PEACH STATE
BANCSHARES

# strength in COMMUNITY
## 2024 annual report

20 yrs STRONG


MARTIN FURNITURE + DESIGN
DRINK. PLAY. DECOY.
PEACH STATE BANK & TRUST

# A Good Place With Good People

## Community.

It may be a simple noun, but the word packs a lot of powerful meaning and emotion. Beyond a physical presence or location, it's a claim of like-mindedness, common interests, heritage, identity and even vision.

And it's a perfect definition of Peach State Bank & Trust – a true, locally owned and operated community bank. A bank that works hard to support local businesses, families, individuals, quality of life and infrastructure. A bank that not only reinvests in its community, but celebrates it with gatherings and sponsorships.

Our community is ever-growing, expanding from our roots in the heart of Gainesville to planting roots in Braselton and beyond. Inside, we share stories of some of the people and businesses who make our community home.


# Going Our Own Way in BRASELTON

## Dear Peach State Bancshares Shareholders, Customers, and Friends:

Across America, banks are closing their branch locations at the fastest pace since the 2008 recession. Increases in mobile banking, inflation, and real estate values are behind a trend that has some wondering whether banks even need a physical place of business anymore.

There is no question that Peach State Bank is different – and that we're doing banking differently with the opening in Braselton of our first permanent branch. Furthermore, the 10,000 square-foot Braselton branch, 20 miles south of our Gainesville headquarters, is four times larger than the typical bank branch.

Without context, it would appear we are swimming toward an economic tsunami. To the contrary, we are simply responding to customer demand.

- Peach State Bank is the only locally owned community bank in Hall County with the 10th largest population in Georgia. And our Northeast Georgia market is among the fastest-growing metropolitan regions in the country.
- Our Braselton branch serves a vibrant community that is distinctive from our Gainesville base. But like Gainesville, Braselton shares a spirit of community that takes pride in its homegrown businesses.
- As a community bank, Peach State is appreciated and attractive to Braselton residents and businesses who desire a personal business relationship, responsiveness, and local decision-making.
- At the same time, Braselton is tech-savvy. Its citizens demand the most advanced online banking and security systems that Peach State Bank delivers even better than the large national banks (and not in spite of our size but because of our size, which allows for greater familiarity with our customers).
- Braselton also recognizes our role as a home-based community bank. We are a growth engine, investing our profits back into the Braselton economy.

Our success in Braselton is not predicated on projections. We've already tested the waters there for the past four years in a leased space that became profitable in less than a year after opening.

Our Braselton team contributed in strong part to our bank's overall growth last year (2024) in Hall County and Northeast Georgia with an 11 percent increase in deposits and a 17 percent addition to our loan portfolio. Those numbers far exceeded banking trends nationwide as well as our own budget forecasts.

With our new bank in Braselton, we'll be able to greatly enhance our visibility and service to our South Hall County neighbors. In doing so, we'll follow the same tried and true practices that have proven so successful with our Gainesville roots.

- Peach State will not just be located in Braselton. Rather, it will be an integral part of the community.
- That is why our Braselton team lives, works and volunteers in Braselton. Senior vice presidents David Dyer and Mike Underwood have been leaders and volunteers in the Braselton area for decades. Kim Anderson, our branch manager with 40 years in banking, chooses to live and work in South Hall to be close to her friends and family, including her granddaughter.
- We are in the process of establishing a Braselton Community Development Board to further grow our ties to the residents and businesses in the area.
- Our popular special events in Gainesville such as the Low Country Boil and BLT Luncheon will now be serving good food and fellowship later this year to our Braselton neighbors. We'll also be conducting informative seminars in Braselton neighborhoods on topics like cybersecurity that are so important to our customers.
- Like our iconic red-brick and columned headquarters in Gainesville, Peach State Braselton has already become a landmark on the town's growing skyline. We are highly visible in the heart of Braselton's dynamic medical market (across the street from Northeast Georgia Medical Center) and wealthy communities like Deaton Creek, Reunion and Chateau Elan.
- Our Private Banking team is also expanding to better serve the physicians, medical practices, local residents, and small-business community in Braselton.

---

Whether you bank with Peach State in Braselton or Gainesville, we appreciate all of our local shareholders, customers, and neighbors across Northeast Georgia. Thank you for your support, both past and present, as we look forward to continuing to be your partner in growing this blessed region that we love as a Strong Bank and a Strong Community.

With warmest regards,

**Ron G. Quinn**
President and CEO
Peach State Bancshares

**Stewart Teaver**
Chairman
Peach State Bancshares

# Community Centered

## 2005

### New Era for North Georgia Banking

On February 14th, Peach State Bank's business charter is approved, providing an official outline of the company's foundation.


$100m

### Feb 17th

Construction begins with an official groundbreaking at our 325 Washington Street location in Gainesville.

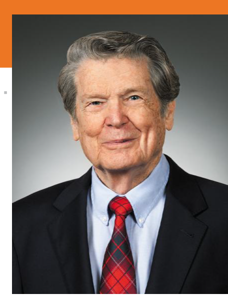
### Apr 27th

Our doors opened for the first day of business with nine employees.

## 2008

### Community Board

The Community Development Board is formed, helping to keep Peach State firmly involved in the community it serves. Abit Massey joins Peach State Bank as the Community Development Board Chairman.

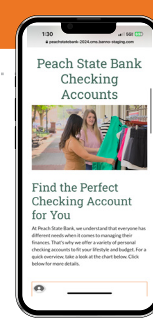


## 2013

### The Future

Our Future Leaders Board is formed with ten local leaders as the original members.

## 2014




### Mobile

Peach State Bank incorporates Mobile Banking into its offered services.

# from the Start.

2016

### Abit Massey
Peach State hosts 'Abit Massey Day' and presents him with a commemorative bust.

$250m

2019

### Partnerships
The bank embarks on an exciting partnership with Northeast Georgia Health System's Downey Society and Residents Program.

$500m

2022

### Gainesville Move
The former Suntrust Building on EE Butler Parkway is purchased by Peach State Bank.

2024

### Milestones
Peach State ends the year with 75 dedicated employees and $742 million in total assets.

$742m

2025

### New Braselton Location
The new Braselton location opens for business, ready to better serve the North Georgia community.

PEACH STATE
BANK & TRUST

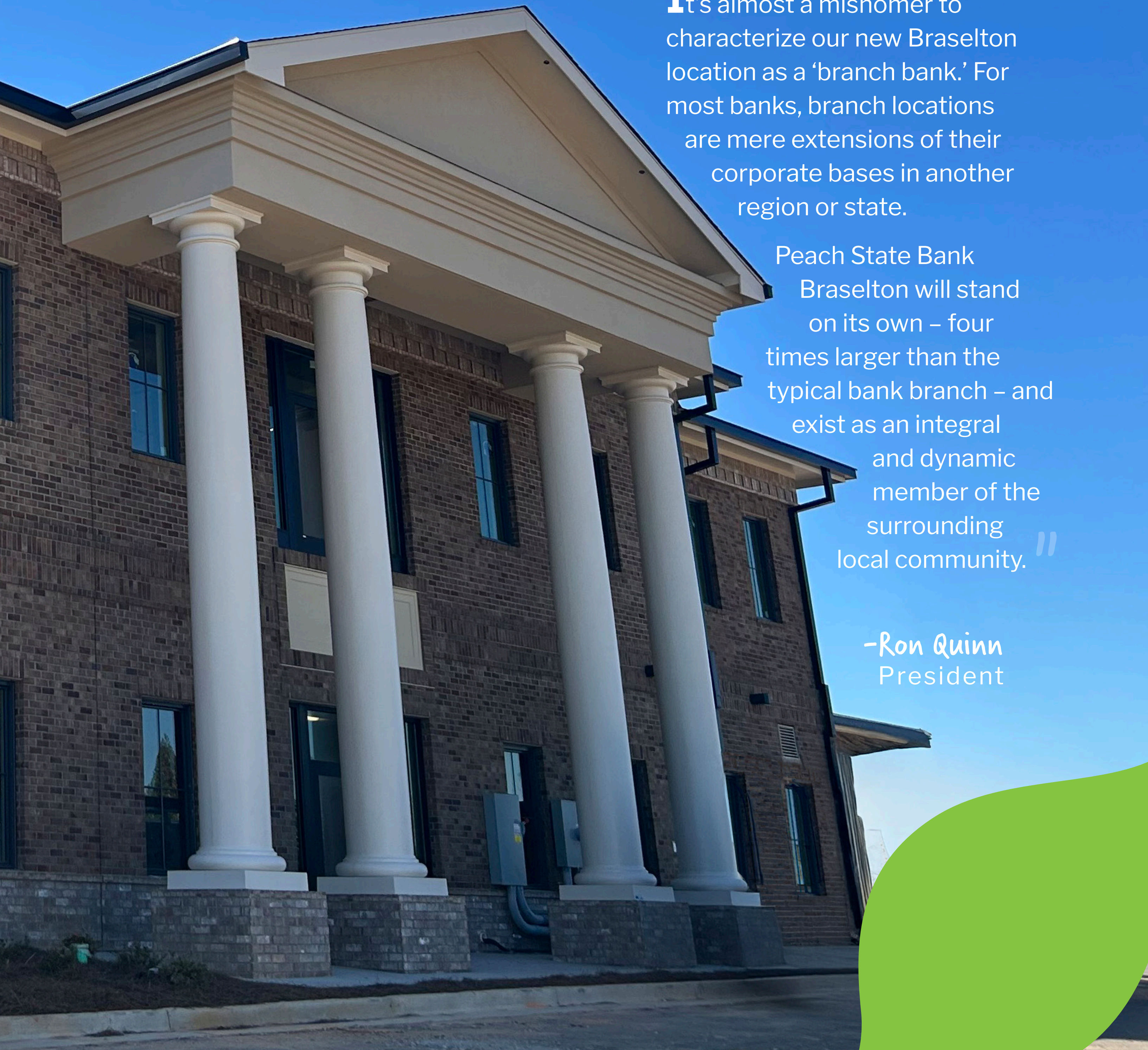
# Creating New Opportunity in BRA

# SELTON

"It's almost a misnomer to characterize our new Braselton location as a 'branch bank.' For most banks, branch locations are mere extensions of their corporate bases in another region or state.

Peach State Bank Braselton will stand on its own – four times larger than the typical bank branch – and exist as an integral and dynamic member of the surrounding local community."

–Ron Quinn
President




Peach State Bank's David Dyer
with Tripp Reynolds

# Building on Old Relationships that Protect & Create Business Opportunities.

Tripp Reynolds has banked with David Dyer for around a decade, but the two have known each other since the early 2000's.

Tripp is the owner of Reynolds Realty Construction, a local family-owned business located in Winder. He builds in Barrow County and surrounding areas, mainly focusing his business on spec homes. After David told him how Reynolds Realty could benefit from doing construction loans through Peach State, Tripp signed on immediately.

"They do a great job taking good care of me and my business," Tripp said. "Any time I need anything, it's handled immediately. David, his assistant, Jennie Parr, and their entire team have always provided exceptional service."

Working with Peach State Bank, Tripp has incorporated the Positive Pay program into his business banking. This is one of the many Treasury Management Services offered by Peach State, which allows customers to easily identify and prevent fraudulent check payments. This program helped Reynolds Realty Construction move forward with much better confidence after dealing with a fraudulent situation a few years ago. It is a feature Tripp refuses to do without and ensures he is protected in today's environment of increasing check and tech fraud.

"Peach State Bank provided my business with hassle-free construction financing. As a financial partner, they've allowed us to expand the number of properties Reynolds Realty Construction is able to construct."

Tripp says he chooses to bank locally because of people like David and Jennie. He appreciates the smiles, family-oriented atmosphere, and lack of corporate culture he's experienced with other banks. "If there's a problem, you call someone you know personally, and they will take care of it."

**Peach State Bank's Mike Underwood with Bill Creekmore**

# A Valuable Banking Partnership Built on Trust & Community.

The first Manor Lake Senior Community opened its doors in 2018 with the goal of providing top-quality care to the elderly community of North Georgia. Now, the business operates across the state in ten different locations, with a facility in Snellville to open this coming fall.

