2024

Central Bancshares, Inc.

ANNUAL REPORT

WE START WITH YOU.

OUR SENSE OF COMMUNITY IS AS STRONG INSIDE OUR BANK AS OUTSIDE OF IT.

In 2025, the Kentucky Chamber of Commerce and the Kentucky Society for Human Resource Management (KYSHRM) named Central Bank one of the Best Places to Work in Kentucky – for the 18th time. The competition encourages and motivates Kentucky-based companies to improve their workplace environments, resulting in improved profitability and employee satisfaction.

MISSION STATEMENT

The mission of Central Bancshares is to become Kentucky's leading, high-performing, community banking company by empowering our staff to deliver consistently superior service and value to our customers, shareholders and communities. We will be successful because Central Bankers are our greatest resource and our most sustainable advantage.

CONTENT

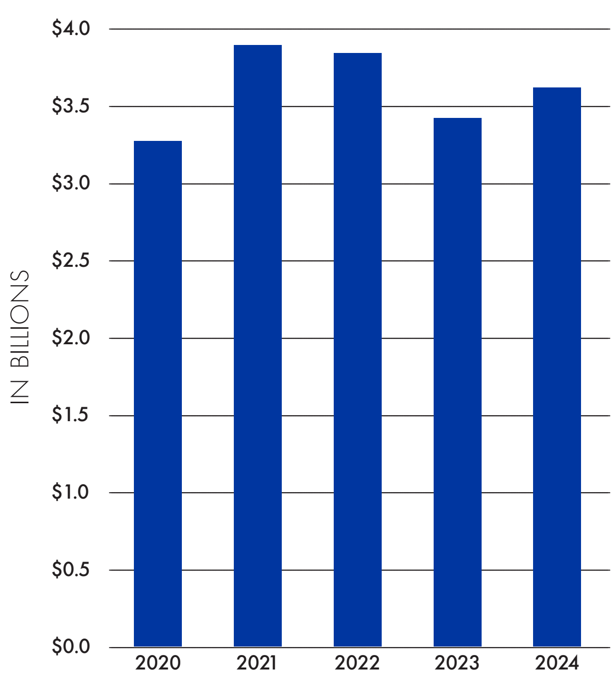
Refer to Marketing for copies: Central Bank & Trust Co., 300 West Vine Street, Lexington, KY 40507

FINANCIAL HIGHLIGHTS

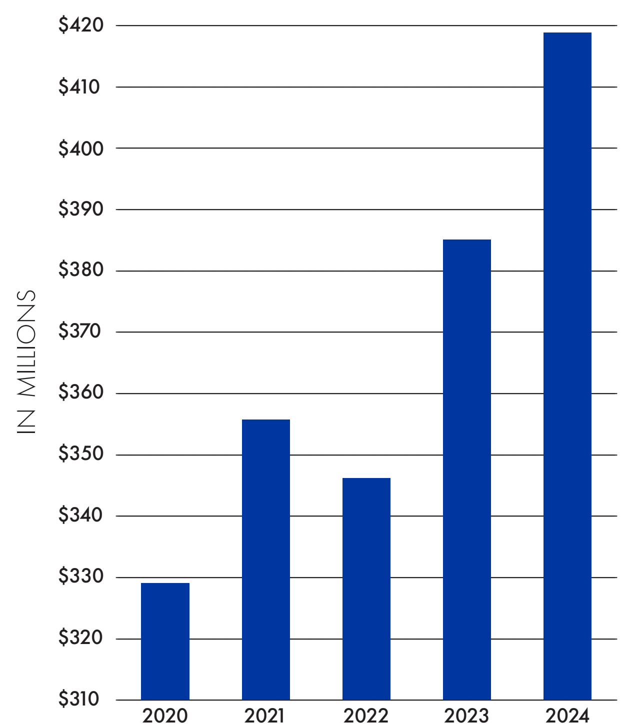
As of and for the twelve months ended December 31

(dollars in thousands, except share data)	2024	2023	2022	2021	2020
RESULTS OF OPERATIONS:					
Net income	$ 35,878	$ 33,400	$ 21,006	$ 31,150	$ 15,151
Basic net income per share	1.05	0.96	0.61	0.90	0.44
Cash dividends per share	0.05	0.05	0.05	0.05	0.05
Book value per share at year end	12.29	11.07	9.97	10.24	9.48
AT DECEMBER 31:					
Assets	$ 3,642,622	$ 3,441,462	$ 3,822,109	$ 3,892,368	$ 3,270,413
Earning assets	3,428,399	3,233,750	3,597,416	3,775,756	3,134,086
Loans, net	2,831,084	2,656,871	2,327,853	2,048,484	2,297,391
Deposits	2,853,208	2,728,045	2,985,850	3,230,568	2,674,055
Shareholders' equity	419,927	385,012	346,782	356,147	329,657
AVERAGES:					
Assets	$ 3,547,912	$ 3,570,276	$ 3,844,649	$ 3,532,637	$ 3,033,257
Earning assets	3,338,828	3,357,087	3,627,290	3,406,562	2,912,431
Loans, net	2,776,062	2,474,206	2,123,899	2,273,501	2,253,730
Deposits	2,758,410	2,764,225	3,104,021	2,909,638	2,450,501
Shareholders' equity	398,343	363,377	343,967	344,646	317,719
PERFORMANCE RATIOS:					
Return on average assets	1.01%	0.94%	0.55%	0.88%	0.50%
Return on average equity	9.01	9.19	6.11	9.04	4.77
Average equity to average assets	11.23	10.18	8.95	9.76	10.47
Dividend payout ratio	4.76	5.21	8.26	5.58	11.44
Net interest margin (tax equivalent)	3.86	3.69	2.87	3.01	3.48
CAPITAL RATIOS:					
Total capital to risk-weighted assets	14.8%	14.5%	14.5%	17.5%	16.4%
Tier I capital to risk-weighted assets	13.8	13.5	13.5	16.4	15.3
Common equity Tier I to risk-weighted assets	13.3	13.0	13.0	15.7	14.6
Tier I capital to average assets	12.0	11.5	9.9	9.6	10.4

End of Period Total Assets



Shareholders' Equity



Mr. Garvice D. Kincaid founded Central Bank on the idea that banks can and should be pillars of their communities – in good times and in bad. As a result of his dedication to this core tenet, Central Bank has grown significantly from our humble beginnings at the corner of Short and Upper streets in downtown Lexington.

“Banks can and should be pillars of their communities – in good times and in bad.”

- Garvice D. Kincaid, Founder of Central Bank

Today, we are proud to be community fixtures in eight counties, serving the cities of Berea, Crestview Hills, Florence, Ft. Mitchell, Georgetown, Lexington, Louisville, Nicholasville, Richmond, Union and Winchester. We are proud to call these communities home, and we strive to support them whenever we can.

COMMUNITY BANKING LENDING* INSURANCE SERVICES** WEALTH MANAGEMENT**

Member FDIC

*Subject to credit approval.

**Wealth Management Services are provided by Central Bank & Trust Co. CBIA, Inc., dba Central Insurance Services (CIS), is a wholly-owned subsidiary of Central Bank & Trust Co. Insurance products, investment products and securities are:

NOT FDIC Insured	NOT Guaranteed by the Bank	MAY Lose Value	NOT Insured by any Federal Government Agency	NOT a Deposit	Subject to Risk

OPEN SINCE
1946

NUMEROUS
SPONSORSHIPS
& DONATIONS
IN THE AREAS
WE CALL HOME

28 BANKING CENTERS
IN **8** KENTUCKY COUNTIES

4,000+
EMPLOYEE SERVICE
HOURS IN 2024

ORGANIZATIONS
SUPPORTED:
500+

NAMED A BEST PLACE
TO WORK IN KENTUCKY
FOR **18th** YEAR

TO OUR SHAREHOLDERS, CUSTOMERS AND COMMUNITIES

I am pleased to report that 2024 was another strong and productive year for Central Bancshares, Inc. (the "Company"). We exceeded financial expectations and dutifully focused on not just serving our communities, but also improving them. In this way, we have held true to one of the Company's most important priorities – by always reinvesting.

We have successfully navigated through a pandemic and a slowing economy while remaining profitable and diligently helping our customers and neighbors. We have faced any number of challenges, yet still we move forward. We have updated several of our service lines with enhanced, yet simplified, technology for an improved customer experience. We have continued to build financial relationships with our business communities. And, as we constantly raise the bar for the Company's performance in all areas, we are happy to be reporting strong capital levels, good asset quality, continued loan growth and strong earnings for 2024.

Looking back on 2024, we should all be extremely proud of the level of service provided by our team of Central Bankers. More than just a trusted financial resource for our clients, we continue to serve as a bank for the community in every way possible. As we build additional relationships and grow along with the people we do business with, we will continue to stay true to the principle that "We Start with You."

PERFORMANCE

These financial highlights for the Company include Central Bank & Trust Co. and its wholly owned subsidiaries, Central Investment Center, Inc., and Central Insurance Services. We have provided a detailed discussion of our financial results in the Management's Discussion and Analysis beginning on page 6.

- Net income was $35.9 million or $1.05 per share for 2024. In 2023, net income was $33.4 million or $0.96 per share.
- Total deposits increased $125 million or 4.6% to $2.9 billion.
- Total loans increased $174 million or 6.5%, ending the year at $2.8 billion.
- At year end 2024, liquidity risk trends remain stable.
- Tangible shareholders' equity grew $34.9 million or 9.4%.

KEY INITIATIVES

In 2024, the Company reinforced its commitment to our most important asset – our communities. We accomplished this through new additions and updates to our service lines, new lending offerings, and several important partnerships with community programs and institutions.

- Our credit card conversion announced last year has been completed. This conversion now makes it possible for our customers to view and handle all deposit, loan, credit card, and equity line activity within a single app for better, more efficient and highly flexible banking. Providing better, more timely alerts, increased efficiency through the combination of debit and credit card rewards, and faster service through upgraded hardware, this successful conversion has resulted a lift in:
  - Mobile monthly active users by 6.9%
  - Mobile monthly registered users by 7.2%
  - Mobile adoption rate by 4.7%
- Our Trust services will now be supplemented with a new mobile app allowing customers additional access to their accounts and investments as we manage, protect and help grow their assets.
- The company will be opening a new branch in Richmond, Ky. Located at 1996 Spring House Lane, this new branch will offer a complete line of services to support the growing community.
- We are increasing our small business lending initiatives with the addition of a new SBA Lender, who will work directly with small business development centers throughout our markets to assist with new businesses and their financing.
- Lexington Sporting Club, Lexington's USL soccer team, has named Central Bank "The Official Bank of Lexington Sporting Club." This also provides us an exclusive partnership with the Youth and Development side of the program, helping to grow the sport within the community.

- The Company has naming rights to Eastern Kentucky University's courtside club, now known as the "Central Bank Courtside Club." This bolsters our relationship with this renowned institution located in the heart of one of our home communities.
- We are also now the "Official Banking Partner of Northern Kentucky University Athletics." In 2024, a new addition to this agreement includes our sponsorship of the Darrin Horn Show, offering the Company additional presence in communities throughout Northern Kentucky.

LOOKING FORWARD

While we know the upcoming year will present its share of challenges, we remain optimistic about our future and pledge to never grow complacent – remaining dedicated in the support of our communities and our shareholders by always reinvesting. We will remain focused on our philosophy of exceptional customer service. We will continue to build relationships with both personal and business customers. And, as always, we will work to better understand every customer's specific needs and financial goals.

In addition, we will continue to empower our employees with a substantial investment in their training and development through continuing education. They are the engine that makes us run and have worked tirelessly to further our reputation as a leading community bank. Their community involvement shows the dedication they have to the communities we serve. We are proud to share that Central Bank employees logged over 4,000 hours of service to local nonprofits and organizations in 2024, and we hope to eclipse that number in 2025.

As a community-based and full-service financial institution, we are in an outstanding position for continued success because we truly value the relationships we've built with our clients. We strive to always meet our customers' financial needs and exceed their expectations. And we do it all locally.

RETIREES

At Central Bank, our people make us who we are. As a leader, I'm honored to have worked with so many associates whose tireless efforts contribute to the success of Central Bank and the communities we serve. I want to express my personal thanks to each of the long-term colleagues who completed their service with us to begin new chapters in their lives: Paul Drake (Commercial Lending, 23 years); Deborah Fisher (Central Investment, 30 years); Tim Fyffe (Trust, 19 years); Steve Hall (Special Assets, 26 years); Trish Jarvis (Louisville Admin, 8 years); Sheila Parks (Trust, 47 years); Shelia Plymale (Training & Development, 38 years); Bob Slider (Private Banking, 17 years); Bobbi Jo Smith (Central Insurance, 21 years); Anita Wunderlin (Louisville Admin, 18 years).

WITH APPRECIATION

Our success would not be possible without the time, insight and support provided by our directors. They are the vital connection between us and our local markets, and their constant leadership is both invaluable and appreciated.

To that end, I would like to note the countless contributions of Junior Bridgeman, a visionary businessman and legendary athlete who was elected to the Central Bancshares Board of Directors in 2020. Tragically, Mr. Bridgeman passed away unexpectedly on March 11, 2025. His enormous impact on his community and the many lives he touched will be forever remembered by his colleagues and friends. On behalf of the entire Central Bank community, I can say we were incredibly blessed to have known him and worked with him. He will be profoundly missed.

To all our employees, I am sincerely grateful for your efforts. You work hard, care for our customers and fellow employees, and are consistently knowledgeable about our service lines and our mission. You are the reason Central Bank is consistently named one of the Best Places to Work in Kentucky.

Of course, I also want to thank the people who choose to work with us every day – our valued customers. Even with more options available to them than ever before, they choose to work with a real banking partner. Their dedication to this company and its people make us wonderfully proud to have helped them achieve their financial goals this year. We sincerely hope to partner with them for many years to come.

Luther Deaton, Jr.

Chairman,
President & CEO
March 14, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Central Bancshares, Inc. (the "Company"), a bank holding company located in Lexington, Kentucky, is the parent company of Central Bank & Trust Co. (the "Bank"). The Bank is a state-chartered non-member financial institution that is subject to regulation, supervision, and examination by the Federal Deposit Insurance Corporation and the Kentucky Department of Financial Institutions. The Company has 28 full-service banking centers located in Boone, Clark, Fayette, Jefferson, Jessamine, Kenton, Madison and Scott counties, a full-service brokerage business, and a full-service insurance agency.

RESULTS OF OPERATIONS

The Company reported net income of $35.9 million for 2024, an increase of $2.5 million or 7.4% compared with 2023. On a per share basis, net income was $1.05 and $0.96 for 2024 and 2023, respectively. This represents an increase of $0.09 or 9.4% in the comparison. On a percentage basis, net income per share grew more than the dollar increase as a result of a limited share redemption plan to purchase shares previously issued under the Company's employee stock ownership plan ("ESOP"). The share redemption plan was initiated and completed during 2024. Under the plan, a total of 634,690 shares held by former employees were redeemed at a total cost of $6.5 million.

