

Board of Governors of the Federal Reserve System



Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This report is required by law: Section 5(c)(1) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)); section 10(b)(2) of the Home Owners' Loan Act (12 U.S.C. § 1467a(b)(2)); sections 102(a)(1), 165, and 618 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. §§ 5311(a)(1), 5365, and 1850a(c)(1)); and sections 8(a) and 13(a) of the International Banking Act of 1978 (12 U.S.C. §§ 3106(a) and 3108(a)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the General Instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chair of the board must sign the report. If the holding company is an Employee Stock Ownership Plan/Employee Stock Ownership Trust (ESOP/ESOT) formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

Date of Report (top-tier holding company's fiscal year-end):

12/31/2024

Month / Day / Year (FDHC 9999)

Reporter's Name, Street, and Mailing Address

TRUXTON CORPORATION

Legal Title of Holding Company (FDHC 9017)

20 Burton Hills Blvd

(Mailing Address of the Holding Company) Street / P.O. Box (FDHC 9110)

NASHVILLE

TN

37215

City (FDHC F206)

State (FDHC F207)

Zip Code (FDHC F208)

Physical Location (if different from mailing address) Street / P.O. Box (FDHC 9028)

City (FDHC 9130)

State (FDHC 9200)

Zip Code (FDHC 9220)

Person to whom questions about this report should be directed:

JULIE MARR

CHIEF TREASURY OFFICER

Name (FDHC 8901)

Title (FDHC C496)

(615)515-1716 ext:

Area Code / Phone Number / Extension (FDHC 8902)

None

Area Code / FAX Number (FDHC 9116)

JULIE.MARR@TRUXTONTRUST.COM

E-mail Address (FDHC 4086)

WWW.NASHVILLEBANKANDTRUST.COM

Address (URL) for the Holding Company's web page (FDHC 4087)

I, Thomas S. Stumb

Name of the Holding Company Director and Official (FDHC C490)

CEO

Title of the Holding Company Director and Official (FDHC C491)

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

Thomas S. Stumb

Signature of Holding Company Director and Official (FDHC H321)

03/31/2025

Date of Signature (FDHC J196)

For Federal Reserve Bank Use Only

RSSD ID 3925065

C.I. _____

Is confidential treatment requested for any portion of this report submission?
0=No FDHC
1=Yes C447 0

- In accordance with the General Instructions for this report (check only one),
- 1. a letter justifying this request is being provided along with the report (FDHC KY38)
 - 2. a letter justifying this request has been provided separately (FDHC KY38)

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

Report Item 1: Annual Report to Shareholders

For holding companies not registered with the U.S. Securities and Exchange Commission (SEC), **indicate the status of Annual Report to Shareholders:**

- is included with the FR Y-6 report (FDHC PV65)
- will be sent under separate cover (FDHC PV65)
- is not prepared (FDHC PV65)

Checklist

The checklist below is provided to assist the holding company in filing all the necessary responses and verifying changes from the prior year to the various report items. The completed checklist should be submitted with the report. Please see section A of the General Instructions for additional guidance.

Verification of Changes

All Reporters must respond to the following questions by checking the Yes or No box below, as appropriate.

Did the holding company have changes to any reportable FR Y-6 items (2a, 2b, 3, or 4) from the prior year? (Reporters must verify their item 2a, organization chart and 2b, domestic branch listing in Structure Central).

- Yes No (FDHC PV66)

Complete the remaining checklist for Report Items 2a, 2b, 3, and 4. See section A of the General Instructions for additional information.

Report Item 2a: Organization Chart

- Yes No (FDHC PV67)

If checked Yes, the Reporter must report any changes to their organization chart as specified in Report Item 2a instructions.

Report Item 2b: Domestic Branch Listing

- Yes No (FDHC PV68)

If checked Yes, the Reporter must report any changes to their domestic branch listing as specified in Report Item 2b instructions.

Report Item 3: Securities Holders

- Yes No (FDHC PV69)

If checked Yes, the Reporter must submit the information as specified in Report Item 3 instructions.

Report Item 4: Insiders

- Yes No (FDHC PV70)

If checked Yes, the Reporter must submit the information as specified in Report Item 4 instructions.



Dear Shareholder:

2024 was a year of transition at Truxton. We moved to a new principal location after 20 years in our original spot; we added more new colleagues than in any previous year; and we prepared to convert to a new core banking solution, a change that will be complete by the time you read this. All these changes should improve our operating efficiency and make the banking experience even better, both for our beloved clients and the team that serves them. Despite these distractions, which involved significant non-recurring expenses, Truxton delivered excellent financial performance and set the stage for greater improvement in coming years.

Truxton Corporation, the holding company for Truxton Trust Company, delivered fully diluted earnings per share of \$6.34 in 2024 compared to \$6.02 in 2023, an increase of 5%. Return on Average Equity was 19.8%, among the highest in our industry. We increased our dividend for the 12th consecutive year in 2024, paying out \$2.72 per share. In addition to this 8% dividend increase, we bought back 62 thousand shares at an average price of \$66.87. In sum, we returned 66% of our net income to shareholders while maintaining very conservative, strong capital ratios. Shareholders' Equity was 9.9% of assets at year-end 2024 compared to 9.2% of assets at year-end 2023, despite the large capital returns. Asset growth was 5.1% for the year and loan growth was 2%.

Truxton's wealth management business grew revenues 16.7% in 2024, cresting \$20 million for the first time. Strong securities markets helped but we also won many new relationships, and our pipeline of potential business continues to be strong. Truxton's reputation for sophistication and competency is growing as we serve larger and more complex clients. We don't know what the financial markets will serve up in 2025, but we know that Truxton clients will benefit from a durable disciplined approach with detailed attention to the myriad of variables which impact family wealth that go beyond the careful handling of our clients' investment portfolios.

The national economy continues to be strong; and, growth in Nashville, our core market, is even stronger. Even growing markets, however, can experience softness in real estate valuations and liquidity if absorption lags deliveries. Corporate and consumer borrowers can struggle even if the larger economy thrives. It is unknown what lies ahead, but we know that our borrowers are capitalized to weather storms and that our lending structures emphasize a protective margin of safety.

The Truxton team is excited by the opportunities that lie ahead. Our attractive, functional headquarters location and our upgraded core system give us optimism and confidence. New team members raise the bar for all of us. We are proud of the work we do and appreciate the trust our clients and shareholders place in us.

Derrick A. Jones
President

Thomas S. Stumb
Chairman and Chief Executive Officer

TRUXTON CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

TRUXTON CORPORATION
Nashville, Tennessee

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Truxton Corporation
Nashville, Tennessee

Opinion

We have audited the consolidated financial statements of Truxton Corporation, which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of net income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Truxton Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Truxton Corporation's ability to continue as a going concern for a reasonable period of time.

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

Other Information

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

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

Crowe LLP

Crowe LLP

Franklin, Tennessee
January 29, 2025

TRUXTON CORPORATION
CONSOLIDATED BALANCE SHEETS
December 31, 2024 and 2023

(Dollars in thousands except share and per share amounts)

| | <u>2024</u> | <u>2023</u> |
|---|--------------------|-------------------|
| ASSETS | | |
| Cash and due from financial institutions | \$ 4,225 | \$ 4,272 |
| Restricted cash | 970 | 1,550 |
| Interest bearing deposits in other financial institutions | 24,728 | 1,867 |
| Federal funds sold | <u>4,054</u> | <u>1,537</u> |
| Cash and cash equivalents | 33,977 | 9,226 |
| | | |
| Time deposits in other financial institutions | 245 | 490 |
| Securities available for sale | 258,322 | 259,926 |
| | | |
| Gross loans | 669,982 | 657,840 |
| Allowance for credit losses on loans | <u>(6,433)</u> | <u>(6,304)</u> |
| Net loans | 663,549 | 651,536 |
| | | |
| Bank owned life insurance | 16,722 | 10,808 |
| Restricted equity securities | 2,272 | 1,858 |
| Premises and equipment, net | 3,293 | 189 |
| Accrued interest receivable | 4,567 | 4,388 |
| Deferred tax asset, net | 5,256 | 6,010 |
| Other assets | <u>15,578</u> | <u>10,839</u> |
| | | |
| Total assets | <u>\$1,003,781</u> | <u>\$ 955,270</u> |
| | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Deposits | | |
| Non-interest bearing | \$ 126,016 | \$ 123,918 |
| Interest bearing | <u>740,406</u> | <u>658,061</u> |
| Total deposits | 866,422 | 781,979 |
| | | |
| Federal Home Loan Bank advances | 8,250 | 4,500 |
| Bank Term Funding Program advances | - | 53,800 |
| Subordinated debentures | | |
| (less unamortized discount and debt | | |
| issuance costs of \$74 at December 31, 2024 and | | |
| \$173 at December 31, 2023) | 14,426 | 14,327 |
| Other liabilities | <u>15,977</u> | <u>12,982</u> |
| Total liabilities | 905,075 | 867,588 |
| | | |
| Shareholders' equity | | |
| Preferred stock, \$0.10 par value; 5,000,000 shares authorized; | | |
| no shares issued | - | - |
| Common stock, \$0.10 par value; 40,000,000 shares authorized; | | |
| 2,867,850 shares issued and outstanding in 2024 and | | |
| 2,893,064 shares issued and outstanding in 2023 | 286 | 289 |
| Additional paid-in capital | 28,945 | 31,457 |
| Retained earnings | 79,727 | 69,215 |
| Accumulated other comprehensive loss | <u>(10,252)</u> | <u>(13,279)</u> |
| | | |
| Total shareholders' equity | <u>98,706</u> | <u>87,682</u> |
| | | |
| Total liabilities and shareholders' equity | <u>\$1,003,781</u> | <u>\$ 955,270</u> |

See accompanying notes to consolidated financial statements.

TRUXTON CORPORATION
CONSOLIDATED STATEMENTS OF NET INCOME
Years ended December 31, 2024 and 2023
(Dollars in thousands except share and per share amounts)

| | <u>2024</u> | <u>2023</u> |
|---|-------------------------|-------------------------|
| Non-interest income | | |
| Wealth management services | \$ 20,597 | \$ 17,657 |
| Service charges on deposit accounts | 360 | 461 |
| Bank owned life insurance income | 330 | 216 |
| Net losses on sales of securities | (335) | (376) |
| Other | <u>1,164</u> | <u>514</u> |
| Total non-interest income | <u>22,116</u> | <u>18,472</u> |
| Interest income | | |
| Loans, including fees | 41,721 | 37,804 |
| Taxable securities | 11,932 | 9,350 |
| Tax-exempt securities | 834 | 876 |
| Interest bearing deposits in other financial institutions | 1,475 | 695 |
| Federal funds sold | <u>288</u> | <u>101</u> |
| Total non-interest income | <u>56,250</u> | <u>48,826</u> |
| Interest expense | | |
| Deposits | 27,854 | 20,881 |
| Subordinated debentures and other | 752 | 771 |
| Short-term borrowings | 1,294 | 2,154 |
| Long-term borrowings | <u>164</u> | <u>490</u> |
| Total interest expense | <u>30,064</u> | <u>24,296</u> |
| Net interest income | 26,186 | 24,530 |
| Provision for credit losses on loans | <u>217</u> | <u>296</u> |
| Net interest income after provision for credit losses | <u>25,969</u> | <u>24,234</u> |
| Total revenue, net | 48,085 | 42,706 |
| Non-interest expense | | |
| Compensation and employee benefits | 16,652 | 14,810 |
| Occupancy | 1,578 | 1,185 |
| Furniture and equipment | 300 | 76 |
| Data processing | 1,763 | 1,703 |
| Wealth management processing fees | 838 | 729 |
| Advertising and public relations | 206 | 248 |
| Professional services | 1,337 | 941 |
| FDIC insurance assessments | 423 | 460 |
| Other | <u>2,021</u> | <u>901</u> |
| Total non-interest expense | <u>25,118</u> | <u>21,053</u> |
| Income before income taxes | 22,967 | 21,653 |
| Income tax expense | <u>4,556</u> | <u>4,117</u> |
| Net income | <u>\$ 18,411</u> | <u>\$ 17,536</u> |
| Earnings per share: | | |
| Basic | \$ 6.35 | \$ 6.04 |
| Diluted | \$ 6.34 | \$ 6.02 |

See accompanying notes to consolidated financial statements.