Bill Creekmore, the president and founding partner of Manor Lake Development, LLC, has been banking with Peach State since 2019.

“I’ve worked with Bill, his son Will, and Bradley Hoecker as well,” shares Mike Underwood, the loan officer for Manor Lake Senior Community. “They’re all great people, and I’ve enjoyed doing business with them.”

There are three unique aspects of care provided by Manor Lake: Independent Living, Assisted Living, and Memory Care. Independent Living is primarily for those in their mid-70s and up, and it consists of individual cottages for residents to reside in and enjoy the community around them.

For those who need a little extra help with daily tasks such as medications and meals, there is Assisted Living. The Memory Care program utilizes cutting-edge technology to deliver top-of-the-line care to those with dementia and Alzheimer's, including AI cameras which can alert staff of a potential fall before it happens.

“Peach State is on top of it, and they handle everything.”

Peach State Bank has worked with Manor Lake by providing assistance with construction loans and lending. The entire enterprise is a multi-million-dollar business. Bill notes that the online banking features have been very convenient due to the number of locations he works from. “They helped us tremendously with our Hoschton location.”

Peach State Bank's Andy Stewart with Abigail Guzman & Jose “Pepe” Perez

# Creating a Delicious Partnership that's Serving up Success.

Abigail Guzman and Pepe Perez's relationship with Peach State Bank is still new, but we couldn't be more excited to see it grow.

Our collaboration with Abigail and Pepe began three years ago, after they opened accounts with Peach State for their new restaurant, Consuelo. Consuelo offers authentic heritage Mexican food just off the square in downtown Gainesville.

"It's small business owners like Abigail and Pepe that we love to bank with. We like to be a partner in the growth process," says Andy Stewart. "The biggest level of satisfaction that I get out of my job is watching customers grow and progress from the early stages of their business to the more established stages."

Andy and the couple have kids around the same age who attend school together, so they see each other outside of the bank often. Abigail and Pepe have also worked with team members Yemeli Marin and Terry Baker, and say, "They are all very personable, always very professional, candid, and invested in our success."

Consuelo isn't the only partnership we've embarked on with Abigail. In 2024, she decided to run for a seat on the Gainesville City Council. When she needed to open an account for her campaign, she immediately knew where to go. "Their customer service is wonderful," Abigail says. "With Peach State, we have found true personalized service and genuine care. They really treat you like family."

After winning 70% of the vote, Abigail was inducted in June and became the first-ever Latina representative on the City Council.

"As a local business, Peach State Bank has a deep understanding of the community needs. They're not just a bank, they're your neighbors."

Abigail says her business model is similar to Peach State's, because they both prioritize the client, go above and beyond in fulfilling their customers' expectations, and strive to have people genuinely recommend their business. She adds that she's always amazed at how many people recommend Peach State to others.

The city councilwoman has become a frequent attendee of Peach State Bank's community events, including the Low Country Boil and the bread and coffee breakfast during Hispanic Heritage month. "Any Peach State event has a great turnout, which speaks volumes," she shares.

Abigail and Pepe have lived in Gainesville for 12 years and couldn't think of a better place to raise their son and daughter.

Peach State Bank's Heather Wilbanks with Maggie & David Griffin

# Multiple Businesses, One Small Town. Relationship-Based Banking Solutions.

David and Maggie Griffin understand the value of community and relationships, making Gainesville the perfect fit for the couple when they moved here and planted roots about 15 years ago. Between the two they operate six businesses: Metro Appraisals, Meat Head Charcoal, Candler Real Estate, Candler Development Services, Maggie Griffin Design, and Maggie Griffin at Home, an associated online store. All of their banking, both business and personal, is done here at Peach State.

Since moving to Gainesville, not only have the Griffins' businesses grown, but so has their family. They have three young sons who keep them on their toes. With such active personal and professional lives, they knew they wanted a banking experience that would match their enthusiasm for community and personal relationships.

It's a big job balancing family life while running multiple businesses, but they love every minute of it. "Peach State has been invaluable in making everything run smoothly," Maggie says.

David and Maggie were still new to town when they started banking with Peach State and connected with Heather Wilbanks. With Heather's assistance and the Private Banking team, the Griffins financed the offices for Maggie's businesses and David's office building that houses Metro Appraisals, Candler Real Estate, and Candler Development Services, where David is the managing partner.

While Heather is the Griffins' primary contact, they have interacted with the entire Peach State team of employees and board members. They also enjoy having access to bank president Ron Quinn, knowing this is not always the case with national banks.

"It reminds us of how we grew up," the couple shares. "Small town, small-town relationships. The bank is integrated with the community and still able to help our businesses achieve success."

David and Maggie appreciate that Peach State was willing to take a chance on them as young entrepreneurs, providing many different loans for starting each of their businesses. The Griffins have also bought and sold several properties through Peach State Bank.

> "Peach State has been able to provide solutions to every problem we've had. As small business owners, that's invaluable to have in your corner."

"They've believed in us when we've had crazy ideas," David adds. "Heather has done amazing things for us, and we recommend Peach State to everyone we know."


Peach State Bank's Ricky Pugh
with Johnathan & Jack Allen

# Aligned Vision & Reinvestment in the Community Fuels Growth.

Jack Allen has been banking locally since 1979, when he first started Peach State Truck Brokers, Inc. As the company evolved, two additional companies were created, Peach State Truck Lines, Inc. and Peach Freight Logistics, Inc.

What began with one tractor and trailer and two leased operators has grown into a multi-million-dollar shipping and logistics company that operates throughout the nation, including exports globally — and Peach State Bank Loan Officer Ricky Pugh has been there every step of the way.

Jack began banking with Ricky almost 45 years ago. Their working relationship transformed into an established friendship over many years of collaboration. Jack says he prefers to bank locally because of the trusted leadership and personalized service, and it serves as a way to reinvest in the community.

"If we call Ricky, he answers," Jack says. "It's a great relationship which has continued to grow over the years. He answers whether he's in his office or not. He is a prime example of putting the customer first."

Jack's son, Johnathan Allen, is the Director of Operations for Peach State Truck Brokers, Inc. Both father and son have personal accounts with the bank.

Johnathan believes that their vision aligns with Peach State Bank in many ways. "Our business is service-driven," he says. "Without the service aspects to our customers, our business falls flat. We feel like Peach State Bank has the same principles in place when they sign on a new customer."

"The bank is always able to help us each and every time we come to them. Whether it's a commercial truck loan or a money market to help our business grow financially, they make it an easy and simple process from start to finish."

Peach State Truck Brokers, Inc. averages between 850 to 1,000 truckload shipments weekly. Over the last eight years, Peach State Bank has assisted the company's growth through equipment financing and lines of credit to boost both their asset and freight brokerage divisions.

"The Peach State team is always kind and willing to help every time we pull up to the window or walk in the door," says Johnathan. "They go out of their way to speak to us and our employees on a personal name basis. It is a pleasure to deal with the caliber of professionals at Peach State Bank and the service they consistently deliver to their customers."

Peach State Bank's Heather Wilbanks
with Jaimie & Holt Harrison

# For Holt & Jaimie Harrison, Peach State is Part of Their Story of Home.

Holt, a physician with Northeast Georgia Health System's OB/GYN, and his wife Jaimie, who is a Realtor with The Norton Agency, moved to Gainesville in 1998, started their family and fell in love with their community. When they were ready to purchase a new home, they turned to Peach State for financing. Working with Senior VP of Private Banking Heather Wilbanks, the Harrisons were able to take advantage of Peach State's competitive loan program, and Jaimie often refers her clients to Heather for the signature physician mortgage program providing 100% in-house financing.

That was just the beginning of their relationship with Peach State Bank. They reached out to Heather to help them with an addition to their home, as well as other personal and commercial loans over the years. Jaime often recommends the bank to her customers at Norton. Why?

"Peach State has such a local focus, but at the same time has a large impact on every area of the community including real estate, hospitals, and businesses of all sizes," says Holt. "A bank is an intersection of borrowers and depositors. I know that the deposits I make are going back into the community for local investment, to improve our community and our quality of living. That's an argument for why anyone would benefit from banking there."

"Peach State is the banking embodiment of what I value about living in this community. You really feel as though you're amongst friends and that they have your best interest at heart in everything they do."

Adds Jaimie, "Many people disassociate business relationships from personal relationships, but we consider it an advantage. Banking with people you attend church with, who you volunteer with, and see at community events or around town makes for a trusting partnership."

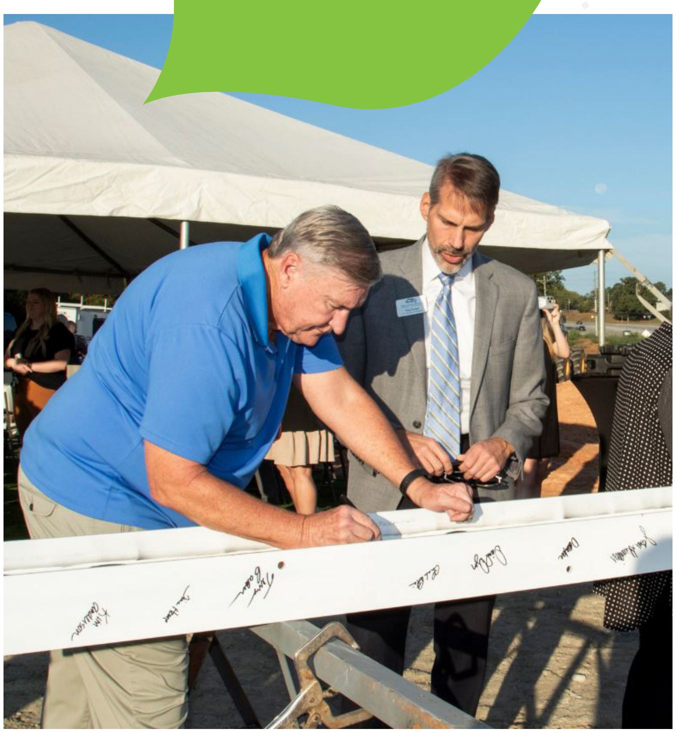
That's the mark of a true, locally owned and operated community bank.

# BOARD OF DIRECTORS

STANDING (left to right):
Wesley Martin | Nancy Norton | Joe Hatfield | Ricky Presley | Tracy Vardeman | Andy Fuller

SEATED (left to right):
Steve McKibbon | Stewart Teaver | Ron Quinn | Clifton Hastings

# Ricky Presley



As we look forward to the opening of our new Braselton branch, we know we wouldn't be here without the dedicated work of Ricky Presley and the Building Committee. Ricky has been instrumental every step of the way – from meeting with Carroll Daniel Construction and reviewing bids on the building to influencing the design and location.

In addition to leading the Building Committee, Ricky serves on the Board of Directors and is involved with the Assets-Liabilities and Loan Committees. Peach State has had the pleasure of working with Ricky since 2018, when he opened a personal account with the bank. The Board of Directors works to ensure that the future of the bank's growth is always centered around serving our customers. With each new opportunity and location, Peach State Bank remains focused on providing top-quality banking to our community.

# COMMUNITY DEVELOPMENT BOARD

BACK ROW (left to right):
Uriel Arellano | Gary Funk | Sandy Carter | Sissy Lawson | Preston Bowen (Chairman)
Abigail Guzman | Elizabeth Higgins | Brian Hughs

SITTING (left to right):
Steve Adams | John Wright

# Preston Bowen


Stepping into the role of Chairman of the Gainesville Community Development Board after Abit Massey means that Preston Bowen has big shoes to fill. Luckily, Preston's work as a board member for the past eight years proves that Peach State's future is in good hands.

Preston's job is to ensure that the bank's community ties are as strong as they can be. As a Gainesville native and business owner, he's tapped into the inner workings of the area's bustling industry. Preston describes his role as being a 'sounding board' for Ron Quinn to bounce ideas off of as well as to give suggestions for how the bank can become even more ingrained in the community.

