ANNUAL REPORT 2024

Citizens Bank & Trust
COMPANY
Serving Our Communities
SINCE 1873


126 So. Main
S Main St
& TRUST CO
CITIZENS BANK & TRUST CO
MEMBER FEDERAL RESERVE SYSTEM

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President's Letter

"Throughout the year Citizens Bank & Trust Company demonstrated strong financial performance by achieving record earnings of $8.563 million".

C. Taylor Quicke
President | CEO

Dear Fellow Shareholders:

As we reflect on 2024, we recognize that the year was one of resilience and adaptation in a complex economic environment. At the end of the year, the yield curve had steepened due to a soft landing narrative, sticky inflation, and anticipation of a growing economy. As evidenced by our fourth consecutive year of record earnings, the Bank was well positioned for the continuation of higher interest rates.

Throughout the year Citizens Bank & Trust Company demonstrated strong financial performance by achieving record earnings of $8.563 million. Our strategic positioning of the balance sheet during a high-rate environment led to an improved net interest margin of 3.87% for the year as compared to 3.78% for 2023. At .88%, the Bank's cost of funds was well below that of our national and state peers and supported the solid margin. This prudent management allowed us to increase the quarterly dividend from $0.27 to $0.28 per share, or from $1.08 to $1.12 on an annual basis, which is an annualized increase of 3.70%.

The Bank continued to experience robust loan growth for the third consecutive year, with loans increasing by $17.6 million, or 6.98%, during 2024. This growth reflects our commitment to supporting the financial needs of our community while maintaining a focus on high-quality credits. Credit quality remained strong as nonaccrual loans as a percentage of total loans equated to .02% as of year-end 2024.

Our dedication to community service remains a cornerstone of our mission. Employees of Citizens Bank & Trust Company actively participate in various community activities, including coaching local sports teams, serving as volunteer firefighters, supporting local charities, and leading church and civic organizations. We believe that supporting our communities is not only good for business, but is also the right thing to do.

As we move forward, Citizens Bank & Trust Company remains committed to adapting to the evolving financial landscape while staying true to our core principles. We will continue to focus on practical financial management, community engagement, and the delivery of exceptional service to our customers. In closing, I would like to thank the Board of Directors, management, and staff for a banner year, which was possible due to the continued support from our shareholders, customers, and communities.

"Great leadership is about building trust, inspiring vision, and empowering people to achieve more together."

Board of Directors

Front Row - Left to Right:

Dr. Anne Wells Carr

C. Taylor Quicke
President | Chief Executive Officer

Charles F. Parker, Jr.
Chairman

Jeffrey W. Siffert
Vice Chairman

JoAnne Scott Webb

Back Row - Left to Right:

Norman H. "Trey" Taylor, III

David H. Gates

Jerome A. Wilson, III

E. Walter Newman, Jr.

William D. Coleburn

Timothy R. Tharpe

Senior Management Team

Lisa H. Whitehead
Senior Vice President | Controller

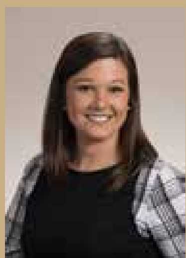
C. Taylor Quicke
President | Chief Executive Officer

Kristie L. Martin-Wallace
Senior Vice President | Compliance | Credit Review | Risk Management

Cetric A. Gayles
Executive Vice President | Chief Credit Officer

Lynn K. Shekleton
Executive Vice President | Human Resources & Branch Administration

Expert Lending Team



April S. Long
Blackstone

Brittany A. Madison
Powhatan

Crystal E. Howell
Goochland

Dave K. Seegers
South Hill

Joanna H. Furr
Chester & Colonial Heights

Kay F. Baughan
Crewe & Burkeville

Mary H. Bishop
Blackstone

Michael R. Lynn III
Blackstone & South Hill

James F. Keller
Powhatan

P. Ward Shelton
Chester

Rhonda E. Arnold
Farmville

Robin E. Gough
Amelia

William J. Collins III
Blackstone & Farmville

Cetric A. Gayles
EVP | Chief Credit Officer

In 2024, Citizens Bank and Trust Company celebrated a significant milestone, reaching $8.5 million in net income for the first time. Our solid financial performance included having a banner year in loan production as we produced $85.4 million in gross loan originations, which allowed us to grow our loan balances by $17.5 million, reaching an all-time high.

To complement the growth, we are also pleased to report that our credit quality remained stable despite the high inflationary and interest rate environment.

While it's great to reflect on the successes of last year, Citizens Bank & Trust remains committed to investing in the communities we serve in 2025 and beyond. Our team of experienced bankers will work tirelessly to understand the unique needs of our clients and deliver tailored solutions that empower them to achieve their financial aspirations.

Citizens Bancorp of Virginia, Inc.

Blackstone, Virginia

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Citizens Bancorp of Virginia, Inc.
Blackstone, Virginia

Opinion

We have audited the consolidated financial statements of Citizens Bancorp of Virginia, Inc. and its Subsidiary (the Corporation), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

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

Basis for Opinion

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

Responsibilities of Management for the 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 Corporation'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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the President's Letter 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.

Richmond, Virginia
March 18, 2025

CITIZENS BANCORP OF VIRGINIA, INC. AND SUBSIDIARY

Consolidated Balance Sheets
December 31, 2024 and 2023

Assets	**2024**	**2023**
Cash and due from banks	$ 6,560,579	$ 7,433,331
Interest-bearing deposits in banks	288,193	231,960
Federal funds sold	21,099,000	39,671,000
Securities available for sale, at fair value	224,682,636	226,138,187
Restricted securities, at cost	544,300	558,100
Loans, net of allowance for credit losses of $3,329,467 in 2024 and $2,969,037 in 2023	266,441,871	249,278,523
Premises and equipment, net	7,685,116	7,751,261
Accrued interest receivable	2,569,847	2,241,053
Bank-owned life insurance	18,235,210	15,734,264
Other real estate owned	534,068	632,568
Other assets	4,062,394	4,670,690
Total assets	$ 552,703,214	$ 554,340,937
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Noninterest-bearing	$ 108,929,857	$ 113,421,383
Interest-bearing	362,822,266	370,612,096
Total deposits	471,752,123	484,033,479
Other borrowings	10,119,304	5,631,537
Accrued interest payable	1,368,784	1,236,486
Accrued expenses and other liabilities	2,795,007	3,744,717
Total liabilities	486,035,218	494,646,219
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock, $0.50 par value; authorized 1,000,000 shares; none outstanding	- -	- -
Common stock, $0.50 par value; authorized 10,000,000 shares; issued and outstanding, 2,108,017 in 2024 and 2,123,863 in 2023	1,054,008	1,061,931
Retained earnings	78,266,818	72,438,031
Accumulated other comprehensive loss, net	(12,652,830)	(13,805,244)
Total stockholders' equity	66,667,996	59,694,718
Total liabilities and stockholders' equity	$ 552,703,214	$ 554,340,937

The accompanying notes are an integral part of these consolidated financial statements.

CITIZENS BANCORP OF VIRGINIA, INC. AND SUBSIDIARY

Consolidated Statements of Income
For the Years Ended December 31, 2024 and 2023

	2024	2023
Interest and Dividend Income		
Loans, including fees	$ 16,989,674	$ 14,159,583
Investment securities:		
Taxable	6,346,623	6,024,917
Tax-exempt	256,883	269,880
Federal funds sold	1,201,260	2,478,139
Other	45,339	37,228
Total interest and dividend income	24,839,779	22,969,747
Interest Expense		
Deposits	4,191,024	2,618,712
Borrowings	56,008	7,120
Total interest expense	4,247,032	2,625,832
Net interest income	20,592,747	20,343,915
Provision for Credit Losses	363,000	210,000
Net interest income after provision for credit losses	20,229,747	20,133,915
Noninterest Income		
Service charges on deposit accounts	699,918	651,526
Net loss on disposition of land, premises and equipment	- -	(10,911)
Net loss on calls of securities	(12,059)	(751)
Gain on sales of loans	57,454	50,461
Income from bank-owned life insurance	500,946	781,971
Gain on sale of minority interest of equity investments	- -	46,403
Interchange income, net	951,365	957,875
Other	491,650	462,585
Total noninterest income	2,689,274	2,939,159
Noninterest Expense		
Salaries and employee benefits	7,564,831	7,931,577
Occupancy	819,048	726,338
Equipment	443,902	503,663
Data Processing	537,964	470,205
FDIC deposit insurance	247,132	255,414
Net gain on sale of other real estate owned	(71,592)	(95,848)
OREO expenses, net of rental income	22,519	14,038
Other	2,707,217	2,785,984
Total noninterest expense	12,271,021	12,591,371
Income before income taxes	10,648,000	10,481,703
Provision for income taxes	2,084,971	1,986,102
Net income	$ 8,563,029	$ 8,495,601
Earnings Per Share, basic and diluted	$ 4.05	$ 4.00

The accompanying notes are an integral part of these consolidated financial statements.

CITIZENS BANCORP OF VIRGINIA, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2024 and 2023

	2024	2023
Net Income	$ 8,563,029	$ 8,495,601
Other comprehensive income, net of tax:		
Unrealized gain on securities available for sale net of of taxes of $(176,082) and $(1,065,809)	662,404	4,009,471
Less: reclassification adjustment for losses on calls of securities, net of taxes of $(2,532) and $(158)	9,527	593
Change in pension plan assets and benefit obligations, net of taxes of $(127,723) and $(32,721)	480,483	123,091
Total other comprehensive income	1,152,414	4,133,155
Comprehensive income	$ 9,715,443	$ 12,628,756

The accompanying notes are an integral part of these consolidated financial statements.

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CITIZENS BANCORP OF VIRGINIA, INC. AND SUBSIDIARY

Consolidated Statements of Changes in Stockholders' Equity

For the Years Ended December 31, 2024 and 2023

	Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss, Net	Total
Balance at December 31, 2022	$ 1,062,806	$ 66,718,809	$ (17,938,399)	$ 49,843,216
Adoption of ASU 2016-13, net of tax	- -	(460,776)	- -	(460,776)
Net income	- -	8,495,601	- -	8,495,601
Other comprehensive income, net of tax	- -	- -	4,133,155	4,133,155
Shares repurchased	(875)	(42,875)	- -	(43,750)
Cash dividends declared ($1.07 per share)	- -	(2,272,728)	- -	(2,272,728)
Balance at December 31, 2023	1,061,931	72,438,031	(13,805,244)	59,694,718
Net income	- -	8,563,029	- -	8,563,029
Other comprehensive income, net of tax	- -	- -	1,152,414	1,152,414
Shares repurchased	(7,923)	(408,662)	- -	(416,585)
Cash dividends declared ($1.10 per share)	- -	(2,325,580)	- -	(2,325,580)
Balance at December 31, 2024	$ 1,054,008	$ 78,266,818	$ (12,652,830)	$ 66,667,996

The accompanying notes are an integral part of these consolidated financial statements.