TRUXTON CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31, 2024 and 2023
(Dollars in thousands except share and per share amounts)

| | <u>2024</u> | <u>2023</u> |
|--|------------------|------------------|
| Net income | \$ 18,411 | \$ 17,536 |
| Other comprehensive income: | | |
| Unrealized gains (losses) on securities: | | |
| Unrealized holding gain arising during the period | 3,541 | 6,112 |
| Reclassification adjustment for losses included in net income as net losses on sale of securities | 335 | 376 |
| Tax effect, income tax expense included in net income related to reclassification adjustments (\$88) and (\$98), respectively | (1,014) | (1,696) |
| Unrealized gains (losses) on cash flow hedging activities: | | |
| Unrealized holding gain (loss) arising during the period | 406 | (521) |
| Reclassification adjustment for gains included in net income as gain in interest income | (183) | (237) |
| Tax effect, income tax (expense) benefit included in net income as other non-interest income related to reclassification adjustments (\$48) and (\$62), respectively | <u>(58)</u> | <u>199</u> |
| Total other comprehensive income, net of tax | <u>3,027</u> | <u>4,233</u> |
| Comprehensive income | <u>\$ 21,438</u> | <u>\$ 21,769</u> |

See accompanying notes to consolidated financial statements.

TRUXTON CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years Ended December 31, 2024 and 2023

(Dollars in thousands except share and per share amounts)

| | Shares | Common Stock | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive loss | Total Shareholders' Equity |
|---|-------------------------|----------------------|----------------------------------|-------------------------|---|----------------------------------|
| Balance at January 1, 2023 | 2,888,452 | \$ 289 | \$ 31,107 | \$ 59,492 | \$ (17,512) | \$ 73,376 |
| Adjustment for Adoption of ASC 326 | - | - | - | (488) | - | (488) |
| Exercise of stock options | 5,780 | - | 127 | - | - | 127 |
| Proceeds from buy back shares of common stock, net | (18,343) | (2) | (1,097) | - | - | (1,099) |
| Issuance of restricted shares of common stock, net | 17,175 | 2 | (2) | - | - | - |
| Stock based compensation expense | - | - | 1,322 | - | - | 1,322 |
| Cash dividends (\$2.52 per share) | - | - | - | (7,325) | - | (7,325) |
| Net income | - | - | - | 17,536 | - | 17,536 |
| Other comprehensive income | - | - | - | - | 4,233 | 4,233 |
| Balance at December 31, 2023 | 2,893,064 | \$ 289 | \$ 31,457 | \$ 69,215 | \$ (13,279) | \$ 87,682 |
| Exercise of stock options | 7,342 | - | 207 | - | - | 207 |
| Proceeds from buy back shares of common stock, net | (62,382) | (6) | (4,172) | - | - | (4,178) |
| Issuance of restricted shares of common stock, net | 29,826 | 3 | (3) | - | - | - |
| Stock based compensation expense | - | - | 1,456 | - | - | 1,456 |
| Cash dividends (\$2.72 per share) | - | - | - | (7,899) | - | (7,899) |
| Net income | - | - | - | 18,411 | - | 18,411 |
| Other comprehensive income | - | - | - | - | 3,027 | 3,027 |
| Balance at December 31, 2024 | <u>2,867,850</u> | <u>\$ 286</u> | <u>\$ 28,945</u> | <u>\$ 79,727</u> | <u>\$ (10,252)</u> | <u>\$ 98,706</u> |

See accompanying notes to consolidated financial statements.

TRUXTON CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
December 31, 2024 and 2023
(Dollars in thousands except share and per share amounts)

| | <u>2024</u> | <u>2023</u> |
|---|------------------|-----------------|
| Cash flows from operating activities | | |
| Net income | \$ 18,411 | \$ 17,536 |
| Adjustments to reconcile net income to net cash from operating activities | | |
| Depreciation and amortization | 447 | 245 |
| Net amortization of securities | 335 | 915 |
| Net loss on sale of securities | 335 | 376 |
| Deferred income tax benefit | (318) | (173) |
| Provision for credit losses | 217 | 296 |
| Stock based compensation expense | 1,456 | 1,322 |
| Bank owned life insurance income | (330) | (216) |
| Net change in: | | |
| Accrued interest receivable | (179) | (876) |
| Other assets | (96) | 1,188 |
| Other liabilities | <u>(1,494)</u> | <u>(405)</u> |
| Net cash from operating activities | 18,784 | 20,208 |
| Cash flows from investing activities | | |
| Net decrease in time deposits in other financial institutions | 245 | 3,343 |
| Available for sale securities: | | |
| Sales | 23,869 | 16,648 |
| Purchases | (91,449) | (44,697) |
| Maturities, calls and paydowns | 72,388 | 30,577 |
| Net increase in loans | (12,158) | (38,893) |
| Purchase of restricted equity securities | (41) | (43) |
| Purchase of Federal Home Loan Bank stock | (677) | (1,187) |
| Sales of Federal Home Loan Bank stock | 304 | 2,598 |
| Purchase of Bank owned life insurance | (5,585) | - |
| Additions of premises and equipment, net | <u>(3,452)</u> | <u>(126)</u> |
| Net cash from investing activities | (16,556) | (31,780) |
| Cash flows from financing activities | | |
| Proceeds from Federal Home Loan Bank advances | 21,000 | 133,700 |
| Repayments of Federal Home Loan Bank advances | (17,250) | (133,700) |
| Proceeds from Bank Term Funding Program advances | 20,000 | 110,000 |
| Repayments of Bank Term Funding Program advances | (73,800) | (56,200) |
| Proceeds from Federal Reserve Bank Discount Window advances | 5,243 | 32,067 |
| Repayments of Federal Reserve Bank Discount Window advances | (5,243) | (32,067) |
| Payments on subordinated debt | - | (500) |
| Net change in federal funds purchased | - | (4,933) |
| Net change in deposits | 84,443 | (25,771) |
| Proceeds from exercise of stock options | 207 | 127 |
| Purchase of common stock | (4,178) | (1,099) |
| Cash dividends paid | <u>(7,899)</u> | <u>(7,325)</u> |
| Net cash from financing activities | 22,523 | 14,299 |
| Net change in cash and cash equivalents | 24,751 | 2,727 |
| Cash and cash equivalents at beginning of year | <u>9,226</u> | <u>6,499</u> |
| Cash and cash equivalents at end of year | <u>\$ 33,977</u> | <u>\$ 9,226</u> |

(Continued)

TRUXTON CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
December 31, 2024 and 2023
(Dollars in thousands except share and per share amounts)

| | <u>2024</u> | <u>2023</u> |
|--|-------------|-------------|
| Supplemental cash flow information: | | |
| Cash paid during year for interest | \$ 29,755 | \$ 24,118 |
| Cash paid during year for income taxes | 5,000 | 4,335 |
| Supplemental non-cash information: | | |
| Lease liabilities arising from obtaining right-of-use assets | \$ 4,642 | \$ 224 |
| Decrease to retained earnings for adoption of ASC 326 | \$ - | \$ (488) |

See accompanying notes to consolidated financial statements.

TRUXTON CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

(Dollars in thousands except share and per share amounts)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Principles of Consolidation: The consolidated financial statements include Truxton Corporation and its wholly owned subsidiaries, Truxton Trust Company and Truxton Risk Management, together referred to as “the Corporation.” Intercompany transactions and balances are eliminated in consolidation.

Truxton Risk Management is an insurance company regulated by the Tennessee Department of Insurance that provides protection from certain risks that are not typically covered by commercial insurance. Truxton Risk Management was dissolved effective September 30, 2023.

Truxton Trust Company, referred to as “the Bank”, represents substantially all the operations in the consolidated financial statements and it provides a variety of banking, investment management and trust administration services to individuals, businesses, and charitable institutions. Its primary deposit products are demand, money market and certificates of deposit and its primary lending products are residential and commercial real estate mortgages, commercial loans, and loans to individuals.

Truxton Trust Company has two wholly owned subsidiaries, Insurgent Investments, Inc., which primarily manages an investment portfolio of municipal securities, and Truxton Capital Management, LLC, which primarily provides investment management and advisory services to businesses and their owners.

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

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided and actual results could differ.

Cash Flows: Cash and cash equivalents include cash, deposits with other financial institutions with maturities under 90 days, and federal funds sold. Net cash flows are reported for customer loan and deposit transactions, premises and equipment, and time deposits in other financial institutions.

Time Deposits in Other Financial Institutions: Time deposits in other financial institutions mature within one year and are carried at cost.

Securities: Debt securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value with unrealized holding gains and losses reported in accumulated other comprehensive income, net of tax.

Interest income includes net amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on nonaccrual is reversed against interest income.

Allowance for Credit Losses – Available-For-Sale Securities: For available-for-sale debt securities in an unrealized loss position, the Corporation first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security’s amortized cost basis is written down to fair value through income. For debt securities available-for-sale that do not meet the criteria, the Corporation evaluates whether the decline in the 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

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

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

Accrued interest receivable on available-for-sale debit securities totaled \$1,664 at December 31, 2024 and is excluded from the estimate of credit losses.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of deferred loan fees and costs. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Interest income is reported on the interest method and includes amortization of net deferred loan fees and costs over the loan term. Interest income on all loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in process of collection. 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. Nonaccrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

All interest accrued, but not received, for loans placed on nonaccrual are reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Concentration of Credit Risk: Most of the Corporation's business activity is with customers located within Nashville, Tennessee. Therefore, the Corporation's exposure to credit risk is significantly affected by changes in the economy in the Nashville, Tennessee metropolitan area.

Allowance for Credit Losses on Loans: The provision for credit losses represents the portion of the loan's amortized cost basis that the Corporation does not expect to collect due to credit losses over the loan's life, considering past events, current conditions, and reasonable and supportable forecasts of future economic conditions considering macroeconomic forecasts. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Corporation uses two methodologies allowed under the accounting guidance, Weighted Average Remaining Maturity (WARM) and Scaled CECL Allowance for Losses Estimator (SCALE). The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Corporation has identified the loan portfolio segments listed below. The two construction loan portfolios use the SCALE model to calculate the provision for credit losses. All of the other loan pools use the WARM methodology.

Residential construction loans. The Company provides construction financing for small residential developers of single-family homes. This category excludes single loan commitments funding the construction of five or more individual houses but does include all owner-occupied residential construction loans. These loans are in the construction and land development segment.

Commercial construction loans. The Company provides financing for commercial construction projects and vacant land (excluding agricultural property). This category includes single loan commitments funding the construction of five or more individual homes and both non-owner occupied and owner-occupied properties of all types. These loans are in the construction and land development segment.