The Community Development Board makes Peach State stand out among other financial institutions. Members of the board are committed, local leaders who have watched the community grow and want to help it keep growing for a long time. They help develop a marketing strategy based on what's important in the community, so the bank can serve the community in the best way possible.

"It's a really unique balance," Preston says. "Peach State has to take big steps that impact the entire region while also being a hometown bank and focusing on the businesses within the community. There are very few small-town banks that operate like that."

# EXECUTIVE MANAGEMENT

STANDING (left to right):
Andy Stewart | Terry Baker | Gina Rider | Charles W. Blair | Ron Quinn

# FUTURE LEADERS BOARD

BACK ROW (left to right):
John Baxter | Roland Stanley | Caroline Nix | Charlie Hawkins | Steven Pettit

FRONT ROW (left to right):
Chase Quinn | Callie Hughs | Lorena Caudillo-Juarez | Suzanne Cindea | Rachel Dockery | Scott LeFevre

# GAINESVILLE LENDERS

From left to right:
Chris England | Keith Brady | Yemeli Marin
Ricky Pugh | Greg Barrett | Steve Sorrells

# BRASELTON LENDERS

From left to right:
Mike Underwood | David Dyer

# PRIVATE BANKING GROUP

From left to right:

Heather Wilbanks | Elizabeth Cain
Brandy Kastner

# MORTGAGE ORIGINATORS

STANDING (left to right):

Ken Crenshaw | Carl Blackburn | Steve Goins

SITTING (left to right):

Chase Hyder | Mickey Hyder

# Historic Profits Provide Tailwinds to Opening of Braselton Branch

**The opening of Peach State Bank's first permanent branch bank in 2025 comes on the heels of record profits this past year.**

**In 2024, our holding company Peach State Bancshares and Peach State Bank recorded our best year of earnings since opening nearly 20 years ago.**

## NET LOANS

saw an impressive increase of approximately 17.01 percent from nearly $389.7 million at the end of 2023 to $456.00 million at the end of 2024.

Meanwhile,

## TOTAL DEPOSITS

increased by 11.60 percent (from $603.3 million at year-end 2023 to $673.3 million at year-end 2024). However, because deposits fluctuate each month, a better indicator of growth is a review of long-term average growth rates. The five-year average annual growth rate of deposits for the company is 22.86 percent. For noninterest-bearing deposits, the five-year annual growth rate is 27.00 percent.

## NET EARNINGS

were $6.3 million ($2.19 per share) in 2024. In comparison, net earnings were $3.8 million ($1.30 per share) in 2023, and $5.5 million ($1.91 per share) in 2022. Net earnings increased in 2024 due to asset repricing that caught up to the dramatic rise in deposit costs in early 2023 – in conjunction with the Federal Reserve's increases in short-term interest rates.
The increase in deposit costs continued into 2024 before finally stabilizing in the fourth quarter with the reduction of short-term interest rates.

The holding company's

## YIELD ON EARNING ASSETS

in 2024 was 5.45 percent – compared to 4.60 percent and 3.54 percent for 2023 and 2022, respectively. The company's COST OF FUNDS totaled 2.31 percent in 2024, compared to 1.69 percent and 0.22 percent for 2023 and 2022, respectively.

2024.
Financi

After nearly four years in its leased facility in Braselton, Peach State Bank relocated in 2025 to a permanent branch bank (its first ever) at 1502 Friendship Road – a major commercial corridor in South Hall County.

**Total assets totaled $744.8 million at year-end 2024.**

Although the company's

## NET INTEREST MARGIN

increased from 2.60 percent in 2023 to 2.83 percent in 2024, it still fell short of the 2022 pre-Federal Reserve Action net interest margin of 3.11 percent.

## TOTAL ASSETS

increased by 4.12 percent from $715.3 million at the end of 2023 to $744.8 million at the end of 2024. At year-end 2023, Peach State Bancshares had $47 million in borrowed funds from the Federal Reserve's Bank Term Funding Program (BTFP). As a result, core assets for the company at year-end 2023 were $668.3 million. Therefore, TOTAL ASSET GROWTH, when considered off the core base of $668.3 million, represented an 11.44 percent growth rate.

## STOCKHOLDERS' EQUITY

increased from $30.9 million ($10.68 per share) on December 31, 2023, to $37.9 million ($13.11 per share) on December 31, 2024 – an increase of 22.72 percent. This increase resulted not only from net earnings in 2024 but also due to a $1.2 million decrease in the amount of the company's "Accumulated Other Comprehensive Loss" (AOCL). The decrease in AOCL, which is the after-tax impact of unrealized losses within the company's debt securities, resulted from:

- a $16.3 million decrease in the company's debt securities for the 12 months ended December 31, 2024;
- a decrease in longer term interest rates at year-end 2024 compared to year-end 2023;
- and the positive impact of the company's interest-rate hedging decisions.

Peach State Bank is well-capitalized under Prompt Corrective Action Provisions. The bank's TIER 1 CAPITAL at the end of 2024 was $73.2 million, or 9.56 percent of the bank's average assets – compared to $65.7 million, or 9.46 percent at year-end 2023 (a minimum 5.00 percent ratio is considered "well-capitalized" under Prompt Corrective Action Provisions).

## TOTAL CAPITAL

as of December 31, 2024, which includes a portion of the bank's allowance for credit losses, equaled $78.7 million – or 16.45 percent of risk-weighted assets. This compared to $70.9 million or 16.87 percent of risk-weighted assets on the same date in 2023 (a minimum 10.00 percent ratio is considered "well-capitalized" under Prompt Corrective Action Provisions).

*Remembering*

# ABIT MASSEY

A life bookmarked by service and leadership in the history of our community forever.

**Abit Massey was a force of nature and a friend to all, and he is greatly missed.**

A renowned lobbyist and diplomat, Abit never really closed out his career as President Emeritus of the Georgia Poultry Federation. He took great joy in spreading his goodwill and knowledge with everyone from poultry farmers to world leaders.

In May of 2008, Abit assisted with the formation of Peach State's Community Development Board to help ensure we are constantly in touch with the communities we serve. He served as Chairman, as well as our great ambassador, until his passing in 2024.

May we always "Live Like Abit."

PEACH STATE BANCSHARES

# Consolidated Financial Statements

## December 31, 2024, 2023 and 2022

## (with Independent Auditor's Report thereon)

elliott davis

## Independent Auditor's Report

Board of Directors
Peach State Bancshares, Inc.
Gainesville, Georgia

**Opinion**

We have audited the consolidated financial statements of Peach State Bancshares, Inc. and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, the related consolidated statements of earnings, comprehensive income, changes in stockholders' equity and cash flows for the three years in the period ended December 31, 2024, and the related notes to the consolidated financial statements (collectively, the financial statements).

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

**Basis for Opinion**

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

**Responsibilities of Management for the Financial Statements**

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

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

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

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

**Auditor’s Responsibilities for the Audit of the Financial Statements, continued**

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 Company’s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for a reasonable period of time.

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

Elliott Davis, LLC

Greenville, South Carolina
February 7, 2025

**PEACH STATE BANCSHARES, INC. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**December 31, 2024 and 2023**

**(Dollars in thousands)**

| | 2024 | 2023 |
|---|---|---|
| **Assets** | | |
| Cash and due from banks | $ 7,027 | 20,826 |
| Interest-bearing deposits with Federal Reserve Bank and other banks | 76,577 | 86,675 |
| Cash and cash equivalents | 83,604 | 107,501 |
| Investment in debt securities | 170,064 | 186,361 |
| Investment in equity securities | 3,012 | 2,598 |
| Federal Home Loan Bank stock | 512 | 435 |
| Mortgage loans held for sale | 504 | 1,017 |
| Loans, net of allowance for credit losses of $5,577 and $4,971, as of December 31, 2024 and 2023, respectively | 455,957 | 389,675 |
| Premises and equipment, net | 14,820 | 11,752 |
| Bank owned life insurance | 8,222 | 7,956 |
| Accrued interest receivable and other assets | 8,089 | 8,053 |
| Total assets | $ 744,784 | 715,348 |
| **Liabilities and Stockholders' Equity** | | |
| Deposits: | | |
| Non-interest bearing | $ 204,905 | 223,696 |
| Interest-bearing | 468,405 | 379,604 |
| Total deposits | 673,310 | 603,300 |
| Federal Reserve Bank Term Funding Program | - | 47,000 |
| Subordinated debentures, net of capitalized fees | 30,971 | 30,900 |
| Accrued interest payable and other liabilities | 2,619 | 3,278 |
| Total liabilities | 706,900 | 684,478 |
| Stockholders' equity: | | |
| Preferred stock, no par value; authorized 2,000,000 shares; no shares issued and outstanding | - | - |
| Common stock, $5 par value; authorized 10,000,000 shares; 2,902,002 issued and 2,890,652 outstanding | 14,510 | 14,510 |
| Additional paid-in capital | 11,935 | 11,859 |
| Retained earnings | 19,127 | 13,362 |
| Accumulated other comprehensive loss | (7,574) | (8,747) |
| Treasury stock at cost, 11,350 shares | (114) | (114) |
| Total stockholders' equity | 37,884 | 30,870 |
| Total liabilities and stockholders' equity | $ 744,784 | 715,348 |

See accompanying notes to consolidated financial statements.

**PEACH STATE BANCSHARES, INC. AND SUBSIDIARIES**
**Consolidated Statements of Earnings**

**For the Years Ended December 31, 2024, 2023 and 2022**

**(Dollars in thousands, except per share amounts)**

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Interest and dividend income: | | | |
| Interest and fees on loans | $ 28,076 | 21,129 | 16,382 |
| Interest on debt securities | 8,668 | 6,098 | 3,574 |
| Interest on tax-exempt debt securities | 59 | 57 | 38 |
| Interest and dividends – other | 4,257 | 2,203 | 612 |
| Total interest and dividend income | 41,060 | 29,487 | 20,606 |
| Interest expense: | | | |
| Interest expense – deposits | 14,386 | 9,272 | 1,190 |
| Interest expense – borrowings | 5,463 | 3,577 | 1,255 |
| Total interest expense | 19,849 | 12,849 | 2,445 |
| Net interest income | 21,211 | 16,638 | 18,161 |
| Provision for credit losses | 606 | - | 248 |
| Net interest income after provision for credit losses | 20,605 | 16,638 | 17,913 |
| Other income: | | | |
| Service charges on deposit accounts | 182 | 162 | 193 |
| Mortgage origination income | 521 | 408 | 805 |
| (Losses) on sales of debt securities, net | (45) | - | - |
| Gains (losses) recognized on equity securities, net | 22 | 71 | (293) |
| Gains on sale of premises and equipment | 174 | 8 | 620 |
| Other | 910 | 836 | 832 |
| Total other income | 1,764 | 1,485 | 2,157 |
| Other expenses: | | | |
| Salaries and employee benefits | 8,877 | 7,815 | 8,050 |
| Occupancy and equipment | 1,140 | 1,121 | 874 |
| Outside services | 496 | 425 | 392 |
| Information technology | 1,631 | 1,455 | 1,305 |
| Other | 2,726 | 2,278 | 2,088 |
| Total other expenses | 14,870 | 13,094 | 12,709 |
| Earnings before income taxes | 7,499 | 5,029 | 7,361 |
| Income tax expense | (1,155) | (1,258) | (1,839) |
| Net earnings | $ 6,344 | 3,771 | 5,522 |
| Earnings per common share | $ 2.19 | 1.30 | 1.91 |
| Diluted earnings per common share | $ 2.07 | 1.24 | 1.82 |
| Dividends per common share | $ 0.20 | 0.30 | 0.24 |

See accompanying notes to consolidated financial statements.

