rent, initial direct costs and any incentives received from the lessor.

The Company's long-term lease agreements are classified as operating leases. Certain of these leases offer the option to extend the lease term and the Company has included such extensions in its calculation of the lease liabilities to the extent the options are reasonably assured of being exercised. The lease agreements do not provide for residual value guarantees and have no restrictions or covenants that would impact dividends or require incurring additional financial obligations. The right-of-use asset and lease liability are included in other assets and accrued expenses and other liabilities, respectively, in the consolidated statement of financial condition.

The following tables present information about the Company's leases:

	December 31, 2024	December 31, 2023
Lease Liabilities	$ 1,130,999	$ 1,301,946
Right-of-use Assets	1,146,000	1,316,647
Weighted average remaining lease term	6.37 years	7.28 years
Weighted average discount rate	2.34%	2.31%

A maturity analysis of operating lease liabilities and reconciliation of the undiscounted cash flows to the total of operating lease liabilities is as follows:

NOTE 7 LEASES (CONTINUED):

Lease Payments Due	As of December 31, 2024	
Twelve months ending December 31, 2025	$	203,700
Twelve months ending December 31, 2026		184,500
Twelve months ending December 31, 2027		184,500
Twelve months ending December 31, 2028		154,625
Twelve months ending December 31, 2029		155,000
Thereafter		358,750
Total undiscounted cash flows	$	1,241,075
Discount		(110,076)
Lease Liabilities	$	1,130,999

The aggregate rental and lease expense was $201,722 and $196,167 for the years ending December 31, 2024 and 2023, respectively.

NOTE 8 GOODWILL AND OTHER INTANGIBLES:

The Company follows FASB ASC 350-20 *Goodwill and Other Intangible Assets,* which prescribes the accounting for goodwill and intangible assets subsequent to initial recognition. Provisions within ASC 350-20 require the Company to discontinue any amortization of goodwill and intangible assets with indefinite lives and require at least annual impairment review or more often if certain impairment conditions exist. With the purchase in 2009 of two Citizens National Bank branches there was $1,086,732 of goodwill recorded. The acquisition of Bank of Mount Hope in 2019 resulted in an additional $3,393,091 of goodwill. The acquisition of three branches from Carter Bank & Trust in 2021 resulted in additional goodwill in the amount of $637,178. Goodwill was evaluated for impairment as of December 31, 2024, and it was determined that no impairment existed.

Core deposit intangibles of $293,000 were recorded as a result of the purchase of branches from Citizens National Bank and are fully amortized. Core deposit intangibles of $1,180,000 resulting from the Bank of Mount Hope acquisition in October of 2019 are being amortized over 10 years. Additional core deposit intangibles were recorded in the amount of $440,000 with the acquisition of the three Carter Bank & Trust branches and are being amortized over 10 years.

The changes in the carrying amount of goodwill and intangibles for the twelve months ended December 31, 2024, are as follows (dollars in thousands):

	Goodwill		**Intangibles**	
Balance December 31, 2023	$	5,117	$	1,004
Additions		---		---
Amortization		---		(162)
Impairment		---		---
Balance, December 31, 2024	$	5,117	$	842

Goodwill and intangible assets as of December 31, 2024 and December 31, 2023 are as follows (in thousands):

December 31, 2024	**Gross Carrying Value**		**Accumulated Amortization**		**Net Carrying Value**	
Core deposit intangibles	$	1,913	$	(1,071)	$	842
Goodwill		5,117		---		5,117
December 31, 2023						
Core deposit intangibles	$	1,913	$	(909)	$	1,004
Goodwill		5,117		---		5,117

NOTE 8 GOODWILL AND OTHER INTANGIBLES (CONTINUED):

Amortization expense of core deposit intangibles for the years ended December 31, 2024 and 2023 was $162,000. As of December 31, 2024, the estimated future amortization expense of core deposit intangibles is as follows (in thousands):