Residential and commercial construction loans generally are made for relatively short terms. They generally are more vulnerable to changes in economic conditions. Furthermore, the nature of these loans is such that they are more difficult to evaluate and monitor. The risk of loss on a construction loan is dependent largely upon the accuracy of the initial estimate of the property's value upon completion of the project and the estimated cost (including interest) of the project. Periodic site inspections are made on construction loans.

Residential line of credit loans. The Corporation's residential line of credit loans are revolving, open-end lines of credit secured by 1-4 family residential properties. These loans can be secured by owner-occupied property (primary or secondary residence) or by investment property and can be a primary or junior lien. These loans are in the residential real estate segment.

Residential real estate 1-4 family mortgage loans. The Corporation provides closed-end mortgages secured by 1-4 family residential mortgages. This category includes junior lien 1-4 family residential mortgages and both owner-occupied and non-owner occupied collateral. These loans are in the residential real estate segment.

Commercial real estate loans. The Corporation provides commercial real estate mortgages (including those secured by multifamily properties) combined into one pool regardless of property type. A portion of these loans are non-recourse but others have guarantors or, in the case with mortgages secured by owner-occupied properties, full commercial business interests supporting cash flow.

As it relates to all mortgages secured by real properties, adverse economic conditions in the Corporation's market area may reduce borrowers' ability to repay these loans and may reduce the collateral securing these loans.

Commercial and industrial loans. The Corporation provides a mix of variable rate and fixed rate loans to commercial operations. While these loans can be unsecured, they also include a variety of collateral such as accounts receivable, inventory, equipment, and vehicles. Most are guaranteed by the business principals and are typically made on the basis of the borrower's ability to repay from the cash flow of the business enterprise. Adverse economic conditions may affect the repayment ability of these loans. These loans are in the commercial segment.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consumer loans. The Corporation's consumer loans include both open-end and closed-end loans to individuals for personal, family, or household purposes. These loans may be secured or unsecured but are never secured with real estate.

Loans that do not share risk characteristics are evaluated on an individual basis and not included in the loan pools highlighted above. The Corporation has determined the following circumstances in which a loan may require an individual evaluation: collateral dependent loans; loans for which foreclosure is probable; and loans with other unique risk characteristics. A loan is deemed collateral dependent when 1) the borrower is experiencing financial difficulty and 2) the repayment is expected to be primarily through sale or operation of the collateral. The allowance for credit losses for collateral dependent loans as well as loans where foreclosure is probable is calculated as the amount for which the loan's amortized cost basis exceeds fair value. Fair value is determined based on appraisals performed by qualified appraisers and reviewed by qualified personnel. In cases where repayment is to be provided substantially through the sale of collateral, the Corporation reduces the fair value by the estimated costs to sell.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures: The Corporation estimates expected credit losses over the contractual period in which the Bank is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Corporation. The allowance for credit losses on off-balance sheet credit exposures is adjusted through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of an estimate of expected credit losses on commitments expected to be funded over its estimated life.

The allowance for credit losses on unfunded commitments was \$483 and \$411 and included in other liabilities as of December 31, 2024 and 2023, respectively.

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

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

Premises and Equipment: Premises and equipment are stated at cost less accumulated depreciation. Leasehold improvements are amortized using the straight-line method over the shorter of the lease terms or the useful lives. Furniture, fixtures and equipment are depreciated using the straight-line method with useful lives ranging from three to five years.

Restricted Equity Securities: The Bank is a member of the Federal Home Loan Bank (FHLB) and Federal Reserve Bank (FRB) systems. Members are required to own a certain amount of stock based on the level of borrowings and on their level of equity and may invest in additional amounts. FHLB and FRB stock are carried at cost, classified as restricted equity securities and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(Dollars in thousands except share and per share amounts)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Long-term Compensation: The Corporation paid retention bonuses in cash to certain key employees. These cash bonuses are considered long-term compensation to be earned over a 24 to 120-month requisite service period. The amount of the contracts is earned pro rata by the employees and expensed pro rata by the Corporation over the contractual term of the agreements. In the event that the employee leaves during the life of the contract, the employee is obligated to repay the unearned amount. Prepaid long-term compensation amounts of \$747 and \$477 were included in other assets as of December 31, 2024 and 2023.

Long-term Assets: Premises and equipment and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

Assets Under Management: Assets held in fiduciary or agency capacities are not included in the consolidated balance sheets since such items are not assets of the Corporation.

Wealth Management Services Income Recognition: The Corporation earns wealth management fees from its contracts with customers to manage assets for investment, and/or to transact on their accounts. These fees are primarily earned over time as the Corporation provides the contracted monthly or quarterly services. Income from Wealth Management Services is calculated by multiplying each investment management account's market value, determined on a specific date each month, by a static or tiered percentage, according to the investment management agreement. The income resulting from Wealth Management Services accounts is recognized monthly. Other related services provided include financial planning services and the fees the Corporation earns, which are based on a fixed fee schedule, are recognized when the services are rendered.

Derivatives: The Corporation has entered into derivative contracts designated as a) a hedge of fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value hedge"), and b) a hedge of the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"). For a fair value hedge, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged item, are recognized in current earnings as fair values change. For a cash flow hedge, the gain or loss on the derivative is reported in other comprehensive income and is reclassified into earnings in the same periods during which the hedged transaction affects earnings. For both types of hedges, changes in the fair values of derivatives that are not highly effective in hedging the changes in fair value or expected cash flows of the hedged item are recognized immediately in current earnings. Net cash settlements on derivatives that qualify for hedge accounting are recorded in interest income or interest expense, based on the item being hedged. Cash flows on hedges are classified in the cash flow statement the same as the cash flows of the items being hedged.

The Corporation formally documents the relationship between derivatives and hedged items, as well as the risk-management objective and the strategy for undertaking hedge transactions at the inception of the hedging relationship. This documentation includes linking hedges to specific assets and liabilities on the balance sheet. The Corporation also formally assesses, both at the hedges inception and on an ongoing basis, whether the derivative instruments that are used are highly effective in offsetting changes in fair values or expected cash flows of hedged items. The Corporation discontinues hedge accounting when it determines that the derivative is no longer effective in offsetting changes in fair value of the hedged item, the derivative is settled or terminates, or the treatment of the derivative as a hedge is no longer appropriate or intended. When hedge accounting is discontinued, subsequent changes in fair value of the derivative are recorded as non-interest income.

The Corporation is exposed to losses if a counterparty fails to make its payments under a contract in which the Corporation is in the net receiving position. The Corporation anticipates that the counterparties

TRUXTON CORPORATION
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

will be able to fully satisfy their obligations under the agreements. All the contracts to which the Corporation is a party settle monthly or quarterly. In addition, the Corporation obtains collateral above certain thresholds of the fair value of its derivatives for each counterparty based upon their credit standing and the Corporation has netting agreements with the dealers with which it does business.

Stock-Based Compensation: Compensation cost is recognized for stock options and restricted stock awards issued to employees and directors, based on the fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options, while the market price of the Corporation's common stock at the date of grant is used for restricted stock awards. Compensation cost is recognized, on a straight-line basis over the requisite service period for the entire award generally defined as the vesting period.

Retirement Plans: Employee 401(k) benefit plan expense is the amount of matching contributions for the period.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale and unrealized gains and losses on cash flow hedges, which are also recognized as separate components of shareholders' equity.

Income Taxes: Income tax expense or benefit is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

The Corporation recognizes interest and/or penalties related to income tax matters in income tax expense.

Earnings Per Share: Basic earnings per share available to common shareholders is computed by dividing net income adjusted for income allocated to participating securities by the weighted average number of common shares outstanding during the period. All outstanding unvested share-based payment awards that contain rights to non-forfeitable dividends are considered participating securities for this calculation. Diluted earnings per share include the dilutive effect of additional potential common shares issuable under stock options.

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

Restrictions on Cash: The Corporation has cash held with third-party provider as collateral on cash flow swap.

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

TRUXTON CORPORATION
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Off Balance Sheet Financial Instruments: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and standby letters of credit issued to meet customer financing needs. The face amount for these items represents the exposure to loss before considering customer collateral or ability to repay. Such financial instruments are recorded as loans when funded.

Segment Reporting: The Corporation's reportable segment is determined by the Chief Financial Officer, who is designated the chief operating decision maker, based upon information provided about the Corporation's products and services offered, primarily banking and wealth operations. However, the chief operating decision maker evaluates the operations of the Corporation as one segment – consolidated banking. The segment is also distinguished by the level of information provided to the chief operating decision maker, who uses such information to review performance of various components of the business, which are then aggregated if operating performance, products/services, and customers are similar. The chief operating decision maker evaluates revenue streams, significant expenses, and budget to actual results in assessing the Corporation's one segment and in the determination of allocating resources. The chief operating decision maker uses revenue streams to evaluate product pricing and significant expenses to assess performance and evaluate return on assets. The chief operating decision maker uses consolidated net income to benchmark the Corporation against its competitors. The benchmarking analysis coupled with monitoring of budget to actual results are used in assessment performance and in establishing compensation. Loans, investments, deposits and wealth management services provide the revenues in the banking operation. Interest expense, provision for credit losses, and payroll provide the significant expenses in the banking operation. All operations are domestic.

Reclassifications: Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net income or shareholders' equity.

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NOTE 2 - SECURITIES

The following table summarizes the amortized cost and fair value of the available for sale securities portfolio at December 31, 2024 and 2023 and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive loss:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|-------------------|------------------------------|-------------------------------|-------------------|
| <u>2024</u> | | | | |
| Available for sale | | | | |
| U.S. Treasury and federal agency | 250 | - | (1) | 249 |
| U.S. government sponsored entities and agencies | 4,957 | 10 | (157) | 4,810 |
| Agency mortgage-backed securities: residential | 19,379 | - | (3,265) | 16,114 |
| Agency mortgage-backed securities: commercial | 1,037 | - | (150) | 887 |
| Agency collateralized mortgage obligations | 19,830 | 21 | (858) | 18,993 |
| State and political subdivisions | 55,333 | - | (6,688) | 48,645 |
| Non-agency mortgage securitizations | 82,985 | 272 | (5,236) | 78,021 |
| Asset backed securities | 83,527 | 255 | (976) | 82,806 |
| Corporate securities | <u>8,497</u> | <u>3</u> | <u>(703)</u> | <u>7,797</u> |
| Total available for sale | <u>\$ 275,795</u> | <u>\$ 561</u> | <u>\$ (18,034)</u> | <u>\$ 258,322</u> |
| | | | | |
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| <u>2023</u> | | | | |
| Available for sale | | | | |
| U.S. Treasury and federal agency | 496 | - | (5) | 491 |
| U.S. government sponsored entities and agencies | 6,413 | 11 | (157) | 6,267 |
| Agency mortgage-backed securities: residential | 21,524 | 1 | (3,048) | 18,477 |
| Agency mortgage-backed securities: commercial | 3,983 | 3 | (222) | 3,764 |
| Agency collateralized mortgage obligations | 26,888 | 47 | (1,211) | 25,724 |
| State and political subdivisions | 58,328 | 33 | (6,435) | 51,926 |
| Non-agency mortgage securitizations | 82,041 | 158 | (7,636) | 74,563 |
| Asset backed securities | 73,104 | 122 | (2,278) | 70,948 |
| Corporate securities | <u>8,498</u> | <u>1</u> | <u>(733)</u> | <u>7,766</u> |
| Total available for sale | <u>\$ 281,275</u> | <u>\$ 376</u> | <u>\$ (21,725)</u> | <u>\$ 259,926</u> |

TRUXTON CORPORATION
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NOTE 2 - SECURITIES (Continued)

Sales of available for sale securities were as follows for the years ending December 31, 2024 and 2023:

| | <u>2024</u> | <u>2023</u> |
|--------------|-------------|-------------|
| Proceeds | \$ 23,869 | \$ 16,648 |
| Gross gains | 44 | 111 |
| Gross losses | (379) | (487) |

Securities pledged at year-end 2024 and 2023 had a carrying value of \$18,523 and \$85,013 and were pledged to secure public deposits, interest rate swaps, one of the bank's federal funds lines of credit, and other borrowings with Federal Reserve Bank through the Bank Term Funding Program (BTFP). The Corporation had no holdings of securities of any one issuer, other than the U.S. government sponsored entities and agencies, in an amount greater than 10% of shareholders' equity.

