
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2024
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number 001-40637

TC Bancshares, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Georgia
(State or Other Jurisdiction of
Incorporation or Organization)

86-2650449
(I.R.S. Employer
Identification Number)

131 South Dawson Street, Thomasville, Georgia
(Address of Principal Executive Office)

31792
(Zip Code)

(229) 226-3221
(Issuer's Telephone Number including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01	TCBC	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Securities Exchange Act:

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Securities Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 10, 2024, 4,229,548 shares of the Registrant's common stock, par value \$0.01 per share, were issued and outstanding.

TC BANCSHARES, INC.

Form 10-Q Quarterly Report

Table of Contents

PART I. FINANCIAL INFORMATION

	Page Number
Item 1. Financial Statements	3
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	28
Item 3. Quantitative and Qualitative Disclosures About Market Risk	39
Item 4. Controls and Procedures	39

PART II. OTHER INFORMATION

Item 1. Legal Proceedings	40
Item 1A. Risk Factors	40
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	40
Item 3. Defaults Upon Senior Securities	40
Item 4. Mine Safety Disclosures	40
Item 5. Other Information	40
Item 6. Exhibits	41
Signature Pages	42

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

**TC BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2024 AND DECEMBER 31, 2023**

	ASSETS	(Unaudited) March 31, 2024	(*) December 31, 2023
Cash and due from banks	\$ 23,830,948	\$ 25,039,214	
Investment securities available-for-sale (amortized cost of \$53,032,453 and \$46,807,212; \$0 allowance for credit losses)	49,124,679	42,964,495	
Other investments	1,667,550	1,629,150	
Mortgage loans held for sale	432,769	289,111	
Loans	381,404,580	376,899,968	
Allowance for credit losses	(4,889,067)	(4,836,878)	
Net loans	376,515,513	372,063,090	
Premises and equipment, net	4,714,647	4,782,760	
Right-of-use asset	1,895,340	1,944,885	
Bank owned life insurance	11,801,705	11,729,019	
Accrued interest receivable and other assets	4,692,523	6,141,545	
Total Assets	\$ 474,675,674	\$ 466,583,269	
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Demand	\$ 47,556,816	\$ 41,571,035	
Interest-bearing demand	51,994,757	52,721,981	
Savings and money markets	176,110,642	164,622,926	
Certificates of deposit	104,625,385	110,952,852	
Total deposits	380,287,600	369,868,794	
Federal Home Loan Bank advances	11,000,000	11,000,000	
Lease liability	2,070,719	2,102,426	
Accrued interest payable and other liabilities	3,477,977	3,977,628	
Total liabilities	396,836,296	386,948,848	
Stockholders' Equity:			
Common stock, \$.01 par value, 20,000,000 shares authorized as of March 31, 2024, and December 31, 2023; 4,321,148 and 4,461,667 shares issued and outstanding as of March 31, 2024, and December 31, 2023, respectively	43,211	44,617	
Additional paid in capital	41,970,845	43,181,994	
Retained earnings	42,329,976	42,863,945	
Accumulated other comprehensive loss	(3,173,776)	(3,125,257)	
Unearned ESOP shares: 333,088 shares unallocated at March 31, 2024, and December 31, 2023	(3,330,878)	(3,330,878)	
Total stockholders' equity	77,839,378	79,634,421	
Total Liabilities and Stockholders' Equity	\$ 474,675,674	\$ 466,583,269	

(*) - Derived from audited financial statements.

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

**TC BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED**

	Three Months Ended March 31,	
	2024	2023
Interest and Dividend Income:		
Interest and fees on loans	\$ 5,227,620	\$ 4,244,634
Interest and dividends on investment securities	510,961	334,068
Interest on deposits with other banks and federal fund sold	306,181	300,619
Total interest and dividend income	6,044,762	4,879,321
Interest Expense:		
Interest on deposits	2,533,091	1,154,629
Interest on borrowings	122,212	107,667
Total interest expense	2,655,303	1,262,296
Net interest income	3,389,459	3,617,025
Provision for Credit Losses		
Net interest income after provision for credit losses	30,000	18,000
Other Income:		
Service charges on deposits accounts	104,556	135,745
Gain on sale of loans	53,658	94,826
Gain on sale of premises and equipment	—	12,086
Bank owned life insurance income	72,686	68,728
Other	7,786	20,393
Total other income	238,686	331,778
Other Expense:		
Salaries and employee benefits	2,094,912	2,062,979
Occupancy and equipment	356,662	237,652
Other real estate owned, net of operations, loss on sales and write-downs	—	(2,767)
Other	1,121,683	1,180,028
Total other expense	3,573,257	3,477,892
Income Before Income Taxes		
Income Tax Expense		
Net Income	<u>\$ 22,237</u>	<u>\$ 332,029</u>

Earnings per share:

Basic	\$ 0.01	\$ 0.07
Diluted	\$ 0.01	\$ 0.07

Weighted Average Shares Outstanding:

Basic	4,361,088	4,974,200
Diluted	4,361,088	4,974,200

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

TC BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
UNAUDITED

	Three Months Ended March 31,	
	2024	2023
Net Income	\$ 22,237	\$ 332,029
Other Comprehensive (Loss) Income,		
Net of Income Taxes:		
Unrealized (losses) gains on securities available-for-sale:		
Holding (losses) gains arising during the period, net of taxes of (\$16,537) and \$96,755, respectively	(48,519)	537,092
Total other comprehensive (loss) income	(48,519)	537,092
Comprehensive (Loss) Income	\$ (26,282)	\$ 869,121

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

TC BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
THREE MONTHS ENDED MARCH 31, 2024 AND 2023
UNAUDITED

	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Unearned ESOP Shares	Total
Balance, December 31, 2022	\$ 50,494	\$ 48,267,762	\$ 45,876,694	\$ (4,305,039)	\$ (1,085,265)	\$ (3,526,812)	\$ 85,277,834
Cumulative change in accounting principle (Note 1)	—	—	(302,504)	—	—	—	(302,504)
Balance, January 1, 2023	50,494	48,267,762	45,574,190	(4,305,039)	(1,085,265)	(3,526,812)	84,975,330
Net income for the three months ended March 31, 2023	—	—	332,029	—	—	—	332,029
Retirement of treasury stock	(752)	(751,519)	(332,994)	—	1,085,265	—	—
Other comprehensive income, net of tax	—	—	—	537,092	—	—	537,092
Balance, March 31, 2023	\$ 49,742	\$ 47,516,243	\$ 45,573,225	\$ (3,767,947)	\$ —	\$ (3,526,812)	\$ 85,844,451
Balance, December 31, 2023	\$ 44,617	\$ 43,181,994	\$ 42,863,945	\$ (3,125,257)	\$ —	\$ (3,330,878)	\$ 79,634,421
Net income	—	—	22,237	—	—	—	22,237
Repurchase of common stock	—	—	—	—	(1,961,396)	—	(1,961,396)
Retirement of treasury stock	(1,406)	(1,403,784)	(556,206)	—	1,961,396	—	—
Other comprehensive loss, net of tax	—	—	—	(48,519)	—	—	(48,519)
Stock based compensation	—	192,635	—	—	—	—	192,635
Balance, March 31, 2024	\$ 43,211	\$ 41,970,845	\$ 42,329,976	\$ (3,173,776)	\$ —	\$ (3,330,878)	\$ 77,839,378

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

TC BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED

	Three Months Ended March 31,	
	2024	2023
Cash Flows from Operating Activities		
Net income	\$ 22,237	\$ 332,029
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, amortization and accretion	136,970	154,491
Lease expense	17,838	36,729
Provision for credit losses	30,000	18,000
Net gain on sale of other real estate owned	—	(8,750)
Gain on sale of premises and equipment	—	(12,086)
Stock based compensation	192,635	—
Increase in cash surrender value of bank owned life insurance	(72,686)	(68,728)
Gain on mortgage loans sold, net	(53,658)	(94,826)
Proceeds from the sale of mortgage loans held for sale	3,018,905	6,158,327
Originations of mortgage loans held for sale	(3,108,905)	(3,978,402)
Change in:		
Accrued interest receivable and other assets	1,465,558	345,049
Accrued interest payable and other liabilities	(276,568)	1,781,227
Net cash provided by operating activities	1,372,326	4,663,060
Cash Flows from Investing Activities		
Net change in interest-bearing deposits in other banks	—	249,000
Purchase of investment securities available-for-sale	(11,687,114)	—
Proceeds from calls, paydowns and maturities of investment securities available-for-sale	5,457,169	145,502
Purchase of other investments	(38,400)	(50,400)
Proceeds from sales of other investment	—	467,500
Net change in loans	(4,482,423)	67,603
Proceeds from sales of other real estate owned	—	639,650
Proceeds from sales of premises and equipment	—	18,500
Purchase of premises and equipment	(64,151)	(935,591)
Net cash (used in) provided by investing activities	(10,814,919)	601,764
Cash Flows from Financing Activities		
Net change in deposits	10,418,806	7,074,505
Repayments of Federal Home Loan Bank advances	—	(11,000,000)
Dividends	(223,083)	(252,469)
Repurchase and retirement of common stock	(1,961,396)	—
Net cash provided by (used in) financing activities	8,234,327	(4,177,964)
Net Change in Cash and Cash Equivalents		
Cash and Cash Equivalents, Beginning of Year	25,039,214	25,545,872
Cash and Cash Equivalents, End of Year	\$ 23,830,948	\$ 26,632,732
Supplement Disclosures of Cash Flow Information:		
Cash paid during the period for interest	\$ 2,765,307	\$ 1,076,907
Non-Cash Investing and Financing Activities:		
Change in unrealized losses on securities-for-sale, net of tax	\$ (48,519)	\$ 537,092
Right-of-use asset recorded in exchange for lease liabilities	\$ —	\$ 1,917,424

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

TC BANCSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
(Unaudited)

NOTE 1 – GENERAL: BASIS OF PRESENTATION

Nature of Operations:

TC Bancshares, Inc. ("Company") is a holding company incorporated under the laws of the State of Georgia in 2021, to serve as the holding company for TC Federal Bank ("Bank"). The Company owns 100% of the outstanding stock of the Bank. The Bank opened in 1934 and was chartered by the Federal Home Loan Bank Board as a mutual savings and loan association owned 100% by its depositors. The Bank currently operates four branch locations; one each in Thomasville, and Savannah, Georgia, as well as in Tallahassee, and Jacksonville, Florida. In addition, the Bank maintains loan production offices in Tallahassee and Jacksonville, Florida. The Bank's primary lending products consist of single-family residential mortgage loans and commercial and multi-family real estate loans. Its deposit products are the primary source of funding. The Bank is regulated by the Office of the Comptroller of the Currency ("OCC") and its deposits are insured by the Federal Deposit Insurance Corporation ("FDIC"). The Bank undergoes periodic examinations by the OCC. The Company is subject to the supervision, examination, and reporting requirements of the Bank Holding Company Act and the regulations of the Board of Governors of the Federal Reserve System (the "Federal Reserve").

Basis of Presentation:

The accounting and financial reporting policies of the Company conform, in all material respects to accounting principles generally accepted in the United States of America ("GAAP") and with general practices within the banking industry. The consolidated financial statements in this Quarterly Report on Form 10-Q have not been audited by an independent registered public accounting firm, but in the opinion of management reflect all necessary adjustments for a fair presentation of the Company's consolidated financial position and consolidated results of operations. All adjustments were of a normal and recurring nature. The consolidated financial statements have been prepared in accordance with GAAP and with the instructions to Form 10-Q adopted by the Securities and Exchange Commission (the "SEC"). Accordingly, the consolidated financial statements do not include all information and footnotes required by GAAP for complete financial presentation and should be read in conjunction with our audited financial statements and notes thereto for the year ended December 31, 2023, included in the Company's 2023 Annual Report on Form 10-K as filed with the SEC. The results of operations for the three months ended March 31, 2024, are not necessarily indicative of the results to be expected for the full year or any future period.

Summary of Significant Accounting Policies:

The accounting and reporting policies of the Company conform to GAAP and general practices within the banking industry. The Notes to Consolidated Financial Statements appearing in the Company's 2023 Annual Report on Form 10-K, which include descriptions of significant accounting policies, as updated by the information contained in this report, should be read in conjunction with these interim financial statements. There have been no material changes or developments in the application of principles or in our evaluation of the accounting estimates and the underlying assumptions or methodologies that we believe to be Critical Accounting Estimates as disclosed in the Company's 2023 Annual Report on Form 10-K.

Allowance for Credit Losses:

On January 1, 2023, the Company adopted Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses (Topic ASC 326): Measurement of Credit Losses on Financial Instruments*, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. In addition, ASC 326 made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities management does not intend to sell or believes that it is more likely than not they will be required to sell.

The Company adopted ASC 326 using the modified retrospective approach for all financial assets measured at amortized cost and off-balance sheet credit exposures. The Company recorded a net reduction of retained earnings of \$302,504 upon adoption. The transition adjustment includes an increase in credit related reserves of \$255,000 for loans plus an increase in credit related reserves of \$149,147 for unfunded commitments net of a corresponding decrease in deferred tax assets of \$101,643.