Year	Amount
2025	$ 162
2026	162
2027	162
2028	162
2029	133
Thereafter	61
Total	$ 842

NOTE 9 BANK OWNED LIFE INSURANCE:

The Bank purchased split-dollar life insurance on select employees. The cash surrender value of these life insurance policies was $12,719,468 and $12,404,615 at December 31, 2024 and 2023, respectively, and has been recorded as an asset on the consolidated statement of financial condition. The Bank is the owner of all policies. The employee can name a beneficiary; however, upon realization of the death benefit, the Bank recoups its investment (cash surrender value), with a set amount of the death benefit paid to the employee's beneficiary. Earnings recorded on the investment during the years ended December 31, 2024 and 2023 were $314,853 and $282,087, respectively.

NOTE 10 TIME DEPOSITS:

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

Year	Amount
2025	$ 172,866
2026	7,397
2027	2,306
2028	2,719
2029	2,219
Thereafter	381
Total	$ 187,888

NOTE 11 SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE:

Securities sold under agreements to repurchase generally mature within one day from the transaction date, unless classified as a term repurchase agreement. Securities sold under agreements to repurchase are reflected at the amount of cash received in connection with the transaction. The Company may be required to provide additional collateral based on the fair value of the underlying securities. The Company has a total of $265,028 and $270,535 as of December 31, 2024 and 2023, respectively, in fair value of securities pledged to secure these agreements. The weighted average interest rate on these agreements was 1.87% during 2024 and 1.88% during 2023. The highest month end balance during 2024 was $87,546. For 2023, the highest month end balance was $314,458.

NOTE 12 LINES OF CREDIT:

The Bank has lines of credit with correspondent banks totaling $29,000,000. As of December 31, 2024, and 2023, the Bank had no outstanding balances on these lines. These lines of credit are unsecured. The lenders may withdraw these lines at their discretion and without notice.

NOTE 13 BORROWINGS:

The Company has borrowings from the Federal Home Loan Bank of Pittsburgh (FHLB). As of December 31, 2024 and 2023, respectively, $39,285,088 and $38,483,627 of the FHLB advances were considered long-term notes payable. The interest rates on all of the term notes payable as of December 31, 2024 and December 31, 2023 were fixed at the time of the advance and ranged from 3.94 % to 5.61%. At December 31, 2024, there were no FHLB advances that were considered short-term notes. The FHLB notes are secured by FHLB Stock, as well as eligible loans. The weighted average interest rate is 4.52% as of December 31, 2024. The Company has additional available borrowing capacity from the FHLB of $190,572,036.

The Company borrowed $6,000,000 during 2019 to facilitate the acquisition of the Bank of Mount Hope. This subordinated debt is payable to two different banks, interest rate is fixed at 5.75% and will be paid back with quarterly payments of interest. During 2022, the Company extended the maturity of the $6,000,000 principal balance from September 2026 to September 2029. The principal of $6,000,000 is due September 2029. The Company borrowed an additional $3,500,000 during 2021 to facilitate the acquisition of the three branches of Carter Bank & Trust. The 10-year note with quarterly interest payments is at the rate of 5.00% until May 19, 2026, and thereafter is the 90-day term Secured Overnight Financing rate plus 4.9875% until paid in full. The principal of $3,500,000 is due on or before May 19, 2031. During 2024 and 2023, the company raised $4,975,000 and $400,000 of subordinated debt through a private offering. The 5-year notes have an interest rate of 8.0%. This debt is subordinated to all “Senior Indebtedness” which means obligations to its general creditors or other indebtedness of the Company for money borrowed arising from off-balance sheet guarantees and obligations associated with derivative products such as interest rate contracts.