**PEACH STATE BANCSHARES, INC. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the Years Ended December 31, 2024, 2023 and 2022**

**(Dollars in thousands)**

| | | 2024 | 2023 | 2022 |
|---|---|---|---|---|
| Net earnings | $ | 6,344 | 3,771 | 5,522 |
| Other comprehensive income (loss), net of tax: | | | | |
| Unrealized gains (losses) on debt securities available-for-sale: | | | | |
| Holding gains (losses) arising during the period, net of taxes of $7, $1,000, and $3,584 | | (24) | 3,002 | (10,753) |
| Reclassification adjustments for losses included in earnings, net of taxes of $11, $0, and $0 | | 34 | - | - |
| Unrealized gains (losses) on derivative instruments, net of taxes of $394, $22 and $106 | | 1,163 | 67 | (317) |
| Other comprehensive income (loss) | | 1,173 | 3,069 | (11,070) |
| Total comprehensive income (loss) | $ | 7,517 | 6,840 | (5,548) |

See accompanying notes to consolidated financial statements.

**PEACH STATE BANCSHARES, INC. AND SUBSIDIARIES**

## Consolidated Statements of Changes in Stockholders' Equity

**For the Years Ended December 31, 2024, 2023 and 2022**

**(Dollars in thousands)**

| | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive (Loss) Income | Treasury Stock | Total |
|---|---|---|---|---|---|---|
| Balance, December 31, 2021 | $ 14,510 | 11,665 | 6,751 | (746) | (114) | 32,066 |
| Other comprehensive loss | - | - | - | (11,070) | - | (11,070) |
| Stock option expense | - | 137 | - | - | - | 137 |
| Net earnings | - | - | 5,522 | - | - | 5,522 |
| Cash dividends, $0.24 per share | - | - | (694) | - | - | (694) |
| Balance, December 31, 2022 | 14,510 | 11,802 | 11,579 | (11,816) | (114) | 25,961 |
| Adoption of new CECL accounting standard, net | - | - | (1,121) | - | - | (1,121) |
| Other comprehensive income | - | - | - | 3,069 | - | 3,069 |
| Stock option expense | - | 57 | - | - | - | 57 |
| Net earnings | - | - | 3,771 | - | - | 3,771 |
| Cash dividends, $0.30 per share | - | - | (867) | - | - | (867) |
| Balance, December 31, 2023 | 14,510 | 11,859 | 13,362 | (8,747) | (114) | 30,870 |
| Other comprehensive income | - | - | - | 1,173 | - | 1,173 |
| Stock option expense | - | 76 | - | - | - | 76 |
| Net earnings | - | - | 6,344 | - | - | 6,344 |
| Cash dividends, $0.20 per share | - | - | (579) | - | - | (579) |
| Balance, December 31, 2024 | $ 14,510 | 11,935 | 19,127 | (7,574) | (114) | 37,884 |

See accompanying notes to consolidated financial statements.

**PEACH STATE BANCSHARES, INC. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the Years Ended December 31, 2024, 2023 and 2022**

**(Dollars in thousands)**

| | | 2024 | 2023 | 2022 |
|---|---|---|---|---|
| Cash flows from operating activities: | | | | |
| Net earnings | $ | 6,344 | 3,771 | 5,522 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | | | |
| Depreciation, amortization, accretion | | (1,050) | 323 | 376 |
| Stock option compensation expense | | 76 | 57 | 137 |
| Deferred income tax | | (228) | - | (3) |
| Provision for credit losses | | 606 | - | 248 |
| Increase in cash surrender value of bank owned life insurance | | (266) | (210) | (181) |
| Loss (gain) on sales of debt investment securities | | 45 | - | - |
| Loss (gain) on sales of equity investment securities | | 21 | 49 | (4) |
| (Gain) loss on equity investment securities | | (43) | (120) | 297 |
| (Gain) on sales of premises and equipment | | (174) | (8) | (620) |
| Change in: | | | | |
| Mortgage loans held for sale | | 513 | (1,017) | 1,344 |
| Accrued interest receivable and other assets | | 1,758 | (512) | (1,129) |
| Accrued interest payable and other liabilities | | (1,053) | 82 | 199 |
| Net cash provided by operating activities | | 6,549 | 2,415 | 6,186 |
| Cash flows from investing activities: | | | | |
| Purchases of debt investment securities | | (137,228) | (27,655) | (113,865) |
| Proceeds from maturities and paydowns of debt securities | | 138,990 | 55,445 | 21,194 |
| Proceeds from sales of debt securities | | 16,119 | - | - |
| Purchase of equity securities | | (1,052) | (1,206) | (1,036) |
| Proceeds from sales of equity securities | | 660 | 163 | 1,341 |
| Proceeds (purchases) of Federal Home Loan Bank Stock, net | | (77) | (69) | (77) |
| Purchase of Bank Owned Life Insurance | | - | - | (2,500) |
| Net increase in loans | | (66,888) | (49,572) | (20,039) |
| Proceeds from sales of premises and equipment | | 375 | 637 | 6,813 |
| Purchases of premises and equipment | | (3,776) | (2,899) | (8,055) |
| Net cash used in investing activities | | (52,877) | (25,156) | (116,224) |
| Cash flows from financing activities: | | | | |
| Net increase in deposits | | 70,010 | 56,818 | 44,137 |
| Proceeds from Federal Reserve BTFP facility | | 53,000 | 47,000 | - |
| Repayment of Federal Reserve BTFP facility | | (100,000) | - | - |
| Repayment of other mortgage borrowings, net | | - | - | (651) |
| Repayment of Federal Reserve PPP facility, net | | - | - | (24) |
| Proceeds from sale of subordinated debentures, net | | - | 500 | 11,000 |
| Capitalized subordinated debenture costs | | - | (6) | (242) |
| Common stock dividends | | (579) | (867) | (694) |
| Net cash provided by financing activities | | 22,431 | 103,445 | 53,526 |
| Net change in cash and cash equivalents | | (23,897) | 80,704 | (56,512) |
| Cash and cash equivalents at beginning of year | | 107,501 | 26,797 | 83,309 |
| Cash and cash equivalents at end of year | $ | 83,604 | 107,501 | 26,797 |
| Supplemental disclosures of cash flow information and noncash activities: | | | | |
| Cash paid for interest | $ | 19,833 | 12,593 | 1,221 |
| Cash paid for subordinate debenture interest | $ | 1,777 | 1,772 | 1,223 |
| Cash paid for Federal Reserve BTFP interest | $ | 3,626 | 1,458 | - |
| Cash paid for income taxes | $ | 1,575 | 925 | 1,821 |
| Change in unrealized gain (loss) on derivative instruments, net of tax | $ | 1,163 | 67 | (317) |
| Change in unrealized gain (loss) on debt securities available-for-sale, net of tax | $ | (24) | 3,002 | (10,753) |

See accompanying notes to consolidated financial statements.

## (1) Summary of Significant Accounting Policies

### Nature of Operations

Peach State Bancshares, Inc. (the "Company") is a bank holding company whose principal activity is the ownership and management of its wholly owned subsidiary, Peach State Bank & Trust (the "Bank"). The Bank is a community oriented commercial bank with emphasis on retail banking and offers such customary banking services as consumer and commercial checking accounts, savings accounts, certificates of deposit, commercial and consumer loans, money transfers and a variety of other banking services. The Bank, which opened to the public April 27, 2005, has two banking offices in Gainesville (Hall County), and Braselton (Hall County) Georgia, and conducts its banking activities primarily in Hall, Gwinnett and surrounding counties. The Bank is chartered and regulated by the Georgia Department of Banking and Finance ("DBF") and is insured and subject to regulation by the Federal Deposit Insurance Corporation ("FDIC").

The Company received approval from the Federal Reserve Bank of Atlanta ("FRB") on January 11, 2017, for the reorganization of the Bank into a bank holding company structure. Under the agreement of reorganization (the "Agreement"), which was approved in 2017 by the stockholders of the Bank and was effective February 1, 2017, the Bank became a wholly owned subsidiary of Peach State Bancshares, Inc. Each share of Bank common stock issued and outstanding was converted into and exchanged for the right to receive one share of Company common stock. After the share exchange, the Company became the holding company for the Bank, and the Bank is the Company's only significant asset.

On September 6, 2019, the Company and the Bank capitalized a Limited Liability Corporation, 622 Main, LLC (the "LLC"), for the purpose of acquiring real estate for future expansion. The operations of the LLC are 100% consolidated in the Bank. In October of 2022, after the sale of several pieces of real estate to be used for future expansion, the LLC was not utilized further.

### Recent Accounting Changes

In February 2016, the FASB amended the Leases topic of the Accounting Standards Codification to revise certain aspects of recognition, measurement, presentation, and disclosure of leasing transactions. The amendments were originally effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. In May 2020, in response to the global COVID-19 pandemic, the FASB voted to delay the effective date of this guidance to fiscal years beginning after December 15, 2021, and early adoption is permitted. On January 1, 2022, the Company adopted ASU No. 2016-02 "Leases (Topic 842)" and subsequent amendments thereto, which requires the Company to recognize most leases on the balance sheet. The standard was adopted under a modified retrospective approach as of the date of adoption and elected to apply several of the available practical expedients, including: carry over of historical lease determination and lease classification conclusions, carry over of historical initial direct cost balances for existing leases, and accounting for lease and non-lease components in contracts in which the Company is a lessee as a single lease component.

Adoption of the leasing standard had no material financial impact to the Company. There was no material impact to the timing of expense or income recognition in the Company's Consolidated Income Statements. Prior periods were not restated and continue to be presented under legacy GAAP. Disclosures about the Company's leasing activities are presented in Note 4 – Premises and Equipment.

On January 1, 2023, the Company adopted ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASC 326). This standard replaced the incurred loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses.

**(1) Summary of Significant Accounting Policies, continued**

**Recent Accounting Changes, continued**

In addition, CECL made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities if management does not intend to sell and does not believe that it is more likely than not they will be required to sell.

The Company adopted ASC 326 and all related subsequent amendments thereto effective January 1, 2023, using the modified retrospective approach for all financial assets measured at amortized cost and off-balance sheet credit exposures. The transition adjustment of the adoption of CECL included an increase in the allowance for credit losses on loans of $1,000,000, which is presented as a reduction to net loans outstanding and an increase of $500,000 on unfunded loan commitments, which is recorded within Other Liabilities. The Company recorded a net decrease to retained earnings of $1,121,000, as of January 1, 2023, for the cumulative effect of adopting CECL, which reflects the transition adjustments noted above, net of the applicable deferred tax assets recorded. Results for reporting periods beginning after January 1, 2023, are presented under CECL while prior period amounts continue to be reported in accordance with previously applicable accounting stands (“Incurred Loss”).

The Company adopted ASC 326 using the prospective transition approach for debt securities for which other-than-temporary impairment had been recognized prior to January 1, 2023. As of December 31, 2022, the Company did not have any other-than-temporarily impaired investment securities. Therefore, upon adoption of ASC 326, the Company determined than an allowance for credit losses on available-for-sale securities was not deemed material.

**Inapplicable Industry Matters**

Certain matters often found in depository and commercial banking institutions financial statements and accompanying disclosures do not apply to the Company and the Bank. Additionally, there is no detailed and prominent disclosure in the financial statements of matters that management has determined to be insignificant to its operations. Matters that either do not apply or are insignificant include the following:

- Held to Maturity Securities
- Loan Participations Purchased and Sold
- Foreclosed Property and Other Real Estate
- Mortgage Servicing Rights
- Pensions

**Basis of Presentation**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Peach State Bank & Trust. All significant intercompany accounts and transactions have been eliminated in consolidation.

The accounting principles followed by the Company and the methods of applying these principles conform with accounting principles generally accepted in the United States of America “GAAP” and with general practices within the banking industry. In preparing financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts in the consolidated financial statements. Actual results could differ significantly from those estimates. Material estimates common to the banking industry that are particularly susceptible to significant change in the near term include, but are not limited to, the determination of the allowance for credit losses, the valuation of real estate acquired in connection with or in lieu of foreclosure on loans, valuation allowances associated with deferred tax assets, the recognition of which is based on future taxable income, and the valuation of investment in debt securities.

## (1) Summary of Significant Accounting Policies, continued

### Subsequent Events

Management has evaluated subsequent events for potential recognition or disclosure in the consolidated financial statements through February 7, 2025, the date on which the consolidated financial statements were available to be issued.

