2024

FineMark Holdings, Inc.

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FINEMARK

A letter to our shareholders

Dear shareholders,

As I reflect on 2024, I am incredibly proud of our 300 associates, who serve clients across 13 locations in three states. I am honored to be part of an organization committed to making a positive impact in people's lives and building extraordinary relationships by going above and beyond. Since inception, FineMark has shown a commitment to its shareholders, clients, associates and the communities it serves. While our earnings were challenged during the first three quarters of 2024, we remained steadfast in our pursuit of our mission and vision. I want to thank each of you for your continued loyalty to FineMark.

We began to see a significant and positive change in the company's earnings performance in September, coinciding with the Federal Reserve's initial interest rate reduction. This improvement continued through the fourth quarter, as a result of two additional rate cuts and continued growth in all areas of our business. Despite current volatility and heightened levels of economic uncertainty from challenges both domestically and abroad, we remain optimistic that we will see continued improvement in 2025.

Again, I remain deeply grateful for your commitment and loyalty. Looking ahead, we will continue to prioritize a high-quality balance sheet, continued earnings improvement, disciplined risk management, and an unwavering dedication to exceptional client service.

FINANCIAL PERFORMANCE

FineMark closed 2024 with strong momentum, driven by continued growth in fee income, assets under management, deposits and loans, along with moderated funding costs and stable non-interest expenses. These factors contributed to improved margins and increased earnings in the fourth quarter. After navigating a challenging period of adjusting to a higher rate environment, we are confident that earnings have turned the corner.

While the rapid interest rate increases of 2023 and 2024 presented challenges, we held firm to our core values—delivering exceptional client service, supporting the well-being of our associates, and fostering sustainable business growth. These principles are central to creating value for our shareholders and maintaining their confidence in FineMark.

We remain cautious about the broader economy and continue to monitor potential areas of concern; however, we believe we are well-positioned for future success. Our dedicated professionals delivered outstanding service in 2024, leading to significant new client growth and deepening relationships with existing clients across Florida, Arizona, South Carolina, and Dallas, where we continue to expand our presence. We welcomed 918 new families as clients in 2024, building on the 990 households that joined us in 2023. By year-end, we had the privilege of serving 13,183 households—a reflection of the trust placed in us and the strength of the relationships we continue to develop. This growing client base contributed to a 13% increase in deposits, including a 6% rise in non-interest-bearing deposits, and a 7% increase in net loans.

The quality of our loan portfolio, combined with the repricing of lower-yielding adjustable-rate loans and the roll-off of $285 million in low-interest-rate bonds, resulted in record annual interest income of $172.7 million—an increase of 25% compared to 2023. Fourth-quarter net interest income rose to $15.3 million, a 37% increase year-over-year, while full-year net interest income grew by 1% to $50.7 million, which was primarily driven by reduced funding costs associated with lower interest rates. We expect this upward trajectory to continue.

Pre-tax earnings for 2024 improved to $8.1 million, up from $6.1 million in 2023. The most notable highlight was fourth-quarter pre-tax earnings of $4.5 million, compared to $706 thousand during the same period in 2023. This substantial improvement reflects the positive momentum we have built and expect to carry forward into 2025 and 2026.

FineMark's trust and asset management business continues to expand—driven primarily by referrals from existing clients and by the expertise of our professionals and the breadth of our investment platform. Assets under management and administration (AUMA) increased by 12% in 2024 to $7.7 billion. Trust fees reached a record $9.9 million in the fourth quarter, a 27% increase year-over-year, and full-year fees totaled $36.6 million, up 23% from 2023.

To support continued growth in loans, deposits, and trust and investment services, while maintaining the highest levels of client service, we made strategic investments in talent, technology, and our cybersecurity infrastructure. These were among the primary contributors to the increase in noninterest expense in 2024.

2024 FINANCIAL OVERVIEW*

Total Assets	$4,114,900	9.6% CAGR
Total Loans	$2,693,219	9.5% CAGR
Total Deposits	$3,257,481	10% CAGR
Assets Under Management & Administration	$7,676,855	10.8% CAGR
Total Revenue	$ 91,927	1.5% CAGR
Net Earnings	$ 6,363	-26.6% CAGR

Dollars in thousands

*Four Year Compound Annual Growth Rate (CAGR)

RISK MANAGEMENT

The areas of highest risk for FineMark continue to be credit quality, cybersecurity, and managing our ongoing growth. We are committed to a relationship-focused approach to lending, ensuring high credit standards and minimal loan defaults. Credit quality remains strong, with non-performing loans well below industry averages.

As cyber threats intensified in 2024, we utilized a multi-layered approach to protect our infrastructure and client information. Our Information Technology Steering Committee guided risk mitigation strategies and system enhancements, while we continued to invest in the people, processes, and technologies needed to safeguard client information. In addition, in response to the intensifying threat of fraud and cyber scams, we expanded our team of fraud specialists and enhanced associate training. Equally important was our focus on client education. Through videos, blogs, and presentations, our fraud team actively worked to keep clients informed and vigilant against cybercriminals.

As we continue to hire more associates and broaden our presence, we recognize the importance of preserving FineMark's unique culture. Sustaining a decentralized, entrepreneurial approach requires thoughtful balance. To maintain this model, we must continue to strengthen our risk management practices while empowering our teams to act with autonomy, innovation, and accountability. Striking this balance is essential to protecting our culture and supporting long-term, sustainable growth.

OUR GIVING SPIRIT

In 2024, FineMark remained intentional in our support of a wide range of organizations and philanthropic efforts. While our financial contributions were more modest than in past years—reflecting a mindful approach during a period of lower earnings—our people stepped up through their personal involvement. In 2024, they dedicated 3,200 hours to organizations that matter deeply to them—a reflection of our shared commitment to giving back. We are grateful for the opportunity to generously contribute our time and resources because we genuinely believe it is the right thing to do.

LOOKING AHEAD

The core of FineMark's success lies in our people, who continuously adapt and provide the world-class service our clients expect and deserve. But this success is not achieved alone. It is made possible by the continued support of our shareholders, clients, and the communities where we live and work. I want to sincerely thank each of you for your trust and partnership. We look forward to building on our shared success in 2025 and beyond.

Joe

Joseph R. Catti
Chairman & CEO

Financial Highlights

Dollars in thousands, except per share amounts

For the years ended December 31,	2024	2023	2022	2021	2020
FINANCIAL CONDITION					
Total Assets	$ 4,114,900	$ 4,100,755	$ 3,554,370	$ 3,377,198	$ 2,851,416
Total Securities	888,247	1,035,629	1,113,981	978,228	654,141
Total Loans	2,693,219	2,514,607	2,248,843	2,014,856	1,870,427
Allowance for Loan & Lease Losses	23,576	23,472	23,168	20,283	20,782
Total Deposits	3,257,481	2,892,011	2,818,491	2,734,120	2,224,954
Total Shareholders' Equity	355,035	296,287	260,307	305,062	211,057
Book Value per Share	26.77	24.83	22.11	26.29	23.57
Total Risk-Based Capital Ratio	18.74%	17.72%	19.86%	20.63%	17.45%
Equity to Total Assets	8.63%	7.23%	7.32%	9.03%	7.40%
CLIENT ASSETS					
Assets Under Management & Administration	$ 7,676,855	$ 6,839,707	$ 5,944,772	$ 6,200,406	$ 5,091,408
OPERATING RESULTS					
Net Interest Income	$ 50,663	$ 49,933	$ 69,893	$ 64,689	$ 58,174
Total Revenue	91,927	84,433	102,647	94,628	86,628
Provision for Loan & Lease Losses	716	406	2,445	31	4,986
Trust Fees	36,649	29,774	26,617	26,638	20,880
Earnings Before Income Taxes	8,062	6,086	28,831	32,389	28,569
Net Earnings	6,363	5,099	22,367	25,027	21,956
Preferred Stock Dividends	1,287	-	-	-	-
Earnings Available to Common Shareholders	5,076	5,099	22,367	25,027	21,956
Diluted Earnings per Common Share	0.42	0.43	1.89	2.39	2.42
Return on Average Assets	0.15%	0.13%	0.64%	0.83%	0.89%
Return on Average Equity	1.93%	1.85%	8.17%	9.66%	11.20%
Net Interest Margin (Taxable Equivalent Basis)	1.28%	1.37%	2.11%	2.24%	2.45%
ASSET QUALITY					
Nonperforming Assets to Total Assets	0.02%	0.04%	0.02%	0.02%	0.04%
Total Past Due Loans to Total Loans	0.27%	0.23%	0.23%	0.05%	0.27%
Allowance for Loan & Lease Losses to Total Loans	0.88%	0.93%	1.03%	1.01%	1.11%
Net Loan Charge-Offs to Average Loans	0.03%	0%	-0.02%	0.03%	0.00%

Photos on top (left to right):
Brantley Moody, *Senior Lending Officer, Charleston Office*
Vita Allan, *Trust Relationship Manager, Fort Myers Office*

Photos on bottom (left to right):
Robert "Bob" Parimore, *President, FineMark National Bank & Trust*
Laura Coelho-Rybak, *Marketing & Executive Assistant, Coconut Point Office*

To build extraordinary relationships by going above and beyond.

"Complete transparency is essential to FineMark's success. By maintaining open communication and providing clarity in our decisions, we build trust and strengthen relationships—both within our company and with our clients and the communities we serve."

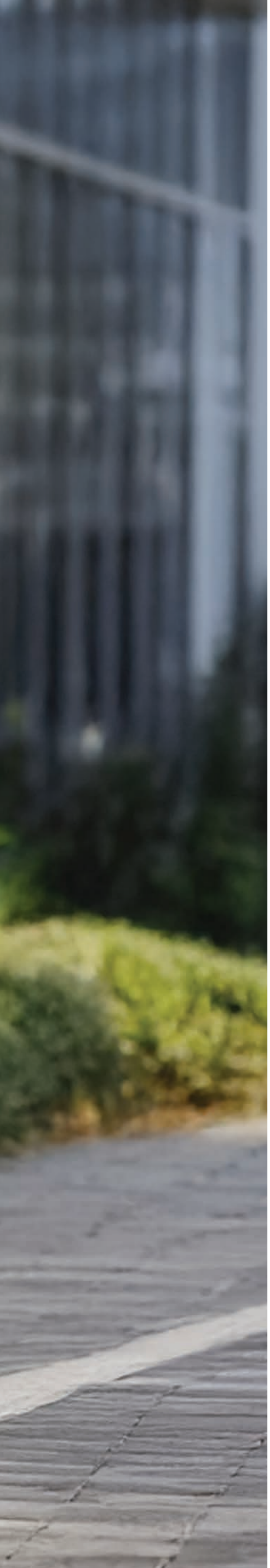
Robert "Bob" A. Parimore
EVP, President


FMC

empowerment

"I truly appreciate FineMark's Women's Series for its engaging and empowering approach. It goes beyond numbers—it's about confidence, independence, and building a future on your own terms- which resonates with me personally and professionally."

Kena Yoke
Vice President/Owner
Island Piling, Inc.



peace of mind

"FineMark is more than our bank—they are trusted planning partners. Knowing our documents are thoughtfully prepared and aligned with our wishes gives us true peace of mind for the future."

Kim & Brian Rist
Rist Family Foundation


EMPOWERMENT
FARM

community

“FineMark’s approach to banking redefines what a financial relationship can be. Every interaction reinforces that I am part of a community.”

Tiffany Lehman
Founder/Executive Director
Empowerment Farm

dedicated

"FineMark is always there for us personally and for our family business. Whatever we need, they help make it happen."

Gwynne & Keith Messery, *Owners*
Peyton Messery, *Marketing Director* & Miller Kate Messery
Keith Messery Jr, *Vice President*
Messery Painting

Photos on top (left to right):
Lawrence "Larry" Mohs, *Chief Operating Officer, FineMark National Bank & Trust*
Julie Scott, *Executive Assistant, Fort Myers Office*

Photos on bottom (left to right):
Megan Andreas, *Banking Manager, Charleston Office*
Kevin Siner, *Loan Officer, Gainey Ranch Office*

Our core values of **benevolence, fidelity, growth, integrity, mutual respect, proactivity, reliability, stability** and **having fun** are evident in the daily actions and attitudes of the entire FineMark team.

“At the heart of our success is a culture rooted in integrity, where empowered individuals are encouraged to think creatively, collaborate openly, and act with confidence. In our decentralized environment, we trust our teams to lead with purpose, innovate with clarity, and stay true to our values—because real progress happens when people are free to bring their best selves to the table.”

Lawrence "Larry" F. Mohs
EVP, Chief Operating Officer

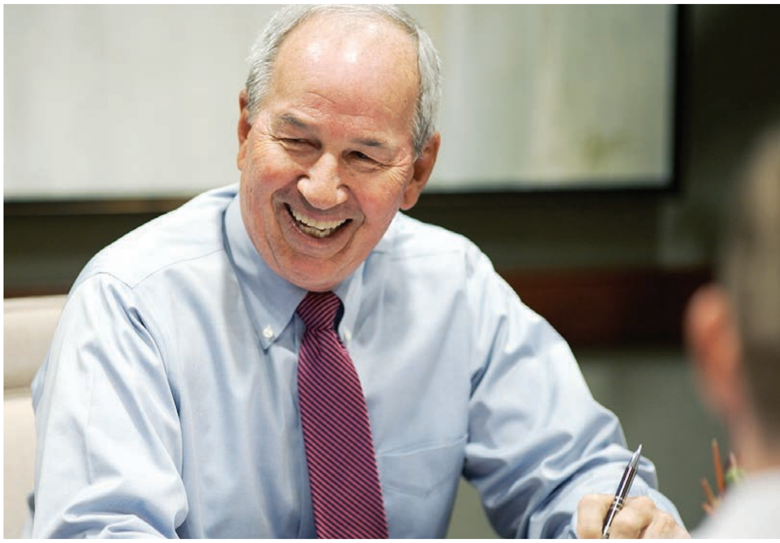
Our Market Presidents

"Trust, honesty, and a commitment to doing what's right define FineMark's culture. Our success is built by dedicated people who earn that trust every day through excellence, meticulous care, and a genuine desire to serve our clients and the community."