Some repayments of debt are due monthly, and some are due at maturity. Interest expense of $2,939,515 and $2,843,044 was incurred on these debts in 2024 and 2023, respectively. The maturities of debt as of December 31, 2024 are as follows:

Year	FHLB	Subordinated Debt	Total
2025	$ 5,613,177	$ ---	$ 5,613,177
2026	13,139,017	---	13,139,017
2027	13,915,947	---	13,915,947
2028	6,319,012	400,000	6,319,012
2029	297,935	10,975,000	6,297,935
Thereafter	---	3,500,000	8,875,000
Total	$ 39,285,088	$ 14,875,000	$ 54,160,088

NOTE 14 DIVIDEND LIMITATIONS:

The principal source of funds for Allegheny Bancshares, Inc., is dividends paid by its subsidiary bank. The Code of West Virginia imposes certain restrictions on dividends paid by a state bank. A state bank cannot pay dividends (without the consent of state banking authorities) in excess of the total net profits of the current year and the combined retained profits of the previous two years. As of January 1, 2025, the Bank could pay dividends of up to $12,266,286 without permission of the authorities. Dividends paid by the Bank to the Company totaled $800,000 in 2024 and $2,081,082 in 2023.

NOTE 15 INCOME TAXES:

The current and deferred components of income tax expense as of December 31, 2024 and December 31, 2023 are as follows (in thousands):

	2024	**2023**
Current component of income tax expense	$ 1,208	$ 1,097
Deferred income tax benefit	(271)	(250)
Income tax expense	$ 937	$ 847

NOTE 15 INCOME TAXES (CONTINUED):

A reconciliation between the provision for income taxes and the amount computed by multiplying income by the statutory federal income tax rate is as follows (in thousands):

	2024	2023
Income taxes computed at the applicable		
Federal income tax rate	$ 1,262	$ 1,310
Increase (decrease) resulting from:		
Tax exempt interest income	(332)	(304)
Low-income housing tax credits	(118)	(86)
Non-deductible interest expense	29	23
State tax expense, net of federal taxes	---	13
Other	96	(109)
Income tax expense	$ 937	$ 847

The net deferred tax asset arising from temporary differences as of December 31 is summarized as follows (in thousands):

	2024	2023
Deferred Tax Asset:		
Provision for credit losses	$ 1,258	$ 1,081
Accrued expenses on long term benefits	906	791
Net unamortized CD premium	---	5
Interest on nonaccrual loans	110	121
Deferred loan fees	31	1
ACL on Unfunded Commitments	2	42
Solar project	3	3
Unrealized loss on securities available for sale	2,036	2,255
Other	19	13
Total Assets	$ 4,365	$ 4,312
Deferred Tax Liabilities:		
Depreciation	806	796
Right-of-use Asset	4	4
Intangible amortization	436	454
Other	46	37
Total Liabilities	1,292	1,291
Net Deferred Tax Asset	$ 3,073	$ 3,021

NOTE 16 EMPLOYEE BENEFITS:

Defined Contribution Plan: The Bank has a defined contribution plan with 401(k) provisions that is funded with discretionary contributions by the Bank that covers substantially all full-time employees at the Bank. There is a one year waiting period prior to admission to the plan. Contributions to the plan are based on a percentage of each employee's salary plus matching contributions. Investment of employee balances is done through the direction of each employee. Plan contributions by the employer will be vested based upon years of service shown in the vesting schedule. Contributions by the Company into employees' accounts in the plan were $601,337 and $561,213 for the years ending December 31, 2024 and 2023, respectively.

Supplemental Retirement Agreement: The Bank entered into supplemental employee retirement plan agreements with select executive officers. The plan is a non-qualified defined benefit plan where participants are 100% vested at either age 70 (CEO) or age 65 (all other participants). The agreements specify fixed payments for 15 years after retirement or certain other events that meet separation of service criteria. At December 31, 2024 and 2023, a liability has been established for the present value of future payments of $1,716,682 and $1,505,956, respectively, using discount rates of 6.25% (CEO) and 4.00% (all other participants). The Company has incurred an employee benefit expense of

NOTE 16 EMPLOYEE BENEFITS (CONTINUED):

$210,726 and $176,335 during 2024 and 2023, respectively for this plan. The plan is unfunded; however, life insurance has been acquired on the life of the participants in amounts sufficient to discharge the obligations of this agreement.