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CITIZENS BANCORP OF VIRGINIA, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Net income	$ 8,563,029	$ 8,495,601
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	537,237	578,048
Depreciation on other real estate owned	- -	666
Net loss on disposition of land, premises and equipment	- -	10,911
Provision for credit losses on loans	323,000	210,000
Provision for credit losses on unfunded commitments	40,000	- -
Gain on sales of loans	(57,454)	(50,461)
Origination of loans held for sale	(3,420,346)	(4,100,153)
Proceeds from sales of loans	3,477,800	4,150,614
Net loss on calls of securities	12,059	751
Income from bank-owned life insurance	(500,946)	(781,971)
Net gain on sale of other real estate owned	(71,592)	(95,848)
Gain on sale of minority interest in equity investment	- -	(46,403)
Net accretion of securities	(1,044,745)	(984,520)
Deferred tax expense (benefit)	109,097	(114,278)
Changes in assets and liabilities:		
Increase in accrued interest receivable	(328,794)	(143,466)
Decrease (increase) in other assets	184,572	(115,392)
Increase in accrued interest payable	132,298	1,021,517
(Decrease) increase in accrued expenses and other liabilities	(373,213)	1,158,334
Net cash provided by operating activities	7,582,002	9,193,950
Cash Flows from Investing Activities		
Activity in available for sale securities:		
Sales and calls	3,593,223	2,083,567
Maturities and prepayments	27,797,508	13,405,161
Purchases	(28,051,950)	- -
Redemption (purchase) of restricted securities	13,800	(118,300)
Net increase in loans	(17,486,348)	(27,948,936)
Purchases of land, premises and equipment	(471,092)	(155,187)
Proceeds from sale of land, premises and equipment	- -	4,675
Purchase of bank-owned life insurance	(2,000,000)	- -
Proceeds from BOLI settlement	- -	1,123,235
Proceeds from sale of minority investment in affiliate	- -	46,403
Proceeds from sale of other real estate owned	170,092	579,075
Net cash used in investing activities	(16,434,767)	(10,980,307)

The accompanying notes are an integral part of these consolidated financial statements.

CITIZENS BANCORP OF VIRGINIA, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2024 and 2023

(Continued)

	2024	2023
Cash Flows from Financing Activities		
Net decrease in deposits	(12,281,356)	(28,443,876)
Net increase (decrease) in borrowings	4,487,767	(2,868,844)
Dividends paid	(2,325,580)	(2,272,728)
Repurchase of common stock	(416,585)	(43,750)
Net cash used in financing activities	(10,535,754)	(33,629,198)
Net decrease in cash and cash equivalents	(19,388,519)	(35,415,555)
Cash and Cash Equivalents		
Beginning of year	47,336,291	82,751,846
End of year	$ 27,947,772	$ 47,336,291
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for:		
Interest	$ 4,114,734	$ 1,604,315
Income taxes	$ 1,850,000	$ 2,178,879
Supplemental Disclosures of Noncash Investing and Financing Activities		
Unrealized gain on available for sale securities	$ 850,544	$ 5,076,031
Minimum pension plan adjustment	$ 608,206	$ 155,812
Adoption of new accounting standard ASU 2016-13	$ - -	$ 583,261

The accompanying notes are an integral part of these consolidated financial statements.

Note 1. Summary of Significant Accounting Policies

Business

Citizens Bancorp of Virginia, Inc. (the Company) is a one-bank holding company and is the sole shareholder of its only subsidiary, Citizens Bank and Trust Company (the Bank). The Bank conducts the general business of a commercial bank. The Company is chartered under the laws of the Commonwealth of Virginia and is a member of the Federal Reserve System. The Bank's primary trade areas are in the Virginia counties of Nottoway, Amelia, Prince Edward, Brunswick, Buckingham, Charlotte, Chesterfield, Cumberland, Dinwiddie, Lunenburg, Mecklenburg, Powhatan, Goochland and the cities of Colonial Heights, Richmond and Petersburg. The Bank offers traditional lending and deposit products to businesses and individuals.

Basis of Presentation and Consolidation

The consolidated financial statements include the accounts of Citizens Bancorp of Virginia, Inc. and its wholly-owned subsidiary, Citizens Bank and Trust Company. All significant intercompany balances and transactions have been eliminated in consolidation. The Consolidated Financial Statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles and conform to predominant practices within the financial services industry.

Use of Estimates

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, other real estate owned and the pension benefit obligation.

Cash and Due from Banks, Interest-bearing Deposits in Banks, and Federal Funds Sold

Cash and due from banks include cash and balances due from correspondent banks which are deposited in both noninterest-bearing and interest-bearing accounts and federal funds sold. All balances are readily available for use by the Company and its subsidiary.

The Company maintains deposits with correspondent banks in amounts that exceed federal deposit insurance coverage. Uninsured balances were approximately $546 thousand at December 31, 2024. Furthermore, federal funds sold are essentially uncollateralized loans to other financial institutions. Management regularly evaluates the credit risk associated with the counterparties to these transactions and believes that the Company is not exposed to any significant credit risks on cash and cash equivalents.

The Company was not required to have a reserve or clearing balance at the Federal Reserve at December 31, 2024 or December 31, 2023.

Note 1. Summary of Significant Accounting Policies (continued)

Securities

The Company classified all investment securities as available for sale as of December 31, 2024 and 2023. Securities classified as available for sale are recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income, net of taxes.

Impairment of securities occurs when the fair value of a security is less than its amortized cost. For debt securities, impairment is recognized in its entirety in net income if either (1) the Company intends to sell the security or (2) it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. If, however, the Company does not intend to sell the security and it is not more-than-likely that the Company will be required to sell the security before recovery, management must determine what portion of the impairment is attributable to a credit loss. The Company may consider various factors including the extent to which fair value is less than amortized cost, performance on any underlying collateral, downgrades in the ratings of the security by a rating agency, the failure of the issuer to make scheduled interest or principal payments and adverse conditions specifically related to the security. If there is no credit loss, there is no impairment. If the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected is compared to the amortized cost basis of the security and any excess is recorded as an allowance for credit loss, limited to the amount that the fair value is less than the amortized cost basis. Any amount of unrealized loss that has not been recorded through an allowance for credit loss is recognized in other comprehensive income (loss).

Changes in the allowance for credit loss are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance for credit loss when management believes an available-for-sale security is confirmed to be uncollectible or when either of the criteria regarding intent or requirement to sell is met. At December 31, 2024, there was no allowance for credit loss related to the available-for-sale portfolio.

Accrued interest receivable on available-for-sale debt securities totaled $1,054,678 at December 31, 2024and was excluded from the estimate of credit losses.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Restricted Securities

The Company is required to maintain an investment in the capital stock of the Federal Reserve Bank, Community Bankers' Bank and the Federal Home Loan Bank of Atlanta. No ready market exists for these stocks and they have no quoted market value. The Company's investment in these stocks is recorded at cost.

Note 1. Summary of Significant Accounting Policies (continued)

Loans

The recorded investment in loans represents the principal amount outstanding, net of deferred origination costs and fees, partial charge-offs, and nonaccrual interest applied to principal. The amortization of deferred origination costs together with loan origination fees are recognized as an adjustment of the related loan yield using the interest method. Interest on accruing loans is credited to operations based on the principal amount outstanding. Management has the intent and ability to hold the loans for the foreseeable future or until maturity or payoff.

A loan's past due status is based on the contractual due date of the most delinquent payment due. Loans are generally placed on nonaccrual status when the collection of principal or interest is 90 days or more past due, or earlier if collection is uncertain based on an evaluation of the net realizable value of the collateral and the financial strength of the borrower. Loans greater than 90 days past due may remain on accrual status if management determines it has adequate collateral to cover the principal and interest. For those loans that are carried on nonaccrual status, payments are first applied to principal outstanding. A loan may be returned to accrual status if the borrower has demonstrated a sustained period of repayment performance in accordance with the contractual terms of the loan and there is reasonable assurance the borrower will continue to make payments as agreed. These policies are applied consistently across the loan portfolio.

Loans that do not share common risk characteristics with other loans are evaluated individually and are not included in the collective analysis. The allowance for credit losses on loans that are individually evaluated may be estimated based on their expected cash flows, or, in the case of loans for which repayment is expected substantially through the operation or sale of collateral when the borrower is experiencing financial difficulty, may be measured based on the fair value of the collateral less estimated cost to sell.

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value. Mortgage loans held for sale are sold with the mortgage servicing rights released by the Company. The Company had no balances of mortgage loans held for sale at December 31, 2024 or December 31, 2023.

The Company enters into commitments to originate certain mortgage loans whereby the interest rate on the loans is determined prior to funding (rate lock commitments). Rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. The period of time between issuance of a loan commitment, loan closing and the sale of the loan generally ranges from thirty to ninety days. The Company protects itself from changes in interest rates through the use of best efforts forward delivery commitments, whereby the Company commits to sell a loan at the time the borrower commits to an interest rate with the intent that the buyer has assumed interest rate risk on the loan. As a result, the Company is not exposed to losses nor will it realize significant gains related to its rate lock commitments due to changes in interest rates. The correlation between the rate lock commitments and the best efforts contracts is very high due to their similarity. Because of this high correlation, no gain or loss occurs on the rate lock commitments. The Company has no obligation to the investor should the loan not close with the borrower.

Note 1. Summary of Significant Accounting Policies (continued)

Allowance for Credit Losses - Loans

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

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

The Company measures expected credit losses for loans on a pooled basis when similar risk characteristics exist. The Company has identified the following portfolio segments and calculates the allowance for credit losses for each using the weighted average remaining maturity methodology: Residential Real Estate, Commercial Real Estate, Farmland, Construction, Commercial and Industrial and Consumer.

Additionally, the allowance for credit losses calculation includes subjective adjustments for qualitative factors that are likely to cause estimated credit losses to differ from historical experience. These qualitative adjustments may increase or reduce reserve levels and include adjustments for lending management experience and risk tolerance, loan review, asset quality and portfolio trends, loan portfolio growth, industry concentrations, trends in underlying collateral, external factors and economic conditions not already captured.

Loans that do not share risk characteristics are evaluated on an individual basis. When the borrower is experiencing financial difficulty and repayment is expected to be provided through operation or sale of the collateral, the expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

Allowance for Credit Losses – Unfunded Commitments

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

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

Note 1. Summary of Significant Accounting Policies (continued)

Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization expense is computed by the straight-line method over the estimated useful lives of the assets. Estimated useful lives of the assets range from 3 to 39 years. Leasehold improvements are generally depreciated over the lesser of the lease term or the estimated useful lives of the improvements. Major improvements are capitalized while maintenance and repairs are charged to expense as incurred.

Other Real Estate Owned

Real estate acquired through, or in lieu of, foreclosure is held for sale and is recorded at fair value less cost to sell at the date of foreclosure establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying value or fair value less cost to sell. Adjustments to carrying value, revenue and expenses related to holding foreclosed assets are recorded in earnings as they occur.

At the time of foreclosure some properties may already be occupied by a tenant. In such instances and other similar instances, management will decide to rent a property during the marketing period. Rental income collected is recorded as an offset to other real estate owned expenses. Depreciation expense, related to the value of the buildings and improvements, is recorded only for properties that are rented as these properties are not currently available for sale.

Bank-Owned Life Insurance

The Company has purchased life insurance policies on certain officers. Company owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Stock Repurchase Plan

The Board of Directors of the Company approved the establishment of the current Stock Repurchase Plan on July 18, 2007. The Plan went into effect on September 1, 2007. The Board of Directors unanimously adopted a resolution authorizing the Company to repurchase up to 80,000 shares of its Common Stock between July 1, 2024 and June 30, 2025, subject to a gross repurchase amount not to exceed $2 million. The Board of Directors reviews the results of the Plan monthly. The Plan has been continuously reapproved since its inception.

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 basis of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws. Realization of deferred tax assets is dependent upon the generation of a sufficient level of future taxable income. Although realization is not assured, management believes it is more-likely-than-not that all of the deferred tax assets will be realized.

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 during 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 benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits

Note 1. Summary of Significant Accounting Policies (continued)

associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying consolidated balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

The Company files a consolidated Federal income tax return with the Bank. Federal income tax expense or benefit has been allocated to each on a separate return basis. The Commonwealth of Virginia has a Bank Franchise Tax in lieu of a state income tax. The Bank files a Bank Franchise Tax return and the expense is recorded as noninterest expense.

Defined Benefit Pension Plan

The Company provides a noncontributory defined benefit pension plan covering substantially all of the Company's employees who are eligible based on age and length of service. The Company funds pension costs in accordance with the funding provisions of the Employee Retirement Income Security Act. Additional information regarding the Company's pension plan is presented in Note 11 – Employee Benefit Plans.