Michael E. Drohan
President, Charleston

"We strive to simplify our clients' lives at FSM so they can focus on performing at the highest level. Whatever the need, our team is available around the clock. With athlete-clients competing across nearly every time zone, accessibility and efficiency aren't perks—they're the standard."

David A. Highmark
President, FineMark Sports Management



"Everything we do begins with our commitment to serving clients at the highest level. We're fortunate to have outstanding professionals who lead with integrity, bring real expertise, and care deeply about doing the right thing. A good company has a strong leader at the top, but a great company has strong leaders throughout the organization."

Harlan C. Parrish
President, Lee County

“Every day, I am proud to be part of the FineMark team. We’ve built a culture where going above and beyond for our clients and each other isn’t just encouraged—it’s expected. We hire exceptional people and empower them to build genuine, lasting relationships. This commitment to excellence and service is our road-map to success."

Adria D. Starkey
President, Collier County

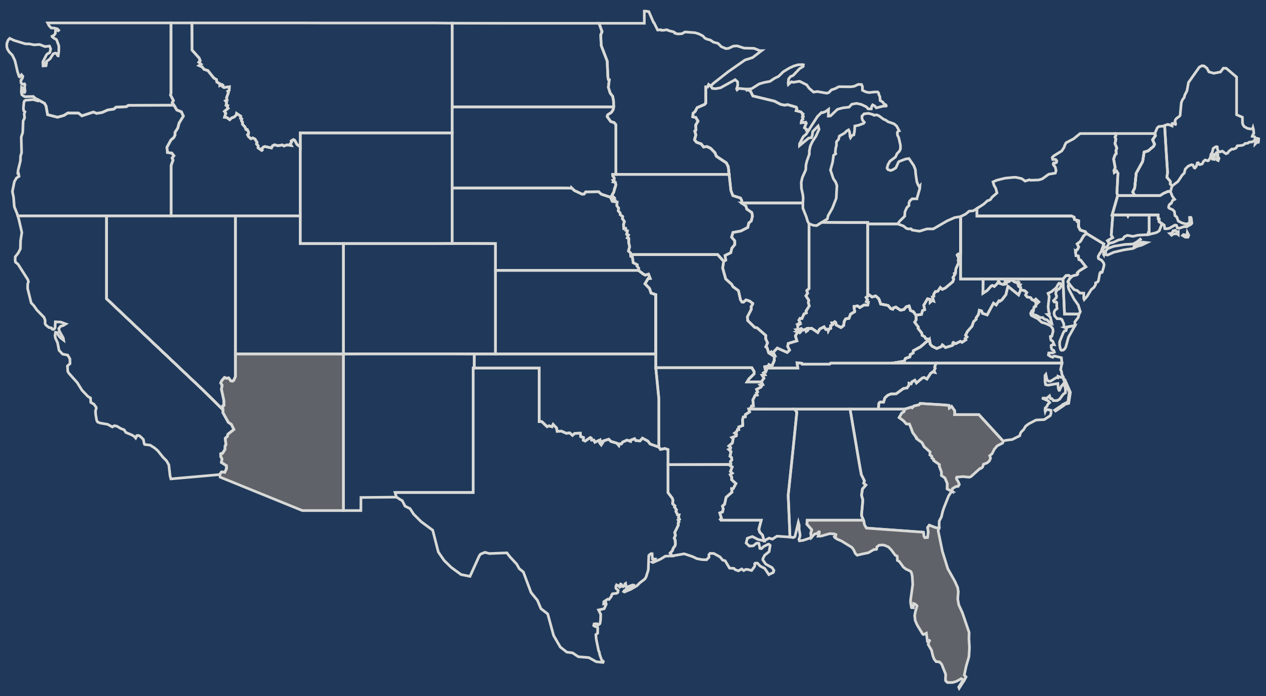
"We understand our clients’ time is valuable. We respect that by acting with urgency, precision, and purpose. By eliminating unnecessary barriers and empowering our teams to act decisively, we ensure our clients receive prompt, exceptional care."

David H. Scaff
President, Palm Beach County

“Strong relationships are the foundation of FineMark, built through integrity, transparency, and a sincere commitment to serving our clients’ best interests. We listen carefully, act decisively, and deliver with excellence. Our success is rooted in the consistent care and dedication we bring to every client interaction.”

Norman J. Gordon
President, Arizona

Our Markets



Florida

Bonita Springs, Bonita Bay
26800 S Tamiami Trail, Ste 100
Bonita Springs, FL 34134
(239) 405-6790

Estero, Coconut Point
10010 Coconut Rd
Bonita Springs, FL 34135
(239) 405-6700

Fort Myers
8695 College Pkwy, Ste 100
Fort Myers, FL 33919
(239) 461-5900

Fort Myers, Cypress Cove
10200 Cypress Cove Dr
Fort Myers, FL 33908
(239) 461-3880

Fort Myers, Shell Point
15070 Shell Point Blvd, Ste 101
Fort Myers, Florida 33908
(239) 461-5999

Jupiter
661 University Blvd, Ste 107
Jupiter, FL 33458
(561) 273-1570

Naples
800 Laurel Oak Dr, Ste 101
Naples, FL 34108
(239) 963-0700

Naples, Bentley Village
701 Retreat Dr
Naples, FL 34110
(239) 405-6780

Naples, Downtown
275 8th St S
Naples, FL 34102
(239) 963-0780

Naples, Moorings Park
120 Moorings Park Dr
Naples, FL 34105
(239) 405-6770

Arizona

Scottsdale, DC Ranch
20909 N 90th Pl, Ste 102
Scottsdale, AZ 85255
(480) 333-3950

Scottsdale, Gainey Ranch
7600 E Doubletree Ranch Rd, Ste 100
Scottsdale, AZ 85258
(480) 607-4860

S. Carolina

Charleston
865 Island Park Dr
Charleston, SC 29492
(843) 998-6400

States	3
Offices	13
Associates	298

Information as of December 31, 2024

BONITA SPRINGS – BONITA BAY
26800 South Tamiami Tr, Suite 100
Bonita Springs, FL 34134

ESTERO – COCONUT POINT
10010 Coconut Road
Estero, FL 34135

FORT MYERS
8695 College Pkwy, Suite 100
Fort Myers, FL 33919

FORT MYERS – CYPRESS COVE
10200 Cypress Cove Dr
Fort Myers, FL 33908

FORT MYERS – SHELL POINT
15070 Shell Point Blvd, Ste 101
Fort Myers, Florida 33908

JUPITER
661 University Blvd, Suite 107
Jupiter, FL 33458

NAPLES
800 Laurel Oak Dr, Suite 101
Naples, FL 34108

NAPLES – BENTLEY VILLAGE
701 Retreat Dr
Naples, FL 34110

NAPLES – DOWNTOWN
275 8th St S
Naples, FL 34102

NAPLES – MOORINGS PARK
120 Moorings Park Dr
Naples, FL 34105

CHARLESTON
865 Island Park Drive
Charleston, SC 29492

SCOTTSDALE – GAINEY RANCH
7600 E Doubletree Ranch Rd, Suite 100
Scottsdale, AZ 85258

SCOTTSDALE – DC RANCH
20909 N 90th Pl, Suite 102
Scottsdale, AZ 85255

Number of Associates in each Market

Florida	255
South Carolina	10
Arizona	33

Photos on top (left to right):
Chris Smith, *Private Wealth Advisor, Fort Myers Office*
Cindy Cedeno, *Banking Manager, Coconut Point Office*

Photos on bottom (left to right):
Jennifer Stevens, Chief *Human Resources Officer, FineMark National Bank & Trust*
Kevin Flaaen, *Sports Relationship Manager, Gainey Ranch Office*

To make a positive impact on the individuals, families and the communities we serve while being good stewards of FineMark's resources.

"Those we invite to join FineMark possess strong knowledge, skills and abilities. Yet, more importantly, we seek professionals with a sincere, genuine, and natural desire to serve others and uphold what is right at their very core. I am continually inspired by my colleagues who, day after day, demonstrate the highest standards of service to clients, peers, and the community."

Jennifer L. Stevens
EVP, Chief Human Resources Officer

Our Board

FineMark National Bank & Trust Board of Directors

Christopher T. Battifarano*
Executive Vice President
Chief Investment Officer

Aurelia J. Bell
Arrowhead Partners, Inc.
(Retired)

Michael J. Carron, MD
Radiology Regional
Center (Retired)

Thomas D. Case, II
Case Life Solutions

Joseph R. Catti*†
Chairman
Chief Executive Officer

Michael E. Drohan*
Executive Vice President
President, Charleston

Brian J. Eagleston*
Executive Vice President
Chief Financial Officer

Norman J. Gordon*
Executive Vice President
President, Arizona

David A. Highmark*
Executive Vice President
President, Sports
Management

William N. Horowitz
Cummings & Lockwood, LLC

Vito S. Manone‡
Vice Chairman
Manone Investments, Inc.

Jason L. Manwell*
Senior Vice President
Information Technology
Manager

Jeffrey B. Moes*
Executive Vice President
Chief Fiduciary Officer

Lawrence F. Mohs*
Executive Vice President
Chief Operating Officer

Robert A. Parimore*
President

Harlan C. Parrish*
Executive Vice President
President, Lee County

David H. Scaff*
Executive Vice President
President, Palm Beach
County

Adria D. Starkey*
Executive Vice President
President, Collier County

Jennifer L. Stevens*
Executive Vice President
Chief Human Resources
Officer

Tiffany A. Williams*
Executive Vice President
President, Family Office

FineMark Holdings, Inc. Board of Directors

Martin E. Adams
General Partner of
Strategic Value Bank
Partners, LLC

Aurelia J. Bell
Arrowhead Partners, Inc.
(Retired)

John F. Blais, Jr.**
BlaisCo, LLC

Michael J. Carron, MD
Radiology Regional
Center (Retired)

Thomas D. Case, II
Case Life Solutions

Joseph R. Catti*†
Chairman
Chief Executive Officer

Brian J. Eagleston*
Executive Vice President
Chief Financial Officer

Scott A. Edmonds‡
Vice Chairman
Bellfield Investment
Partners

Tracey U. Galloway
Community Cooperative,
Inc. (Retired)

William N. Horowitz
Cummings & Lockwood, LLC

Hale S. Irwin**
PGA Tour Champion
Hall of Fame Golfer

Clive L. Lubner
Clive Daniel Home

Brian D. Lucas
The Bonita Bay Group

David H. Lucas**
The Bonita Bay Group

Vito S. Manone
Manone Investments, Inc.

Alan D. Reynolds
Stantec

Lee J. Seidler
Tisch MS Research
Center of New York
Bear, Stearns & Co.
(Retired)

William H. Turner**
Chase Bank (Retired)

Martin M. Wasmer
Schwab Asset
Management

*Bank Employee
**Emeritus Board Member
†Chairman of the Board
‡Vice Chairman of the Board

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FINEMARK HOLDINGS, INC.

Audited Consolidated Financial Statements

At December 31, 2024 and 2023 and for the Years then Ended

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HACKER, JOHNSON & SMITH PA

Fort Lauderdale
Orlando
Tampa

Certified Public Accountants

Independent Auditor's Report

The Board of Directors and Stockholders
FineMark Holdings, Inc.
Fort Myers, Florida:

Opinion

We have audited the accompanying consolidated financial statements of FineMark Holdings, Inc. and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of earnings, comprehensive income, shareholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company 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 ("GAAP").