The allowance for credit losses ("ACL") is evaluated on a regular basis and established through charges to earnings in the form of a provision for credit losses. When a loan or portion of a loan is determined to be uncollectible, the portion deemed uncollectible is charged against the allowance and subsequent recoveries, if any, are credited to the allowance. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

a. Portfolio Segmentation ("Collectively Evaluated Loans")

Portfolio segmentation is defined as the pooling of loans based upon similar risk characteristics such that quantitative methodologies and qualitative adjustment factors for estimating the ACL are constructed for each segment. The Company has identified seven portfolio segments of loans including; real estate - residential, real estate - home equity, real estate - multi-family, real estate - commercial, real estate - construction and land development, consumer loans and commercial and industrial loans.

The ACL for Collectively Evaluated Loans estimate is based upon periodic review of the collectability of the loans quantitatively correlating historical loss experience with reasonable and supportable forecasts using forward looking information. Adjustments to the quantitative evaluation may be made for differences in current or expected qualitative risk characteristics. The Company has determined the nine "universal" qualitative adjustments categories prescribed by the 2006 Interagency Policy Statement are appropriate given their markets and pool of loans. These criteria are evaluated quarterly to ensure additional criteria do not need to be added, nor do the ranges assigned to each category need to be changed. The nine factors are as follows:

1. Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses.
2. Changes in international, national, regional, and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments.
3. Changes in the nature and volume of the portfolio and in the terms of loans.
4. Changes in the experience, ability, and depth of lending management and other relevant staff.
5. Changes in the volume and severity of past-due loans, the volume of non-accrual loans, and the volume and severity of adversely classified or graded loans.
6. Changes in the quality of the institution's loan review system.
7. Changes in the value of underlying collateral for collateral-dependent loans.
8. The existence and effect of any concentrations of credit, and changes in the level of such concentrations.
9. The effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the institution's existing portfolio.

b. Individually Evaluated Loans

The Company establishes a specific reserve for individually evaluated loans which do not share similar risk characteristics with the loans included in the collectively evaluated loan pools. These individually evaluated loans are removed from the pooling approach discussed above for the collectively evaluated loan pools, and may include nonaccrual loans, loan modifications to borrowers with financial difficulty, and other loans as deemed appropriate by management.

c. Available-for-Sale ("AFS") Debt Securities

For AFS securities in an unrealized loss position, management first assesses whether (i) the Company intends to sell, or (ii) it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. If either case is affirmative, any previously recognized allowances are charged-off and the security's amortized cost is written down to fair value through income. If neither case is affirmative, the security is evaluated to determine 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 any 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 is less than the amortized cost basis, a credit loss exists and an ACL 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 ACL is recognized in other comprehensive income. If there were any adjustments to

the allowance, they would be reported in the Company's income statement as a component of credit loss expense. AFS securities are charged-off against the allowance or, in the absence of any allowance, written down through income when deemed uncollectible by management or when either of the aforementioned criteria regarding intent or requirement to sell is met.

d. Accrued Interest Receivable

Upon adoption of ASU 2016-13 and its related amendments on January 1, 2023, the Company made the following elections regarding accrued interest receivable:

- Presenting accrued interest receivable balances within another line item on the consolidated balance sheets labeled "accrued interest receivable and other assets".
- Excluding accrued interest receivable that is included in the amortized cost of financing receivables and debt securities from related disclosure requirements.
- Continuing the Company's policy to write off accrued interest receivable by reversing interest income. The write-off of accrued interest on loans typically occurs upon becoming 90 days past due. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful. Historically, the Company has not experienced uncollectible accrued interest receivable on its investment securities. However, the Company would generally write off accrued interest receivables by reversing interest income if the Company does not reasonably expect to receive payments. Due to the timely manner in which accrued interest receivables are written off, the amounts of such write offs are immaterial.

e. Reserve for Unfunded Commitments

The reserve for unfunded commitments (the "Unfunded Reserve") represents the expected credit losses on off-balance sheet commitments such as unfunded commitments to extend credit and standby letters of credit. However, a liability is not recognized for commitments unconditionally cancellable by the Company. The same segmentation is utilized for off-balance sheet commitments as is applied to the funded loan portfolio. The Unfunded Reserve is recognized as a liability (accrued interest payable and other liabilities in the consolidated balance sheets), with adjustments to the reserve recognized as an expense in other expenses in the consolidated statements of income. The Unfunded Reserve is determined by estimating expected future fundings, under each segment, and applying to the expected loss rates. Expected future fundings are based on historical averages of funding rates (i.e., the likelihood of draws taken) for each loan segment. Management then applies the loss rates that were derived on the funded loan portfolio, by loan segment, to calculate the Unfunded Reserve.

Treasury Stock:

Treasury stock is accounted for by the cost method. Subsequent reissuances are accounted for at average cost. See Note 8 for further discussion.

Earnings per Share:

Basic earnings per share represents income available to common shareholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed in a manner similar to that of basic earnings per share except that the weighted-average number of common shares outstanding is increased to include the number of incremental common shares (computed using the treasury method) that would have been outstanding if all potentially dilutive common stock equivalents were issued during the period. Unallocated employee stock ownership plan shares are not deemed outstanding for earnings per share calculations.

Employee Stock Ownership Plan:

The Company sponsors an employee stock ownership plan ("ESOP") that covers all employees who meet certain service requirements. The Company will make annual contributions to the ESOP in amounts as defined by the plan document. These contributions are used to pay debt service and purchase additional shares. Certain ESOP shares are pledged as collateral for debt.

As the debt is repaid, shares are released from collateral and allocated to active employees, based on the proportion of debt service paid in the year.

In connection with the Company's initial public stock offering, the ESOP borrowed \$3.9 million payable to the Company for the purpose of purchasing shares of the Company's common stock. A total of 391,868 shares were purchased with the loan proceeds. The residual balance of unearned ESOP shares are reflected as a reduction of stockholders' equity on the Company's balance sheet.

Equity Incentive Plan:

On September 21, 2022, the Company's stockholders approved the TC Bancshares, Inc. 2022 Equity Incentive Plan ("Equity Plan") which provides for the grant of stock options, restricted stock awards and other equity awards to our officers, employees, directors, advisors, and consultants. As of March 31, 2024, 357,510 stock options had been granted under the Equity Plan with 143,004 vested and 214,506 unvested. In addition, 156,590 restricted stock awards had been granted with 63,596 vested and 92,994 unvested. The Company accounts for its stock-based compensation plan using a fair value based method whereby compensation cost is measured at the grant date based on the fair value of the award and is recognized over the service period, which is usually the vesting period.

Recently Issued Not Yet Effective Accounting Pronouncements:

In March 2024, the FASB issued ASU 2024-01, *Compensation - Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards*, which clarifies how an entity should apply scope guidance to determine whether a profits interest award should be accounted for in accordance with Topic 718. The guidance is effective for public companies for annual periods beginning after December 15, 2024, and interim periods within those annual periods. For all other entities, the amendments are effective for annual periods beginning after December 15, 2025, and interim periods within those annual periods. Early adoption is permitted. The Company is assessing ASU 2024-01 and its impact on its accounting and disclosures.

Emerging Growth Company Status:

The Company qualifies as an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). For as long as the Company is an emerging growth company, it may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to emerging growth companies. An emerging growth company may elect to use the extended transition period to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies, but must make such election when the company is first required to file a registration statement. The Company has elected to use the extended transition period described above and intends to maintain its emerging growth company status as allowed under the JOBS Act.

Reclassifications:

Certain prior period amounts have been reclassified to conform to the current period presentation.

NOTE 2 - INVESTMENT SECURITIES

Investment securities available-for-sale at March 31, 2024, and December 31, 2023, are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Fair Value as % of Total
March 31, 2024-					
US treasuries	\$ 5,083,796	\$ —	\$ 564,597	\$ 4,519,199	9%
US agency bonds	401,116	—	11,063	390,053	1%
Mortgage-backed securities	21,351,459	27,985	882,170	20,497,274	42%
Collateralized mortgage obligations	14,313,425	—	638,753	13,674,672	28%
Municipal bonds	8,757,657	—	1,331,348	7,426,309	15%
Corporate obligations	3,125,000	—	507,828	2,617,172	5%
	<u>\$ 53,032,453</u>	<u>\$ 27,985</u>	<u>\$ 3,935,759</u>	<u>\$ 49,124,679</u>	<u>100%</u>
December 31, 2023-					
US treasuries	\$ 10,089,682	\$ —	\$ 555,847	\$ 9,533,835	22%
Mortgage-backed securities	10,157,271	43,157	787,592	9,412,836	22%
Collateralized mortgage obligations	14,676,623	—	722,772	13,953,851	33%
Municipal bonds	8,758,636	—	1,292,743	7,465,893	17%
Corporate obligations	3,125,000	—	526,920	2,598,080	6%
	<u>\$ 46,807,212</u>	<u>\$ 43,157</u>	<u>\$ 3,885,874</u>	<u>\$ 42,964,495</u>	<u>100%</u>

The following outlines the unrealized losses and estimated fair value by investment category and length of time that individual securities have been in a continuous unrealized loss position at March 31, 2024, and December 31, 2023:

	March 31, 2024		December 31, 2023	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
Unrealized loss for less than 12 months:				
US treasuries	\$ —	\$ —	\$ —	\$ —
US agency bonds	390,053	11,063	—	—
Mortgage-backed securities	11,121,179	96,599	—	—
Collateralized mortgage obligations	—	—	—	—
Municipal bonds	—	—	—	—
Corporate obligations	—	—	—	—
Total less than 12 months	<u>\$ 11,511,232</u>	<u>\$ 107,662</u>	<u>\$ —</u>	<u>\$ —</u>
Unrealized loss for more than 12 months:				
US treasuries	\$ 4,519,199	\$ 564,597	\$ 9,533,835	\$ 555,847
US agency bonds	—	—	—	—
Mortgage-backed securities	8,383,260	785,571	8,406,330	787,592
Collateralized mortgage obligations	13,674,672	638,753	13,953,851	722,772
Municipal bonds	7,426,309	1,331,348	7,465,893	1,292,743
Corporate obligations	2,617,172	507,828	2,598,080	526,920
Total more than 12 months	<u>\$ 36,620,612</u>	<u>\$ 3,828,097</u>	<u>\$ 41,957,989</u>	<u>\$ 3,885,874</u>
Total	<u>\$ 48,131,844</u>	<u>\$ 3,935,759</u>	<u>\$ 41,957,989</u>	<u>\$ 3,885,874</u>

The unrealized losses on the debt securities arose due to changing interest rates and market conditions and are considered to be temporary because of acceptable investment grades or because the repayment sources of principal and interest are backed by government entities. As of March 31, 2024, and December 31, 2023, all positions within the securities portfolio contained unrealized losses, with the exception of two commercial mortgage-backed securities.

As of March 31, 2024, no ACL has been recognized on AFS securities in an unrealized loss position as management does not believe any of the securities are impaired due to reasons of credit quality. This is based upon management's analysis of the underlying risk characteristics, including credit ratings, and other qualitative factors related to our AFS securities and in consideration of our historical credit loss experience and internal forecasts. The issuers of these securities continue to make timely principal and interest payments under the contractual terms of the securities. Furthermore, management does not have the intent to sell any of the securities classified as AFS in the table above and believes that it is more likely than not that we will not have to

sell any such securities before a recovery of cost. The unrealized losses are due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the securities approach their maturity date or repricing date or if market yields for such investments decline. As of March 31, 2024, and December 31, 2023, accrued interest on investment securities AFS was approximately \$194,000 and \$204,000, respectively.

The amortized cost and estimated fair value of investment securities AFS at March 31, 2024, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because some borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Investment securities with maturities -		
Within 1 year	\$ —	\$ —
1 to 5 years	8,023,280	7,116,677
5 to 10 years	9,344,289	7,836,056
Over 10 years	—	—
Mortgage-backed securities and collateralized mortgage obligations	35,664,884	34,171,946
Total	<u>\$ 53,032,453</u>	<u>\$ 49,124,679</u>

The Company did not sell any investment securities available-for-sale for the three months ended March 31, 2024 or 2023. Securities with market values of approximately \$2.0 million at both March 31, 2024, and December 31, 2023, were pledged to secure public deposits as required by law and for other purposes.

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES

Major classifications of loans, by Call Report Code, at March 31, 2024, and December 31, 2023, are summarized as follows:

	March 31, 2024	Percent	December 31, 2023	Percent
Real estate loans:				
Residential	\$ 148,132,772	38.72%	\$ 148,533,603	39.29%
Home equity	10,897,812	2.85%	11,099,027	2.94%
Multi-family	18,415,043	4.81%	19,137,789	5.06%
Commercial	131,685,609	34.43%	123,572,774	32.69%
Construction and land development	51,680,539	13.51%	55,461,430	14.67%
Total real estate loans	360,811,775		357,804,623	
Consumer loans	3,387,244	0.89%	3,345,453	0.88%
Commercial and industrial loans	18,327,919	4.79%	16,918,558	4.47%
Total loans	382,526,938	100.00%	378,068,634	100.00%
Less: Allowance for credit losses	4,889,067		4,836,878	
Deferred loan fees	1,122,358		1,168,666	
Loans, net	<u>\$ 376,515,513</u>		<u>\$ 372,063,090</u>	

The Company grants loans and extensions of credit to individuals, as well as a variety of firms and corporations throughout its footprint. Although the Company has a diversified loan portfolio, a substantial portion of the loan portfolio is collateralized by improved and unimproved real estate and is dependent on the real estate market.

The Company has divided the loan portfolio into seven portfolio segments, each with different risk characteristics and methodologies for assessing risk. The portfolio segments identified by the Company are real estate - residential, real estate - home equity, real estate - multi-family, real estate - commercial, real estate - construction and land development, consumer loans and commercial and industrial loans.