Comprehensive Income

Along with net income, other components of the Company's comprehensive income include the after tax effect of changes in the net unrealized gain (loss) on securities available for sale and changes in the net actuarial gain (loss) of the defined benefit pension plan. Other comprehensive income (loss) is reported in the accompanying consolidated statements of changes in stockholders' equity and consolidated statements of comprehensive income.

Transfer of Financial Assets

Transfers of loans are accounted for as sales when control over the loans has been surrendered. Control over transferred loans is deemed to be surrendered when (1) the loans have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred loans and (3) the Company does not maintain effective control over the transferred loans through an agreement to repurchase them before their maturity.

Advertising

Advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2024 and 2023 were $40,198 and $45,931, respectively.

Earnings Per Share

Basic and diluted earnings per share are calculated based on the weighted-average number of common shares and common stock equivalents outstanding. The Company has no dilutive or potentially dilutive common stock equivalents. For the years ended December 31, 2024 and 2023, the weighted-average common shares outstanding were 2,116,312 and 2,124,261, respectively.

Note 1. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

ASC Topic 820, "Fair Value Measurements and Disclosures," defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and requires certain disclosures about fair value measurements. See Note 15 - Fair Value Measurements. In general, fair values of financial instruments are based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Any such valuation adjustments are applied consistently over time.

Operating Segments

The Company's reportable segment is determined by the Senior Management Team, who are designated the chief decision-makers, based upon information provided about the Company's products and services offered, primarily banking operations. While the Senior Management Team monitors the revenue streams of the various products and services, operations are similar, and financial performance is evaluated on a company-wide basis. Therefore, the reportable segment is solely the Bank. Loans, investments, and deposits provide the revenues in banking operations, while interest expense, salaries and employee benefits, provisions for credit losses, occupancy, equipment, and data processing provide the significant expenses in banking operations. The Senior Management Team uses return on average assets to benchmark the Company against its competitors. The benchmarking analysis coupled with monitoring of budget to actual results are used in assessing performance and in establishing compensation. See the Consolidated Statements of Income and Comprehensive Income for more information.

Reclassifications

Certain immaterial reclassifications have been made to prior period balances to conform to the current year presentations. Reclassifications had no impact on prior year net income or stockholders' equity.

Revenue Recognition

The Company records revenue based on ASU No.2016-20 "Revenue from Contracts with Customers" (Topic 606). Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. The Company's services that fall within the scope of Topic 606 are presented within noninterest income and are recognized as revenue as the Company satisfies its obligation to the customer. A description of the Company's noninterest revenue streams is discussed below:

Service Charges on Deposit Accounts. The Company earns fees from its deposit customers for overdrafts, monthly service fees, stop payment fees and other deposit account related fees. Overdraft fees are recognized when the overdraft occurs. The Company's performance obligation for monthly service fees is generally satisfied over the period in which the service is provided. Other deposit account related fees are largely transactional based and, therefore, the Company's performance obligation is satisfied, and related revenue recognized, at a point in time.

Interchange Income, Net. The Company earns interchange fees from debit cardholder transactions conducted through various payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services.

Other Service Charges and Fees. The Company earns fees from its customers for transaction-based services. Services include, safe deposit box, debit/ATM card income, cashier's checks, and wire transfer fees. In each case, these fees and service charges are recognized in income at the time or within the same period that the services are rendered.

Note 1. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures." The amendments in this ASU are intended to improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. This ASU requires disclosure of significant segment expenses that are regularly provided to the chief operating decision maker (CODM), an amount for other segment items by reportable segment and a description of its composition, all annual disclosures about a reportable segment profit or loss and assets currently required by FASB ASU Topic 280 in interim periods, and the title and position of the CODM and how the CODM uses the reported measures. Additionally, this ASU requires that at least one of the reported segment profit and loss measures should be the measure that is most consistent with the measurement principles used in an entity's consolidated financial statements. Lastly, this ASU requires public business entities with a single reportable segment to provide all disclosures required by these amendments in this ASU and all existing segment disclosures in Topic 280. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments should be applied retrospectively. The Company does not expect the adoption of ASU 2023-07 to have a material impact on its consolidated financial statements.

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 2023-09 to have a material impact on its consolidated financial statements.

Note 2. Securities

The amortized cost and fair value of securities available for sale, with gross unrealized gains and losses, follows:

	December 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
U.S. Government				
and federal agency	$ 126,606,716	$ 22,248	$ (2,829,846)	$ 123,799,118
State and municipal	24,637,375	113,597	(1,420,430)	23,330,542
Agency mortgage-backed	88,123,268	5,641	(10,575,933)	77,552,976
	$ 239,367,359	$ 141,486	$ (14,826,209)	$ 224,682,636

	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
U.S. Government				
and federal agency	$ 130,674,245	$ 17,967	$ (5,249,154)	$ 125,443,058
State and municipal	23,510,602	227,296	(1,219,507)	22,518,391
Agency mortgage-backed	87,488,607	77,308	(9,389,177)	78,176,738
	$ 241,673,454	$ 322,571	$ (15,857,838)	$ 226,138,187

Securities having carrying values of $68,181,690 and $58,941,780 at December 31, 2024 and 2023, respectively, were pledged to secure public deposits, repurchase agreements and for other purposes required by law.

U.S. Government and Federal Agency securities consist of debt obligations of the U.S. Government or of its designated agencies including Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), and the Small Business Investment Corporation (SBIC). At December 31, 2024, the Company held debt securities of the FHLB, FFCB, FHLMC and the SBIC.

State and municipal bonds consist of debt obligations of states, municipalities, and school districts throughout the United States. Management's evaluation of state and municipal debt securities, prior to the purchase, includes, but does not solely rely on, a review of the governmental entity's credit rating. A security purchase is made without any consideration to the rating enhancement which may come from the bond insurer. Management strives to purchase general obligation debt securities which can offer a reduced risk of default.

Note 2. Securities (continued)

Agency Mortgage-backed securities consist of mortgage-backed pass-through securities that are issued by the Federal Agencies: Government National Mortgage Association, FHLMC and FNMA. This category also includes collateralized mortgage obligations, otherwise known as CMOs, which are issued by Federal Agencies such as FNMA and FHLMC.

Maturities may differ from contractual maturities in mortgage-backed securities because the mortgages underlying the securities may be called or prepaid without any penalties.

The table below provides the maturities for the investment portfolio as of December 31, 2024.

	Amortized Cost	Fair Value
Maturing within one year	$ 52,196,267	$ 51,653,573
Maturing after one year through five years	74,206,264	71,743,343
Maturing after five years through ten years	10,642,353	9,894,262
Maturing after ten years	14,199,207	13,838,482
Agency mortgage-backed securities	88,123,268	77,552,976
	$ 239,367,359	$ 224,682,636

Information pertaining to securities with gross unrealized losses at December 31, 2024 and 2023 aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less than 12 Months		12 Months or More	
2024	**Fair Value**	**Unrealized (Loss)**	**Fair Value**	**Unrealized (Loss)**
		(In thousands)		
U.S. Government and federal agency	$ 12,703	$ (96)	$ 105,247	$ (2,734)
State and municipal	6,684	(242)	12,421	(1,178)
Agency mortgage-backed	16,223	(266)	60,390	(10,310)
Total temporarily impaired securities	$ 35,610	$ (604)	$ 178,058	$ (14,222)

Note 2. Securities (continued)

2023	Less than 12 Months Fair Value	Less than 12 Months Unrealized (Loss)	12 Months or More Fair Value	12 Months or More Unrealized (Loss)
		(In thousands)		
U.S. Government and federal agency	$ 1,805	$ (7)	$ 120,884	$ (5,242)
State and municipal	2,167	(20)	14,220	(1,200)
Agency mortgage-backed	987	(3)	70,850	(9,386)
Total temporarily impaired securities	$ 4,959	$ (30)	$ 205,954	$ (15,828)

The unrealized losses in the investment portfolio as of December 31, 2024 are considered temporary and are a result of general market fluctuations. The unrealized losses are from 355 securities. All securities are rated as investment grade and are backed by insurance, U.S. government agency guarantees, designated revenue streams, or the full faith and credit of municipalities throughout the United States. The Company's investment policy requires that a below investment grade security be monitored by Management but the investment policy does not require that the security be sold simply because it has fallen to below investment grade.

Market prices change daily and are affected by conditions beyond the control of the Company. Investment decisions are made by the management group of the Company and reflect the overall liquidity and strategic asset/liability objectives of the Company. Management analyzes the securities portfolio frequently and manages the portfolio to provide an overall positive impact to the Company's income statement and balance sheet. Management considers the reason for impairment and the intent and ability to hold the security until the full value is recovered in determining if a credit impairment exists. Based on this analysis, Management has determined no credit impairment exists as of December 31, 2024. The Company does not intend and it is more-likely-than-not that the Company will not be required to sell these securities until they recover in value or reach maturity.

Management has positioned the investment portfolio to take advantage of not only the current investment environment, but also the investment opportunities that will exist as market interest rates rise. As a result of this strategy, it is possible to see an increase in the number of securities that are called by the issuer prior to maturity. For the years ended December 31, 2024 and 2023, proceeds from the sales and calls of securities amounted to $3,593,223 and $2,083,567, respectively. The Company had no gross realized gains for the years ended December 31, 2024 or December 31, 2023. Gross realized losses for the years ended December 31, 2024 and December 31, 2023 were $12,059 and $751, respectively.

Restricted securities consist of required investments in Federal Home Loan Bank stock, Federal Reserve Bank stock and Community Bankers' Bank stock. No ready market exists for these stocks, and there is no quoted market value; therefore, the stock is carried at cost.

Note 3. Loans and Allowance for Credit Losses

A summary of loan balances by class, net of unearned fees and costs of $(555) and $(423) as of December 31, 2024 and 2023:

	December 31, 2024	December 31, 2023
	(In thousands)	
Residential Real Estate		
1-4 family	$ 128,510	$ 114,226
Home equity	10,839	10,336
Commercial Real Estate		
Owner occupied	32,679	29,103
Non-owner occupied	28,274	28,519
Farmland	17,434	18,378
Construction	25,985	22,993
Total real estate	243,721	223,555
Commercial and industrial loans	14,746	17,141
Consumer loans	11,304	11,552
Gross loans	$ 269,771	$ 252,248

Loan Origination

The Company has certain lending policies and procedures in place that are designed to maximize loan income within an acceptable level of risk. Management reviews and the Board of Directors approves these policies and procedures on a regular basis. A reporting system supplements the review process by providing management and the Board with frequent reports related to loan production, loan quality, concentrations of credit, loan delinquencies and non-performing and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions.

The Company has six loan portfolio level segments and eight loan class levels for reporting purposes. The six loan portfolio level segments include:

- Residential real estate loans are loans made to borrowers for the purchase of residential dwellings.

- Commercial real estate loans are loans made to business entities for the purchase of real estate and buildings that will be used in the business.

- Farmland loans are loans made to farming entities to acquire land used for agricultural purposes such as in the cultivation of crops or livestock.

- Construction and land development loans are loans made to individuals or developers in order to construct homes, develop raw land into buildable acreage, or for commercial construction purposes.

Note 3. Loans and Allowance for Credit Losses (continued)

- Commercial and industrial loans are loans made to small and medium-sized businesses for any number of reasons, especially working capital. Loans are typically secured by inventory, business equipment, furniture or receivables and they are frequently guaranteed by principals of the business.

- Consumer loans are loans made to individuals and the loans may be secured by personal property or be unsecured.

Residential real estate loans, including home equity loans and lines of credit, are subject to underwriting standards that are heavily influenced by statutory requirements, which include, but are not limited to, a maximum loan-to-value percentage of 80%, debt-to-income ratios, credit history, collection remedies, the number of such loans a borrower can have at one time and documentation requirements. The Company tracks the concentrations in 1-4 family loans secured by a first deed of trust and home equity loans and lines of credit separately. While many of the statutory requirements are for the protection of the consumer, underwriting standards aid in mitigating the risks to the Company by setting acceptable loan approval standards that marginal borrowers may not meet. Additional risk mitigating factors include: residential real estate typically serves as a borrower's primary residence which encourages timely payments and the avoidance of foreclosure, the average dollar amount of a loan is typically less than that of a commercial real estate loan, and there are a large number of loans which help to diversify the risk potential. Underwriting standards for home equity loans are heavily influenced by statutory requirements, which include, but are not limited to, a maximum loan-to-value percentage, debt-to-income ratios, credit history, and the number of such loans a borrower can have at one time.