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 26, 2025 expressed an unmodified opinion.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, 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 the Company's ability to continue as a going concern for a period of one year from when the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Hacker, Johnson & Smith PA

HACKER, JOHNSON & SMITH PA
Tampa, Florida
February 26, 2025

FINEMARK HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

($ in thousands, except share amounts)

		December 31,	
Assets		**2024**	**2023**
Cash and due from banks	$	366,795	369,060
Debt securities available for sale		807,303	947,701
Debt securities held to maturity (fair value of $71,901 in 2024 and $78,610 in 2023)		80,944	87,928
Loans, net of allowance for credit losses of $23,576 in 2024 and $23,472 in 2023		2,672,279	2,493,809
Federal Home Loan Bank stock		19,494	16,974
Federal Reserve Bank stock		7,548	6,362
Premises and equipment, net		38,367	39,869
Operating lease right-of-use assets		10,282	11,338
Accrued interest receivable		13,637	13,062
Deferred tax asset		15,831	21,152
Bank-owned life insurance		75,267	73,333
Other assets		7,153	20,167
Total assets	$	4,114,900	4,100,755
Liabilities and Shareholders' Equity			
Liabilities:			
Noninterest-bearing demand deposits		668,036	629,976
Savings, NOW and money-market deposits		2,356,602	1,949,898
Time deposits		232,843	312,137
Total deposits		3,257,481	2,892,011
Official checks		23,339	6,264
Other borrowings		-	500,000
Federal Home Loan Bank advances		350,000	305,000
Repurchase agreements		77,972	31,397
Operating lease liabilities		10,445	11,490
Subordinated debt		27,517	27,477
Other liabilities		13,111	30,829
Total liabilities		3,759,865	3,804,468
Commitments and contingencies (notes 13 and 21)			
Shareholders' equity:			
Preferred stock, 10,000,000 shares authorized, $.01 par value, 50,000 designated 7.25%, Series B Non-Cumulative Perpetual Convertible, 30,000 shares issued and outstanding		-	-
Common stock, $.01 par value 50,000,000 shares authorized, 12,148,343 and 11,934,086 shares issued and outstanding in 2024 and 2023		121	119
Additional paid-in capital		251,323	215,497
Retained earnings		137,661	132,585
Accumulated other comprehensive loss		(34,070)	(51,914)
Total shareholders' equity		355,035	296,287
Total liabilities and shareholders' equity	$	4,114,900	4,100,755

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

FINEMARK HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Earnings
($ in thousands, except per share amounts)

	Year Ended December 31,	
	2024	2023
Interest income:		
Loans	$ 135,323	112,138
Debt securities	18,387	15,786
Interest bearing deposits and other	18,949	10,599
Total interest income	172,659	138,523
Interest expense:		
Deposits	87,424	56,733
Other borrowings	20,686	18,469
Federal Home Loan Bank advances	12,405	11,672
Subordinated debt	1,481	1,716
Total interest expense	121,996	88,590
Net interest income	50,663	49,933
Credit loss expense	716	406
Net interest income after credit loss expense	49,947	49,527
Noninterest income:		
Trust fees	36,649	29,774
Income from bank-owned life insurance	1,934	2,190
Income from solar farms	309	310
Gain on sale of debt securities available for sale	104	-
Gain on extinguishment of debt	367	534
Other fees and service charges	1,901	1,692
Total noninterest income	41,264	34,500
Noninterest expenses:		
Salaries and employee benefits	51,848	47,167
Occupancy	9,708	9,921
Information systems	6,933	6,240
Professional fees	2,555	2,598
Marketing and business development	1,619	2,023
Regulatory assessments	3,036	2,921
Other	7,450	7,071
Total noninterest expense	83,149	77,941
Earnings before income taxes	8,062	6,086
Income taxes	1,699	987
Net earnings	6,363	5,099
Preferred stock dividends	1,287	-
Earnings available to common shareholders	$ 5,076	5,099
Weighted average common shares outstanding - basic (in thousands)	12,075	11,898
Weighted average common shares outstanding - diluted (in thousands)	12,157	11,936
Per share information: Basic earnings per common share	$ 0.42	0.43
Diluted earnings per common share	$ 0.42	0.43

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

FINEMARK HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income
($ in thousands)

	Year Ended December 31,	
	2024	**2023**
Net Earnings	$ 6,363	$ 5,099
Other comprehensive income:		
Unrealized holding gain on debt securities available for sale	23,912	35,305
Unrealized holding (loss) gain on cash flow hedges	(9)	9
Total other comprehensive income before income tax effect	23,903	35,314
Income tax effect	(6,059)	(8,950)
Total other comprehensive income	17,844	26,364
Comprehensive income	$ 24,207	31,463

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

FINEMARK HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity

For the Years Ended December 31, 2024 and 2023
($ in thousands)

	Preferred Stock		Common Stock		Additional Paid-In	Retained	Accumulated Other Compre-hensive	Total Shareholders'
	Shares	Amount	Shares	Amount	Capital	Earnings	Loss	Equity
Balance at December 31, 2022	-	$ -	11,773,050	$ 118	210,953	127,514	(78,278)	260,307
CECL - unfunded commitments adjustment	-	-	-	-	-	(28)	-	(28)
Stock-based compensation	-	-	24,969	-	3,517	-	-	3,517
Net earnings	-	-	-	-	-	5,099	-	5,099
Change in unrealized loss on debt securities available for sale, net of tax	-	-	-	-	-	-	26,357	26,357
Change in unrealized gain on cash flow hedges, net of tax	-	-	-	-	-	-	7	7
Stock units vested	-	-	80,340	-	-	-	-	-
Proceeds from exercise of stock options	-	-	55,727	1	1,027	-	-	1,028
Balance at December 31, 2023	-	-	11,934,086	119	215,497	132,585	(51,914)	296,287
Stock-based compensation	-	-	27,209	-	4,373	-	-	4,373
Net earnings	-	-	-	-	-	6,363	-	6,363
Change in unrealized loss on debt securities available for sale, net of tax	-	-	-	-	-	-	17,851	17,851
Change in unrealized loss on cash flow hedges, net of tax	-	-	-	-	-	-	(7)	(7)
Proceeds from issuance of preferred stock, net of offering costs	30,000	-	-	-	29,840	-	-	29,840
Preferred Dividends	-	-	-	-	-	(1,287)	-	(1,287)
Stock units vested	-	-	95,048	-	-	-	-	-
Proceeds from exercise of stock options	-	-	92,000	2	1,613	-	-	1,615
Balance at December 31, 2024	30,000	$ -	12,148,343	$ 121	251,323	137,661	(34,070)	355,035

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

FINEMARK HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
($ in thousands)

	Year Ended December 31, 2024	2023
Cash flows from operating activities:		
Net earnings	$ 6,363	5,099
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	2,905	2,866
Credit loss expense	716	406
Amortization of deferred loan fees and costs	720	823
Amortization of premiums and discounts on debt securities	102	960
Amortization of subordinated debt issuance costs	40	182
Gain on sale of debt securities available for sale	(104)	-
Gain on extinguishment of debt	(367)	(534)
Increase in accrued interest receivable	(575)	(2,842)
Decrease (increase) in other assets	13,005	(12,671)
Decrease in operating lease liabilities	(1,771)	(1,857)
Amortization of operating lease right-of-use assets	1,782	1,934
Deferred income taxes	(738)	(138)
Income from bank-owned life insurance	(1,934)	(2,190)
(Decrease) increase in other liabilities	(17,574)	19,396
Increase (decrease) in official checks	17,075	(7,048)
Stock-based compensation	4,373	3,517
Net cash provided by operating activities	24,018	7,903
Cash flows from investing activities:		
Net increase in loans	(180,050)	(266,668)
Purchase of premises and equipment, net	(1,403)	(1,726)
Debt securities available for sale:		
Purchases	(160,570)	(148,115)
Proceeds from sales	17,771	-
Proceeds from principal repayments	27,642	28,095
Proceeds from maturities and calls	279,769	227,580
Debt securities held to maturity:		
Proceeds from principal repayments	2,872	4,159
Proceeds from maturities and calls	3,812	978
Bank-owned life insurance proceeds	-	995
Purchase of Federal Home Loan Bank stock	(2,520)	(3,115)
Purchase of Federal Reserve Bank stock	(1,186)	(85)
Net cash used in investing activities	(13,863)	(157,902)
Cash flows from financing activities:		
Net increase in deposits	365,470	73,520
Net (decrease) increase in other borrowings	(500,000)	412,953
Net increase in repurchase agreements	46,575	-
Net proceeds from Federal Home Loan Bank advances	45,367	19,434
Redemption of subordinated debt	-	(6,250)
Payments of preferred stock dividends	(1,287)	-
Proceeds from issuance of preferred stock, net of offering costs	29,840	-
Proceeds from exercise of stock options	1,615	1,028
Net cash (used in) provided by financing activities	(12,420)	500,685
Net (decrease) increase in cash and due from banks	(2,265)	350,686
Cash and due from banks at beginning of year	369,060	18,374
Cash and due from banks at end of year	$ 366,795	369,060

(continued)

FINEMARK HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows, Continued
($ in thousands)

	Year Ended December 31, 2024	2023
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	$ 137,889	70,215
Income taxes	$ 615	1,697
Noncash transactions:		
Accumulated other comprehensive loss, net change in unrealized loss on debt securities available for sale, net of tax	$ 17,851	26,357
Accumulated other comprehensive loss, fair value adjustment on cash flow hedges, net of tax	$ (7)	7
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	$ 726	447
Reduction in shareholders' equity due to CECL adoption, net	$ -	(28)

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

(1) Summary of Significant Accounting Policies

Organization. FineMark Holdings, Inc. (the "Holding Company") was incorporated on May 31, 2006 and owns 100% of the outstanding common stock of FineMark National Bank & Trust (the "Bank") (collectively, the "Company"). The Holding Company's stock is traded on the OTCQX, under the symbol FNBT. The Holding Company's primary activity is the operation of the Bank. The Bank is a nationally-chartered commercial bank and trust company. The Bank offers a variety of banking and financial services to individual and corporate clients through its thirteen banking offices located in Lee, Collier and Palm Beach County, Florida, Maricopa County, Arizona, and Berkeley County, South Carolina. The deposit accounts of the Bank are insured up to the applicable limits by the Federal Deposit Insurance Corporation ("FDIC"). The Bank also has a trust department which offers investment management, trust administration, estate planning and financial planning services. In 2017, the Bank formed FineMark Solar, LLC ("Solar"), a South Carolina Limited Liability Company. The purpose of Solar is to own solar farms located in South Carolina. The Bank owns 100% of Solar which operates twelve solar farms that generate renewable energy that is sold to local electric companies. In 2018, the Bank formed 8695, LLC, which was created in connection with the acquisition and construction of the Bank's headquarters.

Management has evaluated all significant events occurring subsequent to the consolidated balance sheet date through February 26, 2025, which is the date the consolidated financial statements were available to be issued, determining no events require additional disclosure in the consolidated financial statements.

Basis of Presentation. The accompanying consolidated financial statements include the accounts of the Holding Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The accounting and reporting practices of the Company conform to accounting principles generally accepted in the United States of America ("GAAP") and to general practices within the banking industry. The following summarizes the more significant of these policies and practices.

Use of Estimates. In preparing consolidated financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated balance sheet and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses.

Revenue Recognition. The majority of the Company's revenues come from interest income and financial assets, including loans, securities, derivatives, bank owned life insurance, and gain on extinguishment of debt, which are outside the scope of the accounting guidance with respect to revenue from contracts with customers. The Company's services that fall within this guidance are presented within noninterest income and are recognized as revenue as the Company satisfies its obligation to the customer.

(continued)

(1) Summary of Significant Accounting Policies, Continued

Revenue Recognition, continued.

The Company's revenue recognition accounting policies for trust fees, income from solar farms, and other fees and service charges are as follows:

Trust Fees. The Company earns wealth management fees from its contracts with trust clients to provide trustee, custodian, and investment management services. These fees are primarily earned over time as the Company provides the contracted monthly or quarterly services and are generally assessed based on a tiered scale of the average market value of assets under management ("AUM") at month-end. AUM fees are earned as a percentage of the client's AUM. Fees that are transaction based, including trade execution services, are recognized at the point in time that the transaction is executed, i.e., the trade date.

Solar Farms. The income is recognized monthly based on the quantity of electric energy generated and provided to local electric companies.

Other Fees and Service Charges. Deposit related fees consist of fees earned on transaction-based, account maintenance, and to a lesser degree business overdraft fees. Transaction-based fees, which include services such as wire fees, ATM use fees, debit card interchange fees, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which related primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposit accounts are withdrawn from the customer's account balance.

Debt Securities. Debt Securities ("Securities") may be classified as either trading, held-to-maturity or available-for-sale. Trading securities are held principally for resale and recorded at fair value. Unrealized gains and losses on trading securities are included immediately in earnings. Securities held-to-maturity are those which the Company has the positive intent and ability to hold to maturity and are reported at amortized cost. Securities available-for-sale consist of securities not classified as trading securities nor as held-to-maturity securities. Unrealized holding gain and loss on available-for-sale securities, net of tax are excluded from earnings and reported in accumulated other comprehensive loss. Gain and loss on the sale of securities available-for-sale are recorded on the trade date and are determined using the specific-identification method. Premiums and discounts on securities are recognized in interest income using the interest method over the period to expected maturity or call date.

(1) Summary of Significant Accounting Policies, Continued

Loans.

Loans are carried at the principal amount outstanding, adjusted by partial charge-offs and net of unamortized deferred loan origination fees and costs. Interest income is accrued on a level yield basis based upon principal amounts outstanding, except for loans on nonaccrual status. Deferred loan origination fees and costs are amortized as an adjustment to yield over the term of the related loans.

Loans, with the exception of certain well-secured loans that are in the process of collection, are placed on nonaccrual status and interest recognition is suspended when such loans are 90 days or more overdue with respect to principal and/or interest, or sooner if considered appropriate by management. Well-secured loans are permitted to remain on accrual status provided that full collection of principal and interest is assured and the loan is in the process of collection. Loans are also placed on nonaccrual status when, in the opinion of management, full collection of principal and interest is doubtful. When loans are placed on nonaccrual status, interest previously accrued but not collected is reversed against current period income. Subsequent interest payments received on nonaccrual loans are applied to the outstanding principal balance of the loan or recognized as interest income depending on management's assessment of the ultimate collectability of the loan. Loans are removed from nonaccrual status when they have been current as to principal and interest for a six month period, the borrower has demonstrated an ability to comply with repayment terms, and when, in management's opinion, the loans are considered to be fully collectible.