Director Deferred Fee Plan: The Bank adopted a Deferred Fee Plan (DFP) for its directors beginning February 13, 2013. This plan allows the directors to defer any or all of their director fees into this DFP where it will earn interest at a rate as set forth in the plan document. Currently this rate is 6%. In addition to the amounts contributed by the directors, the Bank can also contribute each year on behalf of the directors. The total expense for the Bank including discretionary contributions and accrued interest on the deferred account balances totaled $140,923 and $126,556 for 2024 and 2023, respectively. Liability recorded under this plan totaled $1,676,356 and $1,431,384 at December 31, 2024 and 2023, respectively and is included in accrued expenses and other liabilities on the Consolidated Statements of Financial Condition.

Survivor Income Plan: The Bank adopted a Survivor Income Agreement with certain key management employees. The Bank will provide death benefits to the employee's beneficiary in amounts ranging from $150,000 to $550,000 for pre-separation of duty death benefit and an amount half of that for post separation of duty death benefit. There is a vesting schedule based upon employees reaching normal retirement age (age 62 or 65, depending upon when the employee entered the plan) combined with ten 10 years of service. Expense to the Bank totaled $10,714 and $15,886 for 2024 and 2023, respectively. Liability recorded under this plan totaled $235,140 and $224,426 at December 31, 2024 and 2023, respectively and is included in accrued expenses and other liabilities on the Consolidated Statements of Financial Condition.

NOTE 17 RELATED PARTY TRANSACTIONS:

During the year, officers, directors, principal stockholders, and their affiliates (related parties) were customers of and had transactions with the Company in the ordinary course of business. In management's opinion, these transactions were made on substantially the same terms as those prevailing for other customers for comparable transactions and did not involve more than normal risks.

Deposits of related parties including directors, executive officers, and their related interests of the Company totaled $4,768,005 and $6,312,374 as of December 31, 2024 and 2023, respectively.

Changes to balances of loans to related parties during the years ended December 31, 2024 and 2023 is as follows (in thousands):

	2024	2023
Beginning of Year	$ 4,384	$ 2,254
Additional Borrowings	893	2,547
Repayments	(1,842)	(417)
End of Year	$ 3,435	$ 4,384

In addition to the outstanding balances listed above, directors, executive officers, and their related interests of the Company have $3,237,112 in unused loans committed but not funded as of December 31, 2024, and $3,787,626 in unused loans committed but not funded as of December 31, 2023.

NOTE 18 FAIR VALUE:

FASB ASC 820-10, *Fair Value Measurements,* provides a definition of fair value for accounting purposes, establishes a framework for measuring fair value and expands related financial disclosures. Accounting standards specify a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. This statement establishes a hierarchy that prioritizes the use of fair value inputs used in valuation methodologies into the following three levels.

Level 1 – Valuation is based on quoted prices for identical instruments traded in active markets.

NOTE 18 FAIR VALUE (CONTINUED):

Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
Level 3 – Valuation is based upon significant inputs that reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

As of December 31, 2024, and 2023, the Company had no liabilities subject to fair value. The following is a description of valuation methodologies used for assets recorded at fair values.

Investment securities available for sale: Securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, when available. If quoted prices are not available, fair values are measured using independent pricing models. Level 1 securities include those traded by dealers or brokers in an active market.

The Company has no Level 1 securities as of December 31, 2024 or 2023. For the Company, our Level 2 securities include securities issued by government sponsored entities, mortgage-backed securities issued by government sponsored entities, municipal bonds, and corporate debt securities.

Collateral dependent loans: The Company does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered collateral dependent, and a specific allowance for credit loss is established. If a loan is considered collateral dependent, an allowance for credit loss is established, by utilizing market price (if available), or at the fair value of the loans' collateral less selling costs. The fair value is determined by the measurement of the fair value of the underlying collateral less estimated costs to sell.