Commercial real estate loans are subject to underwriting standards and processes similar to commercial and industrial loans, in addition to those of real estate loans. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally largely dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The properties securing the Company's commercial real estate portfolio are diverse in terms of type and geographic location. This diversity helps reduce the Company's exposure to adverse economic events that affect any single market or industry. Management monitors and evaluates commercial real estate loans based on collateral, geography and risk grade criteria. Management tracks the level of owner occupied commercial real estate loans versus non-owner occupied loans. At December 31, 2024, approximately 53.06% of the outstanding principal balance of the Company's commercial real estate loans was secured by owner-occupied properties.

Farmland loans are subject to underwriting standards and processes similar to commercial real estate loans. The loans are considered primarily on the borrower's ability to make payments originating primarily from the cash flow of the business and secondarily as loans secured by real estate.

With respect to construction, land and land development loans that are secured by non-owner occupied properties that the Company may originate from time to time, the Company generally requires the borrower to have had an existing relationship with the Company and have a proven record of success. Construction loans are underwritten with independent appraisal reviews, lease rates and financial analysis of the borrowers. Construction loans are generally based upon estimates of costs and value associated with the completed project. Construction loans often involve the disbursement of substantial funds with repayment primarily dependent on the success of the ultimate project. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property or an interim loan commitment from the Company until permanent financing is obtained. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their ultimate

Note 3. Loans and Allowance for Credit Losses (continued)

repayment being sensitive to interest rate changes, governmental regulation of real property, general economic conditions and the availability of long-term financing.

Commercial and industrial loans are underwritten after evaluating and understanding the borrower's ability to operate profitably and prudently expand its business. Underwriting standards are designed to promote relationship banking rather than transactional banking. Once it is determined that the borrower's management possesses sound ethics and solid business acumen, the Company's management examines current and projected cash flows to determine the ability of the borrower to repay their obligations as agreed. Commercial and industrial loans are primarily made based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial and industrial loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may incorporate a personal guarantee; however, some short-term loans may be made on an unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers.

To monitor and manage consumer loan risk, policies and procedures are developed and modified by credit administration and senior management. This activity, coupled with relatively small loan amounts that are spread across many individual borrowers, minimizes risk.

The Company maintains an independent loan review department that reviews and validates the credit risk program on a periodic basis. In addition, the Company engages an independent company to review annually all existing loans $400,000 or greater and new, renewed & modified loans $250,000 or greater, excluding HELOC loans. Results of these reviews are presented to management, the Audit and Risk Management Committee and the Board of Directors. The loan review process complements and reinforces the risk identification and assessment decisions made by lenders and credit personnel, as well as the Company's policies and procedures.

Concentrations of Credits

Most of the Company's lending activity occurs within the Commonwealth of Virginia, more specifically within the South-Central Virginia markets that include Richmond. The majority of the Company's loan portfolio consists of residential and commercial real estate loans. A substantial portion of its debtors' ability to honor their contracts and the Company's ability to realize the value of any underlying collateral, if needed, is influenced by the economic conditions in this market. As of December 31, 2024, there were no concentrations of commercial loans related to any individual purpose that was in excess of 5.88% of total loans.

Related Party Loans

In the ordinary course of business, the Company has granted loans to certain directors, executive officers and their affiliates (collectively referred to as "related parties"). These loans were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other unaffiliated persons and do not involve more than a normal risk of collectability.

Note 3. Loans and Allowance for Credit Losses (continued)

Activity in related party loans is presented in the following table:

	Years Ended December 31, 2024	Years Ended December 31, 2023
	(In thousands)	
Balance at beginning of year	$ 4,971	$ 2,677
Principal additions	648	2,640
Principal reductions	(415)	(346)
Balance at end of year	$ 5,204	$ 4,971

Nonaccrual and Past Due Loans

All loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due in accordance with the contractual terms of the underlying loan agreement. Matured loans in the process of renewal are not considered past due. Loans are placed on nonaccrual status when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. Loans may be placed on nonaccrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed against interest income. Loans may be returned to accrual status if the borrower has demonstrated a sustained period of repayment performance in accordance with the contractual terms of the loan and there is reasonable assurance the borrower will continue to make payments as agreed.

Aging and nonaccrual loans, by individual loan class, as of December 31, 2024 and 2023 were as follows, net of unearned fees and costs:

At December 31, 2024	Loans 30 - 89 Days Past Due(2)	Loans 90 or More Days Past Due(2)	Total Past Due Loans(2)	Current Loans(1)	Total Loans	Accruing Loans 90 or More Days Past Due	Nonaccrual Loans
				(In thousands)			
Residential Real Estate:							
1-4 family	$ 2,385	$ 371	$ 2,756	$ 125,754	$ 128,510	$ 371	$ -
Home equity	167	-	167	10,672	10,839	-	-
Commercial Real Estate							
Owner occupied	-	-	-	32,679	32,679	-	-
Non-owner occupied	130	-	130	28,144	28,274	-	-
Farmland	-	-	-	17,434	17,434	-	-
Construction	28	45	73	25,912	25,985	45	-
Total real estate	2,710	416	3,126	240,595	243,721	416	-
Commercial and industrial	160	14	174	14,572	14,746	14	-
Consumer	158	39	197	11,107	11,304	-	47
Total loans	$ 3,028	$ 469	$ 3,497	$ 266,274	$ 269,771	$ 430	$ 47

(1) Includes loans less than 30 days past due.

(2) Excludes matured loans in process of renewal.

Note 3. Loans and Allowance for Credit Losses (continued)

At December 31, 2023	Loans 30 - 89 Days Past Due(2)	Loans 90 or More Days Past Due (2)	Total Past Due Loans (2)	Current Loans (1)	Total Loans	Accruing Loans 90 or More Days Past Due	Nonaccrual Loans
				(In thousands)			
Residential Real Estate:							
1-4 family	$ 1,993	$ 43	$ 2,036	$ 112,190	$ 114,226	$ 43	$ -
Home equity	46	-	46	10,290	10,336	-	-
Commercial Real Estate							
Owner occupied	548	-	548	28,555	29,103	-	-
Non-owner occupied	50	-	50	28,469	28,519	-	-
Farmland	13	-	13	18,365	18,378	-	-
Construction	18	-	18	22,975	22,993	-	-
Total real estate	2,668	43	2,711	220,844	223,555	43	-
Commercial and industrial	74	-	74	17,067	17,141	-	-
Consumer	176	34	210	11,342	11,552	11	23
Total loans	$ 2,918	$ 77	$ 2,995	$ 249,253	$ 252,248	$ 54	$ 23

(1) Includes loans less than 30 days past due.

(2) Excludes matured loans in process of renewal.

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Note 3. Loans and Allowance for Credit Losses (continued)

Credit Quality

The Company utilizes a risk grading matrix to assign a risk grade to each of its commercial loans. Loans are graded on a scale of 1 to 9. Risk grades 1 to 4 are considered "pass" for purposes of the table below. A description of the general characteristics of the 9 risk grades is as follows:

Grade 1 – "Excellent" - This grade includes loans to borrowers with superior capacity to pay interest and principal. Foreseeable economic changes are unlikely to impair the borrowers' strength. Typically, borrowers have an excellent organizational structure in place with highly regarded and experienced management. Stable business, relatively unaffected by business, credit, or product cycles, business is significant in its market and has a well-defined market share. Borrowers will have ready access to both public debt and equity markets under most conditions. Collateral is highly liquid, substantial margins are maintained, and primary/secondary sources of repayment are excellent. Loans secured by cash.

Grade 2 – "Good" - This grade includes loans to borrowers who represent a solid, demonstrated capacity to pay interest and principal, but material downturns in economic conditions may impact the borrowers' financial condition. Typically, borrowers exhibit low levels of leverage and the overall capitalization of the company is deemed satisfactory. Trends for revenue, core profitability and financial ratios are consistently above average with industry peers. Cash flow adequately covers dividends/withdrawals, and historic debt service in excess of 1.5 times. Collateral coverage is greater than 2.0 times or less than 50% loan-to-value ratio. Borrowers have a stable, well-regarded and qualified management team in place, along with strong financial controls being evident. Normal industry stability, sales and profits are affected by business, credit or product cycles. Market share is stable. Borrowers have the capability to refinance with another institution.

Grade 3 – "Standard" - This grade includes loans to borrowers who have historically demonstrated an above adequate capacity to repay forecasted principal and interest charges, with debt service coverage of 1.20 times based on at least two years of historical earnings. Borrowers have inherent, definable weaknesses; however, the weaknesses are not necessarily uncommon to a particular business, loan type or industry. Changes in economic circumstances could have non-material immediate repercussions on the borrowers' financial condition. Collateral support is deemed to be satisfactory based on appropriate discount factoring to allow a recovery sufficient to pay-off the debt. Collateral could be reasonably collected and/or liquidated in the general market. Additional collateral may be deemed an abundance of caution. Earnings are generally positive, subject to influences of current market conditions and distributions are reasonable in relation to the overall financial picture of the company. Guarantor support is deemed to be marginal as evidenced by personal assets, which probably could not support the business in full, if needed.

Grade 4 – "Acceptable" - This grade includes loans that will have inherent, definable weaknesses; however, these weaknesses are not necessarily uncommon to a particular business, loan type, or industry. Economic changes could have negative repercussions on the financial condition. Borrowers' overall financial position would indicate financing in the market is feasible, at rates and terms typical of current market conditions. Debt service coverage is deemed acceptable at 1.00 to 1.19 times on a combined basis for at least two years of historical earnings. Borrowers exhibit moderately high to high levels of leverage as noted against policy. Tangible net worth is marginally positive or even showing signs of a deficit net worth. Collateral support is deemed to be acceptable or even marginal, but not strong based on appropriate discounting; asset quality may be questionable given specific nature of assets, often secondary non-business assets are required. Earnings are marginally positive or a trend of negative earnings is identified and distributions are considered to be in excess of reasonableness. Guarantor support is deemed to be marginal as evidenced by personal assets, which probably could not support the business in full, if needed. Repayment history also shows a discernible level of delinquent payments.

Note 3. Loans and Allowance for Credit Losses (continued)

Grade 5 – This grade includes loans on management's "watch list" and is intended to be utilized on a temporary basis for pass grade borrowers where a significant risk-modifying action is anticipated in the near term.

Grade 6 – This grade is for "Special Mention" loans, in accordance with regulatory guidelines. This grade is intended to be temporary and includes loans to borrowers whose credit quality has clearly deteriorated and are at risk of further decline unless active measures are taken to correct the situation.

Grade 7 – This grade includes "Substandard" loans, in accordance with regulatory guidelines, for which the accrual of interest may or may not have been stopped. This grade also includes loans where interest is more than 120 days past due and not fully secured and loans where a specific valuation allowance may be necessary, but does not exceed 30% of the principal balance.

Grade 8 – This grade includes "Doubtful" loans, in accordance with regulatory guidelines. Such loans are placed on nonaccrual status and may be dependent upon collateral having a value that is difficult to determine or upon some near-term event which lacks certainty. Additionally, these loans generally have a specific valuation allowance in excess of 30% of the principal balance.

Grade 9 – This grade includes "Loss" loans, in accordance with regulatory guidelines. Such loans are to be charged-off or charged-down when payment is acknowledged to be uncertain or when the timing or value of payments cannot be determined. "Loss" is not intended to imply that the loan or some portion of it will never be repaid, nor does it in any way imply that there has been a forgiveness of debt.