### Reclassification

Certain 2023 amounts have been reclassified to conform to the presentation used in 2024. These reclassifications had no effect on the operations, financial condition nor cash flows of the Company.

### Cash and Cash Equivalents

For purposes of reporting cash flows, the Company includes cash and due from banks, interest-bearing deposits with other banks, and cash held by fiduciaries for 1031 purposes.

### Investment in Debt Securities

Debt securities are recorded at fair value. Unrealized holding gains and losses, net of the related tax effect, on debt securities are excluded from earnings and are reported as a separate component of stockholders' equity until realized.

For available-for-sale securities, management evaluates all investments in an unrealized loss position on an annual basis, and more frequently when economic or market conditions warrant such evaluation. If the Company has the intent to sell the security, or it is more likely than not that the Company will be required to sell the security the security is written down to fair value, and the entire loss is recorded in earnings.

If either of the above criteria is not met, the Company evaluates whether the decline in fair value is the results of credit losses or other factors. In making the assessment, 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 rate agency, the failure of the issuer to make scheduled interest or principal payments and adverse conditions specifically related to the security. 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.

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, 2023 and 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 approximately $657,000 at December 31, 2024, and was excluded from the estimate of credit losses.

Premiums and discounts are amortized or accreted over the life of the related security as an adjustment to the yield. Realized gains and losses for securities classified as available-for-sale are included in earnings and are derived using the specific identification method for determining the cost of securities sold.

### Investment in Equity Securities

Equity securities are recorded at fair value, with changes in fair value reported in net income. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment.

## (1) Summary of Significant Accounting Policies, continued

**Federal Home Loan Bank Stock**
Federal Home Loan Bank ("FHLB") stock is an investment that does not have a readily determinable fair value and is carried at cost. The Company is required to hold the FHLB stock as a member of the FHLB and transfer of the stock is substantially restricted.

**Mortgage Loans Held for Sale**
Mortgage loans held for sale are carried at the aggregate cost unless they are held for greater than (30) thirty days. The amount by which cost exceeds market value is accounted for as a valuation allowance. Changes in the valuation allowance are included in the determination of net earnings of the period in which the change occurs. At December 31, 2024 and 2023, there was no valuation allowance associated with mortgage loans held for sale.

**Loans, Loan Fees and Interest Income on Loans**
Loans are stated at the principal amount outstanding, net of the allowance for credit losses and unearned loan fees. Interest on loans is calculated by using the simple interest method on daily balances of the principal amount outstanding.

Accrual of interest is discontinued on a loan when management believes, after considering economic and business conditions and collection efforts that the borrower's financial condition is such that collection of interest is doubtful. When a loan is placed on nonaccrual status, previously accrued and uncollected interest is charged to interest income on loans. Generally, payments on nonaccrual loans are applied to principal.

Loan fees, net of certain origination costs, are deferred and amortized over the lives of the respective loans.

**Allowance for Credit Losses**
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 collectability of a loan balance is unconfirmed. 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 discounted cash flow methodology for all segments except for the secured by farmland, other revolving credit plans, automobile loans, and other consumer loan segments, which use the weighted average remaining life methodology:

-1-4 family residential construction loans
-Other construction loans and all land development and other land loans
-Secured by farmland
-Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit
-Secured by first liens
-Secured by junior liens
-Secured by multifamily residential properties
-Loans secured by owner-occupied, nonfarm nonresidential properties
-Loans secured by other nonfarm nonresidential properties
-Commercial and industrial loans

## (1) Summary of Significant Accounting Policies, continued

**Allowance for Credit Losses, continued**

-Other revolving credit plans
-Automobile loans
-Other consumer loans
-Other loans
-Loans to non-depository financial institutions

Loss estimates are developed under the discounted cash flow methodology by utilizing the Company's loan portfolio history, such as prepayment speeds and curtailment rates. Loss estimates are developed under the weighted average remaining life methodology by utilizing the loss history and data of a group of peer banks of similar size and geographical area. On a quarterly basis, the forecasting of the unemployment rate is applied to all loan segments based upon gathering such forecasted rate from at minimum three industry credible sources.

Additionally, the allowance for credit losses calculation includes subjective adjustments for qualitative risk factors that are likely to cause estimated credit losses to differ from historical experience. These qualitative adjustments may increase or reduce reserve levels and include adjustments for lending management experience and risk tolerance, loan review and audit results, lending policies, asset quality and portfolio trends, pandemics, industry concentrations, trends in underlying collateral, housing starts, external factors, national and local economy 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 collateral at the reporting date, adjusted for selling costs as appropriate.

Management believes the allowance for credit losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the allowance for credit losses. Such regulators may require additions to the allowance based on their judgments of information available to them at the time of their examination.

**Allowance for Credit Losses – Unfunded Commitments**

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit issued to meet customer financing needs. The 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 to 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 CECL 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.

**Premises and Equipment**

Premises and equipment are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the related asset. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs which do not improve or extend the useful life of the respective asset is charged to income as incurred, whereas significant renewals and improvements are capitalized. The estimated useful life for the building is 40 years and the range of useful lives for furniture and equipment is 3-10 years.

## (1) Summary of Significant Accounting Policies, continued

### Bank-Owned Life Insurance

Life insurance policies were purchased by the Bank on certain employees. These policies are recorded at their cash surrender value or realizable amounts. Income from these policies and changes in the cash surrender value are recorded in noninterest income. The Bank is the named beneficiary for each policy in an amount equal to the death benefit less an amount equal to the insured employee's annual salary, except for executive officers. In 2022, the Bank purchased $2,500,000 of additional life insurance policies. There were no purchases in 2023 and 2024. During 2024, 2023 and 2022, income recorded from the purchased life insurance policies was approximately $266,000, $210,000 and $181,000, respectively.

### Income Taxes

The Company uses the liability method of accounting for income taxes which requires the recognition of deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Additionally, this method requires the recognition of future tax benefits, such as net operating loss carryforwards, to the extent that realization of such benefits is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the assets and liabilities are expected to be recovered or settled.

In the event the future tax consequences of differences between the financial reporting basis and the tax basis of the Company's assets and liabilities results in deferred tax assets, an evaluation of the probability of being able to realize the future benefits indicated by such asset is required. A valuation allowance is provided for the portion of the deferred tax asset when it is more likely than not that some portion or all of the deferred tax asset will not be realized. In assessing the realization of the deferred tax assets, management considers the scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and all evidence available, both positive and negative, which is objectively verifiable. Deferred tax valuation assessments require significant amounts of judgment. GAAP requires the more likely than not criteria (a likelihood of 50% or more) to be used; however, the likelihood is not possible to be expressed in purely mathematical terms. Highly subjective information about future events heavily factor into the conclusion as to whether the more likely than not criteria can be achieved.

The Company currently evaluates uncertainty in income tax positions. GAAP requires that a loss contingency reserve be accrued if it is probable that the tax position will be challenged, it is probable that the future resolution of the challenge will confirm that a loss has been incurred, and the amount of such loss can be reasonably estimated.

### Net Earnings Per Common Share

Basic and dilutive earnings per share for 2024 are based on 2,890,652 and 3,058,280 weighted average shares outstanding and weighted average shares outstanding including common stock equivalents, respectively. The Company has issued options, which represent potential common shares.

### Stock-Based Compensation

The Company has a stock-based compensation plan which is described more fully in Note 8. The Company accounts for this plan using a fair value-based method of accounting whereby compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. The cost associated with share-based payments (stock options) for the years ended December 31, 2024, 2023 and 2022 was approximately $76,000, $57,000, and $137,000, respectively. Total unrecognized compensation costs at December 31, 2024, was approximately $330,000. There were 22,000, 15,000 and 15,000 options granted in 2024, 2023 and 2022, respectively.

The fair value of each option granted in 2024, 2023, and 2022 is estimated using the Black-Scholes valuation model that uses the assumptions noted in the table below. Expected volatility is based on observations of publicly traded community bank stocks due to the limited historical and supportable information related to the Company's own stock. The calculation considers historical data and peer

## (1) Summary of Significant Accounting Policies, continued

### Stock-Based Compensation, continued

group data to estimate option exercises and employee terminations within the valuation model. The expected term of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Weighted average fair value | $7.10 | $7.03 | $5.74 |
| Dividend yield | 0.95% | 1.85% | 1.40% |
| Risk-free interest rate | 4.38% | 3.84% | 2.81% |
| Expected life | 7.5 Years | 7.5 Years | 7.5 Years |
| Volatility | 24.93% | 24.93% | 24.93% |

### Accumulated Other Comprehensive Income (Loss)

Other comprehensive income (loss) consists of the after-tax effect of changes in unrealized gains and losses on investment securities available-for-sale.

### Derivative Instruments and Hedging Activities

The Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income (outside of earnings) and subsequently reclassified to earnings when the hedged transaction affects earnings, and the ineffective portion of the change in the fair value of the derivative is recognized directly in earnings. The Company assesses the effectiveness of the hedging relationship by comparing the changes in cash flows of the derivative hedging instrument with the changes in cash flows of the designated hedged transactions.

The Company's objective in using derivatives is to add stability to net interest income and to manage its exposure to adverse changes in interest rates.

## (2) Investment Securities

Securities available-for-sale at December 31, 2024 and 2023 are as follows (in thousands):

| December 31, 2024: | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|---|---|---|---|
| U.S. Government sponsored enterprises | $ 56,837 | 48 | 3,161 | 53,724 |
| State, county and municipal securities | 2,988 | - | 88 | 2,900 |
| Corporate debt securities | 1,747 | 1 | 204 | 1,544 |
| Mortgage-backed securities | 119,914 | 62 | 8,080 | 111,896 |
| Total investment securities | $ 181,486 | 111 | 11,533 | 170,064 |

**(2) Investment Securities, continued**

| December 31, 2023: | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|---|---|---|---|
| U.S. Government sponsored enterprises | $ 70,351 | 43 | 2,405 | 67,989 |
| State, county and municipal securities | 5,316 | 37 | 166 | 5,187 |
| Corporate debt securities | 3,192 | 1 | 315 | 2,878 |
| Mortgage-backed securities | 118,893 | 230 | 8,816 | 110,307 |
| Total investment securities | $ 197,752 | 311 | 11,702 | 186,361 |

The amortized cost and estimated fair value of securities available-for-sale as of December 31, 2024, by contractual maturity are shown below. Maturities may differ from contractual maturities in mortgage-backed securities because the mortgages underlying the securities may be called or repaid without penalty. There was no allowance for credit losses for available-for-sale securities as of December 31, 2024 and 2023. Unrealized losses on corporate bonds have not been recognized into income because the issuers bonds are of high credit quality, management does not intend to sell, and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuers continue to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds approach maturity.

Therefore, these securities are not included in the maturity categories in the following summary (in thousands).

| | Amortized Cost | Estimated Fair Value |
|---|---|---|
| Due in less than one year | $ 6,577 | 6,537 |
| Due after one year through five years | 21,412 | 20,012 |
| Due after five years through ten years | 3,512 | 3,337 |
| After ten years | 30,071 | 28,282 |
| Mortgage-backed securities | 119,914 | 111,896 |
| | $ 181,486 | 170,064 |

Investments with an estimated fair value of approximately $38,056,000 and $76,237,000, were pledged as collateral for public deposits and to secure borrowings at December 31, 2024 and 2023, respectively.