Real Estate - Residential: The Company originates residential real estate loans for the purchase or refinancing of a mortgage. These loans are primarily collateralized by owner-occupied properties and rental properties located primarily in the Company's market areas.

Real Estate - Home Equity: The Company originates home equity real estate loans to provide home equity lines of credit and closed-end home equity loans. These loans are primarily collateralized by owner-occupied properties located primarily in the Company's market areas.

Real Estate - Multi-family: Multi-family loans consist of loans to finance real estate purchases, refinancings, expansions and improvements to multi-family properties. These loans may be secured by, but are not limited to, first liens on apartments, mobile home parks or other multi-family properties primarily located within the Company's market areas. The Company's underwriting analysis includes credit verification, independent appraisals, a review of the borrower's and borrower's related entities' financial condition, and a detailed analysis of the borrower's underlying cash flows. Multi-family loans are larger than residential or home equity loans and involve greater credit risk. The repayment of these loans largely depends on the results of operations and management of these properties. Adverse economic conditions also affect the repayment ability to a greater extent than residential or home equity real estate loans.

Real Estate - Commercial: Commercial real estate loans consist of loans to finance real estate purchases, refinancings, expansions and improvements to commercial properties. These loans may be secured by first liens on office buildings, farms, retail and mixed-use properties, churches, warehouses and restaurants primarily located within the Company's market areas. The Company's underwriting analysis includes credit verification, independent appraisals, a review of the borrower's and borrower's related entities' financial condition, and a detailed analysis of the borrower's underlying cash flows. Commercial real estate loans are larger than residential loans and involve greater credit risk. The repayment of these loans largely depends on the results of operations and management of these properties. Adverse economic conditions also affect the repayment ability to a greater extent than residential real estate loans.

Real Estate - Construction and land development: These loans are made to borrowers to build commercial structures, a primary or secondary residence and, in some cases, to real estate investors to acquire and develop land. These loans are more difficult to evaluate since they are significantly more vulnerable to changes in economic conditions. In addition, these loans possess a higher degree of credit risk since they are made based on estimates of the future worth of a project and the estimated costs required for completion. The Company limits its overall investment in this portfolio segment due both to management's assessment of risk and certain percentage guidance set by the regulatory agencies.

Consumer: Consumer loans mainly consist of personal loans, revolving credit plans and other loans. The Company's consumer loans may be uncollateralized and rely on the borrower's income for repayment.

Commercial and industrial: Commercial and industrial loans consist generally of business loans and lines of credit to companies in the Company's market area. Commercial and industrial loans are generally used for working capital purposes or for acquiring equipment, inventory or furniture. Such loans are usually collateralized by the financed assets, although a portion may be made on an unsecured basis and contain the guarantee of the business principals. The Company's underwriting analysis consists of a review of the financial statements of the borrower, the lending history of the borrower, the debt service capabilities of the borrower, the projected cash flows of the business, the value of the collateral, if any, and whether the loan is guaranteed by the principals of the borrower. Commercial and industrial loans are typically made on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business, which makes them of higher risk than residential loans and the collateral securing loans may be difficult to appraise and may fluctuate in value based on the success of the business.

As of March 31, 2024, and December 31, 2023, accrued interest on loans was approximately \$1.5 million and \$1.4 million, respectively.

Allowance for Credit Losses:

The Company's estimate of the ACL reflects losses expected over the remaining contractual life of the assets. The following tables present the activity in the ACL by class of loans for the three months ended March 31, 2024, and March 31, 2023.

	Real Estate Loans								
	Residential	Home Equity	Multi-family	Commercial	Construction and Land Development	Consumer loans	Commercial and Industrial loans	Unallocated	Total
Three months ended March 31, 2024									
Allowance for credit losses:									
Beginning balance	\$ 3,077,852	\$ 117,716	\$ 82,293	\$ 1,092,137	\$ 306,149	\$ 27,930	\$ 132,801	\$ —	\$ 4,836,878
Charge-offs	—	—	—	—	—	(4,534)	—	—	(4,534)
Recoveries	9,000	—	—	—	11,345	—	6,378	—	26,723
Provision	(26,203)	6,519	(6,791)	117,271	(63,215)	5,061	(2,642)	—	30,000
Balance at March 31, 2024	<u>\$ 3,060,649</u>	<u>\$ 124,235</u>	<u>\$ 75,502</u>	<u>\$ 08</u>	<u>\$ 9</u>	<u>\$ 28,457</u>	<u>\$ 7</u>	<u>\$ —</u>	<u>\$ 4,889,067</u>
Three months ended March 31, 2023									
Allowance for credit losses:									
Beginning balance	\$ 1,960,955	\$ 186,733	\$ 225,869	\$ 1,632,241	\$ 264,589	\$ 615	\$ 81,182	\$ 9,994	\$ 4,362,178
ASC 326 adoption	1,028,700	(27,875)	(68,217)	(694,135)	(102,349)	48,540	80,330	(9,994)	255,000
Charge-offs	—	—	—	—	—	(5,681)	(77,940)	—	(83,621)
Recoveries	11,553	—	—	—	11,345	534	64,621	—	88,053
Provision	77,459	(10,204)	(33,607)	48,689	16,136	(36,766)	(43,707)	—	18,000
Balance at March 31, 2023	<u>\$ 3,078,667</u>	<u>\$ 148,654</u>	<u>\$ 124,045</u>	<u>\$ 5</u>	<u>\$ 1</u>	<u>\$ 7,242</u>	<u>\$ 6</u>	<u>\$ —</u>	<u>\$ 4,639,610</u>

As described in Note 1 General: Basis of Presentation, the Company adopted ASU 2016-13 on January 1, 2023, which introduced the CECL methodology for estimating all expected losses over the life of a financial asset. The primary reason for the increase in required ACL was to capture the expected lifetime losses of the portfolio, which was previously measured under an incurred loss model.

The Company uses the weighted-average remaining maturity (WARM) method as the basis for the estimation of expected credit losses. The WARM method uses a historical average annual charge-off rate containing loss content over a historical lookback period and is used as a foundation for estimating the credit loss reserve for the remaining outstanding balances of loans in a segment at the balance sheet date. The average annual charge-off rate is applied to the contractual term, further adjusted for estimated prepayments, to determine the unadjusted historical charge-off rate. The calculation of the unadjusted historical charge-off rate is then adjusted, using qualitative factors described in Note 1, for current conditions and for reasonable and supportable forecast periods. Qualitative loss factors are based on the Company's judgment of the Company, market, industry or business specific data, differences in loan-specific risk characteristics such as underwriting standards, portfolio mix, risk grades, delinquency level or term. These qualitative factors serve to compensate for additional areas of uncertainty inherent in the portfolio that are not reflected in the Company's historical loss factors. Additionally, the Company has adjusted for changes in expected environmental and economic conditions, such as changes in unemployment rates, property values and other relevant factors over the next 12 to 24 months. Management adjusted the historical loss experience for these expectations. No reversion adjustments were necessary, as the starting point for the Company's estimate was a cumulative loss rate covering the expected contractual term of the portfolio.

The ACL is measured on a collective segment basis when similar risk characteristics exist. Our loan portfolio is segmented first by the seven portfolio segments described above, and second, by internally identified risk grades (see description below). Consistent forecasts of the loan drivers are used across the loan segments. For loans that do not share general risk characteristics with segments, we estimate a specific reserve on an individual basis. A reserve is recorded when the carrying amount of the loan

exceeds the discounted estimated cash flows using the loan's initial effective interest rate or the fair value of collateral for collateral-dependent loans.

The Company closely monitors economic conditions and loan performance trends to manage and evaluate the exposure to credit risk. Key factors tracked by the Company and utilized in evaluating the credit quality of the loan portfolio include trends in delinquency ratios, the level of nonperforming assets, borrower's repayment capacity and collateral coverage.

The following table presents information relative to individually and collectively evaluated loans by portfolio segment as of March 31, 2024, and December 31, 2023:

	Loans		Allowance for credit losses	
	Individually evaluated	Collectively evaluated	Individually evaluated	Collectively evaluated
March 31, 2024 -				
Real estate loans:				
Residential	\$ 494,534	\$ 147,638,238	\$ —	\$ 3,060,649
Home equity	—	10,897,812	—	124,235
Multi-family	—	18,415,043	—	75,502
Commercial	—	131,685,609	—	1,209,408
Construction and development	—	51,680,539	—	254,279
Total real estate loans	494,534	360,317,241	—	4,724,073
Consumer loans	—	3,387,244	—	28,457
Commercial and industrial loans	728,833	17,599,086	69,660	66,877
Total	\$ 1,223,367	\$ 381,303,571	\$ 69,660	\$ 4,819,407
December 31, 2023 -				
Real estate loans:				
Residential	\$ 512,611	\$ 148,020,992	\$ —	\$ 3,077,852
Home equity	47,078	11,051,949	4,986	112,730
Multi-family	—	19,137,789	—	82,293
Commercial	—	123,572,774	—	1,092,137
Construction and development	—	55,461,430	—	306,149
Total real estate loans	559,689	357,244,934	4,986	4,671,161
Consumer loans	—	3,345,453	—	27,930
Commercial and industrial loans	728,483	16,190,075	69,660	63,141
Total	\$ 1,288,172	\$ 376,780,462	\$ 74,646	\$ 4,762,232

Collateral-Dependent Loans:

A loan is considered collateral dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The following table present collateral dependent loans by portfolio segment and collateral type, including those loans with and without a related allowance allocation as of March 31, 2024, and December 31, 2023.

	Collateral Type			Without an Allowance	With an Allowance	Allowance Allocation			
	Real Estate	Other Business Assets	Total						
March 31, 2024 -									
Real estate loans:									
Residential	\$ 494,534	\$ —	\$ 494,534	\$ 494,534	\$ —	\$ —			
Home equity	—	—	—	—	—	—			
Multi-family	—	—	—	—	—	—			
Commercial	—	—	—	—	—	—			
Construction and land development	—	—	—	—	—	—			
Total real estate loans	494,534	—	494,534	494,534	—	—			
Consumer loans	—	—	—	—	—	—			
Commercial and industrial loans	—	728,833	728,833	48,886	679,947	69,660			
Total	\$ 494,534	\$ 728,833	\$ 1,223,367	\$ 543,420	\$ 679,947	\$ 69,660			
December 31, 2023 -									
Real estate loans:									
Residential	\$ 512,611	\$ —	\$ 512,611	\$ 512,611	\$ —	\$ —			
Home equity	47,078	—	47,078	29,078	18,000	4,986			
Multi-family	—	—	—	—	—	—			
Commercial	—	—	—	—	—	—			
Construction and land development	—	—	—	—	—	—			
Total real estate loans	559,689	—	559,689	541,689	18,000	4,986			
Consumer loans	—	—	—	—	—	—			
Commercial and industrial loans	—	728,483	728,483	48,536	679,947	69,660			
Total	\$ 559,689	\$ 728,483	\$ 1,288,172	\$ 590,225	\$ 697,947	\$ 74,646			

Past Due and Nonaccrual Loans:

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

	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total	Non-accrual
March 31, 2024 -							
Real estate loans:							
Residential	\$ 183,273	\$ 164,057	\$ 11,241	\$ 358,571	\$ 147,774,201	\$ 148,132,772	\$ 494,534
Home equity	—	—	—	—	10,897,812	10,897,812	—
Multi-family	—	—	—	—	18,415,043	18,415,043	—
Commercial	—	2,742,136	—	2,742,136	128,943,473	131,685,609	—
Construction and land development	—	—	—	—	51,680,539	51,680,539	—
Total real estate loans	183,273	2,906,193	11,241	3,100,707	357,711,068	360,811,775	494,534
Consumer loans	—	—	—	—	3,387,244	3,387,244	—
Commercial and industrial loans	—	—	—	—	18,327,919	18,327,919	728,833
	<u>\$ 183,273</u>	<u>\$ 2,906,193</u>	<u>\$ 11,241</u>	<u>\$ 3,100,707</u>	<u>\$ 379,426,231</u>	<u>\$ 382,526,938</u>	<u>\$ 1,223,367</u>
December 31, 2023 -							
Real estate loans:							
Residential	\$ 153,793	\$ 89,089	\$ 11,951	\$ 254,833	\$ 148,278,770	\$ 148,533,603	\$ 512,611
Home equity	—	—	47,078	47,078	11,051,949	11,099,027	47,078
Multi-family	—	—	—	—	19,137,789	19,137,789	—
Commercial	—	—	—	—	123,572,774	123,572,774	—
Construction and land development	—	—	—	—	55,461,430	55,461,430	—
Total real estate loans	153,793	89,089	59,029	301,911	357,502,712	357,804,623	559,689
Consumer loans	—	993	—	993	3,344,460	3,345,453	—
Commercial and industrial loans	—	—	—	—	16,918,558	16,918,558	728,483
	<u>\$ 153,793</u>	<u>\$ 90,082</u>	<u>\$ 59,029</u>	<u>\$ 302,904</u>	<u>\$ 377,765,730</u>	<u>\$ 378,068,634</u>	<u>\$ 1,288,172</u>

As of March 31, 2024, and December 31, 2023, there were no loans greater than 90 days past due and still accruing.

As of March 31, 2024, there was one individually evaluated nonaccrual commercial and industrial loan with a balance of \$680,000 that had a related specific reserve of \$70,000. As of December 31, 2023, there were two individually evaluated nonaccrual loans with a combined related specific reserve of \$75,000.