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Note 3. Loans and Allowance for Credit Losses (continued)

The following table presents the Company's recorded investment in loans by credit quality and by year of origination as of December 31, 2024, net of unearned fees and costs:

At December 31, 2024	2024	2023	2022	2021	Prior	Revolving	Total
	Term Loans by Year of Origination (In thousands)						
Residential 1-4 family							
Pass	$ 22,321	$ 32,135	$ 26,933	$ 12,539	$ 33,636	$ 447	$ 128,011
Special Mention	-	-	-	100	-	-	100
Substandard	-	-	-	-	399	-	399
Total 1-4 family	$ 22,321	$ 32,135	26,933	12,639	34,035	447	$ 128,510
Home equity							
Pass	$ -	$ -	$ -	$ -	$ -	$ 10,839	$ 10,839
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Total home equity	$ -	$ -	$ -	$ -	$ -	$ 10,839	$ 10,839
Commercial real estate owner occupied							
Pass	$ 9,625	$ 6,664	$ 5,464	$ 5,920	$ 3,737	$ 1,269	$ 32,679
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Total commercial real estate - OO	$ 9,625	$ 6,664	$ 5,464	$ 5,920	$ 3,737	$ 1,269	$ 32,679
Commercial real estate non-owner occupied							
Pass	$ 6,796	$ 6,839	$ 6,331	$ 4,636	$ 2,710	$ 962	$ 28,274
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Total commercial real estate - NOO	$ 6,796	$ 6,839	$ 6,331	$ 4,636	$ 2,710	$ 962	$ 28,274
Farmland							
Pass	$ 5,388	$ 3,784	$ 2,060	$ 1,712	$ 1,743	$ 2,747	$ 17,434
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Total farmland	$ 5,388	$ 3,784	$ 2,060	$ 1,712	$ 1,743	$ 2,747	$ 17,434
Construction							
Pass	$ 15,539	$ 5,743	$ 2,217	$ 1,795	$ 353	$ 338	$ 25,985
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Total construction	$ 15,539	$ 5,743	$ 2,217	$ 1,795	$ 353	$ 338	$ 25,985
Commercial and industrial							
Pass	$ 5,738	$ 3,282	$ 1,592	$ 609	$ 333	$ 3,064	$ 14,618
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	128	128
Total commercial and industrial	$ 5,738	$ 3,282	$ 1,592	$ 609	$ 333	$ 3,192	$ 14,746
Consumer							
Pass	$ 5,127	$ 3,288	$ 1,543	$ 732	$ 338	$ 228	$ 11,256
Special Mention	-	1	-	-	-	-	1
Substandard	-	24	-	-	23	-	47
Total Consumer	$ 5,127	$ 3,313	$ 1,543	$ 732	$ 361	$ 228	$ 11,304
Current period gross write-offs	$ -	$ 2	$ -	$ 15	$ 5	$ -	$ 22

Note 3. Loans and Allowance for Credit Losses (continued)

The following table presents the Company's recorded investment in loans by credit quality and by year of origination as of December 31, 2023, net of unearned fees and costs:

	Term Loans by Year of Origination					
At December 31, 2023	2023	2022	2021	Prior	Revolving	Total
	(In thousands)					
Residential 1-4 family						
Pass	$ 29,953	$ 26,389	$ 14,583	$ 42,684	$ 224	$ 113,833
Special Mention	-	-	-	-	-	-
Substandard	-	-	-	393	-	393
Total 1-4 family	$ 29,953	26,389	14,583	43,077	224	$ 114,226
Home equity						
Pass	$ -	$ -	$ -	$ -	$ 10,336	$ 10,336
Special Mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Total home equity	$ -	$ -	$ -	$ -	$ 10,336	$ 10,336
Commercial real estate owner occupied						
Pass	$ 7,152	$ 5,833	$ 7,331	$ 7,940	$ 847	$ 29,103
Special Mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Total commercial real estate - OO	$ 7,152	$ 5,833	$ 7,331	$ 7,940	$ 847	$ 29,103
Commercial real estate non-owner occupied						
Pass	$ 6,312	$ 7,802	$ 7,019	$ 5,269	$ 2,117	$ 28,519
Special Mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Total commercial real estate - NOO	$ 6,312	$ 7,802	$ 7,019	$ 5,269	$ 2,117	$ 28,519
Farmland						
Pass	$ 4,198	$ 5,356	$ 2,256	$ 4,301	$ 2,267	$ 18,378
Special Mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Total farmland	$ 4,198	$ 5,356	$ 2,256	$ 4,301	$ 2,267	$ 18,378
Construction						
Pass	$ 12,957	$ 5,447	$ 3,055	$ 1,042	$ 438	$ 22,939
Special Mention	12	-	42	-	-	54
Substandard	-	-	-	-	-	-
Total construction	$ 12,969	$ 5,447	$ 3,097	$ 1,042	$ 438	$ 22,993
Commercial and industrial						
Pass	$ 6,735	$ 2,644	$ 1,227	$ 1,125	$ 5,410	$ 17,141
Special Mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Total commercial and industrial	$ 6,735	$ 2,644	$ 1,227	$ 1,125	$ 5,410	$ 17,141
Consumer						
Pass	$ 5,710	$ 2,995	$ 1,524	$ 1,042	$ 244	$ 11,515
Special Mention	-	-	-	-	-	-
Substandard	-	2	31	4	-	37
Total Consumer	$ 5,710	$ 2,997	$ 1,555	$ 1,046	$ 244	$ 11,552
Current period gross write-offs	$ -	$ -	$ -	$ 47	$ -	$ 47

Note 3. Loans and Allowance for Credit Losses (continued)

The following tables are a summary of the Company's nonaccrual loans by major categories as of December 31, 2024 and 2023:

December 31, 2024	Nonaccrual Loans with No allowance	Nonaccrual Loans with an Allowance	Total Nonaccrual Loans
(In thousands)			
Consumer	$ 47	$ -	$ 47
Total loans	$ 47	$ -	$ 47

December 31, 2023	Nonaccrual Loans with No allowance	Nonaccrual Loans with an Allowance	Total Nonaccrual Loans
(In thousands)			
Consumer	$ 23	$ -	$ 23
Total loans	$ 23	$ -	$ 23

Note 3. Loans and Allowance for Credit Losses (continued)

The Company has certain loans for which repayment is dependent upon the operation or sale of collateral, as the borrower is experiencing financial difficulty. The underlying collateral can vary based upon the type of loan. The following provides more detail about the types of collateral that secure collateral-dependent loans:

- Commercial real estate loans can be secured by either owner-occupied commercial real estate or non-owner-occupied investment real estate. Typically, owner-occupied commercial real estate loans are secured by office buildings, warehouses, manufacturing facilities and other commercial and industrial properties occupied by operating companies. Non-owner-occupied commercial real estate loans are generally secured by office buildings and complexes, retail facilities, multifamily complexes, land under development, industrial properties as well as other commercial or industrial real estate.
- Residential real estate loans are typically secured by first mortgages, and in some cases could be secured by a second mortgage.
- Home equity lines of credit are generally secured by second mortgages on residential real estate property.
- Consumer loans are generally secured by automobiles, motorcycles, recreational vehicles and other personal property. Some consumer loans are unsecured and have no underlying collateral.

The following tables detail the amortized cost of collateral dependent loans at December 31, 2024 and December 31, 2023:

	December 31, 2024 (In thousands)
Residential Real Estate:	
1-4 family	$ 400
Total loans	$ 400

	December 31, 2023 (In thousands)
Residential Real Estate:	
1-4 family	$ 393
Total loans	$ 393

Note 3. Loans and Allowance for Credit Losses (continued)

The following tables detail the activity in the allowance for expected credit losses by portfolio segment for the years ended December 31, 2024 and 2023 (in thousands). Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

2024	Residential Real Estate	Commercial Real Estate	Farmland	Construction	Commercial and Industrial	Consumer	Unallocated	Total
Beginning balance	$ 1,678	$ 630	$ 237	$ 281	$ 145	$ 124	$ (126)	$ 2,969
(Recovery of)Provision for credit losses	158	22	(58)	55	(8)	26	128	323
Charge-offs	-	-	-	-	-	(22)	-	(22)
Recoveries	54	-	-	-	-	5	-	59
Net (charge-offs) recoveries	54	-	-	-	-	(17)	-	37
Ending balance	$ 1,890	$ 652	$ 179	$ 336	$ 137	$ 133	$ 2	$ 3,329

2023	Residential Real Estate	Commercial Real Estate	Farmland	Construction	Commercial and Industrial	Consumer	Unallocated	Total
Beginning balance	$ 1,170	$ 602	$ 182	$ 183	$ 110	$ 92	$ (99)	$ 2,240
Adjustment to allowance for adoption of ASU 2016-13	28	51	122	(9)	187	42	99	520
(Recovery of)Provision for credit losses	469	(25)	(67)	106	(179)	32	(126)	210
Charge-offs	-	-	-	-	-	(47)	-	(47)
Recoveries	11	2	-	1	27	5	-	46
Net (charge-offs) recoveries	11	2	-	1	27	(42)	-	(1)
Ending balance	$ 1,678	$ 630	$ 237	$ 281	$ 145	$ 124	$ (126)	$ 2,969

Note 3. Loans and Allowance for Credit Losses (continued)

Modified Loans

The Company accounts for loan modifications to borrowers experiencing financial difficulty in accordance with Accounting Standard Update ("ASU) No. 2022-02, "Financial Instruments-Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures." Modifications made to loans are considered for disclosure under the guidance in ASU 2022-02 if a borrower is experiencing financial difficulty, and if the modification is in the form of principal forgiveness, an interest rate reduction, an other-than insignificant payment delay, or a term extension (or a combination thereof). Modified terms are dependent upon the financial position and needs of the individual borrower. There were no modifications to loans for borrowers experiencing financial difficulty for the years ended December 31 2024 or 2023.

Unfunded Commitments

The Company maintains a separate reserve for credit losses on off-balance-sheet credit exposures, including unfunded loan commitments, which is included in other liabilities on the consolidated balance sheet. The reserve for credit losses on off-balance-sheet credit exposures is adjusted as a provision for credit losses in the income statement. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life, utilizing the same models and approaches for the Company's other loan portfolio segments described above, as these unfunded commitments share similar risk characteristics as its loan portfolio segments. The Company has identified the unfunded portion of certain lines of credit as unconditionally cancellable credit exposures, meaning the Company can cancel the unfunded commitment at any time. No credit loss estimate is reported for off-balance-sheet credit exposures that are unconditionally cancellable by the Company or for undrawn amounts under such arrangements that may be drawn prior to the cancellation of the arrangement.

On January 1, 2023, the Company recorded an adjustment for unfunded commitments of $63,261 for the adoption of ASC Topic 326. For the year ended December 31, 2023, the Company recorded no additional provision for credit losses for unfunded commitments. For the year ended December 31, 2024 , the Company provided $40 thousand to the provision for credit losses. At December 31, 2024, the liability for credit losses on off-balance-sheet credit exposures included in other liabilities was $103,261.

Note 4. Other Real Estate Owned

An analysis of other real estate owned follows:

	Years Ended December 31, 2024	Years Ended December 31, 2023
	(In thousands)	
Balance at beginning of year	$ 632	$ 1,116
Disposals	(98)	(542)
Change in valuation allowance	-	32
Change in accumulated depreciation	-	26
Balance at end of year	$ 534	$ 632

Expenses (income) applicable to other real estate owned include the following:

	Years Ended December 31, 2024	Years Ended December 31, 2023
	(In thousands)	
Net gain on sales of real estate	$ (72)	$ (96)
Operating expense, net of rental income	23	14
	$ (49)	$ (82)

There were no loans secured by 1-4 family residential properties included in the OREO chart above at December 31, 2024 or December 31, 2023. Loans secured by 1-4 family residential properties in the process of foreclosure totaled $260 thousand at December 31, 2024.