Allowance for Credit Losses ("ACL"). The following is a summary of the Company's significant accounting policies with respect to ACL:

ACL - Debt Securities Available for Sale. Management uses a systematic methodology to determine its ACL for debt securities available for sale. Each quarter management evaluates impairment where there has been a decline in fair value below the amortized cost basis to determine whether there is a credit loss associated with the decline in fair value. The Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either one of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through earnings. For debt securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which the fair value is less than the amortized cost basis, among various other factors, including the nature of the collateral, potential future changes in collateral values, default rates, delinquency rates, third-party guarantees, credit ratings, interest rate changes since purchase, volatility of the security's fair value and historical loss information for financial assets secured with similar collateral among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis. If the present value of cash flows expected to be collected is less than the amortized cost basis, an ACL is recorded, which is limited by the amount that the fair value is less than the amortized cost basis. Credit losses are calculated individually, rather than collectively. Any impairment that has not been recorded through an ACL is recognized in other comprehensive income.

(continued)

(1) Summary of Significant Accounting Policies, Continued

ACL - Debt Securities Available for Sale, continued.

Changes in the ACL are recorded as credit loss expense. Losses are charged against the ACL when management believes the collectability of the debt security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Management excludes the accrued interest receivable balance from the amortized cost basis in measuring expected credit losses on the debt securities available for sale and does not record an ACL on accrued interest receivable. As of December 31, 2024 and 2023, the accrued interest receivable for debt securities available for sale recognized in accrued interest receivable was $3,390,000 and $3,595,000, respectively.

ACL – Debt Securities Held to Maturity. The Company measures expected credit losses on debt securities held to maturity on a collective basis by major security type. U.S. Government agency securities, Mortgage-backed securities and collateralized mortgage obligations are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have a long history of no credit losses. Taxable municipal securities are highly rated by major credit agencies. A debt security is placed on nonaccrual status at the time any principal or interest payments become ninety days delinquent. Interest accrued but not received for a debt security placed on nonaccrual is reversed against interest income. During the years ended December 31, 2024 and 2023, there were no debt securities placed on nonaccrual. As of December 31, 2024 and 2023, the accrued interest receivable for debt securities held to maturity was $358,000 and $392,000, respectively.

ACL - Loans. The ACL reflects management's estimate of losses that will result from the inability of borrowers to make required loan payments. The Company records loans charged-off against the ACL when management believes the uncollectability of a loan balance is confirmed and subsequent recoveries, if any, increase the ACL when they are recognized.

Management uses systematic methodologies to determine its ACL for loans and certain off-balance sheet credit exposures. The ACL is a valuation account that is deducted from the amortized cost basis to present the net amount expected to be collected on the loan portfolio. Management estimates the ACL using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of the expected credit losses. Adjustments to historical loss information are made for the differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors.

The Company’s estimate of its ACL involves a high degree of judgment; therefore, management's process for determining expected credit losses may result in a range of expected credit losses.

The Company’s ACL recorded in the consolidated balance sheets reflects management's best estimate within the range of expected credit losses. The Company recognizes in earnings the amount needed to adjust the ACL for management's current estimate of expected credit losses. The Company’s ACL is calculated using collectively evaluated and individually evaluated loans.

(continued)

(1) Summary of Significant Accounting Policies, Continued

ACL - Loans, continued.

The ACL is measured on a collective pool basis when similar risk characteristics exist. Loans with similar risk characteristics are grouped into homogenous segments for analysis. The Company's ACL is measured based on FFIEC call report codes as these types of loans exhibit similar risk characteristics. The loan portfolio is further segmented by loan product type, collateral codes, occupancy codes, property code or lien position and are representative of the manner in which the Company lends.

The ACL for each segment is measured through the use of the weighted-average remaining maturity ("WARM") method. In accordance with the WARM method, an annual loss rate is applied to the amortized cost of an asset or pool of assets over the remaining expected life. The annual loss rate consists of historical and forecasted loss components. The forecasted component is applied using loss rates from historical periods that management believes are representative of economic conditions over a full economic cycle. For certain loan segments with limited credit loss histories, management determined the loss experience of peer banks provides the best basis for its assessment of expected credit losses. Other loan segments with more established loss histories utilize historical loss experience of the Company. Management determined that the appropriate historical loss period will begin the fourth quarter of 2007 and continue through the most recent quarter, which represents a full peak to peak economic cycle.

Included in its systematic methodology to determine its ACL, management considers the need to qualitatively adjust model results for risk factors that are not considered within the Company's loss estimation process but are nonetheless relevant in assessing the expected credit losses within the loan pools.

These qualitative factors ("Q-Factors") may increase or decrease management's estimate of expected credit losses by a calculated percentage based upon the estimated level of risk. The various risks that may be considered in making Q-Factor adjustments include, among other things, the impact of 1) changes in lending policies and procedures, including changes in underwriting standards; 2) changes in international, national, regional and local economic conditions; 3) changes in the volume and severity of past due and nonaccrual status; 4) the effect of any concentrations of credit and changes in the levels of such concentrations; 5) changes in the experience, depth, and ability of lending management; 6) changes in nature and volume of the portfolio; 7) trends in underlying collateral values; 8) changes in the quality of the loan review system and 9) the effect of other external factors (i.e., competition, legal and regulatory requirements) on the level of estimated credit losses.

The annual loss rates, as defined above, adjusted for Q-Factors, are applied to the amortized loan balances over each subsequent period and aggregated to arrive at the General ACL. The amortized loan balances are adjusted based on management's estimate of loan repayments in future periods.

When a loan no longer shares similar risk characteristics with its segment, the asset is assessed to determine whether it should be included in another segment or should be individually evaluated. The Company has adopted the collateral maintenance practical expedient to measure the ACL based on the fair value of collateral. Collateral dependent loans are loans for which the repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty. These loans do not share common risk characteristics and are not included within the collectively evaluated loans for determining ACL. A Specific ACL is calculated on an individual loan basis based on the shortfall between the fair value of the loan's collateral, which is adjusted for selling costs, and amortized cost. If the fair value of the collateral exceeds the amortized cost, no allowance is required.

(continued)

(1) Summary of Significant Accounting Policies, Continued

ACL - Loans, continued.

Financial assets that have been individually evaluated can be returned to a pool for purposes of estimating the expected credit loss to the extent as their credit profile improves and that the repayment terms were not considered to be unique to the asset.

Management measures expected credit losses over the contractual term of a loan. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies:

- Management has a reasonable expectation at the reporting date that a loan modification will be executed with an individual borrower.

- The extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

The Company follows its nonaccrual policy by reversing contractual interest income in the consolidated statements of earnings when the Company places a loan on nonaccrual status. Therefore, management excludes the accrued interest receivable balance from the amortized cost basis in measuring expected credit losses on the portfolio and does not record an ACL on accrued interest receivable. As of December 31, 2024 and 2023, the accrued interest receivable for loans recorded in accrued interest receivable was $9,203,000 and $8,419,000, respectively.

ACL - Off -Balance Sheet Credit Exposures. The Company has a variety of assets that have a component that qualifies as an off-balance sheet exposure. These primarily include commitments to extend credit, standby letters of credit, and unfunded commitments under revolving lines of credit. The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. Management has determined that a majority of the Company's off-balance-sheet credit exposures are not unconditionally cancellable.

The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over their expected lives. Management used its judgement to determinate funding rates. Management applied the funding rates, along with the loss factor rate determined for each pooled loan segment, to unfunded loan commitments, excluding unconditionally cancellable exposures and letters of credit, to arrive at the reserve for unfunded loan commitments.

As of December 31, 2024 and 2023, the liability recorded for expected credit losses on unfunded commitments was $27,000 and $171,000, respectively, and is included in "other liabilities" on the accompanying consolidated balance sheets. The current adjustment to the ACL for unfunded commitments is recognized through credit loss expense in the consolidated statements of earnings.

(continued)

(1) Summary of Significant Accounting Policies, Continued

Premises and Equipment. Land is carried at cost. Building, leasehold improvements, furniture, fixtures, solar farms, equipment, data processing equipment, and software are carried at cost less accumulated depreciation and amortization. Depreciation and amortization expense are computed using the straight-line method over the estimated useful life of each type of asset or lease term, if shorter.

Leases. The Company has committed to rent premises used in its business operations under non-cancelable operating leases and determines if an arrangement meets the definition of a lease upon inception. The Company recognizes operating lease right-of-use assets ("ROU") and operating lease liabilities based on the present value of the future minimum lease payments at the lease commencement date. Lease agreements that have lease and non-lease components, are accounted for as a single lease component. Lease expense is recognized on a straight-line basis over the lease term. ROU assets represent a right to use an underlying asset for the contractual lease term. Operating lease liabilities represent an obligation to make lease payments arising from the lease.

The Company's leases do not provide an implicit interest rate, therefore the Company uses its incremental borrowing rates commensurate with the underlying lease terms to determine the present value of operating lease liabilities. Variable lease components, such as consumer price index adjustments, are expensed as incurred and not included in ROU assets and operating lease liabilities.

***Bank-Owned Life Insurance* ("BOLI").** The investment in BOLI represents the cash surrender value of life insurance policies on the lives of certain employees who have provided positive consent allowing the Company to be the beneficiary of such policies. Increases in the cash value of the policies, as well as insurance proceeds received, are recorded in noninterest income and are not subject to income taxes.

Trust Assets. Client assets, totaling $7.7 billion and $6.8 billion at December 31, 2024 and 2023 respectively, are not included in the consolidated balance sheets as such, these items are not assets of the Company.

Derivative Financial Instruments. Derivative financial instruments are recognized as assets or liabilities in the accompanying consolidated balance sheets and measured at fair value.

At the inception of a derivative contract, the Company designates the derivative as one of three types based on the Company's intentions and belief as to likely effectiveness as a hedge. These three types are (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value hedge"), (2) a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"), or (3) an instrument with no hedging designation ("stand-alone derivative"). 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 earnings as fair values change. For a cash flow hedge, the gain or loss on the derivative is reported in accumulated other comprehensive loss 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 value 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 earnings. Changes in the fair value of stand-alone derivatives are reported currently in earnings, as other noninterest income.

(1) Summary of Significant Accounting Policies, Continued

Derivative Financial Instruments, continued.

Net cash settlements on derivatives that qualify for hedge accounting are recorded in interest income or interest expense, based on the item being hedged. Net cash settlements on stand-alone derivatives are reported in other noninterest income. Cash flows on hedges are classified in the consolidated statements of cash flows the same as the cash flows of the items being hedged.

The Company 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 fair value or cash flow hedges to specific assets and liabilities on the consolidated balance sheet or to specific firm commitments or forecasted transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivative instruments that are used are highly effective in offsetting changes in fair values or cash flows of the hedged items. The Company discontinues hedge accounting when it determines that the derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item, the derivative is settled or terminates, a hedged forecasted transaction is no longer probable, a hedged firm commitment is no longer firm, or 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 other noninterest income. When a fair value hedge is discontinued, the hedged asset or liability is no longer adjusted for changes in fair value and the existing basis adjustment is amortized or accreted over the remaining life of the asset or liability. When a cash flow hedge is discontinued but the hedged cash flows or forecasted transactions are still expected to occur, gains or losses that were in accumulated other comprehensive loss are amortized into earnings over the same periods which the hedged transactions will affect earnings.

The Company is exposed to losses if a counterparty fails to make its payments under a contract in which the Company is in the net receiving position. The Company anticipates that the counterparties will be able to fully satisfy their obligations under the agreements. All the contracts to which the Company is a party settle monthly or quarterly. In addition, the Company obtains collateral above certain thresholds of the fair value of its derivatives for each counterparty based upon their credit standing and the Company has netting agreements with the dealers with which it does business.

Interest-Rate Swap Agreements. For asset/liability management purposes, the Company uses interest-rate swap agreements to hedge various exposures or to modify interest-rate characteristics of various balance sheet accounts. Such derivatives are used as part of the asset/liability management process and are linked to specific assets or liabilities, and have high correlation between the contract and the underlying item being hedged, both at inception and throughout the hedge period.

The Company used the interest-rate swap agreements to convert a portion of its fixed-rate loans to variable rate (fair value hedge). Interest-rate swaps are contracts in which a series of interest rate flows are exchanged over a prescribed period. The notional amount on which the interest payments are based is not exchanged.

(continued)

(1) Summary of Significant Accounting Policies, Continued

Comprehensive Income. Accounting principles generally require that recognized revenue, expenses, gains and losses be included in earnings. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities and fair value adjustments on cash flow hedges, are reported as a separate component of the equity section of the consolidated balance sheet, such items along with net earnings, are components of comprehensive income. The tax effects of the items included in accumulated other comprehensive loss are released as each individual item matures, is sold, or disposed of.

The components of accumulated other comprehensive loss are as follows ($ in thousands):

	At December 31,	
	2024	2023
Unrealized loss on debt securities available for sale	$ (45,635)	(69,548)
Fair value adjustments on cash flow hedges	—	9
Gross unrealized amount	$ (45,635)	(69,539)
Income tax benefit	11,565	17,625
Accumulated other comprehensive loss	$ (34,070)	(51,914)

Transfer of Financial Assets. Transfers of financial assets or a participating interest in an entire financial asset are accounted for as sales, when control over the asset has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity. A participating interest is a portion of an entire financial asset that (1) conveys proportionate ownership rights with equal priority to each participating interest holder (2) involves no recourse (other than standard representations and warranties) to, or subordination by, any participating interest holder, and (3) does not entitle any participating interest holder to receive cash before any other participating interest holder.