Loan Restructurings:

As of January 1, 2023, the Company adopted the accounting guidance in ASU 2022-02 which eliminates the recognition and measurement of troubled debt restructurings ("TDRs"). Due to the removal of the TDR designation, the Company evaluates all loan restructurings according to the accounting guidance for loan modifications to determine if the restructuring results in a new loan or a continuation of the existing loan. Loan modifications to borrowers experiencing financial difficulty that result in a direct change in the timing or amount of contractual cash flows include situations where there is a principal forgiveness, interest rate reduction, other-than-insignificant payment delay, term extension, or combinations of the listed modifications. Therefore, the disclosures related to loan restructurings are only for modifications that directly affect cash flows.

A loan that is considered a restructured loan may be subject to the individually evaluated loan analysis; otherwise, the restructured loan remains in the appropriate segment in the ACL model and associated reserves are adjusted based on changes in the discounted cash flows resulting from the modification of the restructured loan. For a discussion with respect to reserve calculations regarding individually evaluated loans refer to the *Assets Recorded at Fair Value on a Nonrecurring Basis* section of Note 7, Fair Value Measurement, in the Notes to Consolidated Financial Statements in Item I of this Quarterly Report on Form 10-Q.

During the three months ended March 31, 2024, the Company has modified an additional loan for a borrower experiencing financial difficulty. As of March 31, 2024, this loan had an outstanding balance of \$10,000 and a specific reserve of \$0. Since the adoption of ASU 2022-02 the Company has modified a total of two loans for borrowers with financial difficulties. As of the end of the first quarter of 2024, the outstanding balance of these loans totaled \$690,000 with specific reserves of \$70,000.

Prior to our adoption of ASU 2022-02, the Company accounted for a modification to the contractual terms of a loan that resulted in granting a concession to a borrower experiencing financial difficulties as TDRs. The Company had identified six loans as TDRs prior to the adoption of ASU 2022-02. These loans had a total outstanding principal balance of \$334,000 at the end of the first quarter of 2024. Two of these loans, with outstanding balances totaling \$48,000 and with no required specific reserves, were included in individually analyzed loans and were nonaccruing at March 31, 2024.

The Company offered various types of concessions when modifying a loan. Concessions made to the original contractual term of the loan typically consisted of the deferral of interest and/or principal payments due to deterioration in the borrowers' financial condition. In these cases, the principal balance on the TDR had matured and/or was in default at the time of the restructure, and there were no commitments to lend additional funds to the borrower during the three months ended March 31, 2024, and 2023.

None of the modified loans defaulted during the three months ended March 31, 2024.

Credit Quality:

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 is performed on a continuous basis. The Company uses the following definitions for its risk ratings:

Special Mention. Evidence of financial deterioration exists, or file documentation is inadequate or not available to determine the borrower's financial status or ability to repay. The loan possesses potential weakness which may, if not reversed or corrected, weaken the credit or inadequately protect the Company's position.

Substandard. A well-defined weakness or weaknesses exists that jeopardizes the liquidation of the debt. The loan is characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful. All of the weaknesses of a substandard loan exist, with the added characteristic that the weaknesses jeopardize the collection and/or liquidation of the debt. Loss exposure, while evident, is not clearly determinable. Special workout negotiations and/or litigation should be initiated.

Loss. Considered uncollectible in full and of such little value that its continuance as a bankable asset is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this asset even though partial recovery may be achieved in the future.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be Pass rated loans. As of March 31, 2024, and December 31, 2023, and based on the most recent analysis performed, the risk category of loans by class of loans and origination year is as follows:

	Amortized cost basis by origination year							Revolving Loans	Total
	2024	2023	2022	2021	2020	Prior			
March 31, 2024 -									
Real estate loans:									
Residential									
Pass	\$ 706,053	\$ 14,556,580	\$ 56,543,215	\$ 23,153,688	\$ 12,633,420	\$ 36,838,000	\$ 1,911,323	\$ 146,342,279	
Special Mention	—	—	—	—	—	—	—	—	
Substandard	—	—	592,887	—	99,890	447,716	650,000	1,790,493	
Total residential	706,053	14,556,580	57,136,102	23,153,688	12,733,310	37,285,716	2,561,323	148,132,772	
YTD Gross Charge-offs	—	—	—	—	—	—	—	—	
Home equity									
Pass	—	—	—	—	—	—	10,869,916	10,869,916	
Special Mention	—	—	—	—	—	—	—	—	
Substandard	—	—	—	—	—	—	27,896	27,896	
Total home equity	—	—	—	—	—	—	10,897,812	10,897,812	
YTD Gross Charge-offs	—	—	—	—	—	—	—	—	
Multi-family									
Pass	—	386,914	947,811	3,707,859	6,258,769	7,113,690	—	18,415,043	
Special Mention	—	—	—	—	—	—	—	—	
Substandard	—	—	—	—	—	—	—	—	
Total multi-family	—	386,914	947,811	3,707,859	6,258,769	7,113,690	—	18,415,043	
YTD Gross Charge-offs	—	—	—	—	—	—	—	—	
Commercial									
Pass	5,424,452	27,270,476	16,390,063	24,069,366	13,404,101	36,011,280	104,946	122,674,684	
Special Mention	—	—	—	—	—	3,585,652	—	3,585,652	
Substandard	—	—	—	484,935	2,742,136	—	2,198,202	5,425,273	
Total commercial	5,424,452	27,270,476	16,390,063	24,554,301	16,146,237	39,596,932	2,303,148	131,685,609	
YTD Gross Charge-offs	—	—	—	—	—	—	—	—	
Construction and land development									
Pass	2,471,281	22,327,003	6,931,728	8,089,172	52,123	2,012,393	9,738,892	51,622,592	
Special Mention	—	—	—	—	—	7,866	—	7,866	
Substandard	—	—	—	—	—	50,081	—	50,081	
Total construction and land development	2,471,281	22,327,003	6,931,728	8,089,172	52,123	2,070,340	9,738,892	51,680,539	
YTD Gross Charge-offs	—	—	—	—	—	—	—	—	
Total real estate loans									
	8,601,786	64,540,973	81,405,704	59,505,020	35,190,439	86,066,678	25,501,175	360,811,775	
Consumer loans									
Pass	242,463	2,656,549	287,681	62,043	34,850	64,908	38,750	3,387,244	
Special Mention	—	—	—	—	—	—	—	—	
Substandard	—	—	—	—	—	—	—	—	
Total consumer loans	242,463	2,656,549	287,681	62,043	34,850	64,908	38,750	3,387,244	
YTD Gross Charge-offs	—	4,534	—	—	—	—	—	4,534	
Commercial and industrial loans									
Pass	2,274,471	2,304,213	3,453,363	1,202,440	1,303,549	1,069,239	2,279,532	13,886,807	
Special Mention	—	—	—	—	—	—	—	—	
Substandard	200,707	372,233	1,317,425	2,501,861	—	—	48,886	4,441,112	
Total commercial and industrial loans	2,475,178	2,676,446	4,770,788	3,704,301	1,303,549	1,069,239	2,328,418	18,327,919	
YTD Gross Charge-offs	—	—	—	—	—	—	—	—	
	\$ 11,319,427	\$ 69,873,968	\$ 86,464,173	\$ 63,271,364	\$ 36,528,838	\$ 87,200,825	\$ 27,868,343	\$ 382,526,938	
YTD Gross Charge-offs	\$ —	\$ 4,534	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,534	

	Amortized cost basis by origination year							Revolving Loans	Total
	2023	2022	2021	2020	2019	Prior			
December 31, 2023 -									
Real estate loans:									
Residential									
Pass	\$ 14,694,776	\$ 57,063,833	\$ 23,699,662	\$ 12,943,574	\$ 5,972,902	\$ 31,534,700	\$ 1,162,823	\$ 147,072,270	
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	595,374	—	103,571	103,813	358,575	300,000	1,461,333	
Total residential	14,694,776	57,659,207	23,699,662	13,047,145	6,076,715	31,893,275	1,462,823	148,533,603	
YTD Gross Charge-offs	—	—	—	—	—	—	—	—	—
Home equity									
Pass	—	—	—	—	—	—	—	11,051,949	11,051,949
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	47,078	47,078	
Total home equity	—	—	—	—	—	—	—	11,099,027	11,099,027
YTD Gross Charge-offs	—	—	—	—	—	—	—	—	—
Multi-family									
Pass	700,663	954,603	3,763,531	6,310,552	879,044	6,529,396	—	19,137,789	
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total multi-family	700,663	954,603	3,763,531	6,310,552	879,044	6,529,396	—	19,137,789	
YTD Gross Charge-offs	—	—	—	—	—	—	—	—	—
Commercial									
Pass	21,791,642	15,233,118	24,305,955	13,608,050	19,709,850	20,421,922	74,946	115,145,483	
Special Mention	—	—	—	—	—	3,605,149	—	3,605,149	
Substandard	—	—	491,804	2,742,136	—	—	1,588,202	4,822,142	
Total commercial	21,791,642	15,233,118	24,797,759	16,350,186	19,709,850	24,027,071	1,663,148	123,572,774	
YTD Gross Charge-offs	—	—	—	—	—	—	—	—	—
Construction and land development									
Pass	25,084,297	9,150,217	8,140,282	53,356	31,944	2,118,212	10,821,270	55,399,578	
Special Mention	—	—	—	—	—	10,416	—	10,416	
Substandard	—	—	—	—	—	51,436	—	51,436	
Total construction and land development	25,084,297	9,150,217	8,140,282	53,356	31,944	2,180,064	10,821,270	55,461,430	
YTD Gross Charge-offs	—	—	—	—	—	—	—	—	—
Total real estate loans	62,271,378	82,997,145	60,401,234	35,761,239	26,697,553	64,629,806	25,046,268	357,804,623	
Consumer loans									
Pass	2,813,398	313,560	68,213	42,768	43,689	23,673	40,152	3,345,453	
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total consumer loans	2,813,398	313,560	68,213	42,768	43,689	23,673	40,152	3,345,453	
YTD Gross Charge-offs	28,198	5,681	—	—	—	—	—	—	33,879
Commercial and industrial loans									
Pass	2,168,653	2,730,858	1,272,875	8	334,685	881,462	3,589,607	12,524,348	
Special Mention	288,188	—	2,596,029	—	—	—	—	2,884,217	
Substandard	105,369	1,356,088	—	—	—	—	48,536	1,509,993	
Total commercial and industrial loans	2,562,210	4,086,946	3,868,904	8	334,685	881,462	3,638,143	16,918,558	
YTD Gross Charge-offs	—	77,940	—	—	—	—	—	77,940	
	\$ 67,646,986	\$ 87,397,651	\$ 64,338,351	\$ 37,350,215	\$ 27,075,927	\$ 65,534,941	\$ 28,724,563	\$ 378,068,634	
YTD Gross Charge-offs	\$ 28,198	\$ 83,621	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 111,819	

There were no loans classified in the "doubtful" or "loss" risk rating categories as of the periods ended March 31, 2024 and December 31, 2023.

NOTE 4 - FEDERAL HOME LOAN BANK ADVANCES AND OTHER BORROWINGS

The following advances from the Federal Home Loan Bank ("FHLB") were outstanding as of March 31, 2024, and December 31, 2023:

Advance Date	Amount	Rate	Interest Rate	Maturity	Call Feature
March 31, 2024 -					
May 16, 2023	\$ 5,000,000	Fixed	4.00%	May 15, 2026	N/A
November 16, 2023	3,000,000	Fixed	4.77%	November 16, 2026	N/A
November 16, 2023	3,000,000	Fixed	4.68%	November 16, 2027	N/A
	<u>\$ 11,000,000</u>				
December 31, 2023 -					
May 16, 2023	\$ 5,000,000	Fixed	4.00%	May 15, 2026	N/A
November 16, 2023	3,000,000	Fixed	4.77%	November 16, 2026	N/A
November 16, 2023	3,000,000	Fixed	4.68%	November 16, 2027	N/A
	<u>\$ 11,000,000</u>				

FHLB advances are collateralized by the Company's FHLB stock and a blanket lien on certain loans with a lendable collateral value of approximately \$79.7 million and \$80.8 million at March 31, 2024, and December 31, 2023, respectively. Given its pledged collateral position, the Company had approximately \$60.7 million and \$69.8 million in borrowing capacity with the FHLB at March 31, 2024, and December 31, 2023, respectively.

Unsecured federal funds lines of credit totaling \$28.5 million were available to the Company for overnight borrowing through correspondent banks at both March 31, 2024, and December 31, 2023. The Company also had approximately \$26.5 million and \$24.8 million in available borrowing capacity through the Federal Reserve Bank of Atlanta at March 31, 2024, and December 31, 2023, respectively. There were no borrowings against these facilities at March 31, 2024, or December 31, 2023. The available borrowings with the Federal Reserve Bank are collateralized by a blanket lien on certain loans with a carrying value of approximately \$37.8 million and \$35.2 million at March 31, 2024 and December 31, 2023, respectively.

NOTE 5 - COMMITMENTS

Credit Related Financial Instruments:

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

The Company's exposure to a credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. In most cases, the Company requires collateral or other security to support financial instruments with credit risk.

	March 31, 2024	December 31, 2023
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	\$ 56,122,000	\$ 47,871,000
Stand-by letters of credit	<u>\$ 719,000</u>	<u>\$ 719,000</u>

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

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to businesses within the Company's trade area.