The increase in net income for 2024 is primarily the result of a reduction in the provision for credit losses of $5.2 million or 80.8% and higher net interest income of $4.8 million or 3.9%, partially offset by an increase in net noninterest expenses of $7.0 million or 9.1%.

NET INTEREST INCOME

Net interest income is the difference between interest and fee income generated from interest earning assets and the interest paid on interest bearing liabilities used to fund those assets. Net interest income was 73.7% of total revenue for 2024, down six basis points from 2023. Net interest spread is the difference between the taxable equivalent yield on earning assets and the average rate paid on interest bearing liabilities. Net interest margin represents the taxable equivalent net interest income divided by average interest earning assets. Net interest margin will exceed net interest spread because of the existence of non-interest bearing sources of funds that are available to fund earning assets such as demand deposits and shareholders' equity.

Fluctuations in interest rates, yield curves, repricing characteristics and changes in the volume and mix of interest earning assets and interest bearing liabilities materially impact net interest income. In its efforts to reduce the rate of inflation in the U.S. economy, the Federal Reserve Board (the "Fed") followed up the sharp increases to its short-term targeted federal funds rate during 2022 by additional increases totaling 100 basis points through the middle of 2023. After a 13-month pause, the Fed cut this rate by 50 basis points, mainly citing a weakening labor market and data showing that inflation was slowing. The rate was further reduced by an additional 50 basis points during the remainder of 2024 where it ended the year with a targeted rate of between 4.25% and 4.50%.

At year-end 2024, market interest rates as measured by the U.S. Treasury yield curve declined for maturity periods of one year or less compared to a year earlier. Longer-term maturities increased approximately 25 basis points to 75 basis points between the three and 30-year periods. The change in market interest rates during the year have resulted in a yield curve that is now slightly positive in slope whereby longer-term rates are higher than short-term rates. Markets generally expect that the Fed will be slower to act on any further rate reductions during 2025 as inflation concerns begin to emerge again.

Net interest income was $129 million in 2024, an increase of $4.8 million or 3.9% compared to a year earlier. The increase in net interest income is attributed to higher rates earned on the loan portfolio combined with an increase in the average balance (volume) of loans outstanding. The cost of interest bearing deposits and other borrowed funds began to rise significantly throughout 2024 primarily driven by rate increases.

The Company's net interest spread was 2.83% and 3.01% for 2024 and 2023, respectively. This represents a decrease of 18 basis points resulting from an increase in the average rate paid on interest bearing liabilities of 91 basis points, partially offset by an increase in the average rate earned on average interest earning assets of 73 basis points.

Net interest margin for 2024 was 3.86%, up 17 basis points from a year earlier. The impact of non-interest bearing sources of funds added 35 basis points to net interest margin for 2024. The benefit of non-interest bearing sources of funds to net interest margin generally increases as the cost of interest bearing liabilities increase.

Total interest income for 2024 was $179 million, an increase of $23.8 million or 15.3% compared to $155 million for 2023. Interest income on loans increased $28.9 million or 22.2%, partially offset by lower interest from debt securities of $5.1 million or 22.7%. The increase in interest income on loans for 2024 is attributed to higher volume of $304 million or 12.2% combined with a 47 basis point increase in the average rate earned.

Total interest expense for 2024 was $50.3 million, an increase of $19.0 million or 60.7% from the prior year. Interest on deposits, the largest component of interest expense, was $42.9 million for 2024, an increase of $18.5 million or 75.8%. Interest expense increased in all major deposit categories as higher rates were paid throughout the portfolio. Interest on time deposits was up $10.8 million or 70.8% mainly as a result of an increase in volume of $191 million or 46.9% and, to a lesser extent, an increase in the average rate paid of 61 basis points to 4.4%. Interest expense was up $5.0 million or 102% on money market deposits, up $1.8 million or 50.7% on interest bearing checking, and up $893 thousand or 132% on savings. Each of these increases was driven by a higher average rate paid as a result of the market interest rate environment and competitive forces from other banks and providers of financial services. The increase in interest expense on deposits is expected to moderate in the near term as a lag effect from prior rate increases is currently thought to be mostly complete.

Interest expense on borrowed funds was $7.4 million for 2024, an increase of $486 thousand or 7.0%. Interest on short-term borrowings, consisting of Federal Home Loan Bank ("FHLB") cash management advances, federal funds purchased, and repurchase agreements with commercial customers, was relatively unchanged at $5.4 million. Although the average rate on short-term borrowings increased 41 basis points to 2.1%, volume decreased $56.7 million or 18.3%.

Interest expense on long-term borrowings, consisting of FHLB term advances and subordinated debentures at the parent company, increased $446 thousand or 28.7%. The increase is due primarily to a 169 basis point higher average rate paid on FHLB advances to 4.1%. The Company borrowed additional funds from the FHLB during the third quarter of 2024 to supplement its funding sources and add more term structure versus the short-term overnight cash management advances.

Interest expense on subordinated debt at the parent company was relatively unchanged at $1.1 million in 2024. The interest rate on this debt is variable, tied to the 3-month CME Term Secured Overnight Financing Rate ("SOFR"), which resets on a quarterly basis. The rate in effect at year-end 2024 was 6.4% compared to 7.4% a year ago.

The ratio of the Company's 2024 average loans to average deposits increased to 101.8% from 90.5% in 2023. The increase was driven by average loan growth of $304 million or 12.2% combined with a reduction in average total deposits of $5.8 million or 0.2%.

Liquidity measures the ability to meet current and future cash flow needs as they become due. For financial institutions, liquidity reflects the capacity to meet loan demand, accommodate possible outflows in deposits, and to react and capitalize on interest rate market opportunities to maximize profitability. This is accomplished by balancing changes in the demand for funds with changes in the supply of funds. Liquidity is provided by short-term assets that can be converted to cash, available for sale debt securities, borrowing sources, and the ability to increase deposits.

The historically high liquidity levels experienced in recent years began to diminish during 2023, both for the Company and throughout the banking industry. Managing the Company's liquidity during significant structural changes to its balance sheet and an expected ratio of loans to deposits to equal or exceed 100% for the near term, the Company completed several actions during 2023 to maximize liquidity sources. Those additional sources include being approved to participate in the Federal Reserve Bank Term Funding Program ("BTFP"), increasing borrowing capacity with the Federal Home Loan Bank by the inclusion of eligible commercial real estate as collateral, and additional federal funds borrowing capacity. The Company did not borrow any funds under the BTFP, which ceased new lending activities during 2024.

The Company's liquidity position and related metrics are closely monitored as management seeks the appropriate balance between the relative safety of higher liquidity levels and corresponding lower yields, versus the interest rate risk inherent in obtaining higher yields over a longer-term investment. Despite its average loans to deposits ratio exceeding 100% for 2024, overall liquidity risk trends for the Company remain low and are expected to remain stable over the near term.

The table below reflects information regarding the Company's average balances, interest income or expense, and average rates earned and paid by each major balance sheet category for the years ended December 31, 2024 and 2023.

NON-INTEREST INCOME

Total non-interest income was $46.0 million for 2024, an increase of $3.1 million or 7.2% from 2023. The increase is primarily related to trust fees, which were up $1.8 million or 17.4%. Additionally, non-interest income in the prior year includes a net loss on the sale of U.S. Treasury securities of $915 thousand. There was no gain or loss on the sale of investment securities in 2024. Non-interest income was 26.3% of total revenue, up from 25.7% a year earlier. Total revenue is defined as non-interest income plus net interest income. Net interest income grew at a slower rate than non-interest income mainly due to the rapid increase in deposit interest expense from customer rate repricing and greater demand for higher rate time deposits.

Wealth management income includes trust administration, retirement and estate planning, insurance commissions, and investment brokerage fees. Such fees totaled $20.2 million for 2024, up $1.5 million or 8.2% in the comparison. Trust fees increased $1.8 million or 17.4% due primarily to higher stock market valuations combined with an increase in average assets under management of 11.4% to $2.5 billion. Trust fees are expected to grow at a lower rate during 2025 due to a decline in the asset management base during the last quarter of 2024. Insurance commissions were $5.7 million in 2024, a decrease of $385 thousand or 6.3% primarily related to lower commercial policy volume and contingency fees, which offset an increase in title policy fees of $120 thousand or 27.6%. Title insurance fees continue to be hampered by the overall decline in rate-sensitive mortgage loan origination and refinancing activity, but have been lifted by a smaller number of large commercial policies.

Mortgage banking income was $1.2 million for 2024, an increase of $349 thousand or 39.2%. Mortgage banking income primarily includes gains on the sale of long-term, fixed-rate consumer mortgage loans the Company originates as part of its management of interest rate risk. Market interest rates heavily influence the origination volume of mortgage loans. Relatively high market interest rates in the prior two years has resulted in sluggish demand that carried into 2024, although the second half of the year made up 60% of the annual volume. Volume for 2025 is expected to be flat, as many borrowers refinanced at near record low interest rates in recent years and are reluctant to sell homes or refinance at higher rates.

NET INTEREST MARGIN ANALYSIS

(dollars in thousands)

	2024			2023		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Interest earning assets						
Loans[1,2]	$ 2,806,337	$ 159,646	5.69%	$ 2,502,078	$ 130,688	5.22%
Interest bearing deposits	54,258	2,727	5.03	57,761	2,812	4.87
Federal Home Loan Bank stock	6,662	690	10.36	8,141	568	6.98
Securities[1]	501,846	17,255	3.44	816,979	22,320	2.73
Total interest earning assets	**$ 3,369,103**	**$ 180,318**	**5.35%**	**$ 3,384,959**	**$ 156,388**	**4.62%**
Interest bearing liabilities						
Deposits						
NOW accounts	$ 400,801	$ 5,366	1.34%	$ 444,881	$ 3,560	0.80%
Savings deposits	226,619	1,572	0.69	249,252	679	0.27
Money market deposits	479,065	9,887	2.06	505,999	4,895	0.97
Time deposits	598,602	26,097	4.36	407,587	15,277	3.75
Total interest bearing deposits	1,705,087	42,922	2.52	1,607,719	24,411	1.52
Short-term borrowings	252,593	5,395	2.14	309,307	5,355	1.73
Long-term borrowings	36,297	1,998	5.50	33,958	1,552	4.57
Total interest bearing liabilities	**$ 1,993,977**	**$ 50,315**	**2.52%**	**$ 1,950,984**	**$ 31,318**	**1.61%**
Net interest margin		**$ 130,003**	**3.86%**		**$ 125,070**	**3.69%**

[1]Income and yield stated at a tax equivalent basis using a marginal corporate tax rate of 24.95%.

[2]Loan balances include principal balances on nonaccrual loans.

The table below reflects the changes in net interest income in 2024 and 2023 due to changes in rates and volumes computed on a tax equivalent basis.

TAXABLE EQUIVALENT RATE/VOLUME ANALYSIS

(dollars in thousands)

	2024/2023			2023/2022		
		Increase/(Decrease) Due to			Increase/(Decrease) Due to	
	Net Change	Rate	Volume	Net Change	Rate	Volume
Interest income						
Loans	$ 28,958	$ 12,249	$ 16,709	$ 35,929	$ 18,913	$ 17,016
Interest bearing deposits	(85)	89	(174)	(1,243)	4,691	(5,934)
Federal Home Loan Bank stock	122	239	(117)	306	223	83
Securities	(5,065)	4,877	(9,942)	7,739	12,102	(4,363)
Total interest income	23,930	17,454	6,476	42,731	35,929	6,802
Interest expense						
Deposits						
NOW accounts	1,806	2,189	(383)	2,482	2,684	(202)
Savings deposits	893	960	(67)	547	555	(8)
Money market deposits	4,992	5,266	(274)	4,180	4,373	(193)
Time deposits	10,820	2,794	8,026	9,906	8,653	1,253
Short-term borrowings	40	1,123	(1,083)	5,020	4,931	89
Long-term borrowings	446	333	113	392	604	(212)
Total interest expense	18,997	12,665	6,332	22,527	21,800	727
Net interest income	**$ 4,933**	**$ 4,789**	**$ 144**	**$ 20,204**	**$ 14,129**	**$ 6,075**

Card and interchange fees primarily represent amounts received from card payment networks. Electronic banking income primarily represents amounts received from debit card transactions. Each of these fees are generally based on the value of the underlying customer transaction amount. Card and interchange fees were $9.3 million in 2024, up $314 thousand or 3.5%. Electronic banking income was $8.2 million, an increase of $55 thousand or 0.7%. The increase in each of these fees was driven by higher volume and average transaction amounts, which was partially offset by lower interchange rates from payment networks. Lower payment rates for debit card transactions is mainly attributed to increased competition resulting from Federal regulations that provide merchants broader access to alternative payment systems with the goal of reducing their processing fees. Customer preferences for electronic payment forms over traditional paper check payments continued to drive increased volume activity.

Service charges on deposit accounts were $5.7 million for 2024, a decrease of $204 thousand or 3.5% compared to a year ago. The decrease is primarily related to lower fees on commercial demand deposit accounts. As market interest rates have fluctuated, the Company has adjusted its earnings credit rate for certain business customer accounts on analysis which has resulted in lower net fee income. NSF and overdraft charges were unchanged at $3.4 million.

As part of its overall asset/liability management strategy to lock in gains, increase net interest income, restructure expected future cash flows, or to enhance its capital position, the Company may periodically sell certain of its available for sale investment securities. During 2023, the Company sold $219 million of U.S. Treasury securities for a pre-tax net loss of $915 thousand. Proceeds from the sales were used primarily to pay off short-term higher cost borrowings and, to a lesser extent, to fund higher yielding loans. Each of the securities were sold within 90 days of their maturity dates and the transactions were accretive to income over the time period to maturity. There were no sales of investment securities during 2024.

NON-INTEREST EXPENSE

Total non-interest expense for 2024 was $130 million, an increase of $10.1 million or 8.4% compared with 2023. Increases occurred in nearly all non-interest expense categories, with employee salaries and benefits making up the largest dollar increase.

Employee salaries and benefits were 47.6% of total non-interest expenses for 2024, an increase of 43 basis points from 47.2% a year earlier. Total salary expense, which includes salaries, commissions, and incentives, was $49.0 million for 2024, an increase of $4.0 million or 9.0%. The increase in salary expense is partly attributed to the duplication of staffing at certain high customer-touching officer level positions for a period of time in 2024 where those officers had announced their retirement as of year-end. This duplication was intended to provide a seamless transition for customers and permit the continuity of high-level personal service. The increase in salary expense was also attributed to a continuing presence of a very competitive labor market as well as normal annual merit increases. Incentive compensation increased $1.1 million or 20.1% and reflects the level of achievement attained in the Company's predetermined annual incentive plans. The number of full-time equivalent employees was 500 at year-end 2024, up from 489 at the prior year-end.