The following table summarizes securities sales activity and net gains (losses) for the years ended December 31, 2024, 2023, and 2022 (in thousands):

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Proceeds from sales | $ 16,119 | - | - |
| Gross gains | 136 | - | - |
| Gross losses | (181) | - | - |
| Net loss on sales of securities available-for-sale | $ (45) | - | - |

### (2) Investment Securities, continued

Securities available-for-sale 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 are as follows (in thousands):

| | Less than 12 Months | | 12 Months or More | | Total | |
|---|---|---|---|---|---|---|
| December 31, 2024: | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| U.S. Government sponsored enterprises | $ 22,677 | 1,625 | 25,938 | 1,536 | 48,615 | 3,161 |
| State, county and municipal securities | 1,049 | 13 | 1,851 | 75 | 2,900 | 88 |
| Corporate debt securities | - | - | 1,046 | 204 | 1,046 | 204 |
| Mortgage-backed securities | 37,775 | 816 | 67,208 | 7,264 | 104,983 | 8,080 |
| Total temporarily impaired securities | $ 61,501 | 2,454 | 96,043 | 9,079 | 157,544 | 11,533 |
| December 31, 2023: | | | | | | |
| U.S. Government sponsored enterprises | $ 6,917 | 49 | 58,038 | 2,356 | 64,955 | 2,405 |
| State, county and municipal securities | - | - | 3,682 | 166 | 3,682 | 166 |
| Corporate debt securities | - | - | 2,388 | 315 | 2,388 | 315 |
| Mortgage-backed securities | 8,092 | 124 | 91,954 | 8,692 | 100,046 | 8,816 |
| Total temporarily impaired securities | $ 15,009 | 173 | 156,062 | 11,529 | 171,071 | 11,702 |

The unrealized losses on the debt securities arose due to changing interest rates and market conditions and are considered temporary and not related to credit issues, rather because of acceptable investment grades or where the repayment sources of principal and interest are largely backed by U.S. government sponsored agencies. At December 31, 2024, 22 (twenty two) of 26 (twenty six) U.S. government sponsored enterprises securities, 4 (four) of 4 (four) state, county, and municipal securities, 3 (three) of 4 (four) corporate debt securities, and 115 (one hundred and fifteen) of 120 (one hundred and twenty) mortgage-backed securities contain unrealized losses. The Company does not intend to sell the investments and it is not likely that the Company will be required to sell the investments before recovery of their amortized cost basis, which may be at maturity.

At December 31, 2024 and 2023, the Company held approximately $3,012,000 and $2,598,0000, in equity investment securities, respectively. During 2023, the Company sold approximately $163,000, equity investment securities resulting in net losses of approximately $49,000. In addition, the Company recognized net gains of approximately $120,000, related to the change in market values in 2023. During 2024, the Company sold approximately $660,000 equity investment securities for a net loss of approximately $21,000. Conversely, the Company recognized net gains of approximately $43,000 related to the change in market values in 2024.

## (3) Loans and Allowance for Credit Losses

Major classifications of loans, by purpose code, at December 31, 2024 and 2023 are summarized as follows (in thousands):

| | 2024 | 2023 |
|---|---|---|
| Commercial | $ 23,101 | 23,553 |
| Commercial real estate: | | |
| Land development and construction | 72,212 | 78,656 |
| Non-owner occupied | 121,947 | 102,855 |
| Owner occupied | 83,242 | 62,277 |
| Residential real estate | 159,055 | 125,042 |
| Consumer | 2,622 | 2,833 |
| | 462,179 | 395,216 |
| Less: Unearned fees | 645 | 570 |
| Allowance for credit losses | 5,577 | 4,971 |
| Net loans | $ 455,957 | 389,675 |

The Bank makes loans to individuals and small businesses for various personal and commercial purposes primarily in Hall and surrounding counties in Northeast Georgia. The Bank's loan portfolio is not concentrated in loans to any single borrower or a relatively small number of borrowers. The principal component of the loan portfolio is loans secured by real estate which account for approximately 94% of total loans as of December 31, 2024. Commercial real estate loans comprise approximately 63% of total real estate loans and residential real estate loans account for approximately 37%. Commercial real estate loans are further categorized into owner occupied, which represents approximately 18% of total loans. Non-owner-occupied loans represent approximately 26%. Land development and construction loans represent approximately 16% of the total loan portfolio.

The following tables present the balance in the allowance for credit losses and the recorded investment by portfolio segment as of December 31, 2024, 2023 and 2022 (in thousands):

| December 31, 2024: | Commercial | Commercial Real Estate | Residential Real Estate | Consumer | Unallocated | Total |
|---|---|---|---|---|---|---|
| Allowance for credit losses: | | | | | | |
| Beginning balance | $ 155 | 3,314 | 1,321 | 20 | 161 | 4,971 |
| Provision for (recovery of) credit losses | (67) | (288) | 1,192 | (6) | (225) | 606 |
| Charge-offs | - | - | - | (6) | - | (6) |
| Recoveries | - | - | - | 6 | - | 6 |
| Ending balance | $ 88 | 3,026 | 2,513 | 14 | (64) | 5,577 |

| December 31, 2023: | Commercial | Commercial Real Estate | Residential Real Estate | Consumer | Unallocated | Total |
|---|---|---|---|---|---|---|
| Allowance for credit losses: | | | | | | |
| Beginning balance | $ 190 | 2,429 | 1,125 | 38 | 194 | 3,976 |
| Adjustment to allowance for adoption of ASU 2016-13 | (35) | 885 | 187 | (4) | (33) | 1,000 |
| Provision for (recovery of) credit losses | - | - | - | - | - | - |
| Charge-offs | - | - | - | (22) | - | (22) |
| Recoveries | - | - | 9 | 8 | - | 17 |
| Ending balance | $ 155 | 3,314 | 1,321 | 20 | 161 | 4,971 |

## (3) Loans and Allowance for Credit Losses, continued

| December 31, 2022: | Commercial | Commercial Real Estate | Residential Real Estate | Consumer | Unallocated | Total |
|---|---|---|---|---|---|---|
| Allowance for credit losses: | | | | | | |
| Beginning balance | $ 177 | 2,317 | 991 | 84 | 151 | 3,720 |
| Provision for (recovery of) loan losses | 13 | 112 | 98 | (18) | 43 | 248 |
| Charge-offs | - | - | - | (37) | - | (37) |
| Recoveries | - | - | 36 | 9 | - | 45 |
| Ending balance | $ 190 | 2,429 | 1,125 | 38 | 194 | 3,976 |
| Ending balance individually evaluated for impairment | $ - | - | - | - | - | - |
| Ending balance collectively evaluated for impairment | 190 | 2,429 | 1,125 | 38 | 194 | 3,976 |
| | $ 190 | 2,429 | 1,125 | 38 | 194 | 3,976 |
| Loans: | | | | | | |
| Individually evaluated for impairment | $ 3 | - | - | - | - | 3 |
| Collectively evaluated for impairment | 20,493 | 223,328 | 97,907 | 3,823 | - | 345,551 |
| | $ 20,496 | 223,328 | 97,907 | 3,823 | - | 345,554 |

Prior to the adoption of ASU 2016-13, loans were considered impaired if they were accruing troubled debt restructurings. For 2022 information presented above, the only impaired loans individually evaluated for impairment were troubled debt restructurings.

On December 31, 2024 and 2023, the Bank had no non-accrual loans, nor any loans individually evaluated for impairment.

The following tables present the aging of the recorded investment in past due loans, as well as the recorded investment in nonaccrual loans as of December 31, 2024 and 2023 by segment (in thousands):

| December 31, 2024: | 30 - 59 Days Past Due | 60 - 89 Days Past Due | Greater than 90 Days Past Due | Total Past Due | Current | Total | Non-accrual |
|---|---|---|---|---|---|---|---|
| Commercial | $ - | - | - | - | 23,101 | 23,101 | - |
| Commercial real estate: | | | | | | | |
| Land, development and construction | - | - | - | - | 72,212 | 72,212 | - |
| Non-owner occupied | - | - | - | - | 121,947 | 121,947 | - |
| Owner occupied | - | - | - | - | 83,242 | 83,242 | - |
| Residential real estate | - | - | - | - | 159,055 | 159,055 | - |
| Consumer | - | - | - | - | 2,622 | 2,622 | - |
| Total | $ - | - | - | - | 462,179 | 462,179 | - |

| December 31, 2023: | 30 - 59 Days Past Due | 60 - 89 Days Past Due | Greater than 90 Days Past Due | Total Past Due | Current | Total | Non-accrual |
|---|---|---|---|---|---|---|---|
| Commercial | $ - | - | - | - | 23,553 | 23,553 | - |
| Commercial real estate: | | | | | | | |
| Land, development and construction | - | - | - | - | 78,656 | 78,656 | - |
| Non-owner occupied | - | - | - | - | 102,855 | 102,855 | - |
| Owner occupied | - | - | - | - | 62,277 | 62,277 | - |
| Residential real estate | - | - | - | - | 125,042 | 125,042 | - |
| Consumer | - | - | - | - | 2,833 | 2,833 | - |
| Total | $ - | - | - | - | 395,216 | 395,216 | - |

There were no loans greater than 90 days past due and accruing as of December 31, 2024 and 2023.

## (3) Loans and Allowance for Credit Losses, continued

The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. The Bank analyzes non-consumer loans individually by classifying the loans as to credit risk. This analysis is performed on at least an annual basis. Consumer loans are categorized based on the performance of the loan. Unless the Bank is aware of extenuating circumstances, a consumer loan is deemed substandard once it becomes sixty (60) days past due and a loss once it reaches one hundred twenty (120) days past due. The Bank uses the following definitions for its risk ratings:

**Pass and Special Mention.** Pass loans are various grades of loans in which the probability of default is considered low. Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date. Special mention loans are not considered adversely classified as they do not expose the Bank to sufficient risk to warrant an adverse classification.

**Substandard.** Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

**Doubtful**. Specific weaknesses characterized as Substandard that are severe enough to make collection in full unlikely. There is no reliable secondary source of full repayment.

**Loss**. Loans that are categorized as Loss have the same characteristics as Doubtful; however, probability of loss is certain. Loans classified as such are generally charged-off or charged down to the fair market value minus estimated costs of selling.

Loans rated substandard, doubtful or loss are considered by management and bank regulatory authorities to be adversely classified assets. As of December 31, 2024, and 2023, and based on the most recent analysis performed, all loans were pass and special mention with no loans rated substandard, doubtful nor loss. Also, no modifications were given to borrowers experiencing financial difficulty.

## (4) Derivatives

In April 2022, the Company entered into a receive fixed/pay variable interest rate swap agreement. In January 2024, the Company dissolved the April 2022 interest rate swap, and entered into a new receive variable/pay fixed interest rate swap agreement. In August 2024, the Company entered into a different receive fixed/pay variable swap derivative instrument. The Company mitigates the interest rate risk entering into these swap agreements by entering into equal and offsetting swap agreements with a highly rated third-party financial institution. The two remaining swap agreements are freestanding derivatives and are recorded at fair value in the Company's consolidated balance sheets.

The following table presents, in thousands, the notional and fair values of the derivative agreements for December 31, 2024 and 2023, respectively.

| December 31, 2024: | Notional Amount | Fair Value |
|---|---|---|
| Interest rate swap agreement: | | |
| Receive variable / pay fixed swap | $ 15,000 | $ 34 |
| Receive fixed / pay variable swap | 19,600 | 1,422 |
| | | |
| December 31, 2023: | | |
| Interest rate swap agreement: | | |
| Receive fixed / pay variable swap | $ 7,500 | $ (238) |

## (5) Premises and Equipment

Premises and equipment at December 31, 2024 and 2023, are summarized as follows (in thousands):

| | | 2024 | 2023 |
|---|---|---|---|
| Land and land improvements | $ | 4,241 | 4,433 |
| Building | | 6,296 | 6,296 |
| Equipment and furniture, and construction in progress | | 7,871 | 4,103 |
| | | 18,408 | 14,832 |
| Less: Accumulated depreciation | | 3,588 | 3,080 |
| | $ | 14,820 | 11,752 |

Depreciation expense was approximately $507,000, $537,000, and $341,000, for the years ended December 31, 2024, 2023, and 2022, respectively.