Note 5. Premises and Equipment

A summary of the cost and accumulated depreciation of premises and equipment follows:

	December 31, 2024	December 31, 2023
	(In thousands)	
Land	$ 2,485	$ 2,485
Buildings	11,545	11,424
Furniture, fixtures and equipment	6,002	5,763
	20,032	19,672
Accumulated depreciation	(12,347)	(11,921)
	$ 7,685	$ 7,751

Depreciation expense for the years ended December 31, 2024 and 2023 totaled $537,237 and $578,048 respectively.

The Bank owns all branch locations except the Goochland loan production office. The Goochland loan production office is under a lease agreement for one year. The current lease term is scheduled to end January 30, 2025 and is renewable for an additional one year term. The lease is classified as an operating lease. Pursuant to the terms of the lease agreement, future minimum rent commitments are $11,016.

Note 6. Deposits

The aggregate amounts of time deposits greater than $250,000 at December 31, 2024 and 2023 were $56,149,239 and $51,370,948, respectively.

At December 31, 2024, the scheduled maturities of time deposits are as follows:

	(In thousands)
2025	$ 93,129
2026	21,951
2027	3,013
2028	2,787
2029	2,284
	$ 123,164

For the years ended December 31, 2024 and 2023, there was one customer relationship with balances in deposit accounts exceeding 5% of outstanding deposits. This customer relationship comprised 5.38% of the outstanding deposits at December 31, 2024 and 5.57% of the outstanding deposits at December 31, 2023.

Note 6. Deposits (continued)

At December 31, 2024 and 2023, overdraft deposits reclassified to loans totaled $26,366 and $23,954, respectively.

At December 31, 2024 and 2023, total deposits for related parties amounted to $9,917,641 and $10,677,741, respectively.

Note 7. FHLB Advances

The Bank maintains a line of credit secured by residential loans and commercial real estate loans under a blanket lien agreement with the Federal Home Loan Bank of Atlanta (FHLB). For the years ended December 31, 2024 and December 31, 2023, the Bank had no outstanding advances with the FHLB.

The Bank's available credit facility was $54,681,239 at December 31, 2024.

Note 8. Other Borrowings

Other borrowings include commercial customer deposit balances that are invested overnight into an investment sweeps product. The balances held in this deposit-alternative investment vehicle are not insured by the FDIC; however, the Bank pledges U.S. government securities sufficient to cover the balances held in these accounts. For the years ended December 31, 2024 and December 31, 2023, the fair market value of securities used as collateral for the investment sweeps product was $12,874,302 and $6,557,240, respectively.

The Bank also has available credit facilities with several correspondent banks totaling $30,935,489 at December 31, 2024.

Note 9. Off-Balance Sheet Arrangements, Commitments, Guarantees and Contingencies

Financial Instruments with Off-Balance Sheet Risk

The Company is a party to credit related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance sheet instruments.

At December 31, 2024 and 2023, the following financial instruments were outstanding:

	2024	2023
	(In thousands)	
Commitments to extend credit	$ 49,279	$ 39,363
Standby letters of credit	845	952

Note 9. Off-Balance Sheet Arrangements, Commitments, Guarantees and Contingencies (continued)

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. The commitments for equity lines of credit may expire without being drawn upon; therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management's credit evaluation of the customer.

Unfunded commitments under commercial lines of credit, revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit are uncollateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Company is committed.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. All letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is the same as that involved in extending loan facilities to customers. The Company generally holds collateral supporting these commitments, if deemed necessary.

Rate Lock Commitments on Loans Held for Sale

At December 31, 2024, the Company had rate lock commitments to originate mortgage loans amounting to approximately $975,000. The Company has entered into corresponding commitments with third party investors to sell loans of approximately $975,000 on a best efforts basis. Under the contractual relationship with these investors, the Company is obligated to sell the loans, and the investors are obligated to purchase the loans, only if the loans close. No other obligation exists. As a result of these contractual relationships with these investors, the Company is not exposed to losses nor will it realize gains related to its rate lock commitments due to changes in interest rates. Balances were deemed immaterial at December 31, 2024 and there was no balance at December 31, 2023. If the loan defaults within the first 120 days, the Company will have to buy it back.

Credit Card Guarantees

The Company from time to time guarantees the credit card debt of certain customers to the merchant bank that issues the cards. At December 31, 2024, guarantees outstanding totaled $0.

Change-of-Control Agreements

The Company has change-in-control agreements with certain executive officers. The agreements provide for the continuity of base salary and entitle each named executive officer to participate in the incentive, savings, and retirement benefits and payments in the event of the termination of employment following a change-in-control. If employment terminates without "cause", for "good reason", or during the "window period" (as these terms are defined in the agreements), the executive will be entitled to receive a lump sum payment of one and one-half times base salary and the continuation of employee welfare benefits for 24 months following the date of termination.

Note 10. Income Taxes

The Company files income tax returns with the U.S. Federal government and the Commonwealth of Virginia. With few exceptions, the Company is no longer subject to U.S. Federal income and state tax examinations by tax authorities for years prior to 2021.

Allocation of income tax expense between current and deferred portions is as follows:

	Years Ended December 31,	
	2024	2023
Current tax expense	$ 1,975,874	$ 2,100,380
Deferred tax expense (benefit)	109,097	(114,278)
	$ 2,084,971	$ 1,986,102

A reconciliation of the differences between the statutory Federal income tax expense and income tax expense is summarized as follows:

	Years Ended December 31,	
	2024	2023
Computed "expected" tax expense	$ 2,236,080	$ 2,201,158
Tax-exempt income	(153,254)	(216,762)
Other, net	2,145	1,706
	$ 2,084,971	$ 1,986,102

The Bank is subject to a Bank Franchise Tax that is imposed by the Commonwealth of Virginia. The Bank Franchise Tax is not an income tax and as such is included in other noninterest expense.

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Note 10. Income Taxes (continued)

The components of the net deferred tax assets, included in other assets, are as follows:

	December 31, 2024	December 31, 2023
Deferred tax assets:		
Allowance for credit losses	$ 699,188	$ 575,776
Allowance for unfunded commitments	21,685	- -
Nonaccrual loan interest	476	344
Deferred loan fees	116,565	88,898
Accrued pension	20,917	53,669
Nonqualified plan	214,954	408,494
Unrealized loss on securities available for sale	3,083,792	3,262,406
Other asset impairment	8,070	8,070
Deferred tax assets	4,165,647	4,397,657
Deferred tax liabilities:		
Depreciation	291,555	293,748
Discount accretion on securities	560,794	375,177
Deferred tax liabilities	852,349	668,925
Net deferred tax assets	$ 3,313,298	$ 3,728,732

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Note 11. Employee Benefit Plans

The Company offers a number of benefit plans to its employees. Among them are a 401(k) plan, a nonqualified compensation plan and a defined benefit plan, which are described below:

401(k) Plan

The Company offers a 401(k) plan for the benefit of all employees who have attained the age of 18 and completed three months of continuous service. The plan allows participating employees to contribute amounts up to the limits set by the Internal Revenue Service and permits the Company to make discretionary contributions to the plan in such amounts as the Board of Directors may determine to be appropriate. The Company presently makes matching contributions equal to 50% of the first six percent of an employee's compensation contributed to the plan. Contributions made to the plan by the Company for the years ended December 31, 2024 and 2023 were $109,402 and $108,802, respectively.

Nonqualified Compensation Plan

Effective January 1, 2013 the Company established a Nonqualified Compensation Plan. The participants under the plan are credited with a percentage of their total compensation each year. Participants are also credited each December 31 with interest on their previous year-end plan balance at the same rate being earned by participants in the Cash Balance Plan. Plan balances are fully vested at all times. The expense for the years ended December 31, 2024 and 2023 was $180,262 and $280,483, respectively.

Defined Benefit Pension Plan

The Company has a non-contributory, defined benefit pension plan. Employees hired on or after October 11, 2012 are not eligible to participate in the plan. Previously, the plan provided benefits based on the participant's years of service and five year average final compensation. As of December 31, 2012, the Company changed the plan to a Cash Balance Plan, covering all employees who meet the eligibility requirements. Under the Cash Balance Plan, the benefit account for each participant will grow each year with annual pay credits based on age and years of service and monthly interest credits based on the prior year's December average yield on 10-year Treasuries, with a minimum of 3%.

At a minimum, our funding policy is to make annual contributions as permitted or required by regulations. For the years ended December 31, 2024 and 2023, the Company was not required to make a contribution.

Note 11. Employee Benefit Plans (continued)

Additional information regarding the Company's pension plan is presented below in accordance with ASC 715-30-25 for all years. The measurement date used for the pension disclosure is December 31.

	Years Ended December 31,	
	2024	**2023**
Change in Benefit Obligation		
Benefit obligation, beginning	$ 5,820,739	$ 6,091,346
Service cost	268,070	250,189
Interest cost	265,890	296,307
Actuarial (gain) loss	(268,277)	507,709
Benefits paid	(588,198)	(1,335,044)
(Gain) loss due to settlement	(6,264)	10,232
Benefit obligation, ending	5,491,960	5,820,739
Change in Plan Assets		
Fair value of plan assets, beginning	5,596,636	6,381,453
Actual return on plan assets	384,503	550,227
Benefits paid	(588,198)	(1,335,044)
Fair value of plan assets, ending	5,392,941	5,596,636
Funded Status at the end of year	$ (99,019)	$ (224,103)
Amounts Recognized in Accumulated Other Comprehensive Loss		
Net actuarial loss	$ 1,331,519	$ 1,939,725
Deferred taxes	(279,619)	(407,342)
Net amount recognized	$ 1,051,900	$ 1,532,383

The accumulated benefit obligation for the defined benefit pension plan was $5,491,960 and $5,820,739, at December 31, 2024 and 2023, respectively.

Note 11. Employee Benefit Plans (continued)

	Years Ended December 31, 2024	Years Ended December 31, 2023
Components of Net Periodic Benefit Cost		
Service cost	$ 268,070	$ 250,189
Interest cost	265,890	296,307
Expected return on plan assets	(362,120)	(408,362)
Amortization of prior service cost	- -	(89,381)
Recognized net loss due to settlement	166,263	445,867
Recognized net actuarial loss	145,019	175,402
Net periodic benefit cost	483,122	670,022
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income		
Net actuarial gain	(608,206)	(245,193)
Amortization of prior service cost	- -	89,381
Total recognized in other comprehensive income	(608,206)	(155,812)
Total Recognized in Net Pension Benefit Cost and Other Comprehensive (Income) Loss	$ (125,084)	$ 514,210

The weighted-average assumptions used in the measurement of the Company's benefit obligation are shown in the following table:

	2024	2023
Discount rate	5.50%	4.75%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	3.00%	3.00%

The weighted-average assumptions in the measurement of the Company's net periodic pension costs are shown in the following table:

	2024	2023
Discount rate	4.75%	5.00%

Note 11. Employee Benefit Plans (continued)

Long-Term Rate of Return

The plan sponsor selects the expected long-term rate-of-return-on-assets assumption in consultation with its investment advisors and actuary. This rate is intended to reflect the average rate of earnings expected to be earned on the funds invested or to be invested to provide plan benefits. Historical performance is reviewed, especially with respect to real rates of return (net of inflation), for the major asset classes held or anticipated to be held by the trust and for the trust itself. Undue weight is not given to recent experience that may not continue over the measurement period with higher significance placed on current forecasts of future long-term economic conditions.

Because assets are held in a qualified trust, anticipated returns are not reduced for taxes. Further, solely for this purpose, the plan is assumed to continue in force and not terminate during the period in which assets are invested; however, consideration is given to the potential impact of current and future investment policy, cash flow into and out of the trust, and expenses (both investment and non-investment) typically paid from plan assets (to the extent such expenses are not explicitly estimated within periodic cost).