The amortized cost and fair value of the investment securities portfolio are shown by contractual maturity. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

| | <u>December 31, 2024</u> | |
|---|---------------------------|-----------------------|
| | <u>Amortized Cost</u> | <u>Fair Value</u> |
| Within one year | \$ 2,250 | \$ 2,213 |
| One to five years | 9,002 | 8,205 |
| Five to ten years | 8,846 | 7,459 |
| Beyond ten years | 43,982 | 38,814 |
| U.S. government sponsored entities and agencies | 4,957 | 4,810 |
| Agency mortgage-backed securities: residential | 19,379 | 16,114 |
| Agency mortgage-backed securities: commercial | 1,037 | 887 |
| Agency collateralized mortgage obligations | 19,830 | 18,993 |
| Non-agency mortgage securitizations | 82,985 | 78,021 |
| Asset backed securities | 83,527 | 82,806 |
| Total | \$ 275,795 | \$ 258,322 |

TRUXTON CORPORATION
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NOTE 2 - SECURITIES (Continued)

The following table summarizes the investment securities with unrealized losses at December 31, 2024 and 2023 aggregated by major security type and length of time in a continuous unrealized loss position:

| | <u>Less than 12 Months</u> | | <u>12 Months or More</u> | | <u>Total</u> | |
|---|----------------------------|--------------------------|--------------------------|--------------------------|-------------------|--------------------------|
| | <u>Fair Value</u> | <u>Unrealized Losses</u> | <u>Fair Value</u> | <u>Unrealized Losses</u> | <u>Fair Value</u> | <u>Unrealized Losses</u> |
| <u>December 31, 2024</u> | | | | | | |
| Available for sale | | | | | | |
| U.S. Treasury and federal agency | \$ - | \$ - | \$ 249 | \$ (1) | \$ 249 | \$ (1) |
| U.S. government sponsored entities and agencies | 337 | (1) | 2,478 | (156) | 2,815 | (157) |
| Agency Mortgage-backed securities: residential | - | - | 16,096 | (3,265) | 16,096 | (3,265) |
| Agency Mortgage-backed securities: commercial | - | - | 887 | (150) | 887 | (150) |
| Agency collateralized mortgage obligation | - | - | 17,472 | (858) | 17,472 | (858) |
| State and political subdivisions | 3,518 | (26) | 45,127 | (6,662) | 48,645 | (6,688) |
| Non-agency mortgage securitizations | 17,205 | (230) | 37,285 | (5,006) | 54,490 | (5,236) |
| Asset backed securities | 22,958 | (42) | 19,211 | (934) | 42,169 | (976) |
| Corporate bonds | <u>1,232</u> | <u>(268)</u> | <u>5,562</u> | <u>(435)</u> | <u>6,794</u> | <u>(703)</u> |
| Total available for sale | <u>\$ 45,250</u> | <u>\$ (567)</u> | <u>\$ 144,367</u> | <u>\$ (17,467)</u> | <u>\$ 189,617</u> | <u>\$ (18,034)</u> |
| | | | | | | |
| | | | | | | |
| <u>December 31, 2023</u> | | | | | | |
| Available for sale | | | | | | |
| U.S. Treasury and federal agency | \$ 491 | \$ (5) | \$ - | \$ - | \$ 491 | \$ (5) |
| U.S. government sponsored entities and agencies | 246 | (1) | 4,131 | (156) | 4,377 | (157) |
| Agency Mortgage-backed securities: residential | 5 | - | 18,452 | (3,048) | 18,457 | (3,048) |
| Agency Mortgage-backed securities: commercial | - | - | 2,824 | (222) | 2,824 | (222) |
| Agency collateralized mortgage obligation | 3,883 | (147) | 20,290 | (1,064) | 24,173 | (1,211) |
| State and political subdivisions | - | - | 48,611 | (6,435) | 48,611 | (6,435) |
| Non-agency mortgage securitizations | 10,871 | (65) | 54,222 | (7,571) | 65,093 | (7,636) |
| Asset backed securities | 8,211 | (66) | 36,661 | (2,212) | 44,872 | (2,278) |
| Corporate bonds | <u>-</u> | <u>-</u> | <u>6,762</u> | <u>(733)</u> | <u>6,762</u> | <u>(733)</u> |
| Total available for sale | <u>\$ 23,707</u> | <u>\$ (284)</u> | <u>\$ 191,953</u> | <u>\$ (21,441)</u> | <u>\$ 215,660</u> | <u>\$ (21,725)</u> |

TRUXTON CORPORATION
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NOTE 2 - SECURITIES (Continued)

Unrealized losses on securities have not been recognized into income because the issuers are of high credit quality, management does not intend to sell and it is more likely than not that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in market interest rates instead of credit quality. The fair value is expected to recover as the securities approach their maturity dates and/or market rates change. As a result, the Corporation does not consider these securities to be other-than-temporarily impaired at December 31, 2024.

Restricted equity securities consist of securities which are restricted as to transferability. These securities are recorded at cost. Restricted equity securities consist of the following at December 31, 2024 and 2023:

| | <u>2024</u> | <u>2023</u> |
|------------------------------|-----------------|-----------------|
| Federal Home Loan Bank stock | \$ 1,348 | \$ 975 |
| Federal Reserve Bank stock | <u>924</u> | <u>883</u> |
| | <u>\$ 2,272</u> | <u>\$ 1,858</u> |

NOTE 3 - LOANS

Loans at year end were as follows:

| | <u>2024</u> | <u>2023</u> |
|-----------------------------------|-------------------|-------------------|
| Commercial | \$ 59,916 | \$ 62,441 |
| Commercial real estate | 263,485 | 241,492 |
| Residential real estate | 263,963 | 255,827 |
| Construction and land development | 39,638 | 50,281 |
| Consumer | <u>43,878</u> | <u>48,662</u> |
| Subtotal | 670,880 | 658,703 |
| Net deferred loan fees | <u>(898)</u> | <u>(863)</u> |
| Gross loans | <u>\$ 669,982</u> | <u>\$ 657,840</u> |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 - LOANS (Continued)

The following tables present the activity in the allowance for credit losses and the recorded investment in loans by portfolio segment for the years ending December 31, 2024 and 2023:

| <u>December 31, 2024</u> | <u>Commercial</u> | <u>Commercial Real Estate</u> | <u>Residential Real Estate</u> | <u>Construction and Land Development</u> | <u>Consumer</u> | <u>Unallocated</u> | <u>Total</u> |
|---|-------------------|---------------------------------------|--|--|-----------------|--------------------|-----------------|
| Allowance for credit losses: | | | | | | | |
| Beginning balance | \$ 489 | \$ 2,291 | \$ 2,441 | \$ 654 | \$ 429 | \$ - | \$ 6,304 |
| Provision for credit losses ⁽¹⁾ | (5) | 196 | 84 | (151) | 21 | - | 145 |
| Loans charged-off | - | - | (22) | - | - | - | (22) |
| Recoveries collected | - | - | 6 | - | - | - | 6 |
| Total ending allowance balance | <u>\$ 484</u> | <u>\$ 2,487</u> | <u>\$ 2,509</u> | <u>\$ 503</u> | <u>\$ 450</u> | <u>\$ -</u> | <u>\$ 6,433</u> |
| | | | | | | | |
| <u>December 31, 2023</u> | | | | | | | |
| Allowance for credit losses: | | | | | | | |
| Beginning balance, prior to adoption of ASC 326 | \$ 578 | \$ 2,691 | \$ 1,629 | \$ 498 | \$ 365 | \$ - | \$ 5,761 |
| Impact of adopting ASC 326 | (88) | (707) | 685 | 67 | 168 | - | 125 |
| Provision for credit losses ⁽¹⁾ | (1) | 307 | 129 | 89 | (104) | - | 420 |
| Loans charged-off | - | - | (13) | - | - | - | (13) |
| Recoveries collected | - | - | 11 | - | - | - | 11 |
| Total ending allowance balance | <u>\$ 489</u> | <u>\$ 2,291</u> | <u>\$ 2,441</u> | <u>\$ 654</u> | <u>\$ 429</u> | <u>\$ -</u> | <u>\$ 6,304</u> |

(1) Provision for credit losses excludes \$72 and \$124 reduction due to unfunded commitments included in other liabilities for December 31, 2024 and 2023, respectively.

TRUXTON CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 - LOANS (Continued)

Loan Modifications to Borrowers Experiencing Financial Difficulties

Occasionally, the Corporation modifies loans to borrowers in financial distress by providing insignificant payment delay or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

In some cases, the Corporation provides multiple types of concessions on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted.

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

| <u>December 31, 2024</u> | <u>Principal Forgiveness</u> | <u>Payment Delay</u> | <u>Term Extension</u> | <u>Interest Rate Reduction</u> | <u>Total Class of Financing Receivable</u> |
|--------------------------|----------------------------------|--------------------------|---------------------------|------------------------------------|--|
| Commercial | \$ - | \$ 4,967 | \$ - | \$ - | 8.29% |

The Corporation did not have any modifications to borrowers experiencing financial difficulties during the twelve months ended December 31, 2023. The Corporation has not committed to lend additional amounts to the borrower included in the previous table. The Corporation closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The loan to a borrower experiencing financial difficulty that has been modified in the last 12 months was not past due as of December 31, 2024, and did not have a payment default during the year ended December 31, 2024. Upon the Corporation's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

TRUXTON CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 - LOANS (Continued)

There were \$11 and \$12 loans past due over 90 days and still accruing as of December 31, 2024, and 2023, respectively.

There were no loans on non-accrual as of December 31, 2024, and 2023, respectively.