Employee benefit costs consist of personnel-related expenses not included in compensation such as employee retirement plan contributions, health insurance, and payroll taxes. Total employee benefits increased $1.3 million or 10.8% in the comparison. Contributions to the Company's ESOP were $3.3 million in 2024, a decrease of 1.2% compared to a year earlier. Contributions to the ESOP can fluctuate between periods and are highly dependent upon the price and number of Company shares that become available from participants electing to sell their shares back to the ESOP. All other employee benefit expenses were up $1.0 million or 19.6% in the aggregate, with healthcare insurance and payroll taxes up $533 thousand or 21.8% and $248 thousand or 8.3%, respectively.

ANALYSIS OF NON-INTEREST INCOME

(dollars in thousands)

	2024	2023	2022	2024/2023 CHANGE	%	2023/2022 CHANGE	%
Service charges on deposit accounts	$ 5,707	$ 5,911	$ 6,131	$ (204)	(3.45)%	$ (220)	(3.59)%
Mortgage banking income	1,240	891	1,913	349	39.17	(1,022)	(53.42)
Card and interchange fees	9,260	8,946	7,976	314	3.51	970	12.16
Trust fees	12,051	10,261	9,691	1,790	17.44	570	5.88
Electronic banking	8,207	8,152	7,793	55	0.67	359	4.61
Net gain on sales of other real estate owned	-	4	312	(4)	(100.00)	(308)	(98.72)
Net loss on sales of available for sale investment securities	-	(915)	-	915	(100.00)	(915)	-
Other fees and income	9,507	9,650	8,825	(143)	(1.48)	825	9.35
Total non-interest income	**$ 45,972**	**$ 42,900**	**$ 42,641**	**$ 3,072**	**7.16%**	**$ 259**	**0.61%**

Processing charges were $9.9 million for 2024, an increase of $355 thousand or 3.7%. Processing charges primarily include expenditures for core data processing, debit and credit card processing, internet banking, and ATM processing. Processing charges increased during the current year primarily as a result of a change in certain vendors that support the Company's trust and credit card operations. During 2024, the Company incurred a combination of conversion costs and the cost of running parallel systems for a short period of time. The amount of conversion and duplicative costs incurred for 2024 was $105 thousand. The Company anticipates it will lower its costs associated with these new service providers by approximately $437 in 2025.

Card and interchange expense increased $792 thousand or 9.2% in the annual comparison primarily driven by increased interchange fees of $329 thousand or 6.2% combined with higher debit and credit card reward expense of $346 thousand or 19.3%. Interchange and network assessment fees increased $110 thousand or 7.7%. The year over year increase in each of these expenses is mainly attributed to higher volumes.

Occupancy and equipment expense primarily include depreciation of capital assets, property rental, property taxes, and other operating expenses such as maintenance, utilities, and equipment service contracts. Total occupancy and equipment expenses were $21.0 million for 2024, relatively unchanged compared with 2023. Building maintenance and service contracts increased $283 thousand or 28.7% and $152 thousand or 3.0%, respectively. These amounts were partially offset by lower depreciation expense of $518 thousand or 11.8%.

Advertising and business development include costs related to promoting the Company such as acquiring new business, retaining existing customers, and community support. These expenses were $11.0 million for 2024. This represents an increase of $1.1 million or 11.6% compared to the prior year. Included in the total are contributions and other community support totaling $7.1 million, up $1.2 million or 19.8% from a year ago. Advertising and other business development expenses were relatively unchanged at $3.9 million. The Company remains active in assisting its immediate and surrounding communities with financial assistance to those entities serving the public through education, medical care, youth and elderly programs, and the arts.

Professional service fees include payments to third parties that offer highly specialized services and support in order to assist the Company in meeting its obligations or to improve efficiencies. These services typically include accounting, legal, technology support, or other operational consulting arrangements. Professional services fees increased $782 thousand or 28.1% in 2024, primarily due to deconversion costs of $567 thousand related to replacing the Company's credit card and trust processing vendors. Legal fees were up $217 thousand or 19.8% and are primarily related to a project to revise compliance documentation and procedures.

FDIC insurance assessment expense for 2024 was $1.6 million, a decrease of $32 thousand or 2.0% compared to the prior year. The decrease is due primarily to a lower assessment base, partially offset with a slightly higher overall average assessment rate. The assessment base declined in 2024 due to an increase in the Bank's average tangible capital base,

ANALYSIS OF NON-INTEREST EXPENSE

(dollars in thousands)

	2024	2023	2022	2024/2023 CHANGE	%	2023/2022 CHANGE	%
Salaries and benefits	$ 61,873	$ 56,575	$ 55,582	$ 5,298	9.36%	$ 993	1.79%
Occupancy and equipment	20,957	20,941	20,879	16	0.08	62	0.30
Processing charges	9,938	9,583	8,989	355	3.70	594	6.61
Advertising and business development	10,977	9,834	9,343	1,143	11.62	491	5.26
Card and interchange expenses	9,412	8,620	8,265	792	9.19	355	4.30
Professional services	3,561	2,779	2,583	782	28.14	196	7.59
FDIC assessment	1,564	1,596	1,219	(32)	(2.01)	377	30.93
Other real estate owned, net	1	1	17	-	0.00	(16)	(94.12)
Other	11,687	9,991	10,208	1,696	16.97	(217)	(2.12)
Total non-interest income	**$ 129,970**	**$ 119,920**	**$ 117,085**	**$ 10,050**	**8.38%**	**$ 2,835**	**2.42%**

which is netted against average total consolidated assets before applying the assessment rate. The increase in the assessment rate for the Bank was due to changes made by the FDIC in early 2023 to its uniform initial base assessment rate schedule applicable to all insured depository institutions. Such changes included an across the board increase in the rate schedule for all institutions.

INCOME TAXES

The Company recorded income tax expense of $7.9 million for 2024 compared with $7.3 million for 2023, an increase of $599 thousand or 8.2%. The increase is attributed to higher pre-tax income of $3.1 million or 7.6%. The effective income tax rates were 18.0% and 17.9% for the current and preceding year, respectively. The effective income tax rates are less than the statutory tax rate of 24.95% primarily as a result of tax credits related to investments in low-income tax partnerships and tax-exempt interest income.

The Company's tax planning strategy includes the participation in Industrial Revenue Bond lending for nonprofit organizations to increase tax-exempt income. It is also a limited partner in nine low-income housing projects and five Community Reinvestment Act related funds with both low-income housing and Historic Rehabilitation tax credits.

FINANCIAL CONDITION

Total assets of the Company at year-end 2024 were $3.6 billion, an increase of $201 million or 5.8% compared with year-end 2023. Loans are up $174 million or 6.5%. Cash and equivalents increased $99.3 million or 113%, partially offset by a net decrease in debt securities of $68.0 million or 12.8%. Deposit levels increased during 2024 following a general downward trend from the fourth quarter of 2022 to midway through 2023. Since June 2023, total deposits are up $202 million or 7.6%, including an increase of $125 million or 4.6% since year-end 2023.

Shareholders' equity was $420 million at December 31, 2024, an increase of $34.9 million or 9.1% compared with the prior year-end. The increase in equity was primarily driven by net income during 2024 of $35.9 million, partially offset by common share redemptions in the amount of $6.5 million and dividends paid of $1.7 million. The net after-tax unrealized loss on available for sale debt securities was $15.7 million, an improvement of $7.3 million or 31.6%. The improvement is attributed to a decline primarily in short-term interest rates as well as principal payments and maturities in the securities portfolio during 2024. Capital ratios continue to significantly exceed the levels required to be considered well-capitalized under regulatory guidance. Liquidity measures, which have contracted, continue to be in excess of historical norms for the Company.

EARNING ASSETS

Earning assets consist primarily of interest bearing deposits with other financial institutions, investment in debt securities, and loans receivable. Funds made available from deposits or other sources have been loaned out to the extent possible based on prudent underwriting standards and overall demand. Excess funds have generally been held in short-term interest bearing deposits with the Fed or shorter-term debt securities due to the relative lack of suitable returns available on longer-term investment instruments as well as for liquidity and interest rate risk management.

Gross loans outstanding were $2.9 billion at December 31, 2024, an increase of $174 million or 6.5% from the prior year-end. Commercial real estate loans remain the largest component of the portfolio at $1.7 billion. This represents an increase of $147 million or 9.6% from a year earlier. Loan pipelines remain encouraging, but competition is strong and significant economic uncertainties remain.

The fluctuation in the interest rate environment over the last several years along with a decline in demand for office space related to work-at-home initiatives have led to concerns nationally with regard to credit quality and collateral values of the commercial real estate sector in general and office buildings in particular. Office building loans for the Company represent 5.0% of its commercial real estate portfolio at year-end 2024, with a balanced mix of both owner and non-owner occupied properties. Such properties are located in the Company's primary markets. None of the related loans are classified as substandard, and the most recent collateral values result in strong loan-to-value ratios.

Loans secured by residential real estate were $632 million, an increase of $21.8 million or 3.6%. The increase is due in part to higher balances of home equity lines of credit in the amount of $13.1 million or 10.6% and higher outstanding balances of fixed-rate mortgages of $7.7 million or 1.9%.

Installment loans decreased $27.0 million or 32.0% in the annual comparison. Installment loans are primarily secured by consumer asset purchases such as personal vehicles. Installment loans peaked during 2021 while interest rates were at historically low levels and consumers generally had higher deposit balances. The Company experienced elevated delinquencies and charge-offs in the installment portfolio beginning in early 2022 and continuing through 2024. The combination of increased charge-offs and higher market interest rates led the Company to increase credit underwriting requirements for such loans. As a result, volume activity has declined in each of the last three years.

Commercial loan balances increased $32.4 million or 7.1% at year-end 2024 compared with the prior year. Loan demand remained strong throughout the year, and the Company's liquidity position has allowed it to be competitive in each of its markets.

The Company remains committed to generating high quality loans while limiting its exposure to credit risk. This is accomplished through diversifying the loan portfolio by loan type, industry, and customer. Diversification by industry and geographic region within the portfolio helps to maintain acceptable credit risk. Concentrations of credit are monitored on a monthly basis for compliance with internal policy and regulatory guidelines. As a result, management believes there is no undue concentration in any single sector.

The investment securities portfolio is primarily used as an additional source for interest income while also serving as a tool for liquidity management and collateral for certain short-term overnight borrowing arrangements. In managing the composition of its balance sheet, the Company seeks a balance between earnings sources, credit quality, and liquidity considerations. Total debt securities were $465 million at year-end 2024, a decrease of $68.0 million or 12.8% from a year earlier. The decrease provided cash flows from principal paydowns that were used primarily to fund the increase in higher-earning loans and for an overall increase in on-balance sheet liquidity.

Deposit account balances are the Company's primary source of funds. Other sources of funds include the ability to borrow from the FHLB, the Fed, and other commercial banks in the form of federal funds purchases. Deposit balances and long-term FHLB borrowings increased $125 million or 4.6% and $50.0 million in the annual comparison, partially offset by a $14.4 million or 6.8% decrease in short-term borrowings. The Company's primary sources of liquidity are cash, cash equivalents, and unencumbered available for sale debt securities. At December 31, 2024 cash and cash equivalents were $187 million, an increase of $99.3 million or 113% compared to a year-earlier.

Unencumbered available for sale debt securities were $38.1 million at year-end 2024, a decrease of $67.8 million from a year earlier. Loans increased $174 million or 6.5% led by additional commercial real estate lending. Total deposits were up $125 million or 4.6%. The cash needed to fund increased loan demand and reductions in certain short-term borrowings was made available primarily from the increase in deposits, principle payments from the maturity of investment securities, and proceeds from long-term FHLB borrowing. Internal liquidity ratios, which are monitored closely on a regular basis, are in excess of long-standing parameters established by internal policy and regulatory guidance.

ANALYSIS OF ALLOWANCE FOR CREDIT LOSSES

(dollars in thousands)

	2024	2023	2022	2021	2020
Allowance for credit losses					
Balance January 1	$ 30,012	$ 26,266	$ 23,994	$ 25,185	$ 19,106
Impact of adopting ASC Topic 326	-	559	-	-	-
Provision for credit losses	1,689	7,063	5,290	1,017	7,812
Less: net charge-offs	(1,844)	(3,876)	(3,018)	(2,208)	(1,733)
Balance December 31	$ 29,857	$ 30,012	$ 26,266	$ 23,994	$ 25,185
Average loans, net of unearned income	$ 2,807,043	$ 2,502,742	$ 2,147,945	$ 2,298,270	$ 2,274,331
Loans, net of unearned income, at year-end	2,860,941	2,686,883	2,354,119	2,072,478	2,322,576
Nonperforming loans at year-end	6,240	6,786	9,696	15,479	22,744
Other real estate owned at year-end	-	-	-	385	1,385
Ratios:					
Provision for credit losses to average loans	0.06%	0.28%	0.25%	0.04%	0.34%
Net charge-offs to average loans	0.07	0.15	0.14	0.10	0.08
Allowance for credit losses to loans	1.04	1.12	1.12	1.16	1.08
Allowance for credit losses to nonperforming loans	478.48	442.26	270.90	155.01	110.73
Nonperforming loans to loans	0.22	0.25	0.41	0.75	0.98
Nonperforming assets to total assets	0.17	0.20	0.25	0.41	0.74
Nonperforming assets to total shareholders' equity and allowance for credit losses	1.39	1.64	2.60	4.17	6.80
Total delinquent loans to loans at year-end	0.40	0.43	0.66	1.10	1.17
Total assets	$ 3,642,622	$ 3,441,462	$ 3,822,109	$ 3,892,368	$ 3,270,413
Shareholders' equity	419,927	385,012	346,782	356,150	329,657

ALLOWANCE FOR CREDIT LOSSES ON LOANS

The allowance for credit losses on loans is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed.

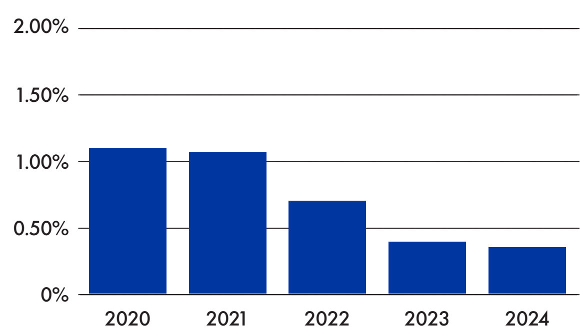
The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. Management estimates the allowance balance with a model using relevant available information from internal and external sources relating to past events, current conditions, and reasonable and supportable forecasts. The model estimates an allowance over the life of the loan where historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, changes in environmental conditions, and other relevant factors. Loans that do not share risk characteristics are evaluated on an individual basis.