Income Taxes. There are two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods.

(continued)

(1) Summary of Significant Accounting Policies, Continued

Income Taxes, continued.

Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Company follows accounting guidance relating to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. As of December 31, 2024 and 2023, management is not aware of any uncertain tax positions that would have a material effect on the Company's consolidated financial statements.

The Company recognizes interest and penalties on income taxes, if any, as a component of income tax expense.

(continued)

(1) Summary of Significant Accounting Policies, Continued

Fair Value Measurements. GAAP defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and model-driven valuations whose inputs are observable or whose significant value drivers are observable. Valuations may be obtained from, or corroborated by, third-party pricing services.

Level 3: Unobservable inputs to measure fair value of assets and liabilities for which there is little, if any market activity at the measurement date, using reasonable inputs and assumptions based upon the best information at the time, to the extent that inputs are available without undue cost and effort.

The following describes valuation methodologies used for assets measured at fair value:

Securities Available for Sale. Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid government bonds and certain mortgage products. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Examples of such instruments, which would generally be classified within Level 2 of the valuation hierarchy, include certain collateralized mortgage and debt obligations. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. Securities classified within Level 3 include certain residual interests in securitizations and other less liquid securities.

Derivative Contracts. Exchange-traded derivatives are valued using quoted prices and are classified within Level 1 of the valuation hierarchy. However, few classes of derivative contracts are listed on an exchange; thus, the Company's derivative positions are valued by third-parties using their models and confirmed by the Company. Since the model inputs can be observed in a liquid market and the models do not require significant judgement, such derivatives contracts are classified within Level 2 of the fair value hierarchy. The Company's interest-rate swap contracts (designated as fair value hedges) are classified within Level 2. Derivative contracts that are valued based upon models with significant unobservable market parameters and that are normally traded less actively or have trade activity that is one way are classified within Level 3.

(continued)

(1) Summary of Significant Accounting Policies, Continued

Fair Value Measurements, continued.

Collateral Dependent Loans. Estimates of fair value are determined based on a variety of information, including the use of available appraisals, estimates of market value by licensed appraisers or local real estate brokers and the knowledge and experience of the Company's management related to values of properties in the Company's market areas. Management takes into consideration the type, location and occupancy of the property as well as current economic conditions in the area the property is located in assessing estimates of fair value. Accordingly, fair value estimates for collateral dependent loans are classified as Level 3.

Off-Balance Sheet Instruments. In the ordinary course of business the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit, unused lines of credit and standby letters of credit. Such financial instruments are recorded in the consolidated financial statements when they are funded.

Fair Value of Financial Instruments. The following methods and assumptions were used by the Company in estimating fair values of financial instruments:

Cash and Due from Banks. The carrying amount of cash and due from banks represents fair value.

Debt Securities. Fair values for securities are based on the framework for measuring fair value.

Loans. For variable-rate loans that reprice frequently and have no significant change in credit risk, fair values are based on carrying values. Fair values for fixed-rate mortgage (e.g. one-to-four family residential), commercial real estate and commercial loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

Federal Home Loan Bank Stock. As a requirement of membership, the Company must own a minimum amount of Federal Home Loan Bank ("FHLB") stock, calculated periodically based primarily on its level of borrowing from the FHLB. No market exists for the shares and therefore, they are carried at cost. The Company monitors its investment to determine if impairment exists. Based on the capital adequacy and the liquidity position of the FHLB, the Company believes there is no impairment related to the carrying amount of FHLB stock as of December 31, 2024 and 2023.

Federal Reserve Bank Stock. The stock is not publicly traded and the estimated fair value is based on its redemption value.

Accrued Interest Receivable. The carrying amount of accrued interest receivable approximates fair value.

(continued)

(1) Summary of Significant Accounting Policies, Continued

Fair Value Measurements, continued.

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

Other Borrowings. The carrying amount of other borrowings approximates fair value.

Federal Home Loan Bank Advances. Fair values for FHLB advances are estimated using discounted cash flow analysis based on current borrowing rates of the FHLB.

Repurchase Agreements. The carrying amount of repurchase agreements approximates their fair value.

Subordinated Debt. The fair value of the subordinated debt is estimated using discounted cash flow analysis based on the current rate of similar debt.

Off-Balance-Sheet Instruments. Fair values for off-balance-sheet lending commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. Fees received are taken into income over the life of the commitment.

Marketing. The Company expenses all marketing as incurred.

Stock-Based Compensation. The Company expenses the fair value of stock-based compensation. The Company recognizes stock-based compensation in salaries and employee benefits for officers and employees and in other expense for directors in the consolidated statements of earnings. The expense is recognized over the vesting period.

(continued)

(1) Summary of Significant Accounting Policies, Continued

Earnings Per Share. Earnings per share ("EPS") has been computed on the basis of the weighted-average number of shares of common stock outstanding. The impact of convertible preferred stock on diluted earnings per share is computed using the if-converted method. For the year ended December 31, 2024, the convertible preferred stock was excluded from the diluted EPS computation because it was antidilutive. Outstanding stock options and unvested restricted stock units are considered dilutive securities for purposes of calculating diluted EPS which was computed using the treasury stock method ($ in thousands, except per share amounts):

	2024			2023		
	Earnings	Weighted-Average Shares	Per Share Amount	Earnings	Weighted-Average Shares	Per Share Amount
Year Ended December 31:						
Basic EPS:						
Net earnings available to common shareholders	$5,076	12,075,278	$0.42	$5,099	11,898,461	$0.43
Effect of dilutive securities-						
Incremental shares from restricted stock units and assumed conversion of options		81,496			37,517	
Diluted EPS:						
Net earnings available to common shareholders	$5,076	12,156,774	$0.42	$5,099	11,935,978	$0.43

Recent Prouncements. In December 2023, the Financial Accounting Standards Board (" FASB") issued Accounting Standards Update ("ASU") 2023-09, "Improvements to Income Tax Disclosures." ASU 2023-09 requires disclosure of specific categories in the income tax rate reconciliation and requires additional information for reconciling items that meet a quantitative threshold. The standard requires an annual disclosure of income taxes paid, net of refunds received, disaggregated by federal, state and foreign taxes and to disaggregate the information by jurisdiction based on a quantitative threshold. The standard is effective for fiscal years beginning after December 15, 2024 and early adoption is permitted. The Company does not expect the adoption of the standard to have a material impact on its disclosures.

In November 2024, the FASB issued ASU 2024-03, "Expense Disaggregation Disclosures." ASU 2024-03 requires disclosure to disaggregate prescribed expenses within relevant income statement captions. The standard is effective for fiscal years beginning after December 15, 2026 and for interim periods after December 15, 2027. Early adoption is permitted. The Company is evaluating the impact of the changes to its existing disclosures.

Reclassifications.

Certain reclassifications of prior year amounts have been made to conform to the current year presentation.

(continued)

(2) Debt Securities

The carrying amount of securities and their fair values are as follows ($ in thousands):

Securities available for sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At December 31, 2024:				
U.S. Government agency securities	$ 428,442	48	(16,859)	411,631
Corporate debt securities	11,944	12	—	11,956
Mortgage-backed securities	62,605	41	(7,903)	54,743
Collateralized mortgage obligations	43,818	—	(3,268)	40,550
SBA securities	9,088	—	(47)	9,041
U.S. Treasuries	80,188	—	(1,508)	78,680
Taxable municipal securities	216,853	3	(16,154)	200,702
Total	$ 852,938	104	(45,739)	807,303
At December 31, 2023:				
U.S. Government agency securities	440,360	11	(29,632)	410,739
Corporate debt securities	29,127	236	—	29,363
Mortgage-backed securities	57,674	91	(7,646)	50,119
Collateralized mortgage obligations	47,425	—	(4,096)	43,329
SBA securities	4,571	1	(30)	4,542
U.S. Treasuries	150,453	—	(5,245)	145,208
Taxable municipal securities	287,639	—	(23,238)	264,401
Total	$ 1,017,249	339	(69,887)	947,701
Securities held to maturity				
At December 31, 2024:				
U.S. Government agency securities	20,783	—	(2,767)	18,016
Mortgage-backed securities	29,816	—	(5,220)	24,596
Collateralized mortgage obligations	4,536	—	(198)	4,338
Taxable municipal securities	25,809	—	(858)	24,951
Total	$ 80,944	—	(9,043)	71,901
At December 31, 2023:				
U.S. Government agency securities	20,971	—	(2,878)	18,093
Mortgage-backed securities	32,756	—	(4,682)	28,074
Collateralized mortgage obligations	4,550	—	(211)	4,339
Taxable municipal securities	29,651	—	(1,547)	28,104
Total	$ 87,928	—	(9,318)	78,610

(continued)

(2) Debt Securities, Continued

Available-for-sale securities measured at fair value on a recurring basis are summarized below ($ in thousands):

		Fair Value Measurements Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2024:				
U.S. Government agency securities	$ 411,631	—	411,631	—
Corporate debt securities	11,956	—	11,956	—
Mortgage-backed securities	54,743	—	54,743	—
Collateralized mortgage obligations	40,550	—	40,550	—
SBA Securities	9,041	—	9,041	—
U.S. Treasuries	78,680	78,680	—	—
Taxable municipal securities	200,702	—	200,702	—
Total	$ 807,303	78,680	728,623	—
December 31, 2023:				
U.S. Government agency securities	410,739	—	410,739	—
Corporate debt securities	29,363	—	29,363	—
Mortgage-backed securities	50,119	—	50,119	—
Collateralized mortgage obligations	43,329	—	43,329	—
SBA Securities	4,542		4,542	
U.S. Treasuries	145,208	145,208	—	—
Taxable municipal securities	264,401	—	264,401	—
Total	$ 947,701	145,208	802,493	—

During the years ended December 31, 2024 and 2023, no securities were transferred in or out of Level 3.

(continued)

(2) Debt Securities, Continued

The scheduled maturities of securities at December 31, 2024 are as follows ($ in thousands):

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in less than one year	$ 304,057	298,997	6,462	6,396
Due from one to five years	362,261	343,424	29,874	27,883
Due from five to ten years	69,204	59,122	10,015	8,473
Due in over ten years	10,993	10,467	241	215
Mortgage-backed securities	62,605	54,743	29,816	24,596
Collateralized mortgage obligations	43,818	40,550	4,536	4,338
Total	$ 852,938	807,303	80,944	71,901

(continued)

(2) Debt Securities, Continued

Securities with gross unrealized losses, aggregated by length of time that individual securities have been in a continuous loss position, are as follows ($ in thousands):

	Less Than Twelve Months		More Than Twelve Months	
Securities available for sale				
December 31, 2024:	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
U.S. Government agency securities	$ (16)	9,984	(16,843)	351,605
Mortgage-backed securities	(367)	12,484	(7,536)	40,672
Collateralized mortgage obligations	(25)	3,965	(3,243)	36,585
SBA Securities	(11)	5,639	(36)	3,402
U.S. Treasuries	—	—	(1,508)	78,680
Taxable Municipal securities	—	—	(16,154)	199,266
Total	$ (419)	32,072	(45,320)	710,210
December 31, 2023:				
U.S. Government agency securities	—	—	(29,632)	400,728
Mortgage-backed securities	(36)	2,480	(7,610)	44,743
Collateralized mortgage obligations	—	—	(4,096)	43,329
SBA Securities	(30)	4,402	—	—
U.S. Treasuries	—	—	(5,245)	145,208
Taxable Municipal securities	(65)	935	(23,173)	262,716
Total	$ (131)	7,817	(69,756)	896,724
Securities held to maturity				
December 31, 2024:				
U.S. Government agency securities	—	—	(2,767)	18,016
Mortgage-backed securities	—	—	(5,220)	24,596
Collateralized mortgage obligations	—	—	(198)	4,338
Taxable Municipal securities	—	—	(858)	24,951
Total	$ —	—	(9,043)	71,901
December 31, 2023:				
U.S. Government agency securities	—	—	(2,878)	18,093
Mortgage-backed securities	—	—	(4,682)	28,074
Collateralized mortgage obligations	—	—	(211)	4,339
Taxable Municipal securities	—	—	(1,547)	28,104
Total	$ —	—	(9,318)	78,610

(continued)

(2) Debt Securities, Continued

At December 31, 2024 and 2023, the unrealized losses on 297 and 353 investment debt securities, respectively, were caused by interest-rate changes.

Management evaluates debt securities for impairment where there has been a decline in fair value below the amortized cost basis of a security to determine whether there is a credit loss associated with the decline in fair value on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the financial condition and near-term prospects of the issuer including looking at default and delinquency rates, (2) the outlook for receiving the contractual cash flows of the investments, (3) the length of time and the extent to which the fair value has been less than cost, (4) the intent and ability to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value or for a debt security whether it is more-likely-than-not that the Company will be required to sell the debt security prior to recovering its fair value, (5) the anticipated outlook for changes in the general level of interest rates, (6) credit ratings, (7) third party guarantees, and (8) collateral values. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, the results of reviews of the issuer's financial condition, and the issuer's anticipated ability to pay the contractual cash flows of the investments.