The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company holds real estate and assignments of deposit accounts as collateral supporting those commitments for which collateral is deemed necessary. The extent of collateral held for these commitments at March 31, 2024, and December 31, 2023, varies.

The Company maintains an ACL on unfunded lending commitments and letters of credit to provide for the risk of loss inherent in these arrangements. The allowance is computed using a methodology similar to that used to determine the ACL for loans, modified to take into account the probability of a drawdown on the commitment. The ACL on unfunded loan commitments is classified as a liability account on the balance sheet within other liabilities, while the corresponding provision for these credit losses is recorded as a component of other expense. The allowance for credit losses on unfunded commitments was approximately \$167,000 and \$140,000 at March 31, 2024, and December 31, 2023, respectively.

NOTE 6 - REGULATORY MATTERS

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

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

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

The Bank's actual capital amounts and ratios, and minimum amounts under current regulatory standards, as of March 31, 2024, and December 31, 2023, are presented in the following table:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount (Dollars in Thousands)	Ratio	Amount	Ratio
March 31, 2024:						
Common Equity Tier 1 Capital to Risk-Weighted Assets	\$ 68,662	19.31%	\$ 15,998	4.50%	\$ 23,108	6.50%
Total Capital to Risk- Weighted Assets	\$ 73,113	20.57%	\$ 28,440	8.00%	\$ 35,550	10.00%
Tier 1 Capital to Risk- Weighted Assets	\$ 68,662	19.31%	\$ 21,330	6.00%	\$ 28,440	8.00%
Tier I Capital to Average Assets	\$ 68,662	14.56%	\$ 18,867	4.00%	\$ 23,584	5.00%
December 31, 2023:						
Common Equity Tier 1 Capital to Risk-Weighted Assets	\$ 68,463	19.71%	\$ 15,631	4.50%	\$ 22,578	6.50%
Total Capital to Risk- Weighted Assets	\$ 72,812	20.96%	\$ 27,788	8.00%	\$ 34,735	10.00%
Tier 1 Capital to Risk- Weighted Assets	\$ 68,463	19.71%	\$ 20,841	6.00%	\$ 27,788	8.00%
Tier I Capital to Average Assets	\$ 68,463	15.16%	\$ 18,068	4.00%	\$ 22,585	5.00%

NOTE 7 - FAIR VALUE MEASUREMENT

The Company utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. From time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as impaired loans and other real estate owned. These nonrecurring fair value adjustments typically involve application of the lower of cost or market accounting or write-downs of individual assets. Additionally, the Company is required to disclose, but not record, the fair value of other financial instruments.

Fair Value Hierarchy

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

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

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

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

Assets Recorded at Fair Value on a Recurring Basis. The table below presents the recorded amount of assets measured at fair value on a recurring basis as of March 31, 2024, and December 31, 2023, all of which consisted of investment securities available-for-sale:

	Level 1	Level 2	Level 3	Total
March 31, 2024:				
US treasuries	\$ —	\$ 4,519,199	\$ —	\$ 4,519,199
US agency bonds	—	390,053	—	390,053
Mortgage-backed securities	—	20,497,274	—	20,497,274
Collateralized mortgage obligations	—	13,674,672	—	13,674,672
Municipal bonds	—	7,426,309	—	7,426,309
Corporate obligations	—	2,617,172	—	2,617,172
Investment securities available-for-sale	\$ —	\$ 49,124,679	\$ —	\$ 49,124,679
December 31, 2023:				
US treasuries	\$ —	\$ 9,533,835	\$ —	\$ 9,533,835
Mortgage-backed securities	—	9,412,836	—	9,412,836
Collateralized mortgage obligations	—	13,953,851	—	13,953,851
Municipal bonds	—	7,465,893	—	7,465,893
Corporate obligations	—	2,598,080	—	2,598,080
Investment securities available-for-sale	\$ —	\$ 42,964,495	\$ —	\$ 42,964,495

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

	Level 1	Level 2	Level 3	Total
March 31, 2024:				
Other real estate owned	\$ —	\$ —	\$ —	\$ —
Individually evaluated loans	—	—	610,287	610,287
	\$ —	\$ —	\$ 610,287	\$ 610,287
December 31, 2023:				
Other real estate owned	\$ —	\$ —	\$ —	\$ —
Individually evaluated loans	—	—	623,301	623,301
	\$ —	\$ —	\$ 623,301	\$ 623,301

The following tables show significant unobservable inputs used in the fair value measurement of Level 3 assets:

	Fair Value	Valuation Technique	Unobservable Inputs	Weighted Average Discount
March 31, 2024:				
Other real estate owned	\$ —	Third party appraisals and sales contracts	Collateral values, market discounts and estimated costs to sell	—
Individually evaluated loans	\$ 610,28	Third party appraisals and discounted cash flows	Collateral values, market discounts and estimated costs to sell	10%
December 31, 2023:				
Other real estate owned	\$ —	Third party appraisals and sales contracts	Collateral values, market discounts and estimated costs to sell	—
Individually evaluated loans	\$ 623,30	Third party appraisals and discounted cash flows	Collateral values, market discounts and estimated costs to sell	11%

The following methods and assumptions were used to estimate the fair value of each class of assets and liabilities either recorded or disclosed at fair value.

Cash and Cash Equivalents. The carrying value of cash and cash equivalents is a reasonable estimate of fair value.

Investment Securities Available-for-Sale. Investment securities available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange and U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter market funds. Level 2 securities include mortgage-backed securities and collateralized mortgage obligations issued by government sponsored enterprises and state, county and municipal bonds. Securities classified as Level 3 include asset-backed securities in less liquid markets.

Other Investments. Other investments consist of FHLB and Federal Reserve Bank stock whose carrying value approximates its fair value.

Mortgage Loans Held for Sale. The estimated fair value of mortgage loans held for sale, classified within Level 2, is approximated by the carrying value, given the short-term nature of the loans and similarly to what secondary markets are currently offering for portfolios of loans with similar characteristics.

Loans. The Company does not record loans at fair value on a recurring basis. However, from time to time, a loan is individually evaluated and a specific allocation is established within the allowance for credit losses. Loans for which it is probable that payment of interest and/or principal will not be made in accordance with the contractual terms of the loan agreement are individually evaluated. Once a loan is identified as needing to be individually evaluated, management measures the loan using one of three methods, including collateral value, market value of similar debt, and discounted cash flows. Those individually evaluated loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. Individually evaluated loans in which an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price, the Company records the individually evaluated loan as nonrecurring Level 2. When an appraised value is utilized or management determines the fair value of the collateral is further reduced below the appraised value and there is no observable market price, the Company records the individually evaluated loan as nonrecurring Level 3.

Other Real Estate Owned. Other real estate owned properties are adjusted to fair value less estimated selling costs upon transfer of the loans to other real estate owned. Subsequently, other real estate owned assets are carried at the lower of carrying value or fair value. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value is based on an observable market price, the Company records the other real estate owned as nonrecurring Level 2. When the fair value is based on an appraised value, or when an appraised value is not available, the Company records the other real estate owned asset as nonrecurring Level 3.

Bank Owned Life Insurance. The carrying value of Bank Owned Life Insurance approximates fair value.

Commitments to Extend Credit. Commitments to extend credit are short-term and, therefore, the carrying value and the fair value are considered immaterial for disclosure.

Deposits. The fair values disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The carrying amounts of savings accounts approximate their fair values at the reporting date. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered to a schedule of aggregated expected maturities of time deposits.

Federal Home Loan Bank Advances. Federal Home Loan Bank advances are carried at cost and the fair value is obtained from the Federal Home Loan Bank of Atlanta.

The carrying amounts and estimated fair values of the Bank's financial instruments as of March 31, 2024, and December 31, 2023, are as follows:

Fair Value Measurements at March 31, 2024						
	Carrying Amount	Total	Level 1	Level 2	Level 3	
Financial assets:						
Cash and cash equivalents	\$ 23,830,948	\$ 23,830,948	\$ 23,830,948	\$ —	\$ —	—
Investment securities available-for-sale	49,124,679	49,124,679	—	49,124,679	—	—
Other investments	1,667,550	1,667,550	—	1,667,550	—	—
Mortgage loans held for sale	432,769	432,769	—	432,769	—	—
Loans, net of deferred fees	376,515,513	363,573,513	—	—	363,573,513	—
Bank owned life insurance	11,801,705	11,801,705	—	11,801,705	—	—
Financial liabilities:						
Deposits	380,287,600	379,607,600	275,662,215	—	103,945,385	—
FHLB advances	11,000,000	10,918,819	—	—	10,918,819	—
Fair Value Measurements at December 31, 2023						
	Carrying Amount	Total	Level 1	Level 2	Level 3	
Financial assets:						
Cash and cash equivalents	\$ 25,039,214	\$ 25,039,214	\$ 25,039,214	\$ —	\$ —	—
Investment securities available-for-sale	42,964,495	42,964,495	—	42,964,495	—	—
Other investments	1,629,150	1,629,150	—	1,629,150	—	—
Mortgage loans held for sale	289,111	289,111	—	289,111	—	—
Loans, net of deferred fees	376,899,968	366,563,968	—	—	366,563,968	—
Bank owned life insurance	11,729,019	11,729,019	—	11,729,019	—	—
Financial liabilities:						
Deposits	369,868,794	369,191,794	258,915,942	—	110,275,852	—
FHLB advances	11,000,000	11,068,109	—	—	11,068,109	—

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

NOTE 8 – SHAREHOLDERS' EQUITY AND EARNINGS PER SHARE

Shareholders' Equity:

On August 4, 2022, the Company announced the first of two programs to repurchase up to 250,000 shares of the Company's common stock. The second repurchase program was announced on June 27, 2023. Then on December 15, 2023, a third plan to repurchase up to 450,000 shares of the Company's outstanding shares was announced. Shares may be repurchased on the open market or through private transactions or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities and Exchange Commission. The timing and amount of repurchases depends on a number of factors including the availability of stock, general market conditions, the trading price of the stock, alternative uses for capital, and the Company's financial performance. During 2023, 506,358 shares of the Company's common stock was repurchased at an average price of \$14.26 and subsequently retired prior to December 31, 2023. Additionally, during 2023, the Company retired the 75,172 shares previously repurchased during 2022 that were held in treasury stock as of December 31, 2022. During the three months ended March 31, 2024, the Company repurchased an additional 140,519 shares of the Company's common stock at an average price of \$13.96 and subsequently retired prior to March 31, 2024.

Earnings per share:

Earnings per common share was computed based on the following:

	Three Months Ending March 31,	
	2024	2023
Numerator:		
Income applicable to common shares	\$ 22,237	\$ 332,029
Denominator:		
Weighted average common shares outstanding	4,361,088	4,974,200
Effect of dilutive securities:		
Restricted stock	—	—
Stock options	—	—
Weighted average common shares outstanding - assuming dilution	4,361,088	4,974,200
Earnings per common share	\$ 0.01	\$ 0.07
Earnings per common share - assuming dilution	\$ 0.01	\$ 0.07

No options were deemed dilutive as the exercise price exceeded the market price as of the close of market on March 31, 2024.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

This discussion and analysis reflects our financial statements and other relevant statistical data, and is intended to enhance your understanding of our financial condition and results of operations. The information in this section has been derived from the accompanying unaudited financial statements and the notes thereto appearing in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Historical results of operations and the percentage relationships among any amounts included, and any trends that may appear, may not indicate trends in operations or results of operations for any future periods.

Cautionary Note Regarding Forward-Looking Statements

This quarterly report contains certain forward-looking statements, which are included pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, and reflect management's beliefs and expectations based on information currently available. These forward-looking statements, which can be identified by the use of words such as "estimate," "project," "believe," "intend," "anticipate," "assume," "plan," "seek," "expect," "will," "may," "should," "indicate," "would," "contemplate," "continue," "potential," "target" and words of similar meaning. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on our current beliefs and expectations and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- general economic conditions, either nationally or in our market areas, that are worse than expected;
- changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for credit losses under the credit impairment model for Current Expected Credit Losses ("CECL");
- our ability to maintain liquidity, primarily through deposits;
- the ongoing effects of the COVID-19 pandemic on our business, customers, employees, and third-party service providers;
- our ability to access cost-effective funding;
- fluctuations in real estate values and both residential and commercial real estate market conditions;
- demand for loans and deposits in our market area;
- our ability to implement and change our business strategies;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins and yields, our mortgage banking revenues, the fair value of financial instruments or our level of loan originations, or increase the level of defaults, losses and prepayments on loans we have made and make;
- adverse changes in the securities or secondary mortgage markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;
- changes to statutes, regulations or regulatory policies or practices;
- our ability to comply with the extensive laws and regulations to which we are subject, including the laws for each jurisdiction where we operate;
- the impact of the Dodd-Frank Act and the implementing regulations;

- changes in the quality or composition of our loan or investment portfolios;
- changes in consumer spending and saving habits;
- the effects of harsh weather conditions, including hurricanes, and man-made disasters;
- technological changes that may be more difficult or expensive than expected;
- the inability of third party providers to perform as expected;
- the efficiency and effectiveness of our internal control environment;
- our ability to manage market risk, credit risk, interest rate risk, liquidity risk and operational risk in the current economic environment;
- the soundness of other financial institutions;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- our ability to successfully integrate into our operations any assets, liabilities, customers, systems and management personnel we may acquire and our ability to realize related revenue synergies and cost savings within expected time frames, and any goodwill charges related thereto;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission or the Public Company Accounting Oversight Board;
- our ability to retain key employees;
- our compensation expense associated with equity allocated or awarded to our employees;
- changes in the financial condition, results of operations or future prospects of issuers of securities that we own;
- the adverse effects of events beyond our control that may have a destabilizing effect on financial markets and the economy, such as epidemics and pandemics, war or terrorist activities, essential utility outages, deterioration in the global economy, instability in the credit markets, disruptions in our customers' supply chains or disruption in transportation; and
- each of the factors and risks under the heading "Risk Factors" in the Company's 2023 Annual Report on Form 10-Q and in subsequent filings we make with the SEC.