Determining the appropriate level of allowance for credit losses is highly subjective. While allocations of the allowance may be made for specifically identified loans, the entire allowance is available for any loan that, in management's judgment, should be charged-off. See Footnote 1 to the Company's 2024 audited consolidated financial statements titled "*Summary of Significant Accounting Policies*" for additional information related to the Allowance for Credit Losses methodology on loans. In connection with the adoption of ASC Topic 326, on January 1, 2023 the Company recorded an allowance for credit losses on off-balance sheet credit exposures in other liabilities on the consolidated balance sheet. The amount recorded at adoption was $3.3 million with a corresponding decrease to retained earnings, net of deferred income tax expense of $819 thousand. The provision for credit loss expense for off-balance sheet credit exposures is recorded in non-interest expense on the consolidated statements of income and represents adjustments to the allowance subsequent to the initial adoption of ASC Topic 326.

The allowance for credit losses on loans was $29.9 million and $30.0 million at December 31, 2024 and 2023, virtually unchanged in the comparison. The provision for credit losses on loans was $1.2 million for 2024, which is comprised of $1.7 million related to loans partially offset by a credit of $449 thousand related to off-balance sheet credit exposures. Consumer installment loans made up 90.0% of net charge-offs in 2024, which were primarily loans made for the purchase of automobiles. Installment loans have declined rapidly in each of the prior two years due to management's decision to scale back exposure to indirect auto lending. As a percentage of average loans, net charge-offs were 0.07% and 0.15% for 2024 and 2023, respectively.

The strong overall credit quality metrics of the loan portfolio experienced during the prior year carried into and throughout 2024, with certain measures remaining at or near their best levels in decades. Despite the strong credit metrics, installment loan delinquencies and net charge-offs remain elevated. Installment loans primarily represent activity whereby the Company purchases consumer contracts with automobile dealers. The dealers generate loan applications that are forwarded to the Company for processing the purchase of automobiles to individuals. Decisions are made by the Company to either approve or deny funding based on judgments made about the borrower's ability to repay, creditworthiness,

Delinquency



and collateral value. Installment loan delinquencies began to trend upward during the last half of 2021 and have remained inflated at 4.1% at year-end 2024. While the Company has reduced its purchasing volume with automobile dealers that has led to a reduction in its amount of past due loans, the percentage of delinquencies has remained relatively stable.

Nonperforming loans consist of those that have been classified as nonaccrual as well as those which are past due over 90 days and still accruing interest. Nonperforming loans decreased $548 thousand or 8.1% to $6.2 million at year-end 2024. The decrease was driven primarily by payoff activity. As a percentage of year-end loans, nonperforming loans were 0.2%, a decrease from 0.3%. The percentage decrease was also helped by a $174 million or 6.5% increase in loans outstanding. The allowance for credit losses on loans as a percentage of nonperforming loans was 479% at year-end 2024 compared with 442% at year-end 2023.

Loans identified as special mention and substandard were $52.2 million at year-end 2024, an overall increase of $13.4 million or 34.4%. Substandard graded credits, the more severe category of the two, decreased $7.3 million or 44.8% driven by both upgrades to reflect improvements in the borrowers' risk classifications and prospects for full payment as well as by actual loan payoffs. Special mention credits increased $20.6 million primarily due to the addition of one credit relationship in the amount of $35.8 million secured by a mix of commercial and commercial real estate properties, partially offset by two upgraded relationships secured by commercial properties with an aggregate outstanding balance of $16.2 million. There are no reserves specifically allocated to the larger-balance special mention credit that was added during 2024, and management believes this relationship will likely be upgraded during 2025 based on current facts and circumstances. As a percentage of the loan portfolio, special mention and substandard credits increased 38 basis points to 1.82%.

DEPOSITS

Total deposits were $2.9 billion at year-end 2024, an increase of $125 million or 4.6% from year-end 2023. Non-interest bearing demand deposits were relatively unchanged, but interest bearing deposits increased $123 million or 7.4%. The shift in deposit mix and overall volume is mainly attributed to customers seeking higher yielding product alternatives, particularly to time deposits, as the interest rate environment has generally moved upward for those accounts.

In the yearly comparison, time deposits increased $154 million or 29.6%. Time deposits under $250 thousand were up $99.4 million or 39.3%, while those $250 thousand and above increased $54.3 million or 20.4%. Time deposits under $250 thousand include $100 million of brokered deposits, up $50 million from a year earlier as the Company sought to add additional term funding structure to replace a portion of its overnight borrowings. Brokered deposits have a weighted average cost of 5.06% with $60 million set to mature in mid-2025 and $40 million maturing mid-2026.

Savings deposit balances decreased $5.8 million or 2.5%. Interest checking and money market account balances declined $8.1 million or 1.9% and $16.8 million or 3.5%, respectively.

SHORT-TERM BORROWINGS

Substantially all of the Company's short-term borrowings at year-end 2024 relate to funds of commercial customers under corporate cash management arrangements in the form of sweep accounts. Sweep account arrangements are financial agreements with generally a one-day maturity that require the bank to provide a direct pledge of high-quality obligations from its investment securities portfolio. Cash management services continue to be a valuable offering to the Company's commercial deposit customers.

The balance in commercial sweep accounts was $198 million at December 31, 2024, a decrease of $14.4 million or 6.8% from a year ago. Since sweep accounts represent larger-balance customer relationships used to manage their liquidity needs, large fluctuations in these balances are common.

LONG-TERM BORROWINGS

Long-term borrowings consist of FHLB advances with an original maturity of greater than one year and subordinated debentures issued by the Parent Company. At December 31, 2024, the Company had $50.0 million of outstanding long-term fixed-rate borrowings from the FHLB. The debt matures in two separate $25.0 million issuances. The first issuance represents borrowings with a fixed rate of 4.4% maturing in July 2026; the second issuance is priced at a fixed rate of 4.0% maturing in August 2027. FHLB advances are borrowed under a blanket lien agreement and are collateralized by FHLB stock and fully disbursed, otherwise unencumbered, 1-4 family residential first mortgage and certain commercial real estate mortgage loans. The Company is subject to a prepayment penalty if it were to repay the advances prior to maturity.

In March 2005, Central Bancshares KY Statutory Trust I, a trust formed by the Company, closed a pooled private offering of 15 thousand trust preferred securities with a liquidation amount of $1 thousand per security. The Company issued $15.5 million of subordinated debentures to the trust in exchange for ownership of all of the common security of the trust in the amount of $464 thousand and the proceeds of the preferred securities sold by the trust of $15.0 million. The subordinated debentures mature on June 15, 2035, and have a variable rate of interest equal to the sum of the three-month SOFR and 1.75%. The interest rate in effect as of the last determination date for 2024 was 6.37%, down from 7.42% a year ago due to movement in short-term market rates over the last year. During 2023, the reference rate on the subordinated debt was converted from the three-month London Interbank Offered Rate ("LIBOR") to the three-month SOFR. For additional information regarding the transition from LIBOR to SOFR, see the discussion under the heading "LIBOR Reference Rate" below.

The subordinated debentures are redeemable in whole or in part, without penalty, at the Company's option. The subordinated debentures, net of the Company's investment in the trust, may be included in Tier 1 capital (with certain limitations applicable) under current regulatory guidelines and interpretations. At year-end 2024 and 2023, the Company's Tier 1 capital included $15.0 million, which represents the full amount of the subordinated debentures net of the investment in the trust.

LIBOR REFERENCE RATE

In 2017, the Financial Conduct Authority ("FCA"), the authority regulating LIBOR, and other regulatory bodies announced that LIBOR would likely be discontinued at the end of 2021. In November 2020, the FCA announced that many tenors of LIBOR would continue to be published through June 2023. In March 2022, the Adjustable Interest Rate (LIBOR) Act ("LIBOR Act") was signed into U.S. law. The LIBOR Act established a uniform benchmark replacement process for financial contracts maturing after the cessation of LIBOR that do not contain clearly defined or practicable fallback provisions.

The Company's subordinate debentures referred to above contained a LIBOR-based reference rate. The trust documents did not provide for a replacement rate or include other fallback provisions. As such, absent an amendment to the trust documents, the LIBOR Act provides that the reference rate of the three-month SOFR plus a spread adjustment of 0.26161% became the new benchmark replacement for the three-month LIBOR. Since SOFR represents a secured rate measuring the cost to borrow cash overnight collateralized by U.S. Treasury securities, the spread adjustment is added to make the rate more comparable to LIBOR, which includes a credit risk component. The Company's trust documents were not amended and, therefore, the SOFR rate became the replacement rate after June 30, 2023.

CAPITAL

Capital adequacy guidelines of the regulatory agencies, and additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items. The Bank is subject to capital-based regulatory requirements which place banks into one of five categories based upon their capital levels and other supervisory criteria. These five categories are: (1) well-capitalized, (2) adequately capitalized, (3) undercapitalized, (4) significantly undercapitalized, and (5) critically undercapitalized.

To be well-capitalized, a bank must have a Common Equity Tier 1 Risk-based Capital ratio of at least 6.5%, a Tier 1 Risk-based Capital ratio of 8.0%, a Total Risk-based Capital ratio of at least 10.0%, and a Tier 1 Leverage ratio of at least 5.0%. The Company's capital ratios at December 31, 2024 and 2023 continued to significantly exceed the levels required to be considered well-capitalized under regulatory guidance.

The Tier 1 Leverage Capital Ratio for the Company increased at year-end 2024 due to an increase in Tier 1 Capital of $27.7 million or 6.8%, primarily driven by net income for the year, which outpaced an increase in total assets (as defined) of $93.2 million or 2.6%. Each of the Risk-based Capital ratios increased from a year ago as capital levels grew at a faster pace than the Risk-weighted asset base.

STOCK REPURCHASE

In January 2024, the Company's Board of Directors authorized a limited repurchase of its voting and nonvoting common shares at a fixed price of $10.25 per share. The repurchase authorization included only shares that were previously issued under the Company's employee stock ownership plan ("ESOP") to participants that elected to receive their ESOP benefit in Company common shares rather than cash. The Company purchased 635 thousand shares under the plan.

The Company had the following capital ratios for regulatory purposes as of the date indicated:

	Common Equity Tier 1 Risk-based Capital Ratio[1]	Tier 1 Risk-based Captial Ratio[1]	Total Risk-based Capital Ratio[1]	Tier 1 Leverage Capital Ratio[2]
December 31, 2024				
Company	13.3%	13.8%	14.8%	12.0%
Bank	13.7	13.7	14.7	11.9
December 31, 2023				
Company	13.0%	13.5%	14.5%	11.5%
Bank	13.2	13.2	14.3	11.3

[1]Common Equity Tier 1 Risk-based, Tier 1 Risk-based, and Total Risk-based Capital ratios are computed by dividing a bank's Common Equity, Tier 1, or Total Capital, as defined by regulation, by a risk-weighted sum of the bank's assets, with the risk weighting determined by general standards established by regulation.

[2]Tier 1 Leverage ratio is computed by dividing a bank's Tier 1 Capital by its total quarterly average assets, as defined by regulation.

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Shareholders
Central Bancshares, Inc.
Lexington, Kentucky

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Central Bancshares, Inc., which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Central Bancshares, Inc. as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. We also have audited, in accordance with auditing standards generally accepted in the United States of America, Central Bancshares, Inc.'s internal control over financial reporting as of December 31, 2024, based on criteria established in the Internal Control—Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA) and our report dated March 14, 2025 expressed an unmodified opinion.

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 Central Bancshares, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Central Bancshares, Inc.'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.

Crowe LLP

Crowe LLP
Louisville, Kentucky
March 14, 2025

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

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	December 31	
	2024	2023
ASSETS		
Cash and due from financial institutions	$ 62,244	$ 52,787
Interest bearing deposits with other financial institutions	125,000	35,200
Total cash and cash equivalents	187,244	87,987
Available for sale debt securities, at fair value (amortized cost $479,347 (2024) and $556,159 (2023), net of allowance of $0 in 2024 and 2023)	460,431	527,340
Held to maturity debt securities, at amortized cost (fair value of $4,209 in 2024 and $5,199 in 2023)	4,573	5,618
Total debt securities	465,004	532,958
Loans held for sale	1,674	864
Loans, net of allowance of $29,857 (2024) and $30,012 (2023)	2,831,084	2,656,871
Premises and equipment, net	86,873	90,416
Interest receivable	10,489	11,150
Federal Home Loan Bank stock, at cost	5,556	7,777
Goodwill	14,313	14,313
Other assets	40,385	39,126
Total assets	$ 3,642,622	$ 3,441,462
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Non-interest bearing	$ 1,074,432	$ 1,072,175
Interest bearing	1,778,776	1,655,870
Total deposits	2,853,208	2,728,045
Federal funds purchased and repurchase agreements	198,240	212,597
Federal Home Loan Bank advances	50,000	-
Subordinated debentures	15,464	15,464
Interest payable	3,820	2,239
Other liabilities	101,963	98,105
Total liabilities	3,222,695	3,056,450
SHAREHOLDERS' EQUITY		
Common stock (voting), $10 par value; 350,000 shares authorized; 341,583 and 347,922 shares issued and outstanding at December 31, 2024 and 2023, respectively	3,416	3,479
Common stock (non-voting), no par value; 34,650,000 shares authorized; 33,815,927 and 34,444,278 shares issued and outstanding at December 31, 2024 and 2023, respectively	-	-
Additional paid-in capital	6,765	6,890
Retained earnings	425,412	397,559
Accumulated other comprehensive loss	(15,666)	(22,916)
Total shareholders' equity	419,927	385,012
Total liabilities and shareholders' equity	$ 3,642,622	$ 3,441,462

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share data)

	Years Ended December 31	
	2024	2023
INTEREST AND DIVIDEND INCOME		
Loans, including fees	$ 158,642	$ 129,781
Debt securities	17,255	22,320
Deposits with other financial institutions	3,417	3,380
	179,314	155,481
INTEREST EXPENSE		
Deposits	42,922	24,411
Federal funds purchased and repurchase agreements	3,538	2,068
Federal Home Loan Bank advances	2,720	3,740
Subordinated debentures	1,135	1,099
	50,315	31,318
Net interest income	128,999	124,163
Provision for credit losses	1,239	6,458
Net interest income after provision for credit losses	127,760	117,705
NON-INTEREST INCOME		
Service charges on deposit accounts	5,707	5,911
Mortgage banking income	1,240	891
Card and interchange fees	9,260	8,946
Trust fees	12,051	10,261
Electronic banking	8,207	8,152
Net gain on sales of other real estate owned	-	4
Net loss on sales of available for sale investment securities	-	(915)
Other fees and income	9,507	9,650
	45,972	42,900
NON-INTEREST EXPENSE		
Salaries and benefits	61,873	56,575
Occupancy and equipment	20,957	20,941
Processing charges	9,938	9,583
Advertising and business development	10,977	9,834
Card and interchange expenses	9,412	8,620
Professional services	3,561	2,779
FDIC assessment	1,564	1,596
Other real estate owned, net	1	1
Other	11,687	9,991
	129,970	119,920
Income before income taxes	43,762	40,685
Income taxes	7,884	7,285
Net income	$ 35,878	$ 33,400
Basic earnings per share	$ 1.05	$ 0.96
Weighted average number of common shares outstanding	34,262,549	34,792,200