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

| | 30 - 59 Days Past Due | 60 - 89 Days Past Due | Greater than 89 Days Past Due | Total Past Due | Loans Not Past Due | Total |
|--------------------------------------|-----------------------------|-----------------------------|-------------------------------------|-------------------|-----------------------|-------------------|
| <u>December 31, 2024</u> | | | | | | |
| Commercial | \$ - | \$ - | \$ - | \$ - | \$ 59,916 | \$ 59,916 |
| Commercial real estate | - | - | - | - | 263,485 | 263,485 |
| Residential real estate | 32 | 8 | 11 | 51 | 263,912 | 263,963 |
| Construction and land Development | - | - | - | - | 39,638 | 39,638 |
| Consumer | - | - | - | - | 43,878 | 43,878 |
| Total | <u>\$ 32</u> | <u>\$ 8</u> | <u>\$ 11</u> | <u>\$ 51</u> | <u>\$ 670,829</u> | <u>\$ 670,880</u> |
| <u>December 31, 2023</u> | | | | | | |
| Commercial | \$ - | \$ - | \$ - | \$ - | \$ 62,441 | \$ 62,441 |
| Commercial real estate | - | - | - | - | 241,492 | 241,492 |
| Residential real estate | 35 | 13 | 12 | 60 | 255,767 | 255,827 |
| Construction and land Development | - | - | - | - | 50,281 | 50,281 |
| Consumer | - | - | - | - | 48,662 | 48,662 |
| Total | <u>\$ 35</u> | <u>\$ 13</u> | <u>\$ 12</u> | <u>\$ 60</u> | <u>\$ 658,643</u> | <u>\$ 658,703</u> |

Collateral-Dependent Loans

A loan is collateral dependent when the borrower is experiencing financial difficulty and repayment of the loan is expected to be provided substantially through the sale or operation of the collateral. There were no collateral dependent loans as of December 31, 2024, or 2023, respectively.

TRUXTON CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 - LOANS (Continued)

Credit Quality Indicators:

The Corporation 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 Corporation periodically analyzes loans individually by classifying the loans as to credit risk. The Corporation uses the following definitions for risk ratings:

Special Mention. Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

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

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

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass-rated loans.

The table below is based on the most recent analysis performed loan balances classified within each risk category by primary loan type based on year of origination or most recent renewal as of December 31, 2024:

TRUXTON CORPORATION
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NOTE 3 - LOANS (Continued)

| <u>As of December 31, 2024</u> | Term Loans Amortized Cost Basis by Origination Year | | | | <u>Revolving Loans Amortized Cost Basis</u> | <u>Total</u> |
|-------------------------------------|---|-------------|-------------|--------------|---|--------------|
| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>Prior</u> | | |
| Commercial: | | | | | | |
| Risk Rating | | | | | | |
| Pass | \$ 8,605 | \$ 16,284 | \$ 9,450 | \$ 4,146 | \$ 21,431 | \$ 59,916 |
| Special mention | - | - | - | - | - | - |
| Substandard | - | - | - | - | - | - |
| Doubtful | - | - | - | - | - | - |
| Total Commercial loans | \$ 8,605 | \$ 16,284 | \$ 9,450 | \$ 4,146 | \$ 21,431 | \$ 59,916 |
| Commercial real estate: | | | | | | |
| Risk Rating | | | | | | |
| Pass | \$ 60,767 | \$ 32,230 | \$ 62,844 | \$ 96,464 | \$ 6,994 | \$ 259,299 |
| Special mention | - | - | - | - | - | - |
| Substandard | 3,921 | - | - | - | 265 | 4,186 |
| Doubtful | - | - | - | - | - | - |
| Total Commercial real estate loans | \$ 64,688 | \$ 32,230 | \$ 62,844 | \$ 96,464 | \$ 7,259 | \$ 263,485 |
| Residential real estate: | | | | | | |
| Risk Rating | | | | | | |
| Pass | \$ 40,895 | \$ 37,638 | \$ 51,776 | \$ 76,395 | \$ 57,259 | \$ 263,963 |
| Special mention | - | - | - | - | - | - |
| Substandard | - | - | - | - | - | - |
| Doubtful | - | - | - | - | - | - |
| Total Residential real estate loans | \$ 40,895 | \$ 37,638 | \$ 51,776 | \$ 76,395 | \$ 57,259 | \$ 263,963 |

TRUXTON CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 - LOANS (Continued)

| | <u>Term Loans Amortized Cost Basis by Origination Year</u> | | | | <u>Revolving Loans Amortized Cost Basis</u> | <u>Total</u> |
|---|--|------------------|-------------------|-------------------|---|-------------------|
| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>Prior</u> | | |
| Construction and land development: | | | | | | |
| Risk Rating | | | | | | |
| Pass | \$ 27,611 | \$ 7,211 | \$ 3,000 | \$ - | \$ 1,368 | \$ 39,190 |
| Special mention | 448 | - | - | - | - | 448 |
| Substandard | - | - | - | - | - | - |
| Doubtful | - | - | - | - | - | - |
| Total Construction and land development loans | <u>\$ 28,059</u> | <u>\$ 7,211</u> | <u>\$ 3,000</u> | <u>\$ -</u> | <u>\$ 1,368</u> | <u>\$ 39,638</u> |
| Consumer: | | | | | | |
| Risk Rating | | | | | | |
| Pass | \$ 6,672 | \$ 1,760 | \$ 2,252 | \$ 2,132 | \$ 31,062 | \$ 43,878 |
| Special mention | - | - | - | - | - | - |
| Substandard | - | - | - | - | - | - |
| Doubtful | - | - | - | - | - | - |
| Total Consumer loans | <u>\$ 6,672</u> | <u>\$ 1,760</u> | <u>\$ 2,252</u> | <u>\$ 2,132</u> | <u>\$ 31,062</u> | <u>\$ 43,878</u> |
| Total loans: | | | | | | |
| Risk Rating | | | | | | |
| Pass | \$ 144,550 | \$ 95,123 | \$ 129,322 | \$ 179,137 | \$ 118,114 | \$ 666,246 |
| Special mention | 448 | - | - | - | - | 448 |
| Substandard | 3,921 | - | - | - | 265 | 4,186 |
| Doubtful | - | - | - | - | - | - |
| Total loans | <u>\$ 148,919</u> | <u>\$ 95,123</u> | <u>\$ 129,322</u> | <u>\$ 179,137</u> | <u>\$ 118,379</u> | <u>\$ 670,880</u> |

The Corporation had charge offs totaling \$22 for the year ending December 31, 2024.

TRUXTON CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 - LOANS (Continued)

| <u>As of December 31, 2023</u> | Term Loans Amortized Cost Basis by Origination Year | | | | <u>Revolving Loans Amortized Cost Basis</u> | <u>Total</u> |
|-------------------------------------|---|-------------|-------------|--------------|---|--------------|
| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>Prior</u> | | |
| Commercial: | | | | | | |
| Risk Rating | | | | | | |
| Pass | \$ 21,309 | \$ 10,844 | \$ 5,684 | \$ 2,593 | \$ 22,011 | \$ 62,441 |
| Special mention | - | - | - | - | - | - |
| Substandard | - | - | - | - | - | - |
| Doubtful | - | - | - | - | - | - |
| Total Commercial loans | \$ 21,309 | \$ 10,844 | \$ 5,684 | \$ 2,593 | \$ 22,011 | \$ 62,441 |
| Commercial real estate: | | | | | | |
| Risk Rating | | | | | | |
| Pass | \$ 41,133 | \$ 66,211 | \$ 59,809 | \$ 65,763 | \$ 8,576 | \$ 241,492 |
| Special mention | - | - | - | - | - | - |
| Substandard | - | - | - | - | - | - |
| Doubtful | - | - | - | - | - | - |
| Total Commercial real estate loans | \$ 41,133 | \$ 66,211 | \$ 59,809 | \$ 65,763 | \$ 8,576 | \$ 241,492 |
| Residential real estate: | | | | | | |
| Risk Rating | | | | | | |
| Pass | \$ 48,081 | \$ 56,133 | \$ 62,591 | \$ 35,494 | \$ 53,502 | \$ 255,801 |
| Special mention | - | - | - | - | - | - |
| Substandard | - | 12 | - | 14 | - | 26 |
| Doubtful | - | - | - | - | - | - |
| Total Residential real estate loans | \$ 48,081 | \$ 56,145 | \$ 62,591 | \$ 35,508 | \$ 53,502 | \$ 255,827 |

TRUXTON CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 - LOANS (Continued)

| | <u>Term Loans Amortized Cost Basis by Origination Year</u> | | | | <u>Revolving Loans Amortized Cost Basis</u> | <u>Total</u> |
|---|--|-------------|-------------|--------------|---|--------------|
| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>Prior</u> | | |
| Construction and land development: | | | | | | |
| Risk Rating | | | | | | |
| Pass | \$ 37,340 | \$ 11,858 | \$ - | \$ 618 | \$ 465 | \$ 50,281 |
| Special mention | - | - | - | - | - | - |
| Substandard | - | - | - | - | - | - |
| Doubtful | - | - | - | - | - | - |
| Total Construction and land development loans | \$ 37,340 | \$ 11,858 | \$ - | \$ 618 | \$ 465 | \$ 50,281 |
| Consumer: | | | | | | |
| Risk Rating | | | | | | |
| Pass | \$ 8,241 | \$ 3,207 | \$ 847 | \$ 1,480 | \$ 34,887 | \$ 48,662 |
| Special mention | - | - | - | - | - | - |
| Substandard | - | - | - | - | - | - |
| Doubtful | - | - | - | - | - | - |
| Total Consumer loans | \$ 8,241 | \$ 3,207 | \$ 847 | \$ 1,480 | \$ 34,887 | \$ 48,662 |
| Total loans: | | | | | | |
| Risk Rating | | | | | | |
| Pass | \$ 156,104 | \$ 148,253 | \$ 128,931 | \$ 105,948 | \$ 119,441 | \$ 658,677 |
| Special mention | - | - | - | - | - | - |
| Substandard | - | 12 | - | 14 | - | 26 |
| Doubtful | - | - | - | - | - | - |
| Total loans | \$ 156,104 | \$ 148,265 | \$ 128,931 | \$ 105,962 | \$ 119,441 | \$ 658,703 |

Loans not meeting the criteria above that are analyzed individually as part of the above-described process are considered to be pass-rated loans.

The Corporation had charge offs totaling \$13 for the year ending December 31, 2023.

TRUXTON CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

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NOTE 4 - PREMISES AND EQUIPMENT

Year-end premises and equipment were as follows:

| | <u>2024</u> | <u>2023</u> |
|---|-----------------|----------------|
| Leasehold improvements | \$ 2,538 | \$ 1,366 |
| Furniture, fixtures and equipment | 1,299 | 1,052 |
| Computer software | <u>857</u> | <u>1,054</u> |
| | 4,694 | 3,472 |
| Less: Accumulated depreciation and amortization | <u>(1,401)</u> | <u>(3,283)</u> |
| Net premises and equipment | <u>\$ 3,293</u> | <u>\$ 189</u> |

Depreciation and amortization expense totaled \$349 and \$146 for 2024 and 2023, respectively.

NOTE 5 - LEASES

The Corporation enters into leases in the normal course of business primarily for the Corporation's office space. The Corporation's main office facility moved its headquarters into a new space in 2024, with a lease commencing January 1, 2024, and terminating February 1, 2034, with two 5-year renewal options. The Corporation's current leases have remaining terms ranging from 18 months to 108 months, some of which include renewal options to extend the lease for up to 2 years. The Corporation's leases do not include residual value guarantees or covenants.

The Corporation has elected to account for any non-lease components in its real estate leases as part of the associated lease component. The Corporation has also elected not to recognize leases with original lease terms of 12 months or less (short-term leases) on the Corporation's balance sheet.

The Corporation's leases are classified as operating leases at the lease commencement date. Lease expense for operating leases is recognized on a straight-time basis over the lease term. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

The Corporation uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known. The Corporation's incremental borrowing rate is based on FHLB amortizing advance rate, adjusted for the lease term and other factors.