We caution readers that the foregoing list of factors is not exclusive, is not necessarily in order of importance and readers should not place undue reliance on any forward-looking statements. Because the Company's ability to predict results or the actual effect of future plans or strategies is inherently uncertain, there can be no assurances that future actual results will correspond to any forward-looking statements and you should not rely on any forward-looking statements. Additionally, all statements in this Quarterly Report on Form 10-Q, including forward-looking statements, speak only as of the date they are made, and the Company undertakes no obligation to update any statement in light of new information or future events, except as required by applicable law.

Critical Accounting Estimates

We have adopted various accounting policies that govern the application of accounting principles generally accepted in the U.S. and with general practices within the banking industry in the preparation of our financial statements. Our significant accounting policies are described in Note 1 to our Consolidated Financial Statements as of December 31, 2023.

Certain accounting policies inherently involve a greater reliance on the use of estimates, assumptions and judgments and, as such, have a greater possibility of producing results that could be materially different than originally reported, which could have a material impact on the carrying values of our assets and liabilities and our results of operations. We consider these accounting policies and estimates to be critical accounting policies. We have identified the determination of the allowance for credit losses and income taxes to be our significant accounting policies that require the most subjective or complex judgments and, as such, could be most subject to revision as new or additional information becomes available or circumstances change, including overall changes in the economic climate and/or market interest rates.

The following represent our significant accounting policies:

Loans and Allowance for Credit Losses (ACL). Loans are stated at the amount of unpaid principal, reduced by unearned income and an allowance for credit losses. Interest on loans is recognized using the simple-interest method on the daily balances of the principal amount outstanding. Fees associated with the origination of loans and certain direct loan origination costs are netted and the net amount is deferred and recognized over the life of the loan as an adjustment of yield.

The accrual of interest on loans is discontinued when there is a clear indication that the borrower's cash flow may not be sufficient to meet payments as they become due, which is generally when a loan is 90 days past due. A loan may continue to accrue interest, even if it is more than 90 days past due, if the loan is both well collateralized and it is in the process of collection. When a loan is placed on nonaccrual status, all previously accrued and unpaid interest is reversed. Interest income is subsequently recognized on a cash basis as long as the remaining book balance of the asset is deemed to be collectible. If collectability is questionable, then cash payments are applied to principal. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured in accordance with the terms of the loan agreement.

The Company adopted ASU 2016-13 on January 1, 2023, which introduced the CECL methodology for estimating all expected losses over the life of a financial asset (See Note 1 General: Basis of Presentation). 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 uncollectability of a loan balance is confirmed. Recoveries will not exceed the aggregate of loan amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. We use the weighted-average remaining maturity method ("WARM") as the basis for the estimation of expected credit losses. The WARM method uses historical average annual charge-off rates. The average annual charge-off rate contains loss content over a historical lookback period and is used as a foundation for estimating the credit loss reserve for the remaining outstanding balances of loans in a pool or segment of our loan portfolio at the balance sheet date. The average annual charge-off rate is applied to the contractual term, further adjusted for estimated prepayments, to determine the unadjusted historical charge-off rate. The calculation of the unadjusted historical charge-off rate is then adjusted for current conditions and for reasonable and supportable forecast periods. 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, or term as well as for changes in environmental conditions.

In general, the loans in our portfolio have low historical credit losses. The credit quality of loans in our portfolio is impacted by delinquency status and debt service coverage generated by our borrowers' businesses and fluctuations in the value of real estate collateral. Management considers delinquency status to be the most meaningful indicator of the credit quality of one-to-four single family residential, home equity loans and lines of credit and other consumer loans. In general, these types of loans do not begin to show signs of credit deterioration or default until they have been outstanding for some period of time, a process we refer to as "seasoning." As a result, a portfolio of older loans will usually behave more predictably than a portfolio of newer loans. We consider the majority of our consumer type loans to be "seasoned" and that the credit quality and current level of delinquencies and defaults represents the level of reserve needed in the allowance for credit losses. If delinquencies and defaults were to increase, we may be required to increase our provision for loan credit losses, which would adversely affect our results of operations and financial condition. Delinquency statistics are updated at least monthly.

Internal risk ratings are considered the most meaningful indicator of credit quality for new commercial and industrial, construction, and commercial real estate loans. Internal risk ratings are a key factor that impact management's estimates of loss factors used in determining the amount of the allowance for credit losses. Internal risk ratings are updated on a continuous basis.

Loans with unique risk characteristics are evaluated on an individual basis. Loans evaluated individually are also not included in the collective evaluation. When management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

For off-balance sheet credit exposures, we estimate expected credit losses over the contractual period in which we are exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by us. The allowance for credit losses on off-balance sheet credit exposures is adjusted as a provision for credit loss expense, which is recorded in other expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

As of January 1, 2023, the Company adopted the accounting guidance in ASU 2022-02 which eliminates the recognition and measurement of trouble debt restructurings ("TDRs"). Due to the removal of the TDR designation, the Company evaluates all loan restructurings according to the accounting guidance for loan modifications to determine if the restructuring results in a new loan or a continuation of the existing loan. Loan modifications to borrowers experiencing financial difficulty that result in a direct change in the timing or amount of contractual cash flows include situations where there is a principal forgiveness, interest rate reduction, other-than-insignificant payment delay, term extension, or combinations of the listed modifications.

We review each loan restructuring and determine on a case by case basis if the loan can be grouped with its like segment for allowance consideration or whether it should be individually evaluated for specific allowance for credit loss allocation. If individually evaluated, an allowance for credit loss allocation is based on changes in the discounted cash flows resulting from the modification of the restructured loan.

We have certain lending policies and procedures in place that are designed to maximize loan income with an acceptable level of risk. Management reviews and approved these policies and procedures on a regular basis and makes changes as appropriate. Management receives frequent reports related to loan originations, quality, concentrations, delinquencies, non-performing and potential loan problems. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions, both by type of loan and geography.

Commercial and industrial loans are underwritten after evaluation and understanding the borrower's ability to operate profitably and effectively. Underwriting standards are designed to determine whether the borrower possesses sound business ethics and practices and to evaluate current and projected cash flows to determine the ability of the borrower to repay their obligations as agreed. Commercial and industrial loans are primarily made based on the identified cash flows of the borrower and, secondarily, on the underlying collateral provided by the borrower. Most commercial and industrial loans are secured by the assets being financed or other business assets, such as accounts receivable or inventory, and include personal guarantees.

Real estate loans are also subject to underwriting standards and processes similar to commercial and industrial loans. These loans are underwritten primarily based on projected cash flows and, secondarily, as loans secured by real estate collateral. The repayment of real estate loans is generally largely dependent on the successful operation of the property securing the loans or the business conducted on the property securing the loan. Real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The properties securing our real estate portfolio are generally diverse in terms of type and geographic location throughout primarily the states of Georgia and Florida. This diversity helps us reduce the exposure to adverse economic events that affect any single market or industry.

We utilize methodical credit standards and analysis to supplement our policies and procedures in underwriting consumer loans. Our loan policy addresses types of consumer loans that may be originated as well as the underlying collateral, if secured, which must be perfected. The relatively small individual dollar amounts of consumer loans that are spread over numerous individual borrowers also minimizes risk.

Marketable Securities. Securities available-for-sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income (loss). Management determines the appropriate classification of securities at the time of purchase. Interest income includes amortization and accretion of purchase premiums and discounts. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

For available-for-sale securities in an unrealized loss position, we first assess whether we intend to sell, or it is more likely than not that we will be required to sell the security before recovery of its amortized costs basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized costs basis is written down to fair value through income. For securities available for sale that do not meet the aforementioned criteria, we evaluate 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 costs basis of the security. If the present value of the 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 as other comprehensive income (loss).

Changes in the allowance for credit losses are recorded as provision for (or reversal) of credit losses expense. Losses are charged against the allowance when management believes the uncollectability of an available for sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Income Taxes. The assessment of income tax assets and liabilities involves the use of estimates, assumptions, interpretation, and judgment concerning certain accounting pronouncements and federal and state tax codes. There can be no assurance that future events, such as court decisions or positions of federal and state taxing authorities, will not differ from management's current assessment, the impact of which could be significant to the results of operations and reported earnings.

We file federal and state income tax returns. Amounts provided for income tax expense are based on income reported for financial statement purposes and do not necessarily represent amounts currently payable under tax laws. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax law rates applicable to the periods in which the differences are expected to affect taxable income. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income tax expense. Valuation allowances are established when it is more likely than not that a portion of the full amount of the deferred tax asset will not be realized. In assessing the ability to realize deferred tax assets, management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies. We may also recognize a liability for unrecognized tax benefits from uncertain tax positions. Unrecognized tax benefits represent the differences between a tax position taken or expected to be taken in a tax return and the benefit recognized and measured in the financial statements. Penalties related to unrecognized tax benefits are classified as income tax expense.

Recent Banking Events

There were five bank failures in 2023. The first two of these failures were caused by a lack of liquidity as depositors sought to withdraw their deposits. Due to embedded losses in their investment portfolios from rising interest rates, these banks were unable to sell investment securities held to meet liquidity needs without realizing substantial losses. As a result of the March 2023 bank closures and in an effort to minimize the need for banks to sell securities at a loss in times of stress, the Federal Reserve announced the creation of a new Bank Term Funding Program. In January of 2024, the Federal Reserve announced that March 11, 2024 would be the last day loans will be made under this program.

The COVID-19 pandemic impacted business and the economy in a variety of ways. Having employees working remotely became a much more accepted practice for businesses. As a result, the need for office space in a postpandemic world has decreased. During this same time frame the Federal Reserve has increased interest rates multiple times causing concerns about borrowers' ability to refinance their debt over the near-term. The combination of these factors is beginning to strain the commercial real estate market. How the impact of these changes will unfold in the banking industry is yet unknown, however regulators have heightened concerns that asset quality metrics may suffer due to losses associated with commercial real estate lending.

Overview

The Company is a full service community bank that provides a variety of financial products and services to consumers and commercial customers in our market areas. Our business consists primarily of utilizing customer deposits, together with funds generated from our operations, to fund commercial and consumer loans in our footprint. As of March 31, 2024, we had total assets of \$474.7 million, loans, net of the allowance for credit losses and deferred fees of \$376.5 million, total deposits of \$380.3 million and total equity of \$77.8 million. During 2019, the Bank elected to be treated as a "covered savings association" which allows us to engage in the same activities as a national bank.

Our primary deposit products are personal checking accounts, business checking accounts, savings accounts, money market accounts and certificates of deposit. Our lending products include single-family residential loans, construction loans, land development loans and SBA/USDA guaranteed loans.

We expect to continue to focus on originating one-to-four family residential real estate loans, commercial and multi-family residential real estate loans, commercial and industrial loans, construction and land development loans and consumer loans. Although in recent years, we have increased our focus, consistent with what we believe to be conservative underwriting standards, on originating higher yielding commercial real estate and commercial and industrial loans. In recent years we have originated single-family owner-occupied loans for sale into the secondary market and for our own portfolio. We intend to continue this activity in the future as a source of fee income, but at a reduced level from prior periods.

We also invest in securities. Our bond portfolio consists primarily of U.S. Agency issued mortgage-backed securities. In addition, as of March 31, 2024, we also held securities issued by the U.S. Treasury, as well as those issued by a variety of municipalities and other banking institutions. These securities support the liquidity position of the Company, while providing an additional source of interest income to our overall revenue stream.

As a general matter, our interest-bearing liabilities reprice or mature more quickly than our interest-earning assets, which can result in interest expense increasing more rapidly than increases in interest income as market rates increase. Therefore, increases in interest rates may adversely affect our net interest income and net economic value, which in turn would likely have an adverse effect on our results of operations. To help manage our balance sheet and our interest rate risk position we continue to focus on promoting our core deposit products, as well as building a more diversified loan portfolio. We believe that the addition of our two recently opened full service branches in Savannah, Georgia and Jacksonville, Florida are significant strides forward, supporting the Company's path towards achieving these objectives.

Comparison of Financial Condition at March 31, 2024, and December 31, 2023

Total Assets. Total assets increased \$8.1 million to \$474.7 million at March 31, 2024 from \$466.6 million at December 31, 2023. The increase was principally due to the purchase of investment securities as well as solid loan growth during the period, funded with dollars from an expanding customer deposit base. The Company's cash position was lower at the end of the first quarter of 2024 relative to year-end 2023 as excess liquidity was used to payoff brokered CDs, as well as support earning asset growth.

Cash and Cash Equivalents. Cash and cash equivalents decreased \$1.2 million to \$23.8 million at March 31, 2024, compared to \$25.0 million at December 31, 2023. The decrease is primarily attributable to utilizing excess liquidity to fund bond purchases and loan growth, as well as to pay off maturing brokered CDs and to repurchase shares during the quarter.