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

	Years Ended December 31 2024	2023
Net income	$ 35,878	$ 33,400
Other comprehensive income:		
Unrealized gains/losses on available for sale debt securities:		
Unrealized holding gain arising during the period	9,903	12,318
Less: reclassification adjustment for losses included in net income	-	915
Tax effect	(2,471)	(3,302)
Net of tax	7,432	9,931
Defined benefit pension plans:		
Net loss arising during the period	(797)	(661)
Reclassification adjustment for amortization of net loss realized in net income	554	23
Tax effect	61	159
Net of tax	(182)	(479)
Total other comprehensive income	7,250	9,452
Comprehensive income	$ 43,128	$ 42,852

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands, except share data)

Years Ended December 31, 2024 and 2023	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balances, January 1, 2023	**$ 3,479**	**$ 6,890**	**$ 368,781**	**$ (32,368)**	**$ 346,782**
Adoption of ASC Topic 326	-	-	(2,883)	-	(2,883)
Balance at January 1, 2023 (as adjusted for adoption of ASC Topic 326)	$ 3,479	$ 6,890	$ 365,898	$ (32,368)	$ 343,899
Net income	-	-	33,400	-	33,400
Cash dividends declared ($0.05 per share)	-	-	(1,739)	-	(1,739)
Other comprehensive income	-	-	-	9,452	9,452
Balances, December 31, 2023	**$ 3,479**	**$ 6,890**	**$ 397,559**	**$ (22,916)**	**$ 385,012**
Net income	-	-	35,878	-	35,878
Cash dividends declared ($0.05 per share)	-	-	(1,708)	-	(1,708)
Other comprehensive income	-	-	-	7,250	7,250
Common stock redemptions	(63)	(125)	(6,317)	-	(6,505)
Balances, December 31, 2024	**$ 3,416**	**$ 6,765**	**$ 425,412**	**$ (15,666)**	**$ 419,927**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Years Ended December 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 35,878	$ 33,400
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	1,239	6,458
Deferred income tax benefit	(677)	(2,143)
Depreciation and amortization	4,751	6,520
Net gain on sales of other real estate owned	-	(4)
Net loss on disposals of premises and equipment	5	-
Net loss on sales of available for sale investment securities	-	915
Noncash operating lease expense	3,752	3,852
Repayment of operating lease liabilities	(3,134)	(3,394)
Pension plan expense	1,023	439
Net gain on sale of loans	(1,150)	(852)
Net change in:		
Loans held for sale	340	987
Interest receivable	661	1,046
Matured U.S. Treasury securities	-	300,000
Other assets	(4,587)	6
Interest payable	1,581	1,537
Other liabilities	4,551	889
Net cash provided by operating activities	44,233	349,656
CASH FLOWS FROM INVESTING ACTIVITIES		
Available for sale debt securities:		
Purchases	(475,569)	(11,721)
Sales	-	219,168
Maturities, calls, and return of principal	553,652	219,291
Held to maturity debt securities:		
Maturities, calls, and return of principal	1,043	1,141
Investment in low income tax housing	(553)	(1,225)
Net change in loans	(175,902)	(336,640)
Purchases of premises and equipment	(2,461)	(2,767)
Proceeds from sale of other real estate owned	-	4
Purchase of Federal Home Loan Bank stock	(5,951)	(9,283)
Redemption of Federal Home Loan Bank stock	8,172	9,370
Net cash (used in) provided by investing activities	(97,569)	87,338
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in deposits	125,163	(257,805)
Net change in federal funds purchased and repurchase agreements	(14,357)	(58,740)
Repayment of Federal Home Loan Bank advances	-	(1,118,000)
Issuance of Federal Home Loan Bank advances	50,000	1,013,000
Common stock redeemed	(6,505)	-
Cash dividends paid	(1,708)	(1,739)
Net cash provided by (used in) financing activities	152,593	(423,284)
Net change in cash and cash equivalents	99,257	13,710
Cash and cash equivalents, beginning of year	87,987	74,277
Cash and cash equivalents, end of year	$ 187,244	$ 87,987
Supplemental cash flow information:		
Interest paid	$ 48,734	$ 29,781
Income taxes paid	7,863	10,910
Supplemental noncash disclosures:		
Recognition of right-of-use assets and operating lease liabilities	1,634	-
Reductions to right-of-use assets due to modifications	9	118

See accompanying notes to consolidated financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Nature of Operations: The consolidated financial statements include the accounts of Central Bancshares, Inc. (the "Company") and its wholly-owned subsidiary, Central Bank & Trust Co. (the "Bank"), and Central Bank & Trust Co.'s wholly-owned subsidiaries, Central Investment Center, Inc., Central Insurance Services, Inc., and CBT Real Estate Holdings, LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

The Company grants commercial, consumer and residential loans to customers primarily located in Fayette, Boone, Kenton, Clark, Jessamine, Madison, Scott, Jefferson and surrounding counties in Kentucky. The Company provides full banking services, including trust services. Although the Company has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent upon the local economy. Substantially all loans are secured by specific items of collateral including business assets, consumer assets and real estate. Other financial instruments, which potentially represent concentrations of credit risk, include cash and cash equivalents held in other financial institutions. Central Investment Center, Inc. offers non-deposit investment products, including mutual funds, annuities, and certain debt and equity securities. Central Insurance Services, Inc. is a licensed agent for life, health, title, and property and casualty insurance. CBT Real Estate Holdings, LLC holds and disposes of certain real estate acquired in settlement of loans.

Subsequent Events: The Company has evaluated subsequent events for recognition and disclosure through March 14, 2025, which is the date the financial statements were available to be issued.

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

Cash Flows: Cash and cash equivalents include cash, deposits with financial institutions with an initial maturity of less than 90 days when acquired by the Company, and federal funds sold. Net cash flows are reported for customer loan and deposit transactions, federal funds purchased and repurchase agreements.

Interest Bearing Deposits in Other Financial Institutions: Interest bearing deposits in other financial institutions mature within one year and are carried at cost. Such deposits consist primarily of cash on deposit with the Federal Reserve Bank.

Debt Securities: Debt securities are classified into two categories: available for sale and held to maturity. Debt securities are classified as available for sale when they might be sold before maturity. Debt securities are classified as held to maturity when management has the positive intent and ability to hold them to maturity. The Bank has no trading securities. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax. Securities held to maturity are stated at amortized cost.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on debt securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Gains and losses on dispositions are recorded on the trade date and based on the net proceeds and the adjusted carrying amount of the securities sold, using the specific identification method.

A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on non-accrual is reversed against interest income. There was no reversal of accrued interest against interest income for either of the years ended December 31, 2024 or 2023.

Equity Securities: Equity securities are carried 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.

Allowance for Credit Losses – Held to Maturity Securities: Management measures expected credit losses on held to maturity debt securities on a collective basis by major security type. The estimate for credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Accrued interest receivable on held to maturity securities is excluded from the estimate of credit losses.

Agency mortgage-backed securities are the only type of securities the Company has classified as held to maturity. All held to maturity securities are issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government and have a long history of no credit losses. As a result, no allowance for credit losses was recorded on held to maturity at December 31, 2024 or 2023.

Allowance for Credit Losses – Available For Sale Securities: For available for sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available for sale that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the uncollectibility of an available for sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met. Accrued interest receivable on available for sale debt securities is excluded from the estimate of credit losses.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of deferred loan fees and costs, and an allowance for credit losses. Loan origination fees, net of certain direct origination costs, are deferred and the net amount is amortized as a yield adjustment over the life of the related loans.

Interest income is accrued on the principal balance. Classes of commercial and real estate loans are placed on nonaccrual, with interest income discontinued, at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Classes of consumer loans may be placed on nonaccrual if sufficient collateral exists, but are typically charged off no later than 120 days past due. All interest accrued but not received on loans placed on nonaccrual is reversed against interest income.

For all loan classes, payments received on nonaccrual loans are applied to principal only using the cost recovery method if the Company estimates that collection of all principal is not reasonably assured. If all principal is reasonably assured, payments on nonaccrual loans may be applied to interest income on the cash basis. Loans of all classes are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. For all loan classes, past due status is based on the contractual terms of the loan.

Loan disclosures include presenting certain disaggregated information based on recorded investment. The recorded investment in a loan includes its principal amount outstanding adjusted for certain items that include net deferred loan costs or fees, charge-offs, and accrued interest. The Company had a total of $3,387 and $3,325 of net deferred loan fees at year-end 2024 and 2023, respectively, included in the carrying amount of loans on the consolidated balance sheets. The amount of net deferred loan fees is not material and is omitted from the computation of the recorded investment included in Note 3 that follows. Similarly, accrued interest receivable on loans was $8,666 and $8,500 at year-end 2024 and 2023, respectively, which has also been omitted from certain information presented in Note 3.

Allowance for Credit Losses: On January 1, 2023, the Company adopted Accounting Standards Update ("ASU") No. 2016-13 "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," as amended, which replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The measurement of expected credit losses under CECL is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance such as loan commitments, standby letters of credit, financial guarantees, and other similar instruments. In addition, ASC Topic 326 made changes to the accounting for available for sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available for sale debt securities management does not intend to sell or believes that it is more likely than not they will be required to sell.

The Company adopted ASC Topic 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures. The Company recorded a decrease to retained earnings of $2,883 as of the adoption date for the cumulative effect of adopting ASC Topic 326, net of the applicable deferred tax asset of $958. The transition adjustment included an increase to the allowance for credit loss on loans of $559 and the establishment of a reserve for unfunded loan commitments of $3,282, which was recorded within other liabilities.

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

Management estimates the allowance balance with an expected credit loss model using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The model estimates an allowance over the life of the loan where historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, changes in environmental conditions, and other relevant factors.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The model utilizes a closed pool methodology for each pool with an economic forecast over a twelve-month reasonable and supportable period with immediate reversion to historical losses. The portfolio segments identified by the Company are listed below.

- Commercial loans are dependent on the strength of the industries of the related borrowers and the success of their businesses. Commercial loans are advanced for equipment purchases, to provide working capital, or to meet other financing needs of business enterprises. These loans may be secured by accounts receivable, inventory, equipment, or other business assets. Financial information is obtained from the borrowers and guarantors to evaluate ability to repay the loans.
- Commercial real estate loans are dependent on the industries tied to these loans as well as the local commercial real estate market. Commercial real estate loans include completed projects as well as construction loans. The loans are secured by real estate, and appraisals are obtained to support the loan amount. Financial information is obtained from borrowers and guarantors and/or an evaluation of the project's cash flows is performed to evaluate the borrower's ability to repay the loan.

- Residential real estate loans are affected by the local residential real estate market and the local economy. The Bank evaluates the borrower's repayment ability through a review of financial information obtained from the borrower. Appraisals or evaluations are obtained to support the loan amount.
- Installment loans are highly dependent upon the borrower's continuing financial stability, which is highly correlated to local economies. Installment loans are generally secured by consumer assets such as automobiles, trucks, or a variety of other personal assets, but may also be unsecured. The Bank evaluates the borrower's repayment ability through a review of financial information obtained from the borrower.
- Credit card receivables are highly dependent upon the borrower's continuing financial stability, which is highly correlated to local economies. Credit card lending is unsecured, and the receivables have no stated maturity date. The Bank evaluates the borrower's repayment ability through a review of financial information obtained from the borrower.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. Regardless of an initial measurement method, once it is determined that foreclosure is probable, the allowance for credit losses is measured based on the fair value of the collateral as of the measurement date. As a practical expedient, the fair value of the collateral may be used for a loan when determining the allowance for credit losses for which the repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulty. The fair value is adjusted for estimated selling costs when foreclosure is probable. For collateral-dependent financial assets, the credit loss expected may be zero if the fair value less costs to sell exceed the amortized cost of the loan.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a loan modification to a borrower experiencing financial difficulty will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancelable by the Company.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures: 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 credit losses in the Company's income statements. The allowance for credit losses on off-balance sheet credit exposures is estimated by loan segment at each balance sheet date under the current expected credit loss model using the same methodologies as portfolio loans, taking into consideration the likelihood that funding will occur. The allowance for unfunded commitments was $2,227 and $2,676 at year-end 2024 and 2023, respectively, and is included in other liabilities on the Company's consolidated balance sheets.

Mortgage Banking Activities: Mortgage loans originated and intended for sale in the secondary market are classified as held for sale and carried at the lower of aggregate cost or fair value as determined by outstanding commitments from investors. Gains on sales generated from mortgage banking activities are based on the difference between the selling price and the carrying value of the related loan sold.

The Company enters into commitments to originate certain mortgage loans whereby the interest rate on the loans is determined prior to funding (rate lock commitments). Rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. The period of time between issuance of a loan commitment, loan closing, and the sale of the loan generally ranges from 30 to 90 days. The Company protects itself from changes in interest rates through the use of best efforts forward delivery contracts, whereby the Company commits to sell a loan at the time the borrower commits to an interest rate with the intent that the buyer has assumed interest rate risk on the loan. If the underlying loan does not close, there is no obligation on the Company's part to deliver the loan to the investor. As a result, the Company is not exposed to losses nor will it realize significant gains related to its rate lock commitments due to changes in interest rates. The correlation between the rate lock commitments and the best efforts contracts is very high due to their similarity. Because of this high correlation, no gain or loss occurs on the rate lock commitments.

The Company primarily sells loans with servicing released. A small amount of loans are sold with servicing retained; servicing rights are recognized as assets for the allocated value of retained servicing rights on loans sold. Servicing rights are initially recorded at fair value based on market prices for comparable mortgage servicing contracts. Servicing rights are expensed in proportion to, and over the period of, estimated net servicing revenues. Impairment is evaluated based on the fair value of the rights, using groupings of the underlying loans as to interest rates. Any impairment of a grouping is reported as a valuation allowance.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income. Servicing fee income, gains on sales of mortgage loans held for sale, and amortization of mortgage servicing rights are reported on the income statement as Mortgage Banking Income.

Premises and Equipment: Land is carried at cost. Premises are stated at cost less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets. Furniture, fixtures, and equipment are depreciated using an accelerated method. Leasehold improvements are amortized on the straight-line method over the shorter of the estimated useful lives of the improvements or the terms of the related leases.

Leases: Leases are classified as operating or finance leases at the lease commencement date. The Company leases certain branch locations, back-office operations, and its insurance and investment brokerage offices. The Company records leases on the balance sheet in the form of a lease liability for the present value of future minimum payments under the lease terms and a right-of-use asset equal to the lease liability adjusted for items such as deferred or prepaid rent, lease incentives, and any impairment of the right-of-use asset. The discount rate used in determining the lease liability is based upon incremental borrowing rates the Company could obtain for similar loans as of the date of commencement or renewal. The Company does not record short-term leases with an initial lease term of one year or less on the consolidated balance sheets.