Typically, the collateral value is determined by applying a discount to an appraisal that was performed at or about the date of the loan. Due to the age of appraisals, the age of the related comparative property sales used for appraisals and the changing market conditions of real estate, the Company considers its collateral dependent loans to be Level 3 assets which are measured on a nonrecurring basis.

The following table presents the recorded amount of assets measured at fair value at December 31 (in thousands):

	Level 1	Level 2	Level 3	Balance 2024
Assets recorded at fair value on a recurring basis:				
U.S. Treasury securities	$ ---	$ 10,449	$ ---	$ 10,449
Mortgage-backed obligations of federal agencies	---	16,204	---	16,204
Corporate securities	---	10,894	---	10,894
Government sponsored enterprises	---	12,197	---	12,197
SBA guaranteed loan pool certificates	---	613	---	613
Obligations of states and political subdivisions	---	36,827	---	36,827
Total	$ ---	$ 87,184	$ ---	$ 87,184
Assets recorded at fair value on a nonrecurring basis:				
Collateral dependent loans	$ ---	$ ---	$ ---	$ ---

	Level 1	Level 2	Level 3	Balance 2023
Assets recorded at fair value on a recurring basis:				
U.S. Treasury Securities	$ ---	$ 15,251	$ ---	$ 15,251
Mortgage-backed obligations of federal agencies	---	18,029	---	18,029
Corporate securities	---	10,380	---	10,380
Government sponsored enterprises	---	11,958	---	11,958
SBA guaranteed loan pool certificates	---	812	---	812
Obligations of states and political subdivisions	---	37,668	---	37,668
Total	$ ---	$ 94,098	$ ---	$ 94,098
Assets recorded at fair value on a nonrecurring basis:				
Collateral dependent loans	$ ---	$ ---	$ 6	$ 6

NOTE 18 FAIR VALUE (CONTINUED):

Qualitative Information About Level 3 Fair Value Measurements for December 31, 2023 (in thousands)

	Fair Value	Valuation Technique(s)	Unobservable Input	Range (Weighted Average)
Assets				
Collateral dependent loans	$ 6	Discounted appraised value	Selling Cost	5%-10%
			Discount for lack of marketability and age of appraisal	10%-40%

NOTE 19 REGULATORY MATTERS:

In August 2018, the Federal Reserve updated the Small Bank Holding Company Policy Statement ("the Statement"), in compliance with The Economic Growth, Regulatory Relief and Consumer Protection Act of 2018 ("EGRRCPA"). The Statement, among other things, exempts bank holding companies that fall below a certain asset threshold from reporting consolidated regulatory capital ratios and from minimum regulatory capital requirements. The interim final rule expands the exemption to bank holding companies with consolidated total assets of less than $3 billion. As a result, the Company qualifies as a small bank holding company and is not subject to regulatory capital requirements on a consolidated basis.

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

The Basel III Capital Rules, a comprehensive capital framework for U.S. banking organizations, became effective on January 1, 2015 (subject to a phase-in period continuing through January 1, 2019 for certain provisions). Basel III Capital Rules established quantitative measures to ensure capital adequacy. The rules set forth minimum amounts and ratios for Common Equity Tier 1 capital ("CET1"), Tier 1 capital and Total capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital to adjusted quarterly average assets (as defined). Management believes as of December 31, 2024, the Bank meets all capital adequacy requirements to which it is subject.

The Basel III final rules require the Bank to comply with the following minimum capital ratios: (i) a new common equity Tier 1 capital ratio of 4.5% of risk-weighted assets; (ii) a Tier 1 capital ratio of 6.0% of risk-weighted assets (increased from the prior requirement of 4.0%); (iii) a total capital ratio of 8.0% of risk-weighted assets (unchanged from the prior requirement); and (iv) a leverage ratio of 4.0% of total assets (unchanged from prior requirement). The Basel III Final Rules establish a capital conservation buffer of 2.5%, which is added to the 4.5% CET1 to risk-weighted assets to increase the ratio to at least 7.0%. The Basel III Final Rules also establish risk weightings that apply to many classes of assets held by community banks applying higher risk weighting to certain commercial real estate loans.