On March 15, 2022, the Company purchased a building and land for approximately $5,800,000, to serve as the Bank's main office. On October 21, 2022, the Company sold the Bank's existing main office, mortgage office, and two adjacent properties for approximately $4,575,000, resulting in net gains of approximately $620,000. The Company elected to designate approximately $4,558,000 of the proceeds from the sale of the properties for 1031 exchange purposes. Approximately $2,506,000, was allocated to the purchase price of $2,500,000 for the future Braselton branch. Remodeling of the new main office commenced in August of 2022 resulting in renovation costs and equipment purchases of approximately $2,255,000. In December 2023, the Company sold a portion of the Braselton land. The net proceeds from the sale of land was approximately $637,000, with no gain recognized. As of December 31, 2024, construction of the new Braselton branch is nearly completed with approximately $3,381,000 in construction in progress. In September 2024, the Company sold a lot previously owned for the purpose of excess parking at the prior main office. The lot was sold for proceeds of approximately $375,000 and a gain of $174,000.

At December 31, 2023, the scheduled lease obligations related to office space was approximately $52,000 during 2024, with no lease obligations after December 31, 2024.

## (6) Deposits

The aggregate amount of time deposits, with a minimum denomination of $250,000, was approximately $16,762,000 and $15,739,000, at December 31, 2024 and 2023, respectively.

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

| | | |
|---|---|---|
| 2025 | $ | 33,352 |
| 2026 | | 2,722 |
| 2027 | | 1,131 |
| 2028 | | 241 |
| 2029 | | 1,849 |
| Total | $ | 39,295 |

At December 31, 2024, the Bank had two (2) significant customer deposit relationships in multiple accounts, with one (1) of the relationships being a related party. Total deposit balances of the two (2) significant customer deposit relationships was approximately $144,147,000 at December 31, 2024. At December 31, 2023, the Bank had two (2) significant customer deposit relationships in multiple accounts, with one (1) of the relationships being a related party. Total deposit balances of the two (2) significant customer deposit relationships was approximately $105,986,000 at December 31, 2023.

On August 28, 2020, the Bank purchased approximately $3,079,000 in deposit accounts from First Century Bank, NA, resulting in the recognition of a core deposit intangible at the time of acquisition. At December 31, 2024, the core deposit intangible associated with the acquired deposits is

## (6) Deposits, continued

approximately $114,000 and included within accrued interest receivable and other assets on the consolidated balance sheet. The core deposit intangible asset is being amortized on an accelerated basis over ten years. Amortization as of December 31, 2024 and 2023 was approximately $32,000, and $36,000, respectively.

## (7) Borrowings

At December 31, 2024, borrowings of approximately $31,000,000 have a scheduled maturity of 2027 and thereafter.

On December 22, 2017, the Company issued $4,000,000 in five-year Subordinated Debentures to directors and executive officers (the Debentures) at a fixed rate of 7%. The proceeds of the offering, net of offering costs of approximately $2,000, were approximately $3,998,000. The Company injected $3,500,000 of the proceeds from the offering into the Capital of the Bank with the remainder of the proceeds available for general corporate purposes. Interest on the debentures is payable monthly and the amount of interest expensed in 2022 and 2021 was approximately $280,000. On December 22, 2022, the directors and executive officers renewed the original $4,000,000 in five-year Subordinated Debentures and (2) two of the directors added an additional $1,000,000 in five-year Subordinated Debentures at a fixed rate of 7%. In January 2023, 1 (one) director added an additional $500,000 in five-year Subordinated Debentures at a fixed rate of 7%. Interest expensed in 2024, 2023, and 2022 totaled approximately $385,000, $385,000 and $280,000, respectively, and the capitalized offering costs were approximately $6,000 in 2023 with no capitalized offering costs in 2024 and 2022. Approximately $1,000 in capitalized offering costs was amortized in 2024 and 2023, respectively.

On September 6, 2019 the LLC paid $800,000 for land and building, adjacent to its current office, for future expansion. The LLC paid $100,000 in cash and the seller owner financed $700,000 at a fixed rate of 5%, payable in fifty-nine equal monthly installments of principal and interest with a final payment date of October 1, 2024. On October 31, 2022, the LLC was dissolved with the sale of the land and building adjacent to the current office and the note was paid off.

On September 18, 2022, the Company entered into a loan agreement with a bank for a $1.5 million unsecured revolving line of credit for general corporate purposes. The term of the line is for one year at an interest rate of prime. The loan agreement was renewed in September 2023. The Company has agreed to certain financial covenants as a condition of the loan including agreeing to not pledge the stock of the Bank during the term of the line. Interest is payable monthly. At December 31, 2024 and 2023, there was not an outstanding balance on the line and there were no advances on the line in 2024 and 2023.

On January 28, 2021, the Company completed the offering and sale of $9.5 million, in aggregate principal amount, of its 4.25% no-call, fixed-to-floating rate subordinated notes due 2031 (the “2031 subordinated notes”), and $6.5 million, in aggregate principal amount, of its 4.5% no-call, fixed-to-floating rate subordinated notes due 2036 (the “2036 subordinated notes”). The 2031 subordinated notes will mature on January 28, 2031, and through January 27, 2026 will bear a fixed rate of interest of 4.25% per annum, payable quarterly. Beginning January 28, 2026, the interest rate on the 2031 subordinated notes resets quarterly to a floating rate per annum equal to the then-current 3-month SOFR plus 3.92%, payable quarterly. The 2036 subordinated notes will mature on January 28, 2036, and through January 27, 2031, will bear a fixed rate of interest of 4.5% per annum, payable quarterly. Beginning January 28, 2031, the interest rate on the 2036 subordinated notes resets quarterly to a floating rate per annum equal to the then current 3-month SOFR plus 3.64%, payable quarterly. The proceeds of the offering, net of offering costs of approximately $640,000, were approximately $15,360,000. The Company injected $11,000,000 of the proceeds from the offering into the Capital of the Bank with the remainder of the proceeds available for general corporate purposes. Interest expensed in 2024 and 2023 totaled approximately $696,000, and the expense related to the amortization of capitalized offering costs were approximately $40,000, respectively.

On September 16, 2022, the Company completed the offering and sale of $10 million, in aggregate principal amount, of its 6.25% no-call, fixed-to-floating rate subordinated notes due 2032 (the “2032

## (7) Borrowings, continued

subordinated notes"). The 2032 subordinated notes will mature on September 15, 2032, and through September 15, 2027 will bear a fixed rate of interest of 6.25% per annum, payable semi-annually. Beginning September 16, 2027, the interest rate on the 2032 subordinated notes resets quarterly to a floating rate per annum equal to the then-current 3-month SOFR plus 3.07%, payable semi-annually. The proceeds of the offering, net of offering costs of approximately $297,000, were approximately $9,703,000. The Company injected $7,500,000 of the proceeds from the offering into the Capital of the Bank with the remainder of the proceeds available for general corporate purposes. Interest expensed in 2024, 2023 and 2022 totaled approximately $625,000, $625,000 and $186,000, respectively, and the expense related to the amortization of capitalized offering costs were approximately $30,000, $30,000 and $15,000, respectively.

At December 31, 2024 and 2023, the Bank had borrowing capacity with the Federal Home Loan Bank (FHLB) of approximately $194,461,000 and $169,617,000, respectively. There were no outstanding obligations with the FHLB as of December 31, 2024 or 2023.

The Bank participates in the Federal Reserve Bank ("FRB") of Atlanta's discount window program. The Bank's borrowing capacity at December 31, 2024 and 2023 under this arrangement was approximately $17,160,000 and $34,458,000, respectively. The Bank had approximately $13,090,000 and $10,047,000 of residential real estate loans pledged to maintain borrowing capacity as of December 31, 2024 and 2023, respectively. There were no amounts outstanding at December 31, 2024 or 2023.

The Bank participates in the FRB Bank Term Funding Program ("BTFP"). The BTFP was created in March 2023 to support American businesses and households by making additional funding available to eligible depository institutions to help assure banks have the ability to meet the needs of all their depositors. The BTFP offers loans maturing in one year to banks and other eligible depository institutions secured by FRB designated eligible collateral. Designated eligible collateral is valued at par. As of December 31, 2023 and 2024, the Bank had approximately $48,068,000 and $0, of eligible securities pledged as collateral, and approximately $47,000,000 and $0, outstanding obligations, respectively.

The Bank has unsecured Federal Funds lines of credit with four (4) correspondent banks with aggregate borrowing capacity of $37,000,000.

## (8) Income Taxes

The components of income tax expense for the years ended December 31, 2024, 2023 and 2022 are as follows (in thousands):

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Current | $ 1,383 | 1,258 | 1,842 |
| Deferred | (228) | - | (3) |
| | $ 1,155 | 1,258 | 1,839 |

The difference between income tax expense and the amount computed by applying the statutory federal income tax rate to earnings before income taxes for the years ended December 31, 2024, 2023 and 2022 is as follows (in thousands):

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Pretax earnings at statutory rate - 21% | $ 1,575 | 1,056 | 1,545 |
| State income tax, net | (27) | (56) | 134 |
| Other | (393) | 258 | 160 |
| | $ 1,155 | 1,258 | 1,839 |

## (8) Income Taxes, continued

The components of deferred income taxes at December 31, 2024 and 2023 are as follows (in thousands):

| | 2024 | 2023 |
|---|---|---|
| Deferred income tax assets: | | |
| Allowance for credit losses | $ 1,535 | 1,397 |
| Unrealized losses on investment securities | 2,890 | 2,883 |
| Accrued Incentive | 278 | 122 |
| Nonqualified stock options | 99 | 100 |
| Tax credit carryforwards | 207 | 99 |
| Unrealized losses on equity securities | 26 | 103 |
| Other | - | 279 |
| Deferred compensation plan | 328 | 269 |
| Total gross deferred income tax assets | 5,363 | 5,252 |
| Deferred income tax liabilities: | | |
| Premises and equipment | (858) | (987) |
| Other | (42) | (37) |
| Unrealized gain on derivative instruments | (325) | - |
| Total gross deferred income tax liabilities | (1,225) | (1,024) |
| Net deferred income taxes | $ 4,138 | 4,228 |

As of December 31, 2024, the Company had approximately $262,000 of Georgia credit carryforwards, which expire in 2029. Additionally, at December 31, 2024, the 2021 through 2024 tax years were open to examination though no examinations are in process.

## (9) Stockholders' Equity

On August 31, 2019 the Company closed a private placement of 581,479 shares of its common stock at a price of $12.50 per share, resulting in an increase to stockholders' equity of $7,218,000, net of $50,000 in offering expenses. During the third quarter of 2019, the Company contributed $4 million of the proceeds from the offering to the Capital of the Bank.

The Board of Directors has approved the reservation of 500,000 shares of common stock for use in a stock option plan for the benefit of directors, key officers and employees.

A summary of activity for all stock options for the year ended December 31, 2024 is presented below:

| | Shares | Weighted Avg. Exercise Price | Weighted Avg. Remaining Contractual Term (Years) |
|---|---|---|---|
| Outstanding, beginning of the year | 304,750 | $ 9.38 | 7 |
| Granted during the year | 22,000 | $ 21.00 | 8 |
| Forfeited during the year | (3,500) | $ 15.00 | - |
| Outstanding, end of the year | 323,250 | $ 10.11 | 7 |
| Exercisable at year end | 260,650 | $ 8.52 | 6 |

## (10) Employment Benefit Plans

### 401(k) Retirement Plan

The Company has a contributory 401(k) profit sharing plan covering substantially all employees. The Company matches 100% of an employee's contribution up to a maximum amount equal to 4% of the contributing employee's salary. Contributions to the plan are determined by the Board of Directors based upon operating results. Matching company contributions under the plan were approximately $212,000, $235,000, and $202,000, for the years ended December 31, 2024, 2023, and 2022, respectively.

## (10) Employment Benefit Plans

### Deferred Compensation Plan

The Company currently has Supplemental Pension Plan agreements, providing for future payments upon retirement for three of its executive officers. The Company expensed approximately $109,000, $38,000, and $212,000, in 2024, 2023, and 2022, respectively, for the accrual and interest cost of these future retirement benefits. There were no benefit payments in 2024 and 2023. Supplemental Pension Plan benefits payable, recorded in other liabilities, totaled approximately $1,163,000 and $910,000, at December 31, 2024 and 2023, respectively.