At lease inception, the Company determines the lease term by considering the noncancelable lease term and all optional renewal periods that the Company is reasonably certain to renew. The lease term is also used to calculate straight-line lease expense. Leasehold improvements are amortized over the shorter of the useful life and the estimated lease term. The Company's leases do not contain residual value guarantees or material variable lease payments that will impact the Company's ability to pay dividends or cause the Company to incur additional expenses.

Operating lease expense consists of a single lease cost allocated over the remaining lease term on a straight-line basis, variable lease expense, and any impairment of the right-of-use asset. Lease expense is included in occupancy and equipment expense on the Company's consolidated statements of income. The Company's variable lease expense includes rent escalators that are based on market conditions and include items such as common area maintenance, utilities, parking, property taxes, insurance and other costs associated with the lease.

The Company has elected to treat property leases that include both lease and non-lease components as a single component and account for it as a lease.

Income Taxes: Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted federal and state tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

The Company recognizes a tax benefit only if it is more likely than not that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50 percent likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit is recorded. The Company recognizes interest and/or penalties related to income tax matters in income tax expense.

Federal Home Loan Bank ("FHLB") Stock: The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

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

Other Real Estate Owned: Assets acquired through or instead of loan foreclosure are initially recorded at fair value, less estimated selling costs, when acquired, establishing a new cost basis. Physical possession of residential real estate property collateralizing a consumer mortgage loan occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. If fair value declines subsequent to acquisition, a valuation allowance is recorded through expense. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Operating costs incurred after acquisition are expensed.

Goodwill and Other Intangible Assets: Goodwill arises from business combinations and is determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized, but tested for impairment at least annually or more frequently if events and circumstances exist that indicate a goodwill impairment test should be performed. The Company has selected December 31 as the date to perform the annual impairment test. Intangible assets with finite useful lives are amortized over their estimated useful lives to their estimate residual values. Goodwill is the only intangible asset with an indefinite life on our balance sheet.

Loan Commitments and Related Financial Instruments: 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 face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Trust Department: The Company earns fees by providing a comprehensive base of traditional services such as trust administration, estate planning and settlement, individual retirement planning, and corporate retirement plan services. These fees are primarily earned and accrued over the period of time the Company provides the contracted services and are generally assessed monthly based on a tiered scale of the market value of the assets of the accounts. Fees are generally paid out of the assets held in the customer's account. Securities and other properties, except cash on deposit at the Bank, held by the trust department in a fiduciary or agency capacity are not included in the consolidated financial statements since such items are not assets of the Company.

Investment in Limited Partnerships: The Company is a limited equity partner in nine low-income housing projects and five Community Reinvestment Act related funds with both low-income housing and Historic Rehabilitation tax credit generation. The investments are accounted for using the equity method and are included in other assets on the consolidated balance sheets. The investments had a balance of $12,858 and $14,454 at year-end 2024 and 2023, respectively. At year-end 2024, remaining funding commitments were $1,735.

The Company recognized amortization expense related to its limited partnerships of $2,149 and $2,130 for 2024 and 2023, respectively, which is included in other non-interest expense on the consolidated statements of income. Tax credits recognized were $2,472 and $2,426 . No impairment losses were incurred in either of the years presented.

Benefit Plans: Pension expense is the net of interest cost, return on plan assets, and amortization of gains and losses not immediately recognized. Employee stock ownership plan ("ESOP") and 401(k) plan expenses are the amount contributed determined by Board decision. Deferred compensation plan expense is allocated over years of service. All ESOP shares are allocated to participants as of the end of each fiscal year. Compensation expense is based on the price paid for the shares acquired by the plan during the year. Since all ESOP shares are allocated to participants, all dividends reduce retained earnings.

Fair Value of Financial Instruments: Fair values of financial instruments, as more fully disclosed in Note 9, are estimated using relevant market information and other assumptions. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Earnings Per Share: Basic earnings per share is net income divided by the weighted average number of shares outstanding during the period. ESOP shares are considered outstanding for this calculation unless unearned. The Company has no shares outstanding which are potentially dilutive.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on debt securities available for sale, net of related income tax, and changes in the funded status of its supplemental non-qualified pension and deferred compensation plans, net of related income tax. Accumulated other comprehensive income is recognized as a separate component of equity. Accumulated other comprehensive loss at December 31, 2024 of $15,666 was comprised of $1,469 related to the non-qualified pension plan and $14,197 related to an unrealized net loss on available for sale debt securities. Accumulated other comprehensive loss at December 31, 2023 of $22,916 was comprised of $1,287 related to the non-qualified pension plan and $21,629 related to an unrealized net loss on available for sale debt securities.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe that there now are such matters that will have a material effect on the consolidated financial statements.

Dividend Restriction: Banking regulations require maintaining certain capital levels and may limit the dividends paid by the Bank to the holding company or by the holding company to shareholders.

Restrictions on Cash: The Company is required to maintain a deposit balance with the Federal Reserve Bank to meet its clearing requirements.

Common Share Redemption: In early 2024, the Company's Board of Directors authorized the repurchase of a limited number of common shares held by former employees or their beneficiaries that had been issued in past years in connection with the ESOP. The Company redeemed 6,339 of voting and 628,351 of non-voting common shares in the amount of $6,505 during 2024. The redemption period for this authorization has expired.

Reclassifications: Certain amounts in the accompanying consolidated financial statements presented for prior years have been reclassified to conform to the current year presentation. Reclassifications had no effect on prior year net income or shareholders' equity.

NOTE 2 – SECURITIES

The fair value of debt securities available for sale and the related gross unrealized gains and losses recognized in accumulated other comprehensive loss were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2024				
U.S. Treasury securities	$ 60,020	$ -	$ (1,997)	$ 58,023
U.S. government sponsored entities and agencies	171,460	36	(4,227)	167,269
Agency mortgage-backed securities – residential	131,742	47	(11,233)	120,556
Agency mortgage-backed securities – commercial	43,081	2	(1,273)	41,810
States and political subdivisions	3,130	-	(11)	3,119
Corporate debt securities	69,914	993	(1,253)	69,654
	$ 479,347	$ 1,078	$ (19,994)	$ 460,431
2023				
U.S. Treasury securities	$ 125,137	$ -	$ (4,900)	$ 120,237
U.S. government sponsored entities and agencies	168,184	10	(7,912)	160,282
Agency mortgage-backed securities – residential	151,483	10	(13,303)	138,190
Agency mortgage-backed securities – commercial	23,087	11	(792)	22,306
States and political subdivisions	8,544	-	(100)	8,444
Corporate debt securities	79,724	913	(2,756)	77,881
	$ 556,159	$ 944	$ (29,763)	$ 527,340

The amortized cost, unrecognized gains and losses, and fair value of debt securities held to maturity were as follows:

	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
2024				
Agency mortgage-backed securities – residential	$ 4,573	$ -	$ (364)	$ 4,209
	$ 4,573	$ -	$ (364)	$ 4,209
2023				
Agency mortgage-backed securities – residential	$ 5,618	$ -	$ (419)	$ 5,199
	$ 5,618	$ -	$ (419)	$ 5,199

The amortized cost and fair value of debt securities at December 31, 2024 are shown below by contractual maturity. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without penalties. Mortgage-backed securities not due at a single maturity date are shown separately.

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 107,673	$ 107,104	$ -	$ -
Due from one to five years	158,052	152,702	-	-
Due from five to ten years	27,310	25,996	-	-
Due after ten years	11,489	12,263	-	-
Agency mortgage-backed securities – residential	131,742	120,556	4,573	4,209
Agency mortgage-backed securities – commercial	43,081	41,810	-	-
Total	$ 479,347	$ 460,431	$ 4,573	$ 4,209

Debt securities with a carrying amount of $405,854 and $391,600 at December 31, 2024 and 2023, respectively, were pledged to secure public deposits and repurchase agreements.

At December 31, 2024 and 2023, there were no holdings of debt securities of any one issuer, other than the U.S. government and its agencies, in an amount greater than 10.0% of shareholders' equity.

Gross realized gains and losses on the sale of available for sale investment securities were as follows for the year indicated.

	2024	2023
Gross realized gains	$ -	$ -
Gross realized losses	-	(915)
Net realized loss	$ -	$ (915)
Income tax benefit related to net realized loss	$ -	$ 228

The following table summarizes debt securities in an unrealized and unrecognized loss position for which an allowance for credit losses has not been recorded at December 31, 2024 and 2023, aggregated by investment category and length of time that individual securities have been in a continuous unrealized or unrecognized loss position.

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
2024						
Available for sale						
U.S. Treasury securities	$ 14,936	$ (14)	$ 43,087	$ (1,983)	$ 58,023	$ (1,997)
U.S. government sponsored entities and agencies	14,721	(90)	126,150	(4,137)	140,871	(4,227)
Agency mortgage-backed securities – residential	10,295	(69)	107,497	(11,164)	117,792	(11,233)
Agency mortgage-backed securities – commercial	32,505	(585)	9,076	(688)	41,581	(1,273)
States and political subdivisions	-	-	3,119	(11)	3,119	(11)
Corporate debt securities	9,063	(937)	22,093	(316)	31,156	(1,253)
Total available for sale	$ 81,520	$ (1,695)	$ 311,022	$ (18,299)	$ 392,542	$ (19,994)

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrecognized Loss	Fair Value	Unrecognized Loss	Fair Value	Unrecognized Loss
Held to maturity						
Agency mortgage-backed securities – residential	-	-	4,209	(364)	4,209	(364)
Total held to maturity	$ -	$ -	$ 4,209	$ (364)	$ 4,209	$ (364)

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
2023						
Available for sale						
U.S. Treasury securities	$ -	$ -	$ 120,237	$ (4,900)	$ 120,237	$ (4,900)
U.S. government sponsored entities and agencies	299	(1)	157,213	(7,911)	157,512	(7,912)
Agency mortgage-backed securities – residential	12,280	(81)	124,528	(13,222)	136,808	(13,303)
Agency mortgage-backed securities – commercial	9,737	(67)	10,481	(725)	20,218	(792)
States and political subdivisions	2,867	(16)	5,577	(84)	8,444	(100)
Corporate debt securities	$ 9,972	$ (28)	$ 45,639	$ (2,728)	$ 55,611	$ (2,756)
Total available for sale	$ 35,155	$ (193)	$ 463,675	$ (29,570)	$ 498,830	$ (29,763)

	Less than 12 Months		12 Months or More		Total	
Held to maturity	Fair Value	Unrecognized Loss	Fair Value	Unrecognized Loss	Fair Value	Unrecognized Loss
Agency mortgage-backed securities – residential	$ -	$ -	$ 5,199	$ (419)	$ 5,199	$ (419)
Total held to maturity	$ -	$ -	$ 5,199	$ (419)	$ 5,199	$ (419)

Unrealized and unrecognized losses in the tables above have not been recognized into income because the issuers 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. As of December 31, 2024 and 2023, significantly all of the unrealized losses relate to debt securities that consist of both explicit and implicit U.S. government guarantees. The issuers continue to make timely principal and interest payments, and the fair value is expected to recover as the investments approach maturity.

The Company had no provision or allowance for credit losses for held to maturity debt securities during or as of year-end 2024 and 2023. There were no debt securities classified as past due 90 days or more or on nonaccrual status.

NOTE 3 – LOANS

Loans at December 31 were as follows:

	2024	2023
Commercial	$ 488,266	$ 455,840
Commercial real estate	1,673,300	1,526,406
Residential real estate	631,706	609,878
Installment	57,438	84,481
Credit card receivables	13,618	13,603
	2,864,328	2,690,208
Deferred loan fees, net	(3,387)	(3,325)
Allowance for credit losses	(29,857)	(30,012)
Loans, net	$ 2,831,084	$ 2,656,871

The following table presents the activity in the allowance for credit losses by segment of loans for the years ended December 31, 2024 and 2023:

	Commercial	Commercial Real Estate	Residential Real Estate	Installment	Credit Card Receivables	Unallocated	Total
2024							
Allowance for credit losses:							
Beginning balance	$ 6,501	$ 14,448	$ 5,782	$ 2,394	$ 887	$ -	$ 30,012
Provision for credit losses	(509)	2,808	(2,007)	1,158	239	-	1,689
Loans charged off	(99)	-	-	(3,602)	(405)	-	(4,106)
Recoveries	183	8	79	1,942	50	-	2,262
Total ending allowance balance	$ 6,076	$ 17,264	$ 3,854	$ 1,892	$ 771	$ -	$ 29,857
2023							
Allowance for credit losses:							
Beginning balance prior to adoption of ASC Topic 326	$ 4,339	$ 14,132	$ 4,026	$ 2,735	$ 290	$ 744	$ 26,266
Impact of adopting ASC Topic 326	694	(1,812)	1,879	54	488	(744)	559
Provision for credit losses	2,073	2,100	195	2,307	388	-	7,063
Loans charged off	(823)	-	(383)	(4,886)	(327)	-	(6,419)
Recoveries	218	28	65	2,184	48	-	2,543
Total ending allowance balance	$ 6,501	$ 14,448	$ 5,782	$ 2,394	$ 887	$ -	$ 30,012

The following table presents the amortized cost basis of loans on nonaccrual status and loans past due over 90 days still on accrual by class of loans as of December 31, 2024 and 2023:

	Nonaccrual Loans With No Recorded Allowance	Total Nonaccrual	Past Due Over 90 Days and Still Accruing
December 31, 2024			
Commercial	$ 288	$ 305	$ -
Commercial real estate	1,637	1,675	-
Residential real estate	2,567	2,777	846
Installment	573	573	22
Credit card receivables	33	33	7
Total	$ 5,098	$ 5,363	$ 875
December 31, 2023			
Commercial	$ 395	$ 522	$ -
Commercial real estate	2,064	2,064	-
Residential real estate	1,891	2,081	1,214
Installment	801	801	40
Credit card receivables	52	52	12
Total	$ 5,203	$ 5,520	$ 1,266

The Company recognized interest income on nonaccrual loans as follows for the years indicated:

	2024	2023
Commercial	$ 46	$ 32
Commercial real estate	77	65
Residential real estate	104	85
Installment	41	82
Total	$ 268	$ 264

The amount of accrued interest income previously recorded as revenue and subsequently reversed due to the change in accrual status was not material for 2024 or 2023.

The Company designates individually evaluated loans as collateral dependent if repayment of the loan is expected to be provided substantially by the underlying collateral. As allowed by ASC Topic 326, the fair value of the collateral may also be used on loans which are not collateral dependent as a practical expedient. Individually evaluated loans do not share common risk characteristics and are not included within the collectively evaluated loans for determining the allowance for credit losses. The allowance for credit losses is calculated on an individual loan basis based on the shortfall between the fair value of the loan's collateral, which is adjusted for estimated costs to sell and other discounts as applicable, and amortized cost. If the fair value of the collateral exceeds the amortized cost, no allowance is required.