NOTE 19 REGULATORY MATTERS (CONTINUED):

The actual and required capital amounts and ratios of the Bank as of December 31, 2024 and 2023 are shown in the table below (in thousands):

	Actual		Minimum for Capital Adequacy Purposes Including Capital Conservation Buffer		Minimum to be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of December 31, 2024						
Total Capital Risk Weighted Assets	$ 67,792	11.29%	$ 63,067	10.50%	$ 60,064	10.00%
Tier I Capital Risk Weighted Assets	62,746	10.45%	51,055	8.50%	48,051	8.00%
Tier I Common Equity	62,746	10.45%	42,045	7.00%	39,042	6.50%
Tier I Capital Average Assets	62,746	7.96%	31,516	4.00%	39,395	5.00%

	Actual		Minimum for Capital Adequacy Purposes Including Capital Conservation Buffer		Minimum to be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of December 31, 2023						
Total Capital Risk Weighted Assets	$ 59,966	10.67%	$ 59,027	10.50%	$ 56,216	10.00%
Tier I Capital Risk Weighted Assets	55,468	9.87%	47,769	8.50%	44,959	8.00%
Tier I Common Equity	55,468	9.87%	39,339	7.00%	36,529	6.50%
Tier I Capital Average Assets	55,468	7.42%	29,902	4.00%	37,377	5.00%

NOTE 20 FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK:

The Company makes commitments to extend credit in the normal course of business and issues standby letters of credit to meet the financing needs of their customers. The amount of the commitments represents the Company's exposure to credit loss that is not included in the consolidated statement of financial condition. The Company also utilizes Federal Home Loan Bank's (FHLB) Letter of Credit program to collateralize public funds. As of December 31, 2024 and 2023, the Company had FHLB letters of credit totaling $16,100,000 and $4,000,000, respectively.

The Company uses the same credit policies in making commitments and issuing letters of credit as used for the loans reflected on the consolidated statement of financial condition. 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 many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon the extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, commercial and residential real estate.

NOTE 20 FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (CONTINUED):

The following commitments were outstanding as of December 31, 2024 and 2023 (in thousands):

	2024	2023
Home equity lines of credit	$ 35,129	$ 30,113
Commitments to fund commercial real estate and construction	31,007	21,302
Other unused commitments	48,031	51,503
Performance standby letters of credit	997	1,786
Total	$ 115,164	$ 104,704

NOTE 21 CONCENTRATIONS:

The Bank operates as a community bank in the areas it serves. As such, the loan portfolio consists of commercial, residential real estate and consumer loans to individuals and businesses located primarily in the areas surrounding our financial centers. The collateral for loans is secured primarily by real estate and personal property located in our area.

NOTE 22 TAX CREDIT PROJECTS:

As of December 31, 2024 and 2023, the Bank had investments in four low-income housing and historic equity partnerships with a carrying basis totaling $4,085,085 and $3,303,641, respectively. The interests have limited transferability. The market values of these investments are estimated to approximate their carrying values. At December 31, 2024 and 2023, the Company was committed to invest an additional $2,126,587 and $2,027,227 in these projects. These funds will be paid as requested by the general partner to complete the projects. This additional investment has been reflected in the above carrying basis and in accrued expenses and other liabilities on the consolidated statement of financial condition.