Right-of-use assets and lease liabilities by lease type, and associated balance sheet classification, are as follows:

| <u>Balance Sheet Classification</u> | | <u>2024</u> | <u>2023</u> |
|-------------------------------------|-------------------|-------------|-------------|
| Right-of-use assets: | | | |
| Operating leases | Other assets | \$ 4,290 | \$ 224 |
| Lease liabilities: | | | |
| Operating leases | Other liabilities | \$ 4,601 | \$ 224 |

TRUXTON CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5 - LEASES (Continued)

Lease Obligations

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

| | <u>Operating Leases</u> |
|-----------------------------------|-----------------------------|
| 2025 | \$ 568 |
| 2026 | 598 |
| 2027 | 585 |
| 2028 | 600 |
| 2029 | 614 |
| Thereafter | <u>2,671</u> |
| Total undiscounted lease payments | 5,636 |
| Less: imputed interest | <u>1,035</u> |
| Net lease liabilities | <u>\$ 4,601</u> |

Supplemental lease Information

| | <u>2024</u> | <u>2023</u> |
|---|-------------|-------------|
| Operating lease weighted average remaining lease term (years) | 9.7 | 0.40 |
| Operating lease weighted average discount rate | 4.55% | 5.34% |

NOTE 6 - DEPOSITS

Scheduled maturities of time deposits, included in interest bearing deposits, for the next five years were as follows:

| | |
|------|------------|
| 2025 | \$ 148,084 |
| 2026 | 32,956 |
| 2027 | 8,828 |
| 2028 | 2,037 |
| 2029 | 21,279 |

Time deposits that meet or exceed the FDIC Insurance limit of \$250 at December 31, 2024 and 2023 were \$169,701 and \$111,775.

TRUXTON CORPORATION
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NOTE 7 - BORROWINGS

Borrowings include Federal Home Loan Bank advances and subordinated debt.

Federal Home Loan Bank Advances

At December 31, 2024 and 2023, advances from the FHLB were as follows:

For 2024, interest rates ranged from 1.02% to 4.18%, averaging 3.29% with maturities between January 14, 2025 and September 16, 2026. \$ 8,250

For 2023, interest rates ranged from 1.02% to 2.90%, averaging 2.01% with maturities between January 12, 2024 and April 28, 2025. \$ 4,500

The advances are subject to penalties if repaid before scheduled payments are due. The Bank's outstanding borrowings from the FHLB are secured by a blanket pledge agreement of 150% of 1-4 family loans, first lien mortgage loans. The Bank has approximately \$88,861 of 1-4 family, first mortgage loans, \$33,189 of home equity mortgage loans and \$17,330 of multi-family loans available to pledge under the blanket pledge arrangement dated March 16, 2006. Based on the collateral and the Corporation's holdings of FHLB Stock, the Bank is eligible to borrow additional advances of approximately \$73,728 as of December 31, 2024.

Payments over the next five years are as follows:

| | |
|------|----------|
| 2025 | \$ 5,250 |
| 2026 | 3,000 |

Subordinated Debt

In 2020, the Corporation issued \$15,000 of ten year fixed-to-floating rate subordinated notes maturing September 30, 2030. This subordinated note instrument pays interest semi-annually in arrears based on a 4.5% fixed annual interest rate for the first five years of the notes. For years six through ten, the interest rate resets on a quarterly basis, and will be based on the 3-month Secured Overnight Financing Rate plus a spread of 438 basis points. The Corporation is entitled to redeem the notes in whole or in part on any interest payment date on or after September 30, 2025.

The Company has recorded the issuance, net of unamortized issuance costs of \$74 and \$173 as of December 31, 2024, and 2023, respectively.

In 2023, the Corporation repurchased \$500 of the debt and recognized a gain of \$50.

Bank Term Funding Program Advances

The Federal Reserve Bank created the new Bank Term Funding Program (BTFP) on March 12, 2023, whereby banks with Discount Window access could receive 1-year fixed rate advances, prepayable without penalty, based on the par value of their eligible pledged collateral, at a rate equal to the 1-year overnight index swap rate plus 10 basis points, fixed each morning.

The bank advanced \$40,000 in March 2023 and an additional \$15,000 in April 2023. The bank had \$0 and \$53,800 outstanding BTFP advances as of December 31, 2024 and 2023, respectively.

TRUXTON CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

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NOTE 7 - BORROWINGS (Continued)

Federal Reserve Bank Discount Window Advances

The Corporation maintains access to the Federal Reserve Bank Discount Window primary credit by pledging securities. The Corporation utilized Discount Window Primary Credit advances for short-term funding throughout 2024 but had no outstanding advances at December 31, 2024. The Corporation had approximately \$181,514 of availability at year-end based on the value of pledged securities.

NOTE 8 - INCOME TAXES

Income tax expense was as follows:

| | <u>2024</u> | <u>2023</u> |
|------------------|-----------------|-----------------|
| Current expense | | |
| Federal | \$ 4,668 | \$ 4,329 |
| State | <u>206</u> | <u>(39)</u> |
| Total current | 4,874 | 4,290 |
| Deferred benefit | | |
| Federal | (101) | (193) |
| State | <u>(217)</u> | <u>20</u> |
| Total deferred | <u>(318)</u> | <u>(173)</u> |
| Total | <u>\$ 4,556</u> | <u>\$ 4,117</u> |

Effective tax rates differ from federal statutory rate of 21% applied to income before income taxes due to the following:

| | <u>2024</u> | <u>2023</u> |
|---|-----------------|-----------------|
| Federal statutory rate times financial statement income | \$ 4,823 | \$ 4,547 |
| Effect of: | | |
| State taxes, net of federal benefit | (9) | (15) |
| Tax exempt interest income | (175) | (184) |
| Bank owned life insurance income | (62) | (45) |
| Captive insurance premiums and disallowances | - | (130) |
| Other, net | <u>(21)</u> | <u>(56)</u> |
| Total income tax expense | <u>\$ 4,556</u> | <u>\$ 4,117</u> |

TRUXTON CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8 - INCOME TAXES (Continued)

Year-end deferred tax assets and liabilities were due to the following:

| | <u>2024</u> | <u>2023</u> |
|--|-----------------|-----------------|
| Deferred tax assets: | | |
| Allowance for credit losses | \$ 1,807 | \$ 1,755 |
| Loan origination income | 296 | 289 |
| Net unrealized losses on available for sale securities | 4,568 | 5,579 |
| Depreciation | 53 | 62 |
| Other | <u>1,068</u> | <u>67</u> |
| Total deferred tax assets | 7,792 | 7,752 |
| Deferred tax liabilities: | | |
| Prepaid expenses | (298) | (257) |
| Stock based compensation expense | (330) | (454) |
| Restricted equity stock dividends | (5) | (4) |
| Loan origination expenses | (61) | (67) |
| Net unrealized gain on cash flow hedges | (944) | (886) |
| Other | <u>(898)</u> | <u>(77)</u> |
| Total deferred tax liabilities | <u>(2,536)</u> | <u>(1,742)</u> |
| Deferred tax asset, net | <u>\$ 5,256</u> | <u>\$ 6,010</u> |

The Corporation does not have any uncertain tax positions and has minimal interest and penalties recorded or accrued in the consolidated financial statements for the years ended December 31, 2024, and 2023. The Corporation and its subsidiaries are subject to U.S. federal income tax as well as income tax of the states of Georgia and Tennessee. The Corporation is no longer subject to examination by taxing authorities for years before 2020.

NOTE 9 - RELATED PARTY TRANSACTIONS

Loans to principal officers, directors and their affiliates at December 31, 2024 and 2023 totaled \$11,174 and \$11,918, respectively.

Deposits from principal officers, directors and their affiliates at December 31, 2024 and 2023 totaled \$2,877 and \$3,019, respectively.

Wealth management fees earned from assets under management for principal officers, directors and their affiliates at December 31, 2024 and 2023 totaled \$1,827 and \$1,662, respectively.

The Company recognized \$20 and \$20 from an unconsolidated related entity at December 31, 2024 and 2023, respectively.

Additionally, the Corporation has a director that is a member of the firm from which the Corporation receives legal services.

TRUXTON CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 10 - REGULATORY CAPITAL MATTERS

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available for sale securities is included in computing regulatory capital. Management believes as of December 31, 2024, the Bank meets all capital adequacy requirements to which it is subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At December 31, 2024 and 2023, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

Actual and required capital amounts and ratios for the Bank are presented below as of December 31, 2024 and 2023. The capital conservation buffer is not included in the required ratios of the table presented below.

| | <u>Actual</u> | | <u>For Capital Adequacy Purposes</u> | | <u>To Be Well Capitalized Under Prompt Corrective Action Provisions</u> | |
|---|---------------|--------------|--------------------------------------|--------------|---|--------------|
| | <u>Amount</u> | <u>Ratio</u> | <u>Amount</u> | <u>Ratio</u> | <u>Amount</u> | <u>Ratio</u> |
| 2024 | | | | | | |
| Total Capital to risk weighted assets | \$ 115,593 | 16.15% | \$ 56,383 | 8.00% | \$ 70,478 | 10.00% |
| Tier 1 (Core) Capital to risk weighted assets | 108,677 | 15.19% | 42,938 | 6.00% | 57,251 | 8.00% |
| Common Tier 1 (CET1) | 108,677 | 15.19% | 32,204 | 4.50% | 46,516 | 6.50% |
| Tier 1 (Core) Capital to average assets | 108,677 | 10.63% | 40,880 | 4.00% | 51,100 | 5.00% |
| 2023 | | | | | | |
| Total Capital to risk weighted assets | \$ 108,919 | 15.45% | \$ 56,383 | 8.00% | \$ 70,478 | 10.00% |
| Tier 1 (Core) Capital to risk weighted assets | 102,204 | 14.50% | 42,287 | 6.00% | 56,383 | 8.00% |
| Common Tier 1 (CET1) | 102,204 | 14.50% | 31,715 | 4.50% | 45,811 | 6.50% |
| Tier 1 (Core) Capital to average assets | 102,204 | 10.53% | 38,809 | 4.00% | 48,512 | 5.00% |

Dividend Restrictions - The Corporation's principal source of funds for dividend payments is dividends received from the Bank. Banking regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. Under these regulations, the amount of dividends that may be paid in any calendar year is limited to the current year's net profits, combined with the retained net profits of the preceding two years, subject to the capital requirements described above. During 2025, the Bank could, without prior approval, declare dividends of approximately \$21,125 plus any 2025 net profits retained to date of declaration.

TRUXTON CORPORATION
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NOTE 11 - OFF-BALANCE SHEET ACTIVITIES

Some financial instruments, such as loan commitments, credit lines, and letters of credit, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others as long as conditions established in the contract are met. In addition, these agreements usually have expiration dates, and the commitments may expire without being used.

Off-balance sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at the exercise of the commitment. The majority of the Corporation's commitments to extend credit have maturities of less than one year and reflect the prevailing market interest rates at the time of the commitment.

The contractual amount of financial instruments with off-balance sheet risk was as follows at December 31:

| | <u>2024</u> | <u>2023</u> |
|------------------------|-------------|-------------|
| Letters of Credit | \$ 12,540 | \$ 2,185 |
| Unused Lines of Credit | 175,665 | 156,719 |

NOTE 12 - STOCK BASED COMPENSATION PLAN

Total stock-based compensation expense in 2024 and 2023 was \$1,456 and \$1,322, respectively. Related to the 2024 and 2023 restricted stock grants, some employees made an election, in accordance with Section 83(b) of the Internal Revenue Code, to have the fair value of the awards taxable immediately. In connection with the election, the Corporation allowed the employees to forfeit shares to cover the related personal tax obligation. During 2024 employees forfeited 596 shares with a total fair value of \$37 in connection with the election. During 2023 employees forfeited 877 shares with a total fair value of \$61 in connection with the election. These amounts were recorded in salaries and employee benefits on the Corporation's consolidated statements of income in 2024 and 2023.