The following table presents the amortized cost basis of collateral dependent loans by class of loans as of December 31, 2024 and 2023:

	Commercial Property	Owner Occupied	Residential First Liens	Residential Junior Liens	Residential Construction
December 31, 2024					
Commercial	$ 230	$ -	$ -	$ -	$ -
Commercial real estate	38	680	425	266	158
Residential real estate	-	-	1,289	425	-
Total	$ 268	$ 680	$ 1,714	$ 691	$ 158
December 31, 2023					
Commercial	$ 200	$ -	$ -	$ -	$ -
Commercial real estate	-	14,294	-	-	-
Residential real estate	-	-	503	373	-
Total	$ 200	$ 14,294	$ 503	$ 373	$ -

The following table presents the aging of the recorded investment in past due loans as of December 31, 2024 and 2023 by class of loans:

	30-89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total
December 31, 2024					
Commercial	$ 180	$ 53	$ 233	$ 488,033	$ 488,266
Commercial real estate	690	463	1,153	1,672,147	1,673,300
Residential real estate	2,628	2,366	4,994	626,712	631,706
Installment	2,172	200	2,372	55,066	57,438
Credit card receivables	97	16	113	13,505	13,618
Total	$ 5,767	$ 3,098	$ 8,865	$ 2,855,463	$ 2,864,328
December 31, 2023					
Commercial	$ 81	$ 133	$ 214	$ 455,626	$ 455,840
Commercial real estate	570	286	856	1,525,550	1,526,406
Residential real estate	516	2,546	3,062	606,816	609,878
Installment	3,663	487	4,150	80,331	84,481
Credit card receivables	162	61	223	13,380	13,603
Total	$ 4,992	$ 3,513	$ 8,505	$ 2,681,703	$ 2,690,208

Modifications: Occasionally, the Company modifies loans to borrowers in financial distress by providing a term extension, interest rate reduction, principal forgiveness, or an other-than-insignificant payment delay. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

In some cases, the Company may provide multiple types of concessions on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. For the loans included in the "combination" columns below, multiple types of modifications have been made on the same loan within the current reporting period.

The following table presents the amortized cost basis of loans at December 31, 2024 and 2023 that were both experiencing financial difficulty and modified during the years ended December 31, 2024 and 2023, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below.

	Term Extension	Payment Delay	Combination Term Extension and Payment Delay	Total Class of Financing Receivable
December 31, 2024				
Commercial real estate	$ -	$ 837	$ -	0.05%
Residential real estate	-	957	-	0.15%
Total	$ -	$ 1,794	$ -	0.08%
December 31, 2023				
Commercial real estate	$ -	$ -	$ 595	0.04%
Residential real estate	174	-	-	0.03%
Total	$ 174	$ -	$ 595	0.04%

The Company has committed to lend additional amounts totaling $142 related to a commercial real estate credit at year-end 2024 to borrowers included in the table above. There were no commitments to lend any additional amounts at year-end 2023.

The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. There was one commercial loan for $38 that had a payment default in 2024 that was modified by an interest rate reduction within 12 months of its modification. There was a group of loans to one commercial real estate credit totaling $405 that had payment defaults in 2024 that was modified by a payment delay within 12 months of its modification.

The Company had one commercial real estate credit modified in 2024 that was past due between 60–89 days at year-end 2024 with a principal balance outstanding of $642. There were no payment defaults in 2023 for loans modified within 12 months of their modification. No modified loans were past due at year-end 2023.

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty for the years ended December 31, 2024 and 2023:

	Weighted Average Payment Delay or Term Extension (months)
2024	
Commercial real estate	9
Residential real estate	3
Total	6
2023	
Commercial real estate	53
Residential real estate	23
Total	46

Credit Quality Indicators: The Company 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 Company analyzes loans individually by classifying the loans as to credit risk. This analysis includes loans with an outstanding balance greater than $100 and non-homogeneous loans, such as commercial, commercial real estate and residential real estate loans, and homogeneous loans that are part of a borrowing relationship. This analysis is performed on a monthly basis. The Company uses the following definitions for risk ratings:

Special Mention. 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.

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. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans. Loans listed as not rated are included in groups of homogeneous loans, such as home equity lines of credit, installment loans, and credit card receivables. Credit quality indicators similar to those described above, including delinquency and other performance indicators, are used for loans that are not rated.

Based on the most recent analysis performed, the risk category of loans by class of loans was as follows:

	Pass	Special Mention	Substandard	Doubtful	Not Rated	Total
December 31, 2024						
Commercial	$ 469,331	$ 18,538	$ 397	$ -	$ -	$ 488,266
Commercial real estate	1,645,021	21,062	7,217	-	-	1,673,300
Residential real estate	490,394	3,608	1,343	-	136,361	631,706
Installment	-	-	-	-	57,438	57,438
Credit card receivables	-	-	-	-	13,618	13,618
	$ 2,604,746	$ 43,208	$ 8,957	$ -	$ 207,417	$ 2,864,328
December 31, 2023						
Commercial	$ 436,664	$ 16,757	$ 2,419	$ -	$ -	$ 455,840
Commercial real estate	1,510,491	3,983	11,932	-	-	1,526,406
Residential real estate	483,559	1,840	1,811	-	122,668	609,878
Installment	-	-	-	-	84,481	84,481
Credit card receivables	-	-	69	-	13,534	13,603
	$ 2,430,714	$ 22,580	$ 16,231	$ -	$ 220,683	$ 2,690,208

Related Party Loans: The Company has entered into loan transactions with its directors, executive officers, significant shareholders and their affiliates (related parties). The aggregate amount of loans to such related parties was $16,879 and $17,558 at December 31, 2024 and 2023, respectively.

NOTE 4 – MORTGAGE BANKING ACTIVITIES

Loans originated for sale in the secondary market and subsequently sold totaled $75,532 and $73,081 during 2024 and 2023, respectively. Proceeds from the sale of loans were $75,872 in 2024 and $74,068 in 2023. Mortgage loans held for sale were $1,674 and $864 at year-end 2024 and 2023. The Company had commitments to originate $2,418 in loans at December 31, 2024, which it intends to sell after the loans are closed.

Loans serviced for others, which are not reported as assets, totaled $37,397 and $38,231 at December 31, 2024 and 2023, respectively.

Activity for mortgage servicing rights included in other assets was as follows:

	2024	2023
Beginning of year	$ 171	$ 220
Originated	33	14
Amortized to expense	(52)	(63)
End of year	$ 152	$ 171

No valuation allowance for impaired servicing rights is considered necessary. The fair value of capitalized mortgage servicing rights was estimated to be $280 and $287 at year-end 2024 and 2023.

NOTE 5 – OTHER REAL ESTATE OWNED

The Company had no Other Real Estate Owned ("OREO") at December 31, 2024 or 2023. There were no loans transferred into OREO or sales of OREO during 2024 or 2023, nor were there any write-downs in either of those periods. During 2023, there were small residual payments to the Company in the amount of $4 for the sale of OREO from a prior period.

At December 31, 2024 and 2023, the recorded investment in mortgage loans secured by residential real estate that were in the process of foreclosure was $409 and $699, respectively.

NOTE 6 – PREMISES AND EQUIPMENT

Premises and equipment at December 31 were as follows:

	2024	2023
Land	$ 2,991	$ 2,991
Buildings and improvements	18,327	18,221
Leasehold improvements	36,663	36,106
Furniture, fixtures and equipment	53,745	51,440
Construction in progress	1,122	1,831
	112,848	110,589
Accumulated deprecation	(91,666)	(87,992)
Operating lease – right-of-use asset	65,691	67,819
Total	$ 86,873	$ 90,416

Depreciation and amortization expense amounted to $3,871 and $4,388 in 2024 and 2023, respectively.

Leases: The Company enters into leases in the normal course of its business. Substantially all of the Company's operating leases are for various branch locations, back-office operations, and its insurance and investment brokerage offices. The Company's leases have remaining terms ranging from one to 25 years, some of which include renewal options to extend the lease in five-year increments for up to 15 years and some of which include options to terminate the lease within 10 years. In addition, the Company had one sublease at December 31, 2024 for vacated space in a branch location. This sublease has a remaining term of less than one year.

Right-of-use assets and lease liabilities by lease type and the associated balance sheet classifications are as follows at December 31:

Lease Type	Balance Sheet Classification	2024	2023
Operating lease – right-of-use asset	Premises and equipment, net	$ 65,691	$ 67,819
Operating lease liability	Other liabilities	68,107	68,933

The components of total lease cost were as follows for the year indicated:

	2024	2023
Operating lease cost	$ 6,753	$ 6,821
Variable lease cost	574	547
Less: Sublease income	114	321
Total lease cost, net	$ 7,213	$ 7,047

Future undiscounted lease payments for lease liabilities with initial terms of one year or more as of December 31, 2024 are as follows:

	Operating Leases
2025	$ 5,878
2026	5,925
2027	5,747
2028	5,461
2029	5,513
Thereafter	78,697
Total undiscounted lease payments	$ 107,221
Less: imputed interest	39,114
Net lease liability	$ 68,107

Supplemental Lease Information	December 31, 2024	December 31, 2023
Operating lease weighted average remaining lease term (years)	18.38	18.99
Operating lease weighted average discount rate	4.69 %	4.63 %
Operating cash flows from operating leases	$ 8,586	$ 9,626
Right-of-use assets obtained in exchange for new operating lease liabilities	1,634	-

NOTE 7 – DEPOSITS

Time deposits that meet or exceed the FDIC insurance limit of $250 at year-end 2024 and 2023 were $320,727 and $266,415, respectively.

Scheduled maturities of time deposits at year-end 2024 were as follows:

2025	$ 600,060
2026	62,170
2027	4,292
2028	2,870
2029	3,190
Thereafter	-
Total	$ 672,582

Deposits from directors and executive officers and companies in which they have beneficial ownership were $14,310 and $16,021 at December 31, 2024 and 2023, respectively.

NOTE 8 – FEDERAL HOME LOAN BANK ADVANCES AND OTHER BORROWINGS

At December 31, advances from the Federal Home Loan Bank ("FHLB") were as follows:

	2024	2023
Maturity of July 31, 2026 at a fixed rate of 4.37% at year-end 2024	$ 25,000	$ -
Maturity of August 2, 2027 at a fixed rate of 3.97% at year-end 2024	25,000	-
Total	$ 50,000	$ -

The FHLB advances above are payable at their maturity date and include a prepayment penalty if paid off earlier than maturity. Each of the advances are borrowed under a blanket lien agreement. The advances are collateralized by FHLB stock and fully disbursed, otherwise unencumbered, 1-4 family residential first mortgage and certain commercial real estate mortgage loans with an aggregate unpaid principal balance of $993,217 and $1,079,167 at December 31, 2024 and 2023, respectively. Based on this collateral and the holding of FHLB stock, the Company is eligible to borrow up to an additional total amount of $427,064 at year-end 2024. The FHLB issues letters of credit on behalf of the Bank as security for certain deposit relationships, as the need arises. Outstanding letters of credit at December 31, 2024 and 2023 were $101,500. There were no outstanding FHLB advances at December 31, 2023.

Federal Funds Purchased and Repurchase Agreements: Federal funds purchased represent unsecured overnight loans from other financial institutions generally at the current federal funds rate. The outstanding balance of such purchased funds mainly reflects excess liquidity held by downstream correspondent banking customers of the Bank. Repurchase agreements represent a funding source primarily used by large commercial customers in connection with cash management accounts that requires the Company to provide a direct pledge from its investment securities portfolio, primarily in the form of U.S. government and agency securities. Both federal funds purchased and repurchase agreements generally mature in one business day.

Federal funds purchased and repurchase agreements were $198,240 and $212,597 at December 31, 2024 and 2023, respectively. The average rate paid for 2024 and 2023 was 1.61% and 0.83%, respectively. Substantially all of the activity and balances are made up of repurchase agreements. The carrying value of securities pledged to secure repurchase agreements was $202,730, and $216,898 at year-end 2024 and 2023.

Subordinated Debentures: In March 2005, Central Bancshares KY Statutory Trust I, a trust formed by the Company, closed a pooled private offering of 15,000 trust preferred securities with a liquidation amount of $1 per security. The Company issued $15,464 of subordinated debentures to the trust in exchange for ownership of all of the common security of the trust and the proceeds of the preferred securities sold by the trust. The Company may redeem the subordinated debentures, in whole or in part, in a principal amount with integral multiples of $1 at 100% of the principal amount, plus accrued and unpaid interest.

The subordinated debentures mature on June 15, 2035. The subordinated debentures are redeemable, in whole or in part from time to time, upon the occurrence of specific events defined within the trust indenture. The Company has the option to defer interest payments on the subordinated debentures from time to time for a period not to exceed five consecutive years. The subordinated debentures have a variable rate of interest equal to the sum of the three-month CME Term Secured Overnight Financing Rate ("SOFR") and 1.75%. The interest rate in effect as of the last determination date for 2024 was 6.37%. The Company's investment in the common stock of the trust was $464 and is included in other assets. The subordinated debentures, net of the Company's investment in the trust, may be included in Tier 1 capital (with certain limitations applicable) under current regulatory guidelines and interpretations.

NOTE 9 – FAIR VALUE

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

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

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

The Company used the following methods and significant assumptions to estimate fair value:

Debt Securities: The fair values for debt securities are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

Individually Evaluated Loans: Loans that do not share similar risk characteristics of their pool are evaluated on an individual basis. At the time a loan is individually evaluated, it is valued at the lower of cost or fair value. Individually evaluated loans carried at fair value generally receive specific allocations of the allowance for credit losses. For collateral dependent loans, fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and the client's business, resulting in a Level 3 fair value classification. Individually evaluated loans are reviewed on a quarterly basis for additional impairment and adjusted accordingly.

Other Real Estate Owned: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

Appraisals for both collateral-dependent loans and other real estate owned are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. Once an appraisal is received, the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison with independent data sources such as recent market data or industry-wide statistics are reviewed. On an annual basis, the Company compares the actual selling price of collateral that has been sold to the most recent appraised value to determine what additional adjustment should be made to the appraisal value to arrive at fair value.

Assets Measured on a Recurring Basis

Assets measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at December 31, Using:		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS (2024):			
Available for sale debt securities:			
U.S. Treasury securities	$ -	$ 58,023	$ -
U.S. government sponsored entities and agencies	-	167,269	-
Agency mortgage-backed securities – residential	-	120,556	-
Agency mortgage-backed securities – commercial	-	41,810	-
States and political subdivisions	-	3,119	-
Corporate debt securities	-	48,329	21,325
ASSETS (2023):			
Available for sale debt securities:			
U.S. Treasury securities	$ -	$ 120,237	$ -
U.S. government sponsored entities and agencies	-	160,282	-
Agency mortgage-backed securities – residential	-	138,190	-
Agency mortgage-backed securities – commercial	-	22,306	-
States and political subdivisions	-	8,444	-
Corporate debt securities	-	57,418	20,463

There were no transfers into or out of Level 3 during 2024 or 2023. There were no purchases of debt securities during 2024 or 2023 classified as Level 3. During 2024, there was a net unrealized gain of $862 recognized in other comprehensive income and $132 of net accretion recognized on debt securities classified as Level 3. During 2023, there was a net unrealized loss of $842 recognized in other comprehensive income and $122 of net accretion recognized on debt securities classified as Level 3.