The Company performed an analysis that determined that the mortgage-backed securities, collateralized mortgage obligations, SBA securities, U.S. government agency securities, and U.S. treasuries have a zero expected credit loss as they have the full faith and credit backing of the U.S. government or one of its agencies. Municipal securities and corporate debt securities that do not have a zero expected credit loss are evaluated at least quarterly to determine whether there is a credit loss associated with a decline in fair value. All debt securities in an unrealized loss position as of December 31, 2024 continue to perform as scheduled and the Company does not believe that there is a credit loss or that a credit loss expense is necessary. Also, as part of the evaluation of the intent and ability to hold investments for a period of time sufficient to allow for any anticipated recovery in the market, the Company considers investment strategy, cash flow needs, liquidity position, capital adequacy and interest rate risk position. The Company does not currently intend to sell the investments within the portfolio, and it is not more-likely-than-not that a sale will be required.

Management continues to monitor all investments with a high degree of scrutiny. There can be no assurance that in a future period that conditions existing at that time indicate some or all of its securities may be sold or would require a charge to operations as a credit loss expense in such periods.

At December 31, 2024 and 2023, securities with a fair value of $501.8 million and $658.6 million, respectively, were pledged to secure repurchase agreements, State of Florida deposits and trust operations. At December 31, 2023, the pledged securities also included pledging to participate in the Bank Term Funding Program to the Federal Reserve Bank.

(continued)

(3) Loans

A significant portion of the loan portfolio is concentrated among borrowers in Southwest Florida, Palm Beach, Florida, Scottsdale, Arizona, and Charleston, South Carolina and a substantial portion of the portfolio is collateralized by real estate in these areas. In general, the ability of single-family residential and consumer borrowers to honor their repayment commitments is generally dependent on the level of overall economic activity within the market area and real estate values. The ability of commercial borrowers to honor their repayment commitments is dependent on the general economy as well as the health of the real estate economic sector in the Company's market areas.

The components of loans by segment and class are as follows ($ in thousands):

	At December 31, 2024	At December 31, 2023
Real estate mortgage:		
Commercial real estate	$ 351,523	365,481
Residential real estate	1,582,437	1,505,595
Construction and land development	313,419	282,785
Total real estate mortgage	2,247,379	2,153,861
Commercial	247,050	175,136
Personal	198,790	185,610
Total loans	2,693,219	2,514,607
Add (subtract):		
Deferred loan costs, net	2,636	2,674
Allowance for credit losses	(23,576)	(23,472)
Loans, net	$ 2,672,279	2,493,809

(continued)

(3) Loans, Continued

The Company has divided the loan portfolio into three portfolio segments, each with different risk characteristics and methodologies for assessing risk. All loans are underwritten based upon standards set forth in the policies approved by the Company's board of directors. The portfolio segments identified by the Company are as follows:

Real Estate Mortgage. Real estate mortgage loans are typically segmented into three classes: Commercial real estate, Residential real estate and Construction and land development. Commercial real estate loans are secured by the subject property and are approved based on standards which include, among other factors, loan to value limits, cash flow coverage and the general creditworthiness of the obligors. Residential real estate loans are approved based on repayment capacity and source, value of the underlying property, credit history and stability of the borrower. Construction and land development loans are to borrowers to finance the construction of owner occupied and leased properties. These loans are categorized as construction and land loans during the construction period, later converting to commercial or residential real estate loans after the construction is complete and amortization of the loan begins. Construction and land development loans are approved based on an analysis of the borrower and guarantor, the viability of the project and on an acceptable percentage of the appraised value of the property securing the loan. Construction and land development loan funds are disbursed periodically based on the percentage of construction completed. The Company carefully monitors these loans with on-site inspections and requires the receipt of lien waivers on funds advanced. Construction and land loans are typically secured by the properties under development or construction, and personal guarantees are typically obtained. Further, to assure that reliance is not placed solely on the value of the underlying property, the Company considers the market conditions and feasibility of proposed projects, the financial condition and reputation of the borrower and guarantors, the amount of the borrower's equity in the project, independent appraisals, cost estimates and pre-construction sale information. The Company also makes loans on occasion for the purchase of land for future development by the borrower. Land development loans are extended for either commercial or residential use by the borrower. The Company carefully analyzes the intended use of the property and the viability thereof.

Commercial. Commercial loans are primarily underwritten on the basis of the borrowers' ability to service such debt from income. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. As a general practice, the Company takes as collateral a security interest in any available real estate, equipment, or other chattel, although loans may also be made on an unsecured basis. Collateralized working capital loans typically are secured by short-term assets whereas long-term loans are primarily secured by long-term assets.

Personal. Personal loans are extended for various purposes, including purchases of automobiles, recreational vehicles, and boats. The Company also offers home improvement loans, lines of credit, personal loans, personal investment account secured loans, and deposit account collateralized loans. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas such as unemployment levels. Personal loans are extended after a credit evaluation, including the creditworthiness of the borrower(s), the purpose of the credit, and the secondary source of repayment. Personal loans are made at fixed and variable interest rates and may be made on terms of up to ten years. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

(continued)

(3) Loans, Continued

An analysis of the change in the ACL follows ($ in thousands):

	Real Estate Mortgage	Commercial	Personal	Total
Year Ended December 31, 2024:				
Beginning balance	$ 20,575	1,394	1,503	23,472
Credit loss expense (income)	281	1,094	(515)	860
Charge Offs	—	(750)	(6)	(756)
Ending balance	20,856	1,738	982	23,576

For the year ended December 31, 2024, total credit loss income related to unfunded commitments was $(144,000).

	Real Estate Mortgage	Commercial	Personal	Total
Year Ended December 31, 2023:				
Beginning balance	20,093	1,803	1,272	23,168
Credit loss expense (income)	482	(441)	231	272
Recoveries	—	32	—	32
Ending balance	$ 20,575	1,394	1,503	23,472

For the year ended December 31, 2023, total credit loss expense related to unfunded commitments was $134,000. There were no restructured loans during the years ended December 31, 2024 and 2023.

(continued)

(3) Loans, Continued

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors.

The Company analyzes loans individually by classifying the loans as to credit risk. Loans classified as substandard or special mention over $50,000 are reviewed regularly by the Company for further deterioration or improvement to determine if they are appropriately classified and whether there is any impairment. All loans are graded upon initial issuance. Further, most commercial and commercial real estate loans over $1,000,000 are reviewed annually to determine the appropriate loan grading. In addition, during the renewal process of any loan, as well as if a loan becomes past due, the Company will determine the appropriate loan grade.

Loans excluded from the review process above are generally classified as pass credits until: (a) they become 90 days past due; (b) management becomes aware of deterioration in the credit worthiness of the borrower; or (c) the customer contacts the Company for a modification. In these circumstances, the loan is specifically evaluated for potential classification as to special mention, substandard or even charged-off. The Company uses the following definitions for risk ratings:

Pass – A Pass loan's primary source of loan repayment is satisfactory, with secondary sources very likely to be realized if necessary.

Special Mention – A Special Mention loan has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in the deterioration of the repayment prospects for the asset or the Company's credit position at some future date. Special Mention loans are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

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

(continued)

(3) Loans, Continued

Doubtful – A loan classified Doubtful has all the weaknesses inherent in one classified Substandard with the added characteristics that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss – A loan classified Loss is considered uncollectible and of such little value that continuance as a bankable asset is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is being written off as a basically worthless asset even though partial recovery may be effected in the future.

The following summarizes the loan credit quality ($ in thousands):

	Real Estate Mortgage					
	Commercial Real Estate	Residential Real Estate	Construction and Land Development	Commercial	Personal	Total
At December 31, 2024:						
Credit Risk Profile by Internally Assigned Grade:						
Pass	346,134	1,580,097	311,139	246,829	198,575	2,682,774
Special Mention	5,389	276	—	—	191	5,856
Substandard	—	2,064	2,280	221	24	4,589
Total	$ 351,523	1,582,437	313,419	247,050	198,790	2,693,219
At December 31, 2023:						
Credit Risk Profile by Internally Assigned Grade:						
Pass	365,481	1,503,169	282,785	174,345	185,590	2,511,370
Special Mention	—	387	—	762	—	1,149
Substandard	—	2,039	—	29	20	2,088
Total	$ 365,481	1,505,595	282,785	175,136	185,610	2,514,607

(continued)

(3) Loans, Continued

The Company's loans as of December 31, 2024 based on year of origination within each credit quality indicator are as follows:

	Term Loans Amortized Cost by Origination Year								
	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost	Revolving Loans Converted to Term Loans	Total
Commercial Real Estate:									
Pass	10,577	35,638	79,555	83,166	41,535	86,873	8,790	—	$ 346,134
Special Mention	—	—	—	—	—	5,000	389	—	5,389
Substandard	—	—	—	—	—	—	—	—	—
Total Commercial Real Estate	10,577	35,638	79,555	83,166	41,535	91,873	9,179	—	351,523
Residential Real Estate:									
Pass	184,128	166,245	257,586	257,293	192,594	341,363	180,888	—	1,580,097
Special Mention	—	—	—	—	—	276	—	—	276
Substandard	—	—	—	281	—	1,743	40	—	2,064
Total Residential Real Estate	184,128	166,245	257,586	257,574	192,594	343,382	180,928	—	1,582,437
Construction & Land Development:									
Pass	21,609	131,508	104,744	13,395	10,704	3,843	25,336	—	311,139
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	2,280	—	—	—	—	—	2,280
Total Construction & Land Development	21,609	131,508	107,024	13,395	10,704	3,843	25,336	—	313,419
Commercial:									
Pass	69,987	27,889	24,345	11,960	5,215	16,514	89,807	1,112	246,829
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	221	—	—	—	—	—	221
Total Commercial	69,987	27,889	24,566	11,960	5,215	16,514	89,807	1,112	247,050
Personal:									
Pass	6,656	8,346	13,046	4,134	10,036	2,783	153,574	—	198,575
Special Mention	—	—	—	—	—	—	191	—	191
Substandard	24	—	—	—	—	—	—	—	24
Total Personal	6,680	8,346	13,046	4,134	10,036	2,783	153,765	—	198,790
Total Loans	$292,981	$369,626	$481,777	$370,229	$260,084	$458,395	$ 459,015	$ 1,112	$ 2,693,219

Total loans written off during the year ended December 31, 2024 totaled $790,000. The loans written off consisted of one commercial loan for $631,000, origination year of 2020, one commercial loan for $150,000, origination year of 2022, and two personal loans totaling $9,000, with origination years of 2022 and 2024.

(continued)

(3) Loans, Continued

The Company's loans as of December 31, 2023 based on year of origination within each credit quality indicator are as follows:

	Term Loans Amortized Cost by Origination Year								
	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost	Revolving Loans Converted to Term Loans	Total
Commercial Real Estate:									
Pass	$ 40,902	83,926	89,216	45,787	22,093	80,717	2,840	—	365,481
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total Commercial Real Estate	40,902	83,926	89,216	45,787	22,093	80,717	2,840	—	365,481
Residential Real Estate:									
Pass	182,430	273,213	274,823	207,699	119,354	303,486	142,164	—	1,503,169
Special Mention	—	—	—	105	—	282	—	—	387
Substandard	—	—	1,232	—	—	752	55	—	2,039
Total Residential Real Estate	182,430	273,213	276,055	207,804	119,354	304,520	142,219	—	1,505,595
Construction & Land Development:									
Pass	87,939	113,352	34,635	16,272	1,134	28	29,425	—	282,785
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total Construction & Land Development	87,939	113,352	34,635	16,272	1,134	28	29,425	—	282,785
Commercial:									
Pass	28,201	34,311	15,934	11,651	12,105	5,437	62,176	4,530	174,345
Special Mention	—	—	—	—	—	—	762	—	762
Substandard	—	—	—	—	—	—	29	—	29
Total Commercial	28,201	34,311	15,934	11,651	12,105	5,437	62,967	4,530	175,136
Personal:									
Pass	18,951	15,110	6,114	32,659	1,965	2,180	108,611	—	185,590
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	20	—	—	—	—	—	—	20
Total Personal	18,951	15,130	6,114	32,659	1,965	2,180	108,611	—	185,610
Total Loans	$358,423	519,932	421,954	314,173	156,651	392,882	346,062	4,530	2,514,607

There were no loans written off for any class of loans during the year ended December 31, 2023.

(continued)

(3) Loans, Continued

Age analysis of past-due loans is as follows ($ in thousands):

	Accruing Loans						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Nonaccrual Loans	Total Loans
At December 31, 2024:							
Real estate mortgage:							
Commercial real estate	$ —	—	—	—	351,523	—	351,523
Residential real estate	1,856	1,112	1,328	4,296	1,577,723	418	1,582,437
Construction and land development	—	2,280	—	2,280	311,139	—	313,419
Commercial	—	—	—	—	246,829	221	247,050
Personal	13	—	—	13	198,777	—	198,790
Total	$ 1,869	3,392	1,328	6,589	2,685,991	639	2,693,219
At December 31, 2023:							
Real estate mortgage:							
Commercial real estate	—	—	—	—	365,481	—	365,481
Residential real estate	2,860	289	153	3,302	1,500,685	1,608	1,505,595
Construction and land development	—	—	—	—	282,785	—	282,785
Commercial	62	—	738	800	174,336	—	175,136
Personal	—	—	—	—	185,590	20	185,610
Total	$ 2,922	289	891	4,102	2,508,877	1,628	2,514,607

(continued)

(3) Loans, Continued

The following table presents the amortized cost basis of loans on nonaccrual status at December 31, 2024 and 2023:

		Nonaccrual with No Allowance for Credit Loss	Nonaccrual with an Allowance for Credit Loss	Total Nonaccrual Loans
At December 31, 2024				
	Residential real estate	418	—	418
	Commercial	221	—	221
	Total	$ 639		$ 639
At December 31, 2023				
	Residential real estate	1,608	—	1,608
	Personal	20	—	20
	Total	$ 1,628	$ —	$ 1,628

The Company did not recognize any interest income on nonaccrual loans during the years ended December 31, 2024 and 2023.