Total Loans. Loans totaled \$381.4 million at March 31, 2024, an increase of \$4.5 million, or 1.2%, from the December 31, 2023, level of \$376.9 million. Loans secured by real estate grew \$3.0 million, or 0.8%, during the first three months of 2024. Commercial real estate loans increased \$8.1 million, or 6.6%, to \$131.7 million at March 31, 2024, from \$123.6 million at December 31, 2023. Over this same three-month period we experienced reductions in some of our other real estate lending categories. Residential real estate loans decreased \$401,000, or 0.3%, to \$148.1 million at March 31, 2024, from \$148.5 million at December 31, 2023. Construction and land development loans decreased \$3.8 million, or 6.8%, to \$51.7 million at March 31, 2024, from \$55.5 million at December 31, 2023. Multi-family real estate loans decreased \$723,000, or 3.8%, to \$18.4 million at March 31, 2024, from \$19.1 million at December 31, 2023. Home equity loans also decreased \$200,000, or 1.8%, to \$10.9 million at March 31, 2024, from \$11.1 million at December 31, 2023.

Commercial and industrial loans increased \$1.4 million, or 8.3%, to \$18.3 million at March 31, 2024, from \$16.9 million at December 31, 2023.

Allowances for Credit Losses. The amount of our allowance for credit losses is based on management's evaluation of the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, and economic conditions. Allowances for individually evaluated loans are generally determined based on collateral values or the present value of estimated cash flows. Because of uncertainties associated with regional economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible that management's estimate of probable credit losses inherent in the loan portfolio and the related allowance may change materially in the near-term. The allowance is increased by a provision for loan credit losses, which is charged to expense and reduced by full and partial charge-offs, net of recoveries. Changes in the allowance relating to individually evaluated loans are charged or credited to the provision for credit losses.

During the three months ended March 31, 2024, five loans totaling \$2.8 million were downgraded from special mention to substandard, all of which are to a single relationship.

The Company had 14 individually evaluated loans totaling \$1.2 million as of March 31, 2024, compared to 16 individually evaluated loans totaling \$1.3 million at December 31, 2023. As of March 31, 2024, there were \$70,000 of specific reserves for a single loan relationship within this group.

We had net recoveries of \$22,000 during the three months ended March 31, 2024, compared to net recoveries of \$4,000 for the three months ended March 31, 2023.

Effective January 1, 2023, CECL was implemented which resulted in a \$255,000 increase in the allowance for credit losses and a decrease in retained earnings. Provision for loan credit losses of \$30,000 was recorded for the three months ended March 31, 2024 and \$18,000 of provisions were recorded for the three months ended March 31, 2023. In addition, effective January 1, 2023, a liability account for unfunded loan commitment credit losses of \$149,000 was established which also decreased retained earnings. During the three months ended March 31, 2024, the Company provided an additional \$27,000 to the allowance for unfunded loan commitments, which is included in other expense.

Management believes that the allowance for credit losses, which was \$4.9 million, or 1.28% of loans, at March 31, 2024, and the \$167,000 allowance for unfunded commitments, which represents 0.29% of available credit lines, are adequate to cover inherent losses in these portfolios.

Investment Securities. Available-for-sale investment securities increased \$6.1 million, or 14.3%, to \$49.1 million at March 31, 2024, from \$43.0 million at December 31, 2023. This increase was primarily due to the purchase of approximately \$11.7 million of securities, less the maturity of \$5.0 million of US Treasury securities, coupled with \$457,000 of net paydowns on our mortgage-backed securities, and a \$65,000 increase in our unrealized losses in the portfolio. Unrealized losses on our investments increased to \$3.9 million at March 31, 2024, from \$3.8 million at December 31, 2023. The change unrealized losses was solely due to a change in market interest rates.

Premises and equipment, net. Net premises and equipment decreased \$68,000, or 1.4%, to \$4.7 million at March 31, 2024, from \$4.8 million at December 31, 2023. This decrease is primarily attributable to depreciation of our fixed assets over their useful lives.

Right-of-use asset. In 2023, the Company entered into leases to establish retail branches in Savannah, GA, and Jacksonville, FL. These leases were capitalized for \$1.9 million, and are being amortized over a ten year period. The new branch in Savannah, GA, opened in May 2023, and the branch in Jacksonville, FL, opened in June 2023. In addition, during the third quarter of 2023, the Company entered into a new lease for a loan production office in Tallahassee, FL. The initial right-of-use asset associated with this new location was \$145,000 and is being amortized over a three year period. As of the end of the first quarter of 2024, the Company's right-of-use asset totaled \$1.9 million.

Other Real Estate Owned. The Company had no other real estate owned on its books as of March 31, 2024, or December 31, 2023.

Bank Owned Life Insurance. Our investment in bank owned life insurance increased \$73,000, or 0.6%, to \$11.8 million at March 31, 2024 from \$11.7 million at December 31, 2023. The income generated from these investments provides the Company with support to offer competitive benefits, assisting us in attracting and retaining talented employees.

Accrued Interest Receivable and Other Assets. Our balance in accrued interest receivable and other assets decreased by \$1.4 million, or 23.6%, to \$4.7 million as of March 31, 2024 from \$6.1 million at December 31, 2023. This decrease was primarily due to receiving \$1.5 million from the Small Business Administration (SBA) in satisfaction of amounts owed to the Company for expenses incurred in association with a loan that the SBA had guaranteed.

Deposits. Total deposits increased \$10.4 million, or 2.8%, to \$380.3 million at March 31, 2024, from \$369.9 million at December 31, 2023. Certificates of deposit decreased \$6.3 million, or 5.7%, to \$104.6 million at March 31, 2024, from \$110.9 million at December 31, 2023. This decrease included the Company paying off \$12.0 million of brokered certificates of deposit that matured during the first quarter of 2024. Non-interest-bearing demand accounts increased \$6.0 million, or 14.4%, to \$47.6 million at March 31, 2024, from \$41.6 million at December 31, 2023. Interest-bearing demand accounts decreased \$727,000, or 1.4%, to \$52.0 million at March 31, 2024, from \$52.7 million at December 31, 2023. Savings and money market accounts grew \$11.5 million, or 7.0%, to \$176.1 million at March 31, 2024, from \$164.6 million at December 31, 2023.

Lease Liability. In 2023, as noted earlier, the Company entered into leases to establish retail branches in Savannah, GA, and Jacksonville, FL as well as a loan production office in Tallahassee, FL. The lease liability capitalized in association with these properties totaled \$2.1 million as of March 31, 2024.

Accrued interest payable and other liabilities. Accrued interest payable and other liabilities decreased \$500,000, or 12.6%, to \$3.5 million at March 31, 2024, from \$4.0 million at December 31, 2023. These changes included the payment of accruals for various incentive plans established to attract and retain our employees, as well as paying \$223,000 for the cash dividend declared in December of 2023, that was paid to shareholders in January of 2024.

Shareholders' Equity. Total shareholders' equity decreased \$1.8 million, or 2.3%, to \$77.8 million at March 31, 2024, from \$79.6 million at December 31, 2023. The decrease resulted primarily from \$2.0 million of shares repurchased during the first three months of 2024. In addition, with an increase in market interest rates, the Company has incurred an additional \$49,000 of unrealized losses, net of tax, associated with our AFS investment portfolio. These reductions to capital were partially offset by \$193,000 of stock based compensation that increased our additional paid in capital, coupled with \$22,000 of net income realized during the first three months of 2024.

Comparison of Operating Results for the Three Months Ended March 31, 2024 and 2023

General. The Company generated net income of \$22,000, or \$0.01 of earnings per basic common share, during the three months ended March 31, 2024. These results were below that of the \$332,000 of net income, or \$0.07 of earnings per basic common share, that the Company realized during the same three month time period one year prior. The \$310,000 year over year decrease in earnings occurred despite an increase in interest income, as this growth was outpaced by the increase in our cost of funds, coupled with a \$93,000 decrease in noninterest income and a \$95,000 increase in noninterest expenses.

Interest Income. Interest and dividend income increased \$1.1 million, or 23.9%, to \$6.0 million for the three months ended March 31, 2024, from \$4.9 million for the three months ended March 31, 2023. This increase was primarily due to increases in interest rates relative to one year ago, coupled with growth in our earning asset base as well as a change in our earning asset mix, as higher yielding loans became a larger portion of our average earning asset base. Interest and fee income from the loan portfolio grew \$983,000, or 23.2%, versus that of the same three month period one year ago. Other increases included interest and dividends on investment securities of \$177,000, and interest on deposits with other banks and federal funds sold, which rose \$6,000. The average balance of loans, including loans held for sale, increased \$35.8 million, or 10.5%, to \$377.7 million for the three months ended March 31, 2024, from \$341.9 million for the three months ended March 31, 2023, and the average yield on loans increased to 5.57% for the three months ended March 31, 2024, from 5.03% for three months ended March 31, 2023. As a result of this loan growth, the portfolio represented 83.0% of average earning assets for the first quarter of 2024, versus 81.8% for the same three-month period one year ago. The average balance of available-for-sale securities increased \$3.5 million, or 7.4% to \$51.2 million for the three months ended March 31, 2024, from \$47.7 million for the three months ended March 31, 2023, while the average yield on the portfolio increased 98 basis points to 3.73% for the three months ended March 31, 2024, from 2.75% for the three months ended March 31, 2023. The average balance of interest-earning deposits decreased \$2.9 million, or 10.6%, to \$24.3 million for the three months ended March 31, 2024, from \$27.2

million for the three months ended March 31, 2023, while the average yield on interest-earning deposits increased 59 basis points to 5.06% for the three months ended March 31, 2024, from 4.47% for the three months ended March 31, 2023.

Interest Expense. Total interest expense increased \$1.4 million, or 110.4%, to \$2.7 million for the three months ended March 31, 2024, from \$1.3 million for the three months ended March 31, 2023. The increase was primarily due to the federal funds rate increasing 500 basis points from March of 2022, through July of 2023. The federal funds rate currently sits at 5.50%. As a result of this rapid rise in interest rates, in order to attract and retain deposits, we have offered increased rates to customers primarily on our money market and certificate of deposit products. This has resulted in depositors shifting funds from lower cost accounts, into higher yielding products. As a consequence, the average balance of interest-bearing deposits increased \$42.3 million, or 14.5%, to \$333.3 million for the three months ended March 31, 2024, from \$291.0 million for the three months ended March 31, 2023, with a 145 basis point increase in the average cost of interest-bearing deposits to 3.06% for the three months ended March 31, 2024, from 1.61% for the three months ended March 31, 2023. The average balance of FHLB advances increased \$1.9 million to \$11.0 million for the three months ended March 31, 2024, from \$9.1 million for the three months ended March 31, 2023. For the three months ended March 31, 2024, the average cost of FHLB advances was reduced by 35 basis points to 4.39% from 4.74% for the three months ended March 31, 2023.

Net Interest Income. Net interest income decreased by \$228,000, or 6.3%, to \$3.4 million for the three months ended March 31, 2024, from \$3.6 million for the three months ended March 31, 2023. While the relatively recent rise in market interest rates benefited our earning assets, it has hampered our cost of funding. The decrease in our net interest income was primarily due to the change in the level of interest rates paid to our deposit customers to attract and retain their funds. The pace of change in our cost of funds surpassed the increased yields the Company was able to obtain on its interest-earning asset base as our loan portfolio did not reprice at the same velocity as that of our deposit base. The cost of our average interest bearing deposits increased 145 basis points when comparing the first quarter of 2024, to that of the same three month period one year ago. In comparison, the increase in the yield of our average interest earning assets increased 61 basis points when comparing these same two quarterly periods. In addition to the rise in interest rates, we experienced a shift in the mix of our deposit base as customers migrated their funds to higher yielding money market and certificate of deposit products. Further, enhanced with the opening of two new branch locations, the growth of our interest bearing liabilities outpaced the growth of that of our interest bearing assets. Total average interest earning assets grew \$36.8 million when comparing the first quarter of 2024 to that of the same quarter one year ago. Over this same time horizon the Company grew its average interest bearing liabilities \$44.2 million.

As a result of the above, our interest rate spread decreased to 2.24% for the three months ended March 31, 2024, from 3.02% for the three months ended March 31, 2023, while our net interest margin fell 50 basis points to 3.00% for the three months ended March 31, 2024 from 3.50% for the three months ended March 31, 2023.

Provision for Credit Losses. The Company set aside \$30,000 of provisions for loan credit losses during the first quarter of 2024, while \$18,000 of provisions were booked for the three months ended March 31, 2023. In addition, we added \$27,000 to our allowance for unfunded loan commitments (which is included in other expenses) during the three months ended March 31, 2024. The Company did not have a separate provision for unfunded commitments prior to January of 2023. Provisions for loan credit losses are charged to operations to establish an allowance for credit losses at a level necessary to absorb known and inherent losses in our loan portfolio that are both probable and reasonably estimable at the date of the financial statements. In evaluating the level of the allowance for credit losses, management analyzes several qualitative loan portfolio risk factors including, but not limited to, management's ongoing review and grading of loans, facts and issues related to specific loans, historical loan loss and delinquency experience, trends in past due and non-accrual loans, existing risk characteristics of specific loans or loan pools, the fair value of underlying collateral, current economic conditions and other qualitative and quantitative factors which could affect potential credit losses. See the section entitled "Allowance for Credit Losses" in this Item 2, and Note 3 of the Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q.