## (11) Dividend Restrictions

Banking regulations restrict the amount of dividends the Bank may pay without obtaining prior regulatory approval. In addition to the formal statutes and regulations, regulatory authorities also consider the adequacy of the Bank's total capital in relation to its assets, deposits and other such items. Capital adequacy considerations could further limit the availability of dividends from the Bank.

## (12) Regulatory Matters

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total common equity Tier 1, total and Tier 1 capital to risk-weighted assets and of Tier 1 capital to average assets. Management believes, as of December 31, 2024 and 2023, that the Bank meets all capital adequacy requirements to which it is subject.

As of January 1, 2016, an additional capital conservation buffer was added to the minimum requirements for capital adequacy purposes and is subject to a three-year phase-in period. The capital conservation buffer was phased-in on January 1, 2019 at 2.5%. A banking organization with a conservation buffer of less than 2.5% (or the required phase-in amount in years prior to 2019) will be subject to limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers. The ratios for the Bank are currently sufficient to satisfy the fully phased-in conservation buffer.

As of December 31, 2024, and 2023, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum common equity Tier 1 risk-based, total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth below. There are no conditions or events since that notification that management believes have changed the institution's category.

The Company is not required to maintain minimum capital ratios as a small bank holding company (less than $3 billion in total assets). The Bank's actual capital amounts and ratios are also presented in the table (dollars in thousands):

## (12) Regulatory Matters, continued

| | Actual | | For Capital Adequacy Purposes | | To Be Well Capitalized Under Prompt Corrective Action Provisions | |
|---|---|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| As of December 31, 2024: | | | | | | |
| Common Equity Tier 1 (to Risk-Weighted Assets) | $ 73,170 | 15.30% | $ 21,524 | ≥4.5% | $ 31,090 | ≥6.5% |
| Total Capital (to Risk- Weighted Assets) | $ 78,687 | 16.45% | $ 38,265 | ≥8.0% | $ 47,832 | ≥10.0% |
| Tier I Capital (to Risk- Weighted Assets) | $ 73,170 | 15.30% | $ 28,699 | ≥6.0% | $ 38,265 | ≥8.0% |
| Tier I Capital (to Average Assets) | $ 73,170 | 9.56% | $ 30,627 | ≥4.0% | $ 38,284 | ≥5.0% |
| As of December 31, 2023: | | | | | | |
| Common Equity Tier 1 (to Risk-Weighted Assets) | $ 65,670 | 15.62% | $ 18,914 | ≥4.5% | $ 27,320 | ≥6.5% |
| Total Capital (to Risk- Weighted Assets) | $ 70,925 | 16.87% | $ 33,625 | ≥8.0% | $ 42,031 | ≥10.0% |
| Tier I Capital (to Risk- Weighted Assets) | $ 65,670 | 15.62% | $ 25,219 | ≥6.0% | $ 33,625 | ≥8.0% |
| Tier I Capital (to Average Assets) | $ 65,670 | 9.46% | $ 27,771 | ≥4.0% | $ 34,713 | ≥5.0% |

## (13) Related Party Transactions

The Company conducts transactions with directors and executive officers, including companies in which they have beneficial interest, in the normal course of business. It is the policy of the Company that loan transactions with directors and executive officers be made on substantially the same terms as those prevailing at the time for comparable loans to other persons.

The following is a summary of activity for related party loans for 2024 (in thousands):

| | |
|---|---|
| Beginning balance | $ 12,955 |
| Loans advanced | 2,638 |
| Repayments | (3,086) |
| Ending balance | $ 12,507 |

The aggregate amount of deposits of directors and executive officers and their affiliates amounted to approximately $90,702,000 and $74,263,000, at December 31, 2024 and 2023, respectively.

## (14) Commitments

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

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

In most cases, the Company requires collateral or other security to support financial instruments with credit risk.

**(14) Commitments, continued**

| | Approximate Contract Amount (in thousands) 2024 | 2023 |
|---|---|---|
| Financial instruments whose contract amounts represent credit risk: | | |
| Commitments to extend credit | $ 110,924 | 90,852 |
| Letters of credit | $ 848 | 1,120 |

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

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to local businesses. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

The Company maintains an allowance for off-balance sheet credit exposures such as unfunded balances for existing lines of credit, commitments to extend future credit, as well as both standby and commercial letters of credit when there is a contractual obligation to extend credit and when this extension of credit is not unconditionally cancellable. The allowance for off- balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur, which is based on a historical funding study derived from internal information, and an estimate of expected credit losses on commitments expected to be funded over its estimated life, which are the same loss rates that are used in computing the allowance for credit losses on loans and are discussed in Note 3. The allowance for credit losses for unfunded loan commitments of $500,000, December 31, 2024 and 2023, is separately classified on the balance sheet within Other Liabilities.

**(15) Fair Value Measurements and Disclosures**

The Company utilizes fair value measurements to record fair value adjustments to certain assets. Securities available-for-sale are recorded at fair value on a recurring basis. From time to time, the Company may be required to record at fair value other assets on a nonrecurring basis.

<u>Fair Value Hierarchy</u>
The Company groups assets at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. These levels are:

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

Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 – Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Following is a description of valuation methodologies used for assets which are recorded at fair value.

## (15) Fair Value Measurements and Disclosures, continued

Investment Securities

Investment securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange and U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter market funds. Level 2 securities include mortgage-backed securities issued by government sponsored enterprises and state, county and municipal bonds. Securities classified as Level 3 include asset-backed securities in less liquid markets. Effective January 1, 2019, the change in fair value of equity securities is recognized in net income in accordance with Accounting Standards Update ("ASU") 2016-01. Equity securities are classified as recurring Level 1.

Loans

The Company does not record loans at fair value on a recurring basis. 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 collateral at the reporting date, adjusted for selling costs as appropriate. The fair value of such loans is estimated using one of three methods, including collateral value, market value of similar debt, and discounted cash flows. Those loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. Loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the loan is based on an observable market price, the Company records the loan as nonrecurring Level 2. When an appraised value is used or management determines the fair value of the loan is further calculated below the appraised value of the collateral and there is not an observable market price, the Company records the loan as nonrecurring Level 3. Loans held for sale are comprised of loans originated for sale in the ordinary course of business. The fair value of loans originated for sale in the secondary market is based on purchase commitments or quoted prices for the same or similar loans and are classified as recurring Level 3.

Assets Recorded at Fair Value on a Recurring Basis

The table below presents the recorded amount of assets measured at fair value on a recurring basis as of December 31, 2024 and 2023 (in thousands):

| December 31, 2024: | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| U.S. Government sponsored enterprises | $ 40,621 | 13,103 | - | 53,724 |
| State, county and municipal securities | - | 2,900 | - | 2,900 |
| Corporate debt securities | - | 1,544 | - | 1,544 |
| Equity securities | 3,012 | - | - | 3,012 |
| Mortgage-backed securities | - | 110,956 | 940 | 111,896 |
| | $ 43,633 | 128,503 | 940 | 173,076 |

| December 31, 2023: | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| U.S. Government sponsored enterprises | $ 48,447 | 19,542 | - | 67,989 |
| State, county and municipal securities | - | 5,187 | - | 5,187 |
| Corporate debt securities | - | 2,878 | - | 2,878 |
| Equity securities | 2,598 | - | - | 2,598 |
| Mortgage-backed securities | - | 108,325 | 1,982 | 110,307 |
| | $ 51,045 | 135,932 | 1,982 | 188,959 |

## (15) Fair Value Measurements and Disclosures, continued

Assets Recorded at Fair Value on a Nonrecurring Basis
The Company may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with U.S. generally accepted accounting principles. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. Assets measured at fair value on a nonrecurring basis are included in the table below as of December 31, 2024 and 2023 (in thousands):

| December 31, 2024: | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Loans individually evaluated | $ - | - | - | - |
| Loans held for sale | - | - | 504 | 504 |
| Total assets at fair value | $ - | - | 504 | 504 |

| December 31, 2023: | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Loans individually evaluated | $ - | - | - | - |
| Loans held for sale | - | - | 1,017 | 1,017 |
| Total assets at fair value | $ - | - | 1,017 | 1,017 |

## (16) Parent Company Financial Information

The following information presents the condensed balance sheets and cash flows of Peach State Bancshares, Inc. as of December 31, 2024 and 2023 and the condensed statements of operations for each of the three years ended December 31, 2024 (dollars in thousands):

### CONDENSED BALANCE SHEETS

| | December 31, | |
|---|---|---|
| | 2024 | 2023 |
| **Assets** | | |
| Cash | $ 1,098 | 3,142 |
| Investment in equity securities | 3,012 | 2,598 |
| Investment in subsidiaries | 65,150 | 56,229 |
| Other assets | 138 | 93 |
| Total assets | $ 69,398 | 62,062 |
| **Liabilities and Stockholders' Equity** | | |
| Accrued interest payable | $ 195 | 195 |
| Other liabilities | 348 | 97 |
| Subordinated debentures | 30,971 | 30,900 |
| Stockholders' equity | 37,884 | 30,870 |
| Total liabilities and stockholders' equity | $ 69,398 | 62,062 |

## (16) Parent Company Financial Information, continued

### CONDENSED STATEMENTS OF OPERATIONS

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| Income: | | | |
| Interest on deposits with banks | 62 | 80 | 10 |
| Interest on equity securities | 178 | 113 | 104 |
| (Losses) gains on sale of equity securities | (21) | (49) | 4 |
| Gains (losses) recognized on equity securities | 43 | 120 | (297) |
| Total income (loss) | 262 | 264 | (179) |
| Expenses: | | | |
| Interest expense | 1,777 | 1,772 | 1,223 |
| Salaries and employee benefits | 76 | 57 | 133 |
| Outside services | 4 | - | 3 |
| Other operating expenses | 243 | 226 | 239 |
| Total expenses | 2,100 | 2,055 | 1,598 |
| Loss before income tax and equity in undistributed earnings of subsidiary | (1,838) | (1,791) | (1,777) |
| Income tax benefit | 434 | 450 | 428 |
| Loss before equity in undistributed earnings of subsidiary | (1,404) | (1,341) | (1,349) |
| Equity in undistributed earnings of subsidiary | 7,748 | 5,112 | 6,871 |
| Net income | $ 6,344 | 3,771 | 5,522 |

### CONDENSED STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| Cash flows from operating activities: | | | |
| Net income | $ 6,344 | $ 3,771 | $ 5,522 |
| Adjustments to reconcile net income to net cash used in operating activities: | | | |
| Equity in undistributed earnings of subsidiary | (7,748) | (5,112) | (6,871) |
| Depreciation, amortization and accretion | 71 | 71 | - |
| Losses (gains) on sale of equity securities | 21 | 49 | (4) |
| (Gains) losses on equity securities | (43) | (120) | 297 |
| Stock-based compensation | 76 | 57 | 137 |
| Change in other assets and liabilities | 206 | 1,398 | 355 |
| Net cash provided by (used in) operating activities | (1,073) | 114 | (564) |
| Cash flows from investing activities, consisting of capital infusion to subsidiary: | (392) | (1,043) | (7,760) |
| Cash flows from financing activities: | | | |
| Proceeds from sale of subordinated debentures | - | 500 | 11,000 |
| Capitalized subordinated debenture costs | - | (6) | (242) |
| Dividends to stockholders | (579) | (867) | (694) |
| Net cash (used in) provided by investing activities | (579) | (373) | 10,064 |
| Net (decrease) increase in cash | (2,044) | (1,302) | 1,740 |
| Cash at beginning of year | 3,142 | 4,444 | 2,704 |
| Cash at end of year | $ 1,098 | $ 3,142 | $ 4,444 |

## THANK YOU

to our shareholders for your trust in Peach State Bancshares and Peach State Bank & Trust.

Peach State Bancshares


GAINESVILLE

121 E. E. BUTLER PARKWAY
GAINESVILLE, GA 30501

BRASELTON

1502 FRIENDSHIP ROAD
BRASELTON, GA 30548

TEL: 770.536.1100 | PEACHSTATE.BANK