(continued)

(4) Premises and Equipment

A summary of premises and equipment follows ($ in thousands):

	At December 31, 2024	2023
Land	$ 6,103	6,103
Building	21,848	21,848
Leasehold Improvements	9,791	9,473
Furniture, fixtures, solar farms and equipment	18,718	18,469
Data processing equipment and software	3,752	3,042
Total, at cost	60,212	58,935
Less accumulated depreciation and amortization	(21,845)	(19,066)
Premises and equipment, net	$ 38,367	39,869

(continued)

(5) Leases

The Company leases various locations to conduct operations. Lease expiration dates range from 3 years to 25 years, with renewal options on certain leases of 3 years to 25 years.

The components of lease expense and other lease information are as follows ($ in thousands):

	Year Ended December 31,	
	2024	**2023**
Operating Lease Expense Recognized	$ 2,228	2,283
Cash paid for amounts included in measurement of operating lease liabilities	$ 2,275	2,117

	At December 31,	
	2024	**2023**
Operating lease right-of-use assets	$ 10,282	11,338
Operating lease liabilities	$ 10,445	11,490
Weighted-average remaining lease term	6.7 years	7.2 years
Weighted-average discount rate	2.70 %	2.50 %

	At December 31, 2024
2025	$ 2,269
2026	2,064
2027	1,392
2028	1,241
2029	1,175
Thereafter	3,670
Total future minimum lease payments	11,811
Less imputed interest	(1,366)
Total operating lease liabilities	$ 10,445

(continued)

(6) Bank-Owned Life Insurance

Bank-Owned Life Insurance ("BOLI") amounted to $75,267,000 and $73,333,000 at December 31, 2024 and 2023, respectively. BOLI provides a means to mitigate increasing employee benefit costs. The Company expects to benefit from the BOLI contracts as a result of the tax-free growth in cash surrender value and death benefits that are expected to be generated over time. The purchase of the life insurance policies result in an interest sensitive asset on the consolidated balance sheets that provides monthly tax-free income to the Company. BOLI is invested in the "general account" and a "separate account" of quality insurance companies. All carriers were rated "A++" or better by A.M. Best and "Aa2" or better by Moody's at December 31, 2024 and 2023. BOLI is included in the consolidated balance sheets at its cash surrender value. Increases in BOLI's cash surrender value are reported as a component of noninterest income in the consolidated statements of earnings.

(7) Deposits

The aggregate amount of time deposits with a denomination of $250,000 or more was approximately $191.0 million and $266.4 million at December 31, 2024 and 2023, respectively. A schedule of maturities of time deposits at December 31, 2024 follows ($ in thousands):

Year Ending December 31,	Amount
2025	$ 208,567
2026	23,542
2027	243
2028	252
2029	239
	$ 232,843

(8) Other Borrowings and Repurchase Agreements

The Company enters into repurchase agreements with customers. These agreements require the Company to pledge securities as collateral for the balance in the accounts. At December 31, 2024 and 2023, the balance totaled $77,972,000 and $31,397,000 respectively, and the Company had pledged securities as collateral for these agreements with a carrying value of $85,187,000 and $33,965,000 respectively.

At December 31, 2024, the Company had $60 million available under an unsecured federal funds purchase facility. The Company also has a line of credit with the Federal Reserve Bank ("FRB") under which the Company may draw up to $514.3 million. The line is secured by $654 million in loans. There were no borrowings under these lines as of December 31, 2024 and 2023. At December 31, 2023, the Company had available a $500.3 million advance as part of the Bank Term Funding Program with the Federal Reserve Bank, which is secured by U.S. Government agency securities, mortgage-backed securities, and U.S. Treasury securities. At December 31, 2024 and 2023, there was $0 and $500 million outstanding, respectively. At December 31, 2023, the Company had $500.3 million as collateral for this borrowing.

(continued)

(9) Shareholders' Equity

Stock Repurchase Plan. The Company’s Stock Repurchase Plan authorizes the repurchase of up to $15.0 million of the Company’s outstanding common stock. This authority may be exercised from time to time and in such amounts as market conditions warrant, and subject to regulatory considerations. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, market conditions, and other corporate liquidity requirements and priorities. Since the Stock Repurchase Plan's inception, 64,661 shares have been repurchased, totaling $1.6 million, at an average price of $24.82. There have been no repurchases for the years ended December 31, 2024 and 2023, respectively.

(10) Federal Home Loan Bank Advances and Other Available Credit

A summary of FHLB advances follows ($ in thousands):

Maturing in the Year Ending December 31,	Fixed or Variable Rate	Weighted-Average Interest Rate	At December 31, 2024	2023
2024	Fixed	2.73%	—	45,000
2025	Fixed	3.31%	—	10,000
2026	Fixed	4.32%	266,000	200,000
2027	Fixed	4.26%	84,000	25,000
2028	Fixed	3.25%	—	25,000
			$ 350,000	305,000

The Company has entered into a collateral agreement with the FHLB which consists of a blanket lien on qualifying real estate loans. As of December 31, 2024 and 2023, the Company had remaining available borrowing capacity of $578.5 million and $506.1 million, respectively.

In 2024 and 2023, the Company prepaid certain FHLB advances with a total carrying amount of $35 million and $45 million, respectively, and recorded a gain on extinguishment of debt of $367,000 and $534,000, respectively. The gains resulted from the difference in interest rates between the current market rate and the interest rate on the debt obligations.

(continued)

(11) Subordinated Debt

In 2018 the Company issued $30,000,000 face value of subordinated debt (the “2018 Subordinated Debt”) due June 30, 2028. The 2018 Subordinated Debt had a fixed annual interest rate of 5.875% until June 30, 2023, at which time the rate became an annual floating rate equal to three-month Secured Overnight Financing ("SOFR"), determined quarterly, plus 323.2 basis points (8.54% at December 31, 2024). Interest is payable in arrears on March 31, June 30, September 30 and December 31, of each year through the maturity date, unless redeemed. The Company may, at its option, beginning June 29, 2023, and on any scheduled interest payment date thereafter, redeem the 2018 Subordinated Debt, in whole or in part, at 100% of the principal amount of the Subordinated Debt plus any accrued and unpaid interest. As of December 31, 2024, $6,250,000 was left to redeem.

In 2020, the Company issued $21,300,000 face value of subordinated debt due November 30, 2030, (the “2020 Subordinated Debt”). The 2020 Subordinated Debt has a fixed annual interest rate of 4.25% until November 30, 2025, at which time the rate will become an annual floating rate equal to three-month SOFR, determined quarterly, plus 400.6 basis points. Interest is payable in arrears semi-annually on May 31 and November 30 of each year through November 30, 2025, then quarterly until the maturity date, unless redeemed. The Company may, at its option, beginning November 30, 2025, and on any scheduled interest payment date thereafter, redeem the 2020 Subordinated Debt, in whole or in part, at 100% of the principal amount of the 2020 Subordinated Debt plus accrued and unpaid interest.

The 2020 and 2018 Subordinated Debt was structured to comply with certain regulatory requirements which provide for qualification as Tier 2 Capital. The 2020 and 2018 Subordinated Debt is subject to certain affirmative and negative covenants and at December 31, 2024, the Company was in compliance with the covenants.

The following summarized the 2020 and 2018 Subordinated Debt during the years end December 31, 2024 and 2023, ($ in thousands).

Subordinated debt at December 31, 2022	$	33,545
Redemption of subordinated debt		(6,250)
Amortization of issuance expenses		182
Subordinated debt at December 31, 2023	$	27,477
Amortization of issuance expenses		40
Subordinated debt at December 31, 2024	$	27,517

(continued)

(12) Income Taxes

The components of the income taxes are as follows ($ in thousands):

	Year Ended December 31, 2024	2023
Current:		
Federal	$ 2,050	988
State	387	137
Total current	2,437	1,125
Deferred:		
Federal	(635)	(51)
State	(103)	(87)
Total deferred	(738)	(138)
Income tax expense	$ 1,699	987

The reasons for the difference between the statutory Federal income tax rate of 21% and the effective tax rates are summarized as follows ($ in thousands):

	Year Ended December 31, 2024		2023	
	Amount	% of Pretax Earnings	Amount	% of Pretax Earnings
Income taxes at statutory rate	$ 1,693	21.0 %	1,278	21.0 %
Increase (decrease) resulting from:				
State taxes, net of Federal tax benefit	225	2.8	40	0.7
Share-based compensation	138	1.7	128	2.1
Tax-exempt income	(406)	(5.0)	(460)	(7.6)
Other, net	49	0.6	1	—
Income tax expense	$ 1,699	21.1 %	987	16.2 %

(continued)

(12) Income Taxes, Continued

Tax effects of temporary differences that give rise to the deferred tax assets and liabilities are as follows ($ in thousands):

	At December 31, 2024	At December 31, 2023
Deferred tax assets:		
Allowance for credit losses	$ 5,989	5,949
Share-based compensation	842	684
Operating lease liabilities	2,647	2,912
Unrealized loss on securities available for sale	11,565	17,634
Deferred tax assets	21,043	27,179
Deferred tax liabilities:		
Prepaid expenses	(142)	(265)
Premises and equipment	(1,510)	(1,882)
Deferred loan costs	(954)	(1,006)
Operating lease right-of-use assets	(2,606)	(2,874)
Deferred tax liabilities	(5,212)	(6,027)
Net deferred tax asset	$ 15,831	21,152

The Company's Federal and state income tax returns filed prior to 2021 are no longer subject to examination by the respective taxing authorities.

(13) Financial Instruments with off-Balance Sheet Credit Risk

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments are commitments to extend credit, unused lines of credit, and standby letters of credit and may involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheet. The contract amounts of these instruments reflect the extent of involvement the Company has in these financial instruments.

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

(continued)

(13) Financial Instruments with off-Balance Sheet Credit Risk, Continued

Commitments to extend credit are agreements to lend to a customer as long as there are no violations of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and normally generate a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each borrower's creditworthiness is evaluated on a case-by-case basis the same as other extensions of credit.

Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Under the standby letters of credit, the Company is required to make payments to the beneficiary of the letters of credit upon request by the beneficiary contingent upon the customer's failure to perform under the terms of the underlying contract with the beneficiary. Standby letters of credit extend up to one year. At December 31, 2024 and 2023, there was no liability to beneficiaries resulting from standby letters of credit. At December 31, 2024, a substantial portion of the standby letters of credit were supported by pledged collateral. Should the Company be required to make payments to the beneficiary, repayment from the customer to the Company is required.

Commitments to extend credit, unused lines of credit and standby letters of credit typically result in loans with a market interest rate when funded. A summary of the amounts of the Company's financial instruments with off-balance sheet risk at December 31, 2024, follows ($ in thousands):

Commitments to extend credit	$ 131,875
Unused lines of credit	$ 631,062
Standby letters of credit	$ 4,900

(continued)

(14) Fair Value of Financial Instruments

The carrying amounts and estimated fair values of the Company's financial instruments, are as follows ($ in thousands):

		At December 31,			
		2024		2023	
	Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:					
Cash and due from banks	1	$ 366,795	366,795	369,060	369,060
Securities available for sale	1,2	807,303	807,303	947,701	947,701
Securities held to maturity	2	80,944	71,901	87,928	78,610
Loans, net	3	2,672,279	2,517,125	2,493,809	2,308,210
Federal Home Loan Bank stock	3	19,494	19,494	16,974	16,974
Federal Reserve Bank stock	3	7,548	7,548	6,362	6,362
Accrued interest receivable	3	13,637	13,637	13,062	13,062
Financial liabilities:					
Deposits	3	3,257,481	3,257,027	2,892,011	2,891,057
Other borrowings	3	—	—	500,000	500,000
Federal Home Loan Bank advances	3	350,000	349,569	305,000	304,833
Repurchase agreements	3	77,972	77,972	31,397	31,397
Subordinated debt, net	3	27,517	24,781	27,477	24,005
Derivatives	3	805	805	2,470	2,470
Off-balance sheet financial instruments	3	—	—	—	—

(continued)

(15) Derivative Financial Instruments

Interest-Rate Swap Agreement

The Company's interest rate swap agreements (the "Swaps") are designated as fair value hedges of residential mortgage loans. The aggregate fair value of the Swaps amounted to $805,000 at December 31, 2024, which is recorded in "other liabilities" on the accompanying consolidated balance sheets with changes in fair value recorded in loan interest income. At December 31, 2024, a fair value basis adjustment in the amount of $826,000 is recorded in "loans" on the accompanying consolidated balance sheets with changes in fair value recorded in loan interest income. During the third quarter of 2024, one swap matured with a notional value of $50 million.

The Company is exposed to credit related losses in the event of nonperformance by the counterparties to the Swaps. In addition, the Company requires collateral from counterparties in the form of cash deposits or other marketable securities in the event that the fair value of the contracts were positive and such fair value for all positions with counterparty exceeds the credit support thresholds specified by the underlying agreements. Conversely, the Company is required to post cash deposits as collateral, in the event the fair value of the contracts were negative and were below the credit support thresholds. At December 31, 2024, there were cash deposits of $550,000 pledged as collateral to the counterparty.