The allowance for credit losses was \$4.9 million, or 1.28% of total loans, at March 31, 2024, and \$4.8 million, or 1.28% of total loans, at December 31, 2023, and \$4.6 million, or 1.37% of total loans, at March 31, 2023. Classified (substandard, doubtful and loss) loans increased to \$11.7 million at March 31, 2024 compared to \$7.9 million at December 31, 2023, and \$5.8 million as of March 31, 2023. We had \$1.2 million of nonperforming loans at March 31, 2024, compared to \$1.3 million at December 31, 2023, and \$414,000 at March 31, 2023. Net recoveries for the three months ended March 31, 2024 and 2023, were \$22,000 and \$4,000, respectively. We had no loans in deferral status at March 31, 2024, or December 31, 2023. In addition, the unfunded loan commitment credit loss liability was \$167,000 at March 31, 2024, or 0.29% of our outstanding unfunded loan commitments of \$56.8 million.

Other Income. Other income information is as follows.

	For the three months ended March 31,			Amount (Dollars in thousands)	Change	Percent
	2024		2023			
Service charges on deposit accounts	\$ 105	\$ 136	\$ (31)			(22.8)%
Gain on sale of loans	54	95	(41)			(43.2)%
Other	80	101	(21)			(20.8)%
Total non-interest income	\$ 239	\$ 332	\$ (93)			(28.0)%

Other income decreased \$93,000, or 28.0%, to \$239,000 for the three months ended March 31, 2024, from \$332,000 for the three months ended March 31, 2023. The decrease was primarily due to a \$41,000 decrease in income from the sale of mortgage loans into the secondary market to \$54,000 for the three months ended March 31, 2024, compared to \$95,000 for the three months ended March 31, 2023. This decrease is primarily due to the decrease in the volume of mortgage loan refinancings and home purchases sold into the secondary market as interest rates have increased over the past several months. In addition, the Company has reduced its level of resources committed to this product line and therefore we do not anticipate our income from the sale of mortgage loans into the secondary market going forward to reach the same levels as posted in prior periods.

Other Expense. Other expense information is as follows.

	For the three months ended March 31,			Amount (Dollars in thousands)	Change	Percent
	2024		2023			
Salaries and employee benefits	\$ 2,095	\$ 2,063	\$ 32			1.6%
Occupancy and equipment	357	238	119			50.0%
Advertising	53	93	(40)			(43.0)%
Audit and examination	121	152	(31)			(20.4)%
Checking account related expenses	16	34	(18)			(52.9)%
Consulting and advisory fees	13	11	2			18.2%
Data processing fees	185	122	63			51.6%
Director fees	140	144	(4)			(2.8)%
Legal	54	86	(32)			(37.2)%
Other real estate loss/(gain) on sale and write-downs	—	(3)	3			(100.0)%
Insurance	52	59	(7)			(11.9)%
Other	487	479	8			1.7%
Total non-interest expense	\$ 3,573	\$ 3,478	\$ 95			2.7%

Other expense increased \$95,000, or 2.7%, to \$3.6 million for the three months ended March 31, 2024, from \$3.5 million for the three months ended March 31, 2023. The increase was due primarily to a \$119,000 increase in occupancy and equipment expenses associated with our two new branches located in Savannah, GA, and Jacksonville, FL. With the addition of these two new branch facilities in mid-2023, the Company's baseline of noninterest expenses have been elevated in comparison to prior periods. These increases include higher personnel as well as data processing expenses which rose \$63,000, or 51.6%, to \$185,000 for the three months ended March 31, 2024 from \$122,000 for the three months ended March 31, 2023. While increased costs were anticipated with the expansion of our branch network, the Company is focused on controlling expenses as we work to grow our franchise.

Income Tax Expense. The Company had income tax expense of \$3,000 for the three months ended March 31, 2024, compared to \$121,000 of income tax expense for the three months ended March 31, 2023. This change resulted from the \$428,000 decrease in income before taxes for the comparable three month periods. For the three months ended March 31, 2024, the income before taxes was \$25,000, compared to \$453,000 for the three months ended March 31, 2023. Our effective tax rate was 10.7% for the three months ended March 31, 2024 and 26.7% for the three months ended March 31, 2023.

Average Balances, Interest and Average Yields/Cost

The following table sets forth for the periods indicated, information regarding average balances of assets and liabilities as well as the total dollar amounts of interest income from average interest-earning assets and interest expense on average interest-bearing liabilities, resultant yields, interest rate spread, net interest margin (otherwise known as net yield on interest-earning assets), and the ratio of average interest-earning assets to average interest-bearing liabilities. All average balances are daily average balances. Non-accruing loans have been included in the table as loans carrying a zero yield. Loan fees are included in interest income on loans and are not material. No tax-equivalent yield adjustments have been made, as the effects would be immaterial.

	For the quarter ended March 31,					
	2024		2023			
	Average Balance Outstanding	Interest Earned/ Paid	Average Yield/ Rate	Average Balance Outstanding	Interest Earned/ Paid	Average Yield/ Rate
Interest-earning assets:						
Loans receivable	\$ 377,692	\$ 5,228	5.57 %	\$ 341,930	\$ 4,245	5.03 %
Securities available-for-sale	51,249	483	3.73 %	47,703	328	2.75 %
Interest-earning deposits	24,332	306	5.06 %	27,208	300	4.47 %
Other interest-earning assets	1,641	28	6.75 %	1,315	6	1.83 %
Total interest-earning assets	454,914	\$ 6,045	5.34 %	418,156	\$ 4,879	4.73 %
Non-interest-earning assets	17,320			14,419		
Total assets	<u>\$ 472,234</u>			<u>\$ 432,575</u>		
Interest-bearing liabilities:						
Savings and money market accounts	\$ 172,790	\$ 1,366	3.18 %	\$ 138,788	\$ 610	1.78 %
Interest-bearing checking accounts	52,599	100	0.76 %	57,579	49	0.35 %
Certificate accounts	107,868	1,067	3.98 %	94,640	495	2.12 %
Total interest-bearing deposits	333,257	2,533	3.06 %	291,007	1,154	1.61 %
Borrowings	11,000	122	4.39 %	9,078	108	4.74 %
Total interest-bearing liabilities	344,257	2,655	3.10 %	300,085	1,262	1.71 %
Non-interest-bearing liabilities	49,812			47,079		
Total liabilities	<u>\$ 394,069</u>			<u>\$ 347,164</u>		
Total equity	78,165			85,411		
Total liabilities and equity	<u>\$ 472,234</u>			<u>\$ 432,575</u>		
Net interest income		<u>\$ 3,390</u>			<u>\$ 3,617</u>	
Net earning assets	<u>\$ 110,657</u>			<u>\$ 118,071</u>		
Net interest rate spread ⁽¹⁾			2.24 %			3.02 %
Net interest margin ⁽²⁾			3.00 %			3.50 %
Average interest-earning assets to average interest-bearing liabilities	132.14 %			139.35 %		

(1) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate of interest-bearing liabilities.

(2) Net interest margin represents net interest income divided by average total interest-earning assets.

Rate/Volume Analysis

The following table presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities. It distinguishes between the changes related to outstanding balances and that due to the changes in interest rates. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in volume (i.e., changes in volume multiplied by old rate) and (ii) changes in rate (i.e., changes in rate multiplied by old volume). For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately to the change due to volume and the change due to rate.

	Quarter Ended March 31, 2024 vs. 2023			
	Volume	Increase/ (decrease) due to	Rate (In thousands)	Total increase/ (decrease)
Interest-earning assets:				
Loans receivable	\$ 368	\$ 615	\$ 983	
Securities available-for-sale	47	109	156	
Interest-earning deposits	(30)	36	6	
Other interest-earning assets	2	19	21	
Total interest-earning assets	387	779	1,166	
Interest-bearing liabilities:				
Savings and money market accounts	135	621	756	
Interest-bearing checking accounts	(4)	54	50	
Certificate accounts	248	324	572	
Total interest-bearing deposits	379	999	1,378	
Borrowings	22	(7)	15	
Total interest-bearing liabilities	401	992	1,393	
Change in net interest income	\$ (14)	\$ (213)	\$ (227)	

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our liquidity is a measure of our ability to fund loans, pay withdrawals of deposits, and other cash outflows in an efficient, cost-effective manner. Our short-term sources of liquidity include maturity, repayment and sales of assets, excess cash and cash equivalents, new deposits, as well as avenues to borrowings. There has been no material adverse change during the three months ended March 31, 2024 in our ability to fund our operations.

Our primary sources of funds are deposits, principal and interest payments on loans and securities, proceeds from the sale of loans, and proceeds from maturities of securities. We also have the ability to borrow from the Federal Home Loan Bank of Atlanta. At March 31, 2024, we had \$97.6 million in borrowing capacity under our credit line with the Federal Home Loan Bank of Atlanta, net of the \$11.0 million of advances outstanding, coupled with an \$8.0 million letter of credit utilized to collateralize public deposits. In addition, we have \$28.5 million in unsecured federal funds lines of credit through our correspondent banks and \$26.5 million secured borrowing capacity through the Federal Reserve Bank of Atlanta. No amounts were outstanding on these lines of credit at March 31, 2024.

We are committed to maintaining a strong liquidity position. We monitor our liquidity position on a daily basis. We anticipate that we will have sufficient funds to meet our current funding commitments. Based on our current strategy to increase our loan portfolio, we will seek to increase core deposits and utilize Federal Home Loan Bank of Atlanta advances as well as brokered certificates of deposit to support our earning asset growth.

Capital Requirements

At March 31, 2024, the Bank's Tier 1 capital as a percentage of the Bank's average assets was 14.56%, and total qualifying capital as a percentage of risk-weighted assets was 20.57%. As of March 31, 2024, the Bank was classified as "well capitalized" for regulatory capital purposes. Note 6 to the Financial Statements describes the regulatory capital requirements applicable to the Bank.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Commitments. Note 5 to the Financial Statements describes the financial instruments with off-balance-sheet risk that we enter into in the normal course of business to meet the financing needs of our customers.

Contractual Obligations. In the ordinary course of our operations, we enter into certain contractual obligations. Such obligations include data processing services, operating leases for premises and equipment, agreements with respect to borrowed funds and deposit liabilities.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable to smaller reporting companies.

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

There has been no change in the Company's internal control over financial reporting during the three months ended March 31, 2024, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal proceedings

None.

Item 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed in our 2023 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table contains information regarding purchases of the Company's common stock made during the first quarter of 2024, by or on behalf of the Company or any "affiliated purchaser," as defined by Rule 10b-18(a)(3) of the Exchange Act.

Period	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Repurchased as Part of Publicly Announced Plan or Programs	Maximum Number of Shares that May Yet Be Repurchased under the Plans or Programs ⁽¹⁾
January 1-31, 2024	105,819	\$ 14.01	105,819	262,181
February 1-29, 2024	34,700	13.80	140,519	227,481
March 1-31, 2024	-	-	140,519	227,481
Total	140,519	\$ 13.96	140,519	227,481

⁽¹⁾ In December of 2023, the Company announced a program to repurchase up to 450,000 shares of the Company's common stock effective for the period of December 2023, through June 2024.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.

31.1 [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Executive Officer.](#)

31.2 [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Financial Officer.](#)

32 [Section 1350 Certification of the Chief Executive Officer and Chief Financial Officer](#)

101 The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in iXBRL (Inline Extensible Business Reporting Language) includes: (i) Consolidated Balance Sheets as of March 31, 2024 (unaudited) and December 31, 2023, (ii) Consolidated Statements of Income for the three months ended March 31, 2024 and 2023 (unaudited), (iii) Consolidated Statements of Comprehensive Income for the three months ended March 31, 2024 and 2023 (unaudited), (vi) Consolidated Statements of Change in Equity for the three months ended March 31, 2024 and 2023 (unaudited), (v) Consolidated Statements of Cash Flows for the three months ended March 31, 2024 and 2023 (unaudited), and (vi) the Notes to Financial Statements (unaudited) with detail tagging.

104 The cover page from TC Bancshares, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in Inline XBRL (included in Exhibit 101).

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TC BANCSHARES, INC.
(Registrant)

Date: May 10, 2024

/s/ Gregory H. Eiford

Gregory H. Eiford
Chief Executive Officer

Date: May 10, 2024

/s/ Scott C. McLean

Scott C. McLean
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION
302 OF THE SARBANES-OXLEY ACT OF 2002**

Certification of Chief Executive Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Gregory H. Eiford, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TC Bancshares, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b)Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c)Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d)Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a)all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - (b)any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2024

/s/ Gregory H. Eiford

Gregory H. Eiford
Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION
302 OF THE SARBANES-OXLEY ACT OF 2002**

Certification of Chief Financial Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Scott C. McLean, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TC Bancshares, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2024

/s/ Scott C. McLean

Scott C. McLean
Chief Financial Officer

**CERTIFICATE PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Gregory H. Eiford, Chief Executive Officer and Scott C. McLean, Chief Financial Officer of TC Bancshares, Inc. (the "Company") each certify in their capacity as officers of the Company that they have reviewed the quarterly report on Form 10-Q for the quarter ended March 31, 2024 (the "Report") and that to the best of his/her knowledge:

- (1)the Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2)the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2024

/s/ Gregory H. Eiford

Gregory H. Eiford
Chief Executive Officer

Date: May 10, 2024

/s/ Scott C. McLean

Scott C. McLean
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to TC Bancshares, Inc. and will be retained by TC Bancshares, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.