The Corporation's 2021 Equity Incentive Plan, approved by shareholders on May 19, 2022, provides for the grant of stock options, restricted stock, and other equity-based incentives of 233,751 shares. As of December 31, 2024, the Corporation has issued 96,466 of these shares under the 2021 Equity Incentive Plan.

Stock Option Grants

Option awards are granted with an exercise price equal to the market price of the Corporation's common stock at the date of grant. Option awards have vesting periods of one to six years and have 10-year contractual terms. The Corporation uses newly issued shares to satisfy share option exercises.

The fair value of each option award is estimated on the date of grant using a closed form option valuation (Black-Scholes) model that uses the assumptions noted in the table below. Expected volatilities are based on historical trading of the shares of Truxton Corporation common stock for 2024 and 2023. The expected term of options granted is based on historical data and represents the period of time that options granted are expected to be outstanding taking into account that the options are not transferable.

TRUXTON CORPORATION
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NOTE 12 - STOCK BASED COMPENSATION PLAN (Continued)

The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

During 2024 and 2023, the Corporation did not issue incentive stock options for the purchase of shares of common stock, respectively.

A summary of the stock option activity for 2024 follows:

| | <u>Shares</u> | <u>Weighted Average Exercise Price</u> | <u>Weighted Average Remaining Contractual Term</u> | <u>Aggregate Intrinsic Value</u> |
|----------------------------------|----------------|--|--|--|
| Outstanding at beginning of year | 14,042 | \$ 29.05 | 2.1 | |
| Forfeited | - | - | | |
| Exercised | <u>(7,342)</u> | 28.40 | | |
| Outstanding at end of year | <u>6,700</u> | 29.76 | 1.91 | \$ 295 |
| Vested or expected to vest | 6,700 | 29.76 | 1.91 | 295 |
| Exercisable at end of year | <u>6,700</u> | 29.76 | 1.91 | 295 |

Information related to stock options during each year follows:

| | <u>2024</u> | <u>2023</u> |
|--|-------------|-------------|
| Intrinsic value of options exercised | \$ 46 | \$ 85 |
| Cash received from option exercises | 207 | 127 |
| Weighted average fair value of options granted | - | - |

All stock options granted under the Plan are vested and exercisable as of December 31, 2024.

TRUXTON CORPORATION
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NOTE 12 - STOCK BASED COMPENSATION PLAN (Continued)

Restricted Stock Grants

In 2024 and 2023, the Corporation issued 32,094 and 24,499 restricted shares of common stock, respectively. Compensation expense is recognized over the vesting period of the awards based on the value of the stock at issue date. The fair value of the stock was determined by current stock trade activity. These shares vest over a period of five to ten years.

A summary of the changes in the Corporation's non-vested shares for the year follows:

| <u>Non-vested shares</u> | <u>Shares</u> | <u>Weighted-Average Fair Value</u> |
|---------------------------------|----------------|------------------------------------|
| Non-vested at January 1, 2024 | 73,084 | \$ 61.78 |
| Granted | 32,094 | 61.60 |
| Vested | (23,826) | 55.69 |
| Forfeited or expired | <u>(1,446)</u> | <u>63.39</u> |
| Non-vested at December 31, 2024 | <u>79,906</u> | <u>\$ 63.53</u> |

As of December 31, 2024, there was \$3,851 of total unrecognized compensation cost related to non-vested restricted shares granted under the Plan. The cost is expected to be recognized over a weighted-average period of 2.6 years.

NOTE 13 - DERIVATIVES

The Corporation utilizes interest rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position. The notional amount of the interest rate swaps does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual interest rate swap agreements.

Fair Value Hedge

The Corporation had swaps designated as Fair Value Hedges for Loans, totaling \$23,102 and \$21,921 in notional, respectively, as of December 31, 2024 and 2023, with the increase reflecting an additional hedged loans. The Corporation had swaps designated as Fair Value Hedges for AFS Securities, totaling \$8,750 and \$10,750 in notional, respectively, as of December 31, 2024 and 2023, with the decline reflecting a swap termination due to the sale of a hedged bond. The hedges were determined to be effective during all periods presented. The Corporation expects the hedges to remain effective during the remaining terms of the swaps.

The following table reflects the fair value hedges included in the Consolidated Statements of Net Income as of December 31:

| <u>Interest rate contracts</u> | <u>Location</u> | <u>2024</u> | <u>2023</u> |
|--|----------------------|-------------|-------------|
| Change in fair value on interest rate swaps hedging loans and securities | Loan interest income | \$ (60) | \$ (50) |

TRUXTON CORPORATION
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NOTE 13 - DERIVATIVES (Continued)

The following table reflects the fair value hedges included in the Consolidated Balance Sheets as of December 31:

| | 2024 | | 2023 | |
|---------------------------------------|--------------------|---------------|--------------------|---------------|
| | Notional Amount | Fair Value | Notional Amount | Fair Value |
| <u>Included in other assets:</u> | | | | |
| Derivatives designated as hedges: | | | | |
| Interest rate swaps | \$ 31,853 | \$ 2,271 | \$ 32,671 | \$ 2,626 |
| <u>Included in other liabilities:</u> | | | | |
| Derivatives designated as hedges: | | | | |
| Interest rate swaps | \$ 31,853 | \$ 2,143 | \$ 32,671 | \$ 2,435 |

Cash Flow Hedge

Interest Rate Swaps Designated as Cash Flow Hedges: Interest rate swaps with notional amounts totaling \$75,000 and \$65,000, respectively, as of December 31, 2024 and 2023, were designated as cash flow hedges of certain deposit accounts and were determined to be fully effective during the periods presented.

In February 2023 and November 2023, the Corporation entered into new cashflow hedges of \$10,000 and \$5,000, respectively, whereby the Corporation paid a fixed interest rate and receives a monthly average of the Effective Federal Funds rate, to which the hedged deposits' rates are indexed. In May 2023, the Corporation entered into two more cashflow hedges of \$5,000 each, whereby the Corporation pays a fixed rate and receives a 3-month average of daily SOFR, which is highly correlated to the cost of 3-month wholesale borrowings (such as brokered CDs or FHLB advances).

In March 2024 and August 2024, the Corporation entered into new cashflow hedges of \$5,000 each, whereby the Corporation paid a fixed interest rate and receives a monthly average of the Effective Federal Funds rate, to which the hedged deposits' rates are indexed. The Corporation had \$50,000 notional cashflow hedges for Fed Funds Effective indexed deposits and \$25,000 notional of cashflows hedges for 3-month wholesale funding. As such, no amount of ineffectiveness has been included in net income. Therefore, the aggregate fair value of swaps is recorded in other liabilities with changes in fair value recorded in other comprehensive income (loss). The Company expects the hedges to remain fully effective during the remaining terms of the swaps.

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NOTE 13 - DERIVATIVES (Continued)

The following table presents the net losses recorded in accumulated other comprehensive income and the Consolidated Statements of Net Income relating to the cash flow derivative instruments for the year ended December 31:

| | 2024: | | |
|---|---|--|---|
| | Amount of Gain (Loss) Recognized In OCI <u>(Effective Portion)</u> | Amount of Gain (Loss) Recognized from OCI to <u>Interest Income</u> | Amount of Gain (Loss) Recognized in Non-Interest Income <u>(Ineffective Portion)</u> |
| Interest rate swaps related to deposits | \$ (223) | \$ - | \$ - |

| | 2023: | | |
|---|---|--|---|
| | Amount of Gain (Loss) Recognized In OCI <u>(Effective Portion)</u> | Amount of Gain (Loss) Recognized from OCI to <u>Interest Income</u> | Amount of Gain (Loss) Recognized in Non-Interest Income <u>(Ineffective Portion)</u> |
| Interest rate swaps related to deposits | \$ (758) | \$ - | \$ - |

The following table reflects the fair value hedges included in the Consolidated Balance Sheets as of December 31:

| <u>Included in other assets:</u> | 2024 | | 2023 | |
|---|--------------------|---------------|--------------------|---------------|
| | Notional Amount | Fair Value | Notional Amount | Fair Value |
| Interest rate swaps related to deposits | \$ 75,000 | \$ 3,612 | \$ 65,000 | \$ 3,389 |

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NOTE 14 - FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

The Corporation used the following methods and significant assumptions to estimate the fair value of each type of financial instrument:

Investment Securities: The fair values for investment securities are determined by quoted market prices, if available "Level 1". For securities where quoted prices are not available, fair values are calculated using a matrix pricing model, which is based on market prices of similar securities "Level 2". Matrix pricing is a mathematical technique commonly used to price debt securities that are not actively traded, which values debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark securities.

Derivatives: The fair value of the derivatives is based on valuation models using observable market data as of the measurement date (Level 2). Our derivatives are traded in an over-the-counter market where quoted market prices are not always available. Therefore, the fair values of derivatives are determined using quantitative models that utilize multiple market inputs. The inputs will vary based on the type of derivative, prepayment rates, and volatility factors to value the position. The majority of the market inputs is actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services.

TRUXTON CORPORATION
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NOTE 14 - FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

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

| | Fair Value Measurements at Using: | | |
|---|-----------------------------------|--|---|
| | Carrying Value | Quoted Prices In Active Markets for Identical Assets "Level 1" | Significant Other Observable Inputs "Level 2" |
| <u>December 31, 2024</u> | | | |
| Financial assets: | | | |
| Investment securities available for sale | | | |
| U.S. Treasury and federal agency | \$ 249 | \$ - | \$ 249 |
| U.S. government sponsored entities and agencies | 4,810 | - | 4,810 |
| Agency mortgage-backed securities: residential | 16,114 | - | 16,114 |
| Agency mortgage-backed securities: commercial | 887 | - | 887 |
| Agency collateralized mortgage obligations | 18,993 | - | 18,993 |
| State and political subdivisions | 48,645 | - | 48,645 |
| Non-agency mortgage securitizations | 78,021 | - | 78,021 |
| Asset backed securities | 82,806 | - | 82,806 |
| Corporate bonds | 7,797 | - | 7,797 |
| Total investment securities available for sale | \$ 258,322 | \$ - | \$ 258,322 |
| Derivatives | \$ 5,883 | \$ - | \$ 5,883 |
| Financial liabilities | | | |
| Derivatives | \$ 2,143 | \$ - | \$ 2,143 |
| | | | |
| | Fair Value Measurements at Using: | | |
| | Carrying Value | Quoted Prices In Active Markets for Identical Assets "Level 1" | Significant Other Observable Inputs "Level 2" |
| <u>December 31, 2023</u> | | | |
| Financial assets: | | | |
| Investment securities available for sale | | | |
| U.S. Treasury and federal agency | \$ 491 | \$ - | \$ 491 |
| U.S. government sponsored entities and agencies | 6,267 | - | 6,267 |
| Agency mortgage-backed securities: residential | 18,477 | - | 18,477 |
| Agency mortgage-backed securities: commercial | 3,764 | - | 3,764 |
| Agency collateralized mortgage obligations | 25,724 | - | 25,724 |
| State and political subdivisions | 51,926 | - | 51,926 |
| Non-agency mortgage securitizations | 74,563 | - | 74,563 |
| Asset backed securities | 70,948 | - | 70,948 |
| Corporate bonds | 7,766 | - | 7,766 |
| Total investment securities available for sale | \$ 259,926 | \$ - | \$ 259,926 |
| Derivatives | \$ 6,015 | \$ - | \$ 6,015 |
| Financial liabilities: | | | |
| Derivatives | \$ 2,435 | \$ - | \$ 2,435 |

There were no transfers between Level 1 and Level 2 during 2024 or 2023.