Asset Allocation

The pension plan's weighted-average asset allocations as December 31, 2024 and 2023, by asset category are as follows:

	2024	2023
Asset Category		
Mutual funds - fixed income	46%	49%
Mutual funds - equity	54%	51%
Total	100%	100%

The trust fund is sufficiently diversified to maintain a reasonable level of risk without imprudently sacrificing return with a targeted asset allocation of 50% fixed income and 50% equities. The investment manager selects investment fund managers with demonstrated experience and expertise and funds with demonstrated historical performance for the implementation of the plan's investment strategy. The investment manager will consider both actively and passively managed investment strategies and will allocate funds across the asset classes to develop an efficient investment structure.

Note 11. Employee Benefit Plans (continued)

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of December 31, 2024 and 2023.

	December 31, 2024			
	Level I	Level II	Level III	Total
Assets:				
Mutual funds - equity	$ 2,912,188	$ -	$ -	$ 2,912,188
Mutual funds - fixed income	2,480,753	-	-	2,480,753
Total assets at fair value	$ 5,392,941	$ -	$ -	$ 5,392,941

	December 31, 2023			
	Level I	Level II	Level III	Total
Assets:				
Mutual funds - equity	$ 2,854,284	$ -	$ -	$ 2,854,284
Mutual funds - fixed income	2,742,352	-	-	2,742,352
Total assets at fair value	$ 5,596,636	$ -	$ -	$ 5,596,636

It is the responsibility of the trustee to administer the investments of the trust within reasonable costs, being careful to avoid sacrificing quality. These costs include, but are not limited to, management and custodial fees, consulting fees, transaction costs and other administrative costs chargeable to the trust.

The Company does not expect to make a contribution to its pension plan in 2025.

Estimated future benefit payments, which reflect expected future service as appropriate, are as follows:

2025	$ 306,580
2026	249,430
2027	1,188,901
2028	471,422
2029	364,338
2030-2034	2,118,142
	$ 4,698,813

Note 12. Other Expense

The principal components of other expense in the consolidated statements of income are:

	2024	2023
Accounting and audit fees	$ 187,245	$ 209,375
Debit card/ATM expense	321,790	323,974
Bank franchise tax	450,085	426,320
Directors fees	304,450	288,675
Internet banking expense	257,512	286,756
Legal fees	8,100	11,663
Marketing	40,198	45,931
Software	216,388	164,791
Stationery and supplies	142,005	174,499
Telephone	95,266	94,482
Other (includes no items in excess of 1% of total revenues)	684,178	759,518
	$ 2,707,217	$ 2,785,984

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Note 13. Accumulated Other Comprehensive Loss

Changes in each component of accumulated other comprehensive income (loss) were as follows:

	Net Unrealized Gains (Losses) on Available for Sale Securities	Change in Unfunded Pension Liability	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2022	**$ (16,282,928)**	**$ (1,655,471)**	**$ (17,938,399)**
Unrealized gains on securities available for sale, net of tax of $(1,065,809)	4,009,471	-	4,009,471
Reclassification adjustment for loss on calls of securities, net of tax of $(158)(1)	593	-	593
Change in pension plan assets and benefit obligations, net of tax of $(51,491)	-	193,702	193,702
Amortization of prior service cost net of tax of $18,770 (2)	-	(70,611)	(70,611)
Balance at December 31, 2023	**(12,272,864)**	**(1,532,380)**	**(13,805,244)**
Unrealized gains on securities available for sale, net of tax of $(176,802)	662,404	-	662,404
Reclassification adjustment for loss on calls of securities, net of tax of $(2,532)(1)	9,527	-	9,527
Change in pension plan assets and benefit obligations, net of tax of $(127,723)	-	480,483	480,483
Balance at December 31, 2024	**$ (11,600,933)**	**$ (1,051,897)**	**$ (12,652,830)**

(1) Included on income statement in "Net loss on calls of securities".
(2) Included on income statement in "Salaries and employee benefits".

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Note 14. Regulatory Matters

Regulatory Capital Requirements

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and 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 assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

As of December 31, 2024, the most recent notification from the Federal Reserve Bank categorized the Bank as well capitalized under the framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's categorization.

Community Bank Leverage Ratio. As a result of the Economic Growth, Regulatory Relief, and Consumer Protection Act ("EGRRCPA"), the federal banking agencies were required to develop a Community Bank Leverage Ratio (the ratio of a bank's tangible equity capital to average total consolidated assets) for banking organizations with assets of less than $10 billion, such as the Bank. In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the Community Bank Leverage Ratio Framework (CBLR framework), for qualifying community banking organizations, consistent with Section 201 of the EGRRCPA. The final rule became effective on January 1, 2020 and was elected by the Bank as of March 31, 2020.

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

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

Note 14. Regulatory Matters (continued)

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

	Actual		To Be Well Capitalized Under Prompt Corrective Action Regulations (CBLR Framework)	
	Amount	Ratio	Amount	Ratio
	(Amounts in thousands)			
As of December 31, 2024:				
Tier 1 Capital to Average Assets	$ 78,898	14.098%	$ 50,368	9.000%

	Actual		To Be Well Capitalized Under Prompt Corrective Action Regulations (CBLR Framework)	
	Amount	Ratio	Amount	Ratio
	(Amounts in thousands)			
As of December 31, 2023:				
Tier 1 Capital to Average Assets	$ 73,073	12.858%	$ 51,146	9.000%

Restriction on Dividends

The Bank is subject to certain restrictions on the amount of dividends it may pay without prior regulatory approval. The Bank normally restricts dividends to a lesser amount. At December 31, 2024, retained earnings of approximately $17,713,628 were available for the payment of dividends without prior regulatory approval.

Note 15. Fair Value Measurements

Current accounting pronouncements require disclosure of the estimated fair value of financial instruments. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. With the exception of certain marketable securities and one-to-four-family residential mortgage loans originated for sale, the Company's financial instruments are not readily marketable and market prices do not exist. The Company, in attempting to comply with accounting disclosure pronouncements, has not attempted to market its financial instruments to potential buyers, if any exist. Since negotiated prices in illiquid markets depend upon the then present motivations of the buyer and seller, it is reasonable to assume that actual sales prices could vary widely from any estimate of fair value made without the benefit of negotiations. Additionally, changes in market interest rates can dramatically impact the value of financial instruments in a short period of time. Finally, the Company expects to retain substantially all assets and liabilities measured at fair value to their maturity or call date. Accordingly, the fair values disclosed herein are unlikely to represent the instruments' liquidation values, and do not with the exception of securities and loans, consider exit costs since they cannot be reasonably estimated by us.

Accounting principles establish a three-level valuation hierarchy for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

- Level 1 Inputs to the valuation methodology are quoted prices for similar assets and liabilities in active markets.
- Level 2 Inputs to the valuation methodology included quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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Note 15. Fair Value Measurements (continued)

The estimated fair values, and related carrying or notional amounts, of the Company's financial instruments are as follows:

Description	Carrying Value December 31, 2024	Fair Value Measurements at December 31, 2024 Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
		(Dollars in thousands)			
Financial Assets:					
Cash and cash equivalents	$ 27,948	$ 27,948	$ -	$ -	$ 27,948
Securities available for sale	224,683	-	224,683	-	224,683
Restricted securities	544	-	544	-	544
Loans, Net	266,442	-	-	265,397	265,397
Accrued interest receivable	2,570	-	2,570	-	2,570
Bank-owned life insurance	18,235	-	18,235	-	18,235
Financial liabilities:					
Deposits	$ 471,752	$ -	$ 471,601	$ -	$ 471,601
Other borrowings	10,119	-	10,119	-	10,119
Accrued interest payable	1,369	-	1,369	-	1,369

Description	Carrying Value December 31, 2023	Fair Value Measurements at December 31, 2023 Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
		(Dollars in thousands)			
Financial Assets:					
Cash and cash equivalents	$ 47,336	$ 47,336	$ -	$ -	$ 47,336
Securities available for sale	226,138	-	226,138	-	226,138
Restricted securities	558	-	558	-	558
Loans, Net	249,279	-	-	246,330	246,330
Accrued interest receivable	2,241	-	2,241	-	2,241
Bank-owned life insurance	15,734	-	15,734	-	15,734
Financial liabilities:					
Deposits	$ 484,033	$ -	$ 483,917	$ -	$ 483,917
Other borrowings	5,632	-	5,632	-	5,632
Accrued interest payable	1,236	-	1,236	-	1,236

Note 15. Fair Value Measurements (continued)

The Company assumes interest rate risk as part of its normal operations. As a result, the fair values of the Company's financial instruments will change when interest rate levels change and that change may be either favorable or unfavorable to the Company. Management attempts to match maturities of assets and liabilities to the extent possible to minimize interest rate risk; however, borrowers with fixed rate obligations are less likely to prepay in a rising rate environment and more likely to prepay in a falling rate environment. Conversely, depositors who are receiving fixed rates are more likely to withdraw funds before maturity in a rising rate environment and less likely to do so in a falling rate environment. Management monitors rates and maturities of assets and liabilities and attempts to minimize interest rate risk by adjusting terms of new loans and deposits and by investing in securities with terms that mitigate the Company's overall interest rate risk.

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Note 15. Fair Value Measurements (continued)

The following tables present the balances of financial assets measured at fair value on a recurring basis as of December 31, 2024 and 2023:

		Fair Value Measurements at December 31, 2024 Using		
Description	**Balance as of December 31, 2024**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
		(Dollars in thousands)		
Assets:				
Securities available for sale				
U.S. Government and federal agency	$ 123,799	$ -	$ 123,799	$ -
State and municipal	23,331	-	23,331	-
Agency mortgage-backed	77,553	-	77,553	-

		Fair Value Measurements at December 31, 2023 Using		
Description	**Balance as of December 31, 2023**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
		(Dollars in thousands)		
Assets:				
Securities available for sale				
U.S. Government and federal agency	$ 125,443	$ -	$ 125,443	$ -
State and municipal	22,518	-	22,518	-
Agency mortgage-backed	78,177	-	78,177	-

Note 15. Fair Value Measurements (continued)

The following describes the valuation techniques used by the Company to measure certain financial assets and liabilities recorded at fair value on a recurring basis in the financial statements:

Securities available for sale: Securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data. Third party vendors compile prices from various sources and may determine the fair value of identical or similar securities by using pricing models that consider observable market data (Level 2).

Accounting principles permit the measurement of certain assets at fair value on a nonrecurring basis. Adjustments to the fair value of these assets usually result from the application of lower-of-cost-or-market accounting or write-downs of individual assets.

The following table summarizes the Company's assets that were measured at fair value on a non-recurring basis during the period:

		Carrying value at December 31, 2024		
Description	Balance as of December 31, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(Dollars in thousands)		
Assets:				
Other real estate owned	$ 534	$ -	$ -	$ 534

		Carrying value at December 31, 2023		
Description	Balance as of December 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(Dollars in thousands)		
Assets:				
Other real estate owned	$ 633	$ -	$ -	$ 633

Note 15. Fair Value Measurements (continued)

The following tables display quantitative information about Level 3 Fair Value Measurements at December 31, 2024 and December 31, 2023 (dollars in thousands):

	Quantitative information about Level 3 Fair Value Measurements for December 31, 2024				
	Fair Value	Valuation Techniques(s)	Unobservable Input	Range	Weighted Average Range
Assets					
Other real estate owned	$ 534	Market comparables	Discount to market comparables (1)	6%	6%

(1) A discount percentage is applied based on current market conditions and experience within the local markets.

	Quantitative information about Level 3 Fair Value Measurements for December 31, 2023				
	Fair Value	Valuation Techniques(s)	Unobservable Input	Range	Weighted Average Range
Assets					
Other real estate owned	$ 633	Market comparables	Discount to market comparables (1)	6%	6%

(1) A discount percentage is applied based on current market conditions and experience within the local markets.