The following table presents qualitative information about Level 3 fair value measurements for financial instruments measured at fair value on a recurring basis at December 31, 2024 and 2023:

Valuation Techniques	Fair Value	Asset Category	Unobservable Inputs	Range (Weighted Average)
2024				
Indicative quote	$ 21,325	Corporate debt securities	Liquidity discount	0.0% to 10.5% (4.2%)
2023				
Indicative quote	$ 20,463	Corporate debt securities	Liquidity discount	1.0% to 0.6% (0.85%)

Assets Measured on a Non-Recurring Basis

Assets measured at fair value on a non-recurring basis are summarized below:

	Fair Value Measurements at December 31, Using:		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS (2024):			
Individually evaluated loans:			
Mortgage	$ -	$ -	$ 346
ASSETS (2023):			
Individually evaluated loans:			
Mortgage	$ -	$ -	$ 165

Individually evaluated loans that are measured for impairment using the fair value of the collateral had a principal balance of $477, with a valuation allowance of $131 at December 31, 2024, resulting in $106 of additional provision for credit losses for the year ended December 31, 2024. Individually evaluated loans that are measured for impairment using the fair value of the collateral had a principal balance of $190, with a valuation allowance of $25 at December 31, 2023, resulting in $25 of additional provision for credit losses for the year ended December 31, 2023.

Other real estate owned is measured at fair value less estimated costs to sell. At December 31, 2024 and 2023, other real estate owned was zero. There were no write-downs of other real estate owned during either of those years.

The following table presents qualitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at December 31, 2024 and 2023:

Valuation Techniques	Fair Value	Asset Category	Unobservable Inputs	Range (Weighted Average)
2024				
Sales approach	$ 346	All classes of impaired loans	Adjustment for differences between the comparable sales, aging, and specific borrower information	26%–27% (26%)
2023				
Sales approach	$ 165	All classes of impaired loans	Adjustment for differences between the comparable sales, aging, and specific borrower information	25%–25% (25%)

NOTE 10 – INCOME TAXES

The provision for income taxes consists of the following:

	2024	2023
Current income tax expense:		
Federal	$ 6,239	$ 6,902
State	2,322	2,526
Total current income tax expense	8,561	9,428
Deferred income tax expense (benefit):		
Federal	$ (532)	$ (1,634)
State	(145)	(509)
Total deferred income tax expense (benefit)	(677)	(2,143)
Total income tax expense	$ 7,884	$ 7,285

The tax provision is less than that obtained by using the statutory federal income and state tax rates of 21.0% and 5.0%, respectively, due to tax credits generated by the Company's limited partnership interest in nine low-income housing projects, five Community Reinvestment Act related funds with both low-income housing and Historic Rehabilitation tax credit generation, and tax-exempt interest income totaling $3,978 and $3,141 for 2024 and 2023.

Deferred tax assets and liabilities relate principally to unrealized losses on debt securities available for sale, adjustment for retirement plan obligations, premises and equipment, the allowance for credit losses, nonaccrual loans, certain unearned income, and partnership investments.

The Company's deferred tax assets and deferred tax liabilities at December 31 were as follows:

	2024	2023
Deferred tax assets	$ 18,923	$ 20,954
Deferred tax liabilities	(2,551)	(2,113)
	$ 16,372	$ 18,841

Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. In assessing realizability, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences at December 31, 2024; therefore, no valuation allowance for the realization of deferred tax assets is considered necessary.

The Company has no unrecognized tax benefits as of December 31, 2024 and 2023. The Company does not expect the total amount of unrecognized tax benefits to significantly increase or decrease in the next 12 months. Should the accrual of any interest or penalties relative to unrecognized tax benefits be necessary, it is the Company's policy to record such accruals in its income tax expense accounts; no such accruals existed as of December 31, 2024 and 2023.

The Company and its subsidiary file a consolidated U.S. Corporation federal income tax return and a Kentucky Corporation income tax return. The federal return is subject to examination by taxing authorities for all years after 2021 and the Kentucky returns are subject to examination by taxing authorities for all years after 2020.

NOTE 11 – RETIREMENT PLANS

The Company maintains a non-qualified supplemental pension plan ("Supplemental Plan") covering certain key executives, which provides for benefit payments that exceed the limit for deductibility imposed by income tax regulations. The Company curtailed the Supplemental Plan during 2009, fully vesting and freezing participant benefits.

The benefit obligation related to Supplemental Plan, which is unfunded, was $10,656 and $9,390 at December 31, 2024 and 2023, respectively. Net periodic pension costs for the plan were $1,023 and $439 for 2024 and 2023, respectively, and are included in other non-interest expense in the consolidated statements of income. Amounts recognized in accumulated other comprehensive loss related to this plan at December 31, 2024 and 2023 were $1,735 and $1,493, respectively, and were the result of a net actuarial loss in the plan.

Deferred Compensation Plans: The Company maintains deferred compensation plans covering selected directors and key employees. Net deferred compensation expense was $471 in 2024 and $153 in 2023. The accrued liability associated with these plans of $2,568 and $2,097 at December 31, 2024 and 2023 is included in other liabilities. The amount recognized in other comprehensive income was $0 at year-end 2024 and 2023.

Employee Stock Ownership Plan: The Company maintains an employee stock ownership plan (the "ESOP"). Contributions are determined annually by the Board of Directors in amounts not to exceed 15% of the total compensation of all participants. ESOP expense was $3,250 and $3,289 in 2024 and 2023, respectively. As of December 31, 2024 and 2023, a total of 34,889 and 34,947 voting common shares with a fair value of $391 and $360, respectively, were allocated to active participants. In addition, at year-end 2024 and 2023 there were a total of 3,453,025 and 3,458,767 non-voting common shares with a fair value of $38,156 and $35,279 allocated to active participants, as well as $648 and $483 in cash. There were no unallocated shares.

Any participant who receives a distribution of Company stock under the ESOP has the option to require the Company to repurchase the shares at fair value during a defined period within each of the succeeding two years. The total "put" obligation at December 31, 2024 is the fair value of all ESOP shares distributed in 2024 and shares to be distributed in 2025 to participants who had terminated as of year-end 2024. The Company has a right of first refusal with respect to distributed ESOP shares, which requires former participants to offer to sell their shares to the Company before selling them to another purchaser.

401(k) Retirement Plan: The Company has a 401(k) retirement plan. The Company matches a participant's voluntary tax deferred contributions dollar for dollar up to a maximum of 6% of the participant's annual compensation. Additional matching contributions to the plan may be made by the Company at its discretion. The Company made matching contributions totaling $2,148 and $1,994 in 2024 and 2023, respectively. There were no additional matching contributions during 2024 or 2023.

NOTE 12 – REGULATORY MATTERS

The Company and its subsidiaries are subject to comprehensive supervision and regulation that affect virtually all aspects of their operations. The laws and regulations are primarily intended for the protection of depositors, borrowers, and federal deposit insurance funds, and, to a lesser extent, for the protection of stockholders and creditors.

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. The Company is a bank holding company and is subject to regulation by the Federal Reserve. The Bank operates under a state bank charter and is subject to regulation by the Kentucky Department of Financial Institutions and the Federal Deposit Insurance Corporation.

Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available for sale debt securities is not included in computing regulatory capital.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as are asset growth and expansion, and capital restoration plans are required. At year-end 2024 and 2023, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be well capitalized, the Bank must maintain minimum Common Equity Tier 1 Risk-based, Tier 1 Risk-based, Total Risk-based, and Tier 1 Leverage ratios as set forth in the following tables. There are no conditions or events since that notification that management believes have changed the institution's category.

Actual and required capital amounts and ratios, exclusive of the capital conservation buffers, are presented below:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2024						
Total Risk-based Capital[1]						
Company	$ 468,363	14.8%	$ 253,786	8.0%	N/A	N/A
Bank	466,934	14.7	253,822	8.0	$ 317,277	10.0%
Tier 1 Risk-based Capital[1]						
Company	$ 436,279	13.8%	$ 190,340	6.0%	N/A	N/A
Bank	434,850	13.7	190,366	6.0	$ 253,822	8.0%
Common Equity Tier 1 Risk-based Capital[1]						
Company	$ 421,279	13.3%	$ 142,755	4.5%	N/A	N/A
Bank	434,850	13.7	142,775	4.5	$ 206,230	6.5%
Tier 1 Leverage Capital[2]						
Company	$ 436,279	12.0%	$ 145,648	4.0%	N/A	N/A
Bank	434,850	11.9	145,709	4.0	$ 182,136	5.0%
December 31, 2023						
Total Risk-based Capital[1]						
Company	$ 441,304	14.5%	$ 243,024	8.0%	N/A	N/A
Bank	433,966	14.3	243,043	8.0	$ 303,804	10.0%
Tier 1 Risk-based Capital[1]						
Company	$ 408,615	13.5%	$ 182,268	6.0%	N/A	N/A
Bank	401,277	13.2	182,282	6.0	$ 243,043	8.0%
Common Equity Tier 1 Risk-based Capital[1]						
Company	$ 393,615	13.0%	$ 136,701	4.5%	N/A	N/A
Bank	401,277	13.2	136,712	4.5	$ 197,473	6.5%
Tier 1 Leverage Capital[2]						
Company	$ 408,615	11.5%	$ 141,919	4.0%	N/A	N/A
Bank	401,277	11.3	141,967	4.0	$ 177,458	5.0%

[1] Total Risk-based, Tier 1 Risk-based, and Common Equity Tier 1 Risk-based Capital ratios are computed by dividing a bank's Total, Tier 1, or Common Equity Tier 1 Capital, as defined by regulation, by a risk-weighted sum of the bank's assets, with the risk weighting determined by general standards established by regulation.

[2] Tier 1 Leverage ratio is computed by dividing a bank's Tier 1 Capital by its total quarterly average assets, as defined by regulation.

The Company's principal source of funds is dividends received from the Bank. The Bank is subject to the dividend restrictions set forth by Kentucky Revised Statutes. Under such restrictions, a state-chartered bank may not pay dividends in excess of year-to-date net income combined with the preceding two years' undistributed net income or loss unless approval is obtained from the Kentucky Commissioner of Banking.

As of December 31, 2024, $64,992 of Bank retained earnings is available to pay dividends to the Company, subject to ongoing capital and other regulatory requirements.

NOTE 13 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

Some financial instruments, such as loan commitments, credit lines, letters of credit, and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

The contractual amounts of financial instruments with off-balance sheet risk at year-end were as follows:

	2024	2023
Standby letters of credit	$ 23,192	$ 17,340
Commitments to extend credit	$ 394,392	$ 527,226
Unused lines of credit	$ 524,469	$ 539,762

Commitments are generally made for periods of 45 days or less. The Company evaluates each customer's creditworthiness on a case-by-case basis. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

At December 31, 2024 and 2023, the Company had accrued $2,227 and $2,676 in other liabilities for its estimate of credit losses for unfunded loan commitments. This resulted in a credit of $449 to the provision for credit losses for 2024. In accordance with the adoption of ASC Topic 326 on January 1, 2023, the Company established the reserve at $3,282 with an offset to retained earnings on a tax-effected basis with no impact to net income.

NOTE 14 – REVENUE FROM CONTRACTS WITH CUSTOMERS

All of the Company's revenue from contracts with customers in the scope of ASC Topic 606 is recognized within non-interest income. The following table presents the Company's sources of non-interest income for the periods indicated. Amounts in the table are within the scope of ASC Topic 606 unless otherwise noted.

	Years Ended December 31	
	2024	2023
Non-interest income		
Service charges on deposit accounts	$ 5,707	$ 5,911
Mortgage banking income[1]	1,240	891
Card and interchange fees	9,260	8,946
Trust fees	12,051	10,261
Electronic banking	8,207	8,152
Net gain on sales of other real estate owned	-	4
Net loss on sales of available for sale investment securities[1]	-	(915)
Other fees and income:		
Insurance commissions and fees	5,694	6,079
Brokerage commissions and fees	2,420	2,304
Commercial loan fees[1]	513	415
Other	880	852
Total non-interest income	$ 45,972	$ 42,900

[1] Not within the scope of ASC Topic 606.

A description of the Company's revenue streams accounted for under ASC 606 is as follows:

Service Charges on Deposit Accounts: The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees include services such as ATM use fees, stop payment charges, and ACH fees, which are recognized at the time the transaction is executed. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period in which the Company satisfies its performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposit accounts are withdrawn from the customer's account balance.

Card and Interchange Fees: The Company earns interchange and other fees from credit cardholder transactions conducted through the Visa payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized as the performance obligation is satisfied, which is at the point in time the card transaction is authorized.

Trust Fees: The Company earns fees by providing a comprehensive base of traditional services such as trust administration, estate planning and settlement, individual retirement planning, and corporate retirement plan services. These fees are primarily earned and accrued over the period of time the Company provides the contracted services and are generally assessed monthly based on a tiered scale of the market value of the assets of the accounts. Fees are generally paid out of the assets held in the customer's account.

Electronic Banking: The Company earns interchange fees from debit cardholder transactions conducted through the Visa payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and recognized as the performance obligation is satisfied, which is at the point in time the card transaction is authorized.

Net Gain/Loss on Sales and Write-downs of Other Real Estate Owned: The Company records a gain or loss from the sale of other real estate owned when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Company finances the sale of other real estate owned to a buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the asset is derecognized and the gain or loss on the sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on sale, the Company adjusts the transaction price and related gain or loss on sale if a significant financing component is present. The Company may also record an impairment loss after initial foreclosure of a property when the carrying amount exceeds its estimated fair value less costs to sell.

Insurance and Brokerage Commissions and Fees: The Company serves as a broker to third-party carriers to provide a wide range of insurance products such as property and casualty, general liability, individual life and health, employee benefits, title, and annuity products. Insurance commissions and fees are generally recognized at a point in time on the effective date of the policies.

The Company provides investment brokerage services to its customers through a third-party service provider. Transaction fees are assessed at the time of the transaction, with such fees collected and recognized on a monthly basis. Advisory and trail fees are based on the market value of the account and are assessed, collected, and recognized on a quarterly basis. Because the Company acts as an agent in arranging the relationship between the customer and the third-party service provider and does not control the services rendered to the customers, investment brokerage income is presented net of the third-party's related costs.

Other: All other non-interest income represents various other fees, charges, and gains resulting from the Company's operations that are not included elsewhere.

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