TRUXTON CORPORATION
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NOTE 14 - FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

The carrying amounts and estimated fair values of financial instruments, at December 31, 2024 and December 31, 2023 are as follows:

| | Fair Value Measurements Using: | | | | |
|---|--------------------------------|-----------|------------|---------|------------|
| | Carrying Value | Level 1 | Level 2 | Level 3 | Total |
| <u>December 31, 2024</u> | | | | | |
| Financial assets | | | | | |
| Cash and cash equivalents | \$ 33,977 | \$ 33,977 | \$ - | \$ - | \$ 33,977 |
| Time deposits in other financial institutions | 245 | - | 245 | - | 245 |
| Securities available-for-sale | 258,322 | - | 258,322 | - | 258,322 |
| Restricted equity securities | 2,272 | NA | NA | NA | NA |
| Loans, net | 663,549 | - | - | 641,285 | 641,285 |
| Accrued interest receivable | 4,567 | - | 1,920 | 2,647 | 4,567 |
| Financial liabilities | | | | | |
| Deposits | \$ 866,422 | \$ - | \$ 865,636 | \$ - | \$ 865,636 |
| Federal Home Loan Bank advances | 8,250 | - | 8,190 | - | 8,190 |
| Bank Term Funding Program advances | - | - | - | - | - |
| Accrued interest payable | 646 | 646 | - | - | 646 |
| <u>December 31, 2023</u> | | | | | |
| Financial assets | | | | | |
| Cash and cash equivalents | \$ 9,226 | \$ 9,226 | \$ - | \$ - | \$ 9,226 |
| Time deposits in other financial institutions | 490 | - | 490 | - | 490 |
| Securities available-for-sale | 259,926 | - | 259,926 | - | 259,926 |
| Restricted equity securities | 1,858 | NA | NA | NA | NA |
| Loans, net | 651,536 | - | - | 631,892 | 631,892 |
| Accrued interest receivable | 4,388 | - | 1,880 | 2,508 | 4,388 |
| Financial liabilities | | | | | |
| Deposits | \$ 781,979 | \$ - | \$ 780,547 | \$ - | \$ 780,547 |
| Federal Home Loan Bank advances | 4,500 | - | 4,392 | - | 4,392 |
| Bank Term Funding Program advances | 53,800 | - | 53,641 | - | 53,641 |
| Accrued interest payable | 337 | 337 | - | - | 337 |

The methods and assumptions, not previously presented, used to estimate fair values are described as follows:

The carrying amount of cash and cash equivalents approximates fair values and are classified as Level 1. Time deposits in other financial institutions have infrequent repricing or repricing limits and their fair value is based on discounted cash flows using current market rates applied to the estimated life and are classified as Level 2. It is not practical to determine the fair value of restricted equity securities due to the restrictions placed on its transferability.

The fair value of loans is determined based on a discounted cash flow analysis (income approach). The discounted cash flow was based on contractual maturity of the loan and current market assumptions resulting in a level 3 classification. Impaired loans are valued at the lower of cost or fair value as described previously.

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NOTE 14 - FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

The fair values disclosed for demand deposits are by definition, equal to the amount payable on demand at the reporting date resulting in a Level 2 classification. Fair values for fixed rate certificates of deposit are estimated using a discounted cash flows calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits resulting in a Level 2 classification. The fair values of the Bank's Federal Home Loan Bank advances are estimated using discounted cash flows based on the current borrowing rates for similar types of borrowing arrangements resulting in a Level 2 classification. The carrying amounts of accrued interest approximate fair value resulting in Level 2 or 3 classifications.

NOTE 15 - OTHER BENEFIT PLANS

The Corporation has a 401(k) benefit plan that covers all employees who meet certain eligibility requirements and choose to participate in the plan. The plan allows employee contributions up to the federal limits, which are matched 100% for the first 3% of compensation contributed and then 50% of the next 2% of compensation contributed beginning on the first day of the calendar quarter following the employee's one-year anniversary. The 401(k) benefit plan expense for 2024 and 2023 was \$400 and \$358, respectively.

NOTE 16 - OTHER COMPREHENSIVE INCOME (LOSS)

The following is a summary of the accumulated other comprehensive income balances, net of tax:

| | Balance at <u>12/31/2023</u> | Current Period <u>Change</u> | Balance at <u>12/31/2024</u> |
|---|------------------------------------|------------------------------------|------------------------------------|
| Unrealized gains (losses) on securities available for sale | \$ (15,782) | \$ 2,862 | \$ (12,920) |
| Unrealized gains on cash flow hedge | <u>2,503</u> | <u>165</u> | <u>2,668</u> |
| Total | <u>\$ (13,279)</u> | <u>\$ 3,027</u> | <u>\$ (10,252)</u> |

TRUXTON CORPORATION
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NOTE 17 - EARNINGS PER SHARE

Basic earnings per share available to common shareholders is computed by dividing net income adjusted for income allocated to participating securities by the weighted average number of common shares outstanding during the period. All outstanding unvested share-based payment awards that contain rights to non-forfeitable dividends are considered participating securities for this calculation. Diluted earnings per share available to common shareholders reflects the potential dilution that could occur if stock options to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. The factors used in the earnings per share computation follows:

| | <u>2024</u> | <u>2023</u> |
|--|------------------|------------------|
| Basic | | |
| Net income | \$ 18,411 | \$ 17,536 |
| Less: Undistributed income allocated to participating securities | <u>518</u> | <u>469</u> |
| Net earnings allocated to common stock | <u>\$ 17,893</u> | <u>\$ 17,067</u> |
| Weighted common shares outstanding including participating securities | 2,900,571 | 2,904,153 |
| Less: Participating securities | <u>81,663</u> | <u>77,730</u> |
| Weighted average shares | <u>2,818,908</u> | <u>2,826,423</u> |
| Basic earnings per share | <u>\$ 6.35</u> | <u>\$ 6.04</u> |
| Diluted earnings allocated to common stock | <u>\$ 17,893</u> | <u>\$ 17,067</u> |
| Weighted average shares | 2,818,908 | 2,826,423 |
| Add: Dilutive effects of assumed exercises of stock options and warrants | <u>5,276</u> | <u>7,275</u> |
| Average shares and dilutive potential common shares | <u>2,824,184</u> | <u>2,833,698</u> |
| Diluted earnings per share | <u>\$ 6.34</u> | <u>\$ 6.02</u> |

At year-end 2024, there were no stock options that were not considered in computing diluted earnings per common share for 2024, because they were antidilutive. At year-end 2023, there were no stock options that were not considered in computing diluted earnings per common share for 2023, because they were antidilutive.

Legal Name of Holding Company:
FDHCPV98

| Item 4(1)(a) Name | Item 4(1)(b) City | Item 4(1)(c) State | Item 4(1)(d) Country | Item 4(2) Principal Occupation if other than with holding company | Item 4(3)(a) Title or Position with the Holding Company | Item 4(3)(b) Percentage of each class of voting securities owned, controlled, or held with power to vote in the holding company (including options, warrants or other securities or rights that can be converted into or exercised for voting securities) |
|---------------------------|----------------------|-----------------------|-------------------------|--|--|--|
| FDHCPV99 | FDHCPW00 | FDHCPW01 | FDHCPW02 | FDHCPW03 | FDHCPW04 | FDHCPW05 |
| Howard H. Lamar | Nashville | TN | USA | Attorney/ Member; Bass, Berry & Sims PLC | Director | 0.19% Common stock |
| Louise Bryan | Nashville | TN | USA | Commissioner; City of Belle Meade | Director | 0.06% Common stock |
| Matthew A. King | Brentwood | TN | USA | Managing Partner, FCA Venture Partners | Director | 0.57% Common stock |
| Gustavus A. Puryear IV | Nashville | TN | USA | General Counsel and Chief Human Resources Officer, Asurion | Director | 0.35% Common stock |
| Christopher C. Whitson | Nashville | TN | USA | Attorney; Partner Sherrard Roe Voigt & Harbison, PLC | Director | 0.35% Common stock |
| Jeffrey Buntin Jr. | Nashville | TN | USA | CEO & President, The Buntin Group | Director | 0.30% Common stock |
| Charles Mueller | Naples | FL | USA | Retired President West Florida Region, | Director | 0.01% Common stock |
| R. Claiborne Richards Jr. | Nashville | TN | USA | Clayton, Dubilier & Rice ("CD&R") | Director | 0.03% Common stock |
| Derek Young | Nashville | TN | USA | YMG Enterprises, LLC | Director | 0.03% Common stock |
| Danielle W. Barnes | Nashville | TN | USA | Girl Scouts Middle Tennessee | Director | 0.00% Common stock |
| Thomas S. Stumb | Nashville | TN | USA | N/A | Director, Chairman, CEO | 4.60% Common stock |
| J. Overton Colton | Nashville | TN | USA | N/A | Secretary | 3.37% Common stock |
| Derrick A. Jones | Primm Springs | TN | USA | N/A | Director, President | 4.44% Common stock |
| Andrew L. May | Nashville | TN | USA | N/A | Director, Vice Chairman | 4.15% Common stock |
| Austin Branstetter | Nashville | TN | USA | N/A | Chief Financial Officer | 0.53% Common stock |
| Julie M. Marr | Nashville | TN | USA | N/A | N/A | 1.01% Common stock |
| | | | | | | |

Legal Name of Holding Company:

FDHCPV98

| Item 4(1)(a) Name FDHCPV99 | Item 4(4)(a) Title or Position with direct and indirect subsidiaries FDHCPW06 | Item 4(4)(b) Name of direct and indirect subsidiaries in which Insider has a title or position or ownership in FDHCPW07 | Item 4(4)(c) Percentage of each class of voting securities owned, controlled, or held with power to vote in subsidiaries of the holding company (including options, warrants or other securities or rights that can be converted into or exercised for voting securities) FDHCPW08 |
|--------------------------------------|--|--|--|
| Howard H. Lamar | Director | Truxton Trust Company | None |
| Louise Bryan | Director | Truxton Trust Company | None |
| Matthew A. King | Director | Truxton Trust Company | None |
| Gustavus A. Puryear IV | Director | Truxton Trust Company | None |
| Christopher C. Whitson | Director | Truxton Trust Company | None |
| Jeffrey Buntin Jr. | Director | Truxton Trust Company | None |
| Charles Mueller | Director | Truxton Trust Company | None |
| R. Claiborne Richards Jr. | Director | Truxton Trust Company | None |
| Derek Young | Director | Truxton Trust Company | None |
| Danielle W. Barnes | Director | Truxton Trust Company | None |
| Thomas S. Stumb | Chairman & CEO | Truxton Trust Company | None |
| J. Overton Colton | EVP, Chief Administrative and R | Truxton Trust Company | None |
| Derrick A. Jones | Director, President | Truxton Trust Company | None |
| Andrew L. May | Director, Vice Chairman | Truxton Trust Company | None |
| Austin Branstetter | Chief Financial Officer | Truxton Trust Company | None |
| Julie M. Marr | EVP, Chief Treasury Officer | Truxton Trust Company | None |
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