NOTE 23 LEGAL CONTINGENCY:

The Company is a defendant in a class action claim that was initially brought against an institution acquired by the Company. Although management believes the claim has no merit, the Company recorded a liability and related expense of approximately $342,000 during the year ended December 31, 2024, with respect to this litigation. In management's opinion, it may be prudent to settle the claim rather than expend resources to defend the claim, but no definite settle amount has been reached. Management believes the liability recorded as of December 31, 2024, will substantially satisfy any eventual settlement, but there can be no assurance an eventual settlement or the outcome of the litigation will not exceed the amount recognized as of December 31, 2024.

NOTE 24 PARENT CORPORATION ONLY FINANCIAL STATEMENTS:

ALLEGHENY BANCSHARES, INC.
STATEMENT OF FINANCIAL CONDITION

	December 31,	
	2024	2023
ASSETS		
Cash	$ 1,103,866	$ 58,316
Investment in subsidiary	61,044,395	53,104,521
Other assets	14,618	26,401
Total Assets	$ 62,162,879	$ 53,189,238
LIABILITIES		
Other liabilities	$ 208,099	$ 99,888
Subordinated debt	14,875,000	9,900,000
Total Liabilities	$ 15,083,099	$ 9,999,888
STOCKHOLDERS' EQUITY	47,079,780	43,189,350
Total Liabilities and Stockholders' Equity	$ 62,162,879	$ 53,189,238

NOTE 24 PARENT CORPORATION ONLY FINANCIAL STATEMENTS (CONTINUED):

ALLEGHENY BANCSHARES, INC.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
INCOME		
Dividends from subsidiary	$ 800,000	$ 2,081,082
Interest bearing deposits in banks	7,828	---
Total Income	807,828	2,081,082
EXPENSES		
Professional fees	83,582	69,518
Annual shareholder meeting	16,363	16,064
Interest expense	806,679	520,000
Other expenses	652	628
Total Expenses	907,276	606,210
(LOSS) INCOME BEFORE INCOME TAX BENEFIT AND UNDISTRIBUTED INCOME OF SUBSIDIARY	(99,448)	1,474,872
Income tax benefit	208,377	143,165
UNDISTRIBUTED INCOME OF SUBSIDIARY	4,965,707	3,773,974
NET INCOME	$ 5,074,636	$ 5,392,011
COMPREHENSIVE INCOME	$ 5,898,803	$ 6,897,007

NOTE 24 PARENT CORPORATION ONLY FINANCIAL STATEMENTS (CONTINUED):

ALLEGHENY BANCSHARES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENED DECEMBER 31, 2024 AND 2023

	2024	2023
OPERATING ACTIVITIES		
Net income	$ 5,074,636	$ 5,392,011
Adjustments:		
Undistributed subsidiary income	(4,965,707)	(3,773,974)
Increase (decrease) in other liabilities	108,210	(6,561)
Decrease (increase) in other assets	11,784	(26,402)
Net Cash Provided by Operating Activities	228,923	1,585,074
INVESTING ACTIVITIES		
Capital invested in subsidiary bank	(2,150,000)	(400,000)
Net Used in Investing Activities	(2,150,000)	(400,000)
FINANCING ACTIVITIES		
Proceeds from sale of treasury stock	40,000	---
Proceeds of issuance of subordinated debt	4,975,000	400,000
Cash dividends paid	(2,048,373)	(2,006,082)
Net Cash Provided by (Used in) Financing Activities	2,966,627	(1,606,082)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,045,550	(421,008)
Cash and equivalents, January 1	58,316	479,324
Cash and equivalents, December 31	$ 1,103,866	$ 58,316

Local and Statewide Honors

Best of West Virginia
West Virginia Living Magazine

- Best

Valley Favorites
The News Virginian

- Favorite Bank
- Favorite Mortgage Company
- Favorite Place to Work

Shenandoah Valley Best
Harrisonburg Radio Group

- Best Ag Lender
- Best Customer Service
- Best Home Mortgage

Best of the Valley
Daily News Record

- Best Company to Work For
- Best Mortgage Company
- Best Bank (*Finalist*)

Best of Fayette County Readers' Choice Awards
The Fayette Tribune

- Best Bank