Summary information about the interest rate swaps designated as fair value hedges are as follows ($ in thousands):

	Year Ended December 31,	
	2024	2023
Notional amounts	150 million	200 million
Weighted-average pay rate	4.65%	4.82%
Weighted-average receive rate	5.11%	5.36%
Weighted-average maturity	1.15 years	1.78 years
Net interest income	$806	$351
Fair value of Swaps (included in other liabilities)	$805	$2,479
Fair value basis adjustment (included in loans)	$826	$2,471
Number of agreements	2	3

The Company entered into Interest Rate Cap agreements, with an aggregate notional amount of $510 million. The agreements are designated as cash flow hedges of the trust money market deposit accounts that are indexed to Simple SOFR. These are one year Interest Rate agreements with caps ranging from 5.5% to 6%, maturing throughout 2025. The fair value of the caps as of December 31, 2024 was $0 with changes in fair value recorded in other comprehensive income.

(16) Employee Benefit Plan

The Company has a 401(k) plan (the "Plan") which is available to all employees electing to participate after meeting certain length-of-service requirements. The Company matches up to 5% of employee's salaries, which amounted to approximately $1,496,000 and $1,398,000 for the years ended December 31, 2024 and 2023, respectively.

(continued)

(17) Stock-Based Compensation Plans

The 2019 Omnibus Incentive plan (the "2019 Plan") was approved by shareholders on April 25, 2019. Under the 2019 Plan, the maximum number of shares of common stock to be issued is 1,000,000, of which 115,717 remain available for grant as of December 31, 2024. The 2019 Plan permits the granting of stock options and other equity incentives to employees, directors or consultants of the Company.

The 2007 Stock Incentive Plan (the "2007 Plan") was amended and restated and approved by the shareholders in April 2015. Under the plan, 1,813,100 shares (amended) have been reserved for the granting of stock options or restricted stock awards. The 2007 Plan permits the granting of stock options and other equity incentives to employees, directors and affiliates. As part of the 2019 Plan approval, no future awards will be issued under the 2007 Plan.

The exercise price of each stock option may not be less than the fair market value of the Company's common stock on the date of grant, and options shall have a term of no more than ten years. Stock options are designated as either non-qualified or incentive stock options. In general, the stock options price is payable in cash. The fair value of stock options on the date of grant is estimated using the Black-Scholes Option-Pricing Model.

In 2024 and 2023, $196,000 and $238,000 of compensation expense was recognized. At December 31, 2024, there was $181,000 of unrecognized compensation expense related to the nonvested stock options granted under this plan. The remaining cost is expected to be recognized over the next 1.20 years. A summary of the stock option activity under the 2019 Plan is as follows:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
Outstanding at December 31, 2022	432,675	$ 25.72	
Forfeited	(23,485)	(27.62)	
Exercised	(15,627)	(19.69)	
Outstanding at December 31, 2023	393,563	25.85	
Forfeited	(25,025)	(25.83)	
Exercised	(32,350)	(16.04)	
Outstanding at December 31, 2024	336,188	$ 26.79	3.87 years
Exercisable at December 31, 2024	300,148	$ 26.20	3.59 years

(continued)

(17) Stock-Based Compensation Plans, Continued

On April 25, 2013, the Company adopted a Non-Qualified Stock Option Plan and made 150,000 options available. All stock options must be granted at a price not less than the fair market value of the common stock on the date of grant. Stock options cliff vest after a four year period. At December 31, 2024, 25,800 shares remain available for grant. All options expire ten years from the date of grant. At December 31, 2024 and 2023, there was no unrecognized compensation expense. A summary of stock option activity under this plan is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Outstanding and exercisable at December 31, 2022	112,550	$14.54	
Forfeited	(3,975)	(13.63)	
Exercised	(40,100)	(13.39)	
Outstanding and exercisable at December 31, 2023	68,475	$15.27	
Forfeited	(8,825)	(15.23)	
Exercised	(59,650)	(15.28)	
Outstanding and exercisable at December 31, 2024	—	$—	0 years

(continued)

(17) Stock-Based Compensation Plans, continued

The Company issued under the 2019 Plan, restricted stock units that vest over 36 to 60 months. At December 31, 2024, there was $9,003,000 of total unrecognized compensation expense related to restricted stock units, which will be recognized over the next 2.10 years. In 2024 and 2023, $3,547,000 and $2,744,000, respectively, of compensation expense was recognized with a related income tax benefit of $898,000 and $695,000 for 2024 and 2023, respectively. A summary of the restricted stock unit activity is as follows:

	Number of Grants	Price	Fair Value (in thousands)
Outstanding at December 31, 2022	273,270	$ 32.93	8,998
Granted	146,750	23.95	3,515
Forfeited	(4,160)	(33.29)	(138)
Vested and issued	(80,340)	(31.69)	(2,546)
Outstanding at December 31, 2023	335,520	29.29	9,829
Granted	281,100	18.86	5,302
Forfeited	(14,485)	(24.42)	(354)
Vested and issued	(95,048)	(29.31)	(2,786)
Outstanding at December 31, 2024	507,087	$ 23.65	11,991

The Company issued stock-based compensation to directors totaling $630,000 and $535,000, during the years ended December 31, 2024 and 2023, respectively. Total shares issued to directors for services was 27,209 and 24,969, during the years ended December 31, 2024 and 2023, respectively.

(continued)

(18) Related Party Transactions

The Company has had transactions in the ordinary course of business, including deposits, loans, trust relationships and other transactions, such as lease agreements, furniture purchases and acquisition of insurance products, with certain of its directors and executive officers and their related interests. All transactions were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectability or present other unfavorable features when granted. Similar transactions may be expected to take place in the ordinary course of business in the future.

The following summarizes these transactions ($ in thousands):

	At or for the Year Ended December 31,	
	2024	2023
Loans:		
Beginning balance	$ 30,270	32,015
Additions	6,860	4,873
Repayments	(17,435)	(6,618)
Ending balance	$ 19,695	30,270
Deposits at end of year	$ 54,764	45,854
Trust accounts under administration	$ 268,316	218,560

(continued)

(19) Regulatory Matters

The Bank and the Company are subject to various regulatory capital requirements, administered by the banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. The net unrealized gain or loss on securities available for sale is not included in computing regulatory capital.

The Bank is subject to the capital conservation buffer rules which places limitations on distributions, including dividend payments, and certain discretionary bonus payments to executive officers. In order to avoid these limitations, an institution must hold a capital conservation buffer above its minimum risk-based capital requirements. As of December 31, 2024, the Bank's capital conservation buffer exceeds the minimum requirements.

As of December 31, 2024, the Bank was well capitalized under the regulatory framework for prompt corrective action. To be categorized as adequately capitalized the Bank must maintain a minimum Common equity tier 1 capital ratio, Tier 1 capital ratio, Total capital ratio and Tier 1 leverage ratio as set forth in the table. Management believes, as of December 31, 2024, that the Company and the Bank meet all capital adequacy requirements to which it is subject. The Company's and the Bank's actual capital amounts and percentages are presented in the table ($ in thousands):

(continued)

(19) Regulatory Matters, continued

	Actual		For Capital Adequacy Purposes		For Well Capitalized Purposes	
	Amount	Percent	Amount	Percent	Amount	Percent
As of December 31, 2024:						
Common equity tier 1 capital ratio						
Bank	$ 409,445	17.44 %	$ 105,645	4.50 %	$ 152,599	6.50 %
Total Capital to Risk-Weighted Assets-						
Bank	433,021	18.44	187,814	8.00	234,767	10.00
Tier I Capital to Risk-Weighted Assets-						
Bank	409,445	17.44	140,860	6.00	187,814	8.00
Tier I Capital to Average Assets-						
Bank	409,445	9.96	164,433	4.00	205,542	5.00
Common equity tier 1 capital ratio						
Company	359,264	15.29	105,705	4.50	N/A	N/A
Total Capital to Risk-Weighted Assets-						
Company	440,198	18.74	187,920	8.00	N/A	N/A
Tier I Capital to Risk-Weighted Assets-						
Company	389,105	16.56	140,940	6.00	N/A	N/A
Tier I Capital to Average Assets-						
Company	389,105	9.46	164,486	4.00	N/A	N/A
As of December 31, 2023:						
Common equity tier 1 capital ratio						
Bank	$ 369,437	16.41 %	$ 101,287	4.50 %	$ 146,304	6.50
Total Capital to Risk-Weighted Assets-						
Bank	392,909	17.46	180,066	8.00	225,083	10.00
Tier I Capital to Risk-Weighted Assets-						
Bank	369,437	16.41	135,050	6.00	180,066	8.00
Tier I Capital to Average Assets-						
Bank	369,437	8.98	164,609	4.00	205,762	5.00
Common equity tier 1 capital ratio						
Company	348,201	15.46	101,363	4.50	N/A	N/A
Total Capital to Risk-Weighted Assets-						
Company	399,150	17.72	180,200	8.00	N/A	N/A
Tier I Capital to Risk-Weighted Assets-						
Company	348,201	15.46	135,150	6.00	N/A	N/A
Tier I Capital to Average Assets-						
Company	348,201	8.46	164,677	4.00	N/A	N/A

(continued)

(20) Preferred Stock

In March 2024, the Company issued 30,000 shares of Preferred, Series B, Non-Cumulative Perpetual Convertible stock. The proceeds (less offering costs) received by the Company were $29,840,000. The preferred stock has a liquidation preference plus any dividends declared and unpaid. After 60 months, the Company has a redemption right, to redeem at the liquidation preference plus any unpaid dividends declared. After 63 months, the holder has a conversion option at a rate of $27.50, resulting in 36.3636 shares of common stock for each share of preferred stock.

If declared by the Board of Directors, dividends are paid quarterly in arrears on February 5th, May 5th, August 5th, and November 5th of each year at 7.25%. For a period of 12 months (commitment period) after the closing date, the Company can sell an additional 20,000 shares with the same terms of the original preferred stock purchase.

(21) Contingencies

Various legal claims arise from time to time in the normal course of business. In the opinion of management, none have occurred through December 31, 2024, that will have a material effect on the Company’s consolidated financial statements.

(22) Parent Company Only Financial Information

The Holding Company's unconsolidated financial information is as follows ($ in thousands):

Condensed Balance Sheets

	At December 31, 2024	At December 31, 2023
Assets		
Cash and due from banks	$ 6,283	5,028
Other assets	1,313	1,659
Investment in subsidiaries	375,357	317,505
Total assets	$ 382,953	324,192
Liabilities and Shareholders' Equity		
Accounts payable	401	428
Subordinated debt	27,517	27,477
Shareholders' equity	355,035	296,287
Total liabilities and shareholders' equity	$ 382,953	324,192

(continued)

(22) Parent Company Only Financial Information, Continued

Condensed Statements of Shareholders' Equity

	Year Ended December 31, 2024	2023
Shareholders' Equity beginning balance	$ 296,287	260,307
Net earnings	6,363	5,099
Stock-based compensation	4,373	3,517
Proceeds from issuance of preferred stock, net of offering costs	29,840	—
Preferred dividends	(1,287)	—
Proceeds from exercise of stock options	1,615	1,028
CECL - unfunded commitments adjustment	—	(28)
Change in accumulated other comprehensive loss	17,844	26,364
Shareholders' Equity ending balance	$ 355,035	296,287

Condensed Statements of Earnings

	Year Ended December 31, 2024	2023
Revenue	$ 6	8
Expenses	(1,908)	(2,027)
Loss before earnings of subsidiaries	(1,902)	(2,019)
Earnings of subsidiaries	8,265	7,118
Net earnings	$ 6,363	5,099

(continued)

(22) Parent Company Only Financial Information, Continued

Condensed Statements of Cash Flows

	Year Ended December 31, 2024	2023
Cash flows from operating activities:		
Net earnings	$ 6,363	5,099
Adjustments to reconcile net earnings to net cash used in operating activities:		
Equity in undistributed earnings of subsidiaries	(8,265)	(7,118)
Decrease in other assets	346	355
Decrease in accounts payable	(27)	(69)
Amortization of subordinated debt issuance costs	40	182
Stock-based compensation	630	535
Net cash used in operating activities	(913)	(1,016)
Cash flows from investing activity:		
Capital infusion to subsidiaries	(28,000)	(8,000)
Cash flows from financing activities:		
Payments of preferred stock dividends	(1,287)	—
Proceeds from issuance of preferred stock, net of offering costs	29,840	—
Proceeds from exercise of stock options	1,615	1,028
Redemption of subordinated debt	—	(6,250)
Net cash provided by (used in) financing activities	30,168	(5,222)
Net increase (decrease) in cash	1,255	(14,238)
Cash at beginning of year	5,028	19,266
Cash at end of year	$ 6,283	5,028
Noncash transactions:		
Accumulated other comprehensive loss, net change in unrealized loss on debt securities available for sale, net of tax	$ 17,851	26,357
Accumulated other comprehensive loss, fair value adjustment on cash flow hedges, net of tax	$ (7)	7
Stock-based compensation expense of subsidiaries	$ 3,743	2,982

TO OUR CLIENTS, ASSOCIATES,
SHAREHOLDERS, AND BOARD MEMBERS
WHO HELPED MAKE 2024 A GREAT YEAR.

THANK YOU!

FineMark Holdings, Inc.

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