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Note 15. Fair Value Measurements (continued)

The following describes the valuation techniques used by the Company to measure certain assets recorded at fair value on a nonrecurring basis in the financial statements:

Other Real Estate Owned: The carrying amount of real estate owned by the Bank resulting from foreclosure is estimated at the fair value of the real estate based on an observable market price or a current appraised value less selling costs. If carried at market price based on appraised value using observable market data, it is recorded as nonrecurring Level 2. When an appraised value is not available or is not current, or management determines the fair value of the real estate is further impaired below the appraised value or there is no observable market price, the Bank records the real estate as nonrecurring Level 3. If properties are being rented and thus the carrying value is reduced by accumulated depreciation, the property is not considered to be carried at fair value.

Note 16. Subsequent Events

The Company evaluates subsequent events that have occurred after the balance sheet 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 balance sheet, 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 balance sheet but arose after that date.

Subsequent events have been considered through March 18, 2025, the date these financial statements were available to be issued. Based on the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment to or disclosure in the audited financial statements.

Note 17. Condensed Parent Company Financial Statements

The following parent company accounting policies should be read in conjunction with the related condensed balance sheets, statements of income, and statements of cash flows.

The investment in subsidiary is accounted for using the equity method of accounting. The parent company and its subsidiary file a consolidated federal income tax return. The subsidiary’s individual tax provision and liability are stated as if it filed a separate return and any benefits or detriments of filing the consolidated tax return are absorbed by the parent company.

The parent company’s principal asset is its investment in its wholly-owned subsidiary. Dividends from the subsidiary and interest from the parent company’s investment portfolio are the sources of cash flow for the parent company. The payment of dividends by the subsidiary is restricted by various statutory limitations. Banking regulations also prohibit extensions of credit by the Bank to the parent company unless appropriately secured by assets.

Condensed Parent Company Financial Statements

Balance Sheets
December 31, 2024 and 2023

Assets	2024	2023
Cash	$ 795,369	$ 756,278
Investment in subsidiary	66,246,313	59,269,668
Securities available for sale at fair value	33,595	42,733
Other assets	285,299	288,476
Total assets	$ 67,360,576	$ 60,357,155
Liabilities and Stockholders' Equity		
Other liabilities	$ 692,580	$ 662,437
Stockholders' equity	66,667,996	59,694,718
Total liabilities and stockholders' equity	$ 67,360,576	$ 60,357,155

Statements of Income
For the Years Ended December 31, 2024 and 2023

	2024	2023
Dividends from subsidiary	$ 3,250,000	$ 2,900,000
Interest income on investments	1,614	1,852
Total interest and dividend income	3,251,614	2,901,852
Noninterest expense - other	648,106	687,022
Income before income taxes	2,603,508	2,214,830
Allocated income tax benefit	135,029	143,318
Income before equity in undistributed earnings of subsidiary	2,738,537	2,358,148
Equity in undistributed earnings of subsidiary	5,824,492	6,137,453
Net income	$ 8,563,029	$ 8,495,601

Condensed Parent Company Financial Statements

Statements of Cash Flows

For the Years Ended December 31, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Net income	$ 8,563,029	$ 8,495,601
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in undistributed earnings of subsidiary	(5,824,492)	(6,137,453)
Net accretion of securities	(5)	(7)
Changes in other assets and liabilities:		
Decrease (increase) in other assets	3,109	(5,105)
Increase in other liabilities	30,144	19,991
Net cash provided by operating activities	2,771,785	2,373,027
Cash Flows from Investing Activities		
Maturities and prepayments of securities	9,471	10,780
Net cash provided by investing activities	9,471	10,780
Cash Flows from Financing Activities		
Repurchase of common stock	(416,585)	(43,750)
Dividends paid	(2,325,580)	(2,272,728)
Net cash used in financing activities	(2,742,165)	(2,316,478)
Increase in cash and cash equivalents	39,091	67,329
Cash and Cash Equivalents		
Beginning of year	756,278	688,949
End of year	$ 795,369	$ 756,278

Our Valued Employees

45 PLUS YEARS OF SERVICE

Theresa W. Hardaway
AVP | Loan Processor
Blackstone Main Office

Lynn K. Shekleton*
EVP | Human Resources | Branch Administration
Blackstone Main Office

40 - 44 YEARS OF SERVICE

Mary H. Bishop
VP | Mortgage Loan Originator
Blackstone Main Office

Tamra M. Reekes
VP | Corporate Support Services | BSA Officer | Investor Relations
Blackstone Main Office

35 - 39 YEARS OF SERVICE

Dianne H. Hudson
VP | Accounts Payable Clerk | Human Resources
Blackstone Main Office

N. Blair Myers
AVP | Loan Support Supervisor
Blackstone Main Office

Connie H. Wilkinson
VP | Operations Supervisor
Blackstone Main Office

Patricia P. Williamson
Operations Specialist
Blackstone Main Office

30 - 34 YEARS OF SERVICE

Robin E. Gough
VP | Branch Manager
Amelia Office

Alice M. Hurte
Part-Time Teller
Crewe Office

Lisa H. Whitehead
SVP | Controller
Blackstone Main Office

25 - 29 YEARS OF SERVICE

Joyce M. Dooley
Head Teller
Blackstone Drive In

Ginger P. Ferguson
Branch Operations Manager
Amelia Office

Melissa B. Hart
VP | Facilities | Security Officer | Retail Staff Supervisor
Blackstone Main Office

Mary E. Rhodes
Head Teller
Amelia Office

20 - 24 YEARS OF SERVICE

Anessa S. Acors
VP | Senior Loan Processor | Loan Services Manager
Blackstone Main Office

Rhonda E. Arnold
VP | Branch Manager
Farmville Offices

Kay F. Baughan
VP | Branch Manager
Crewe & Burkeville Offices

Joellen R. Franklin
Customer Service Representative | Branch Support Specialist
Farmville Offices

Michelle M. Fulford
Compliance Support Specialist
Blackstone Main Office

Jennifer L. Hoskinson
Branch Support Specialist
Crewe Office

Kristie L. Martin-Wallace
SVP | Compliance | Credit Review | Risk Management
Blackstone Main Office

Shirley M. Mercier
Teller
Burkeville Office

Tina M. Wyatt
Operations Specialist
Blackstone Main Office

15 - 19 YEARS OF SERVICE

Christopher H. Bacon
BSA Compliance Support Specialist | BSA Coordinator
Blackstone Main Office

Sonya P. Bullock
Loan Processor
Blackstone Main Office

Ann S. Butler
Internal Audit Manager
Blackstone Main Office

Darlene A. Colbert
Head Teller
Chester Office

*Denotes Officer of Citizens Bancorp of Virginia, Inc. and Citizens Bank & Trust Company

Our Valued Employees

15 - 19 YEARS CONTINUED

William J. Collins, III
VP | Commerical Lender |
OREO Manager
Blackstone Main Office

Sertear S. Copeland
Branch Team Leader
Farmville Offices

Sheila G. Drown
Head Teller
Colonial Heights Office

Cetric A. Gayles*
EVP | Chief Credit Officer
Blackstone Main Office

Valerie C. Lawson
Teller
Blackstone Shopping Center Office

April S. Long
VP | Retail Market Manager
Blackstone Main Office

Lindsey I. May
AVP | Operations
Blackstone Main Office

Jason E. Powers
Facilities Specialist
Blackstone Main Office

Malika L. Rhodes
Branch Team Leader |
Operations Specialist
Chester Office

P. Ward Shelton
VP | Commercial Lender
Chester Office

Eric R. Stiles
VP | Information Technology
Blackstone Main Office

Abbe P. Thomas
Head Teller |
Customer Service Representative
South Hill Office

10 - 14 YEARS OF SERVICE

C. Taylor Quicke*
President | Chief Executive Officer
Blackstone Main Office

5 - 9 YEARS OF SERVICE

Jessica A. Adkins
Loan Support Specialist
Blackstone Main Office

Elizabeth P. Chambers
Teller
Amelia Office

Vickie L. Cumbea
Operations Assistant |
Funds Transfer Specialist
Blackstone Main Office

Sarah T. Hudgins
AVP | Internal Audit Coordinator |
Loss Prevention Manager
Blackstone Main Office

James F. Keller
VP | Commercial Lender
Powhatan Office

Michael R. Lynn, II
VP | Commercial Lender
Blackstone & South Hill Offices

Brittany A. Madison
AVP | Branch Manager |
Retail Operations Coordinator
Powhatan Office

Edna V. Saul
Teller
Crewe Office

Bernice Smith
Teller
Farmville Offices

4 OR LESS YEARS OF SERVICE

Swendy Aguilera
Part-Time Floating Teller
Blackstone Main Office

Kylie R. Atkins
Teller
Blackstone Main Office

Shonte' L. Braxton
Branch Team Leader
Blackstone Main Office

Karoline L. Dagner-Jones
Part-Time Floating Teller
Blackstone Main Office

April M. Davis
Teller
Farmville Offices

Hannah E. Doyle
Teller | Customer Service Representative
Burkeville Office

John K. Eddy
Technology Specialist
Blackstone Main Office

*Denotes Officer of Citizens Bancorp of Virginia, Inc. and Citizens Bank & Trust Company

4 OR LESS YEARS CONTINUED

Caroline E. French
Teller | Customer Service Representative
Amelia Office

Joanna H. Furr
AVP | Branch Manager
Chester & Colonial Heights Office

Jessica K. Grey
Teller
Amelia Office

Rachel M. Guevara
Teller | Customer Service Representative
Crewe Office

Eryn N. Hatcher
Teller
Farmville Offices

Catherine T. Herb
Part-Time Teller
Blackstone Main Office

Ansionette L. Hix
Teller | Vault Custodian
Farmville Offices

Crystal E. Howell
Business Development Officer |
Mortgage Lender
Goochland Office

Charlene G. Jones-Villedrouin
Part-Time Teller
Chester Office

Gordon Todd Keso
Courier
Blackstone Main Office

Abigail F. McNutt
Teller
Powhatan Office

Taylor O. McNutt
Part-Time Teller
Powhatan Office

Robert H. Motley
Credit Analyst
Blackstone Main Office

Taylor S. Neathery
Customer Service Representative |
Teller
Blackstone Shopping Center Office

Carson W. Parrish
Payroll | Accounts Payable
Specialist
Blackstone Main Office

Crystal H. Parrish
Teller
South Hill Office

Megan L. Porter
Operations Specialist
Blackstone Main Office

Lori K. Powell
Part-Time Floating Teller
Powhatan Office

Jeffrey T. Powers
Financial Consultant
Blackstone Main Office

Kaitlyn E. Pridemore
Part-Time Teller
Blackstone Main Office

Linden B. Pulley
Teller |
Customer Service Representative
Blackstone Main Office

Daniel S. Rowell
Teller
Crewe Office

L. Alexander Schwabenton
Lending |
Customer Relationship Associate
Colonial Heights Office

David K. Seegers
Branch Manager |
Associate Financial Consultant
South Hill Office

Tiffany L. Siffert
Floating Teller
Chester Office

Heather M. Virgulto
Part-Time Teller
Blackstone Main Office

Ethan P. Wells
Teller
Blackstone Main Office

Jennifer S. West
Loan Support Specialist
Blackstone Main Office

Allison R. Wilburn
Part-Time Floating Teller
Amelia Office

Daisha J. Wilson
Teller
Crewe Office

Hannah L. Young
Teller
Farmville Offices

"Our most valuable asset is not our capital or technology, but our people - the dedicated employees whose expertise, integrity, and commitment drive our success every day."

Why Is Customer Service Important?

Exceptional customer service is the foundation of our success. In an industry built on trust, we prioritize delivering seamless, responsive, and personalized experiences - whether in the branch or online through digital banking.

By fostering strong relationships, resolving concerns efficiently, and exceeding expectations, we enhance customer loyalty and strengthen our reputation.

As we continue to innovate, our unwavering commitment to serving the communities we serve remains at the heart of everything we do.

"Our success is built on the dedication of our employees, the impact of our community service, and the friendships that strengthen our workplace. Together, we grow, give, and thrive."


CERTIFICATE OF COMPLETION
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