



2024 Annual Report



Dear Fellow Shareholders, Customers, and Friends:

We are pleased to report that FCN Bank had a good year in 2024, marked by both growth and challenges. Our bank effectively navigated the delicate balance of attracting new deposits and managing loan demand, particularly in the commercial sector, during an unprecedented high-interest environment. We are optimistic about the current trends of easing pressures in the banking sector, reinforcing our belief that we are pursuing the right strategies for long-term shareholder value.

In 2024, FCN implemented several initiatives to enhance profitability. We prioritized funding loans through customer deposits rather than borrowing from the Federal Home Loan Bank. This strategic discipline enabled us to improve our balance sheet, pay off loans held from the previous year, and begin a path of margin improvement. Loan growth was intentionally moderated, with increased selectivity emphasizing exceptional credit quality.

Additionally, FCN made substantial investments in next-generation technology, completing a major computer system conversion. This upgrade will enable us to provide new products that enhance our customers' ability to bank and manage their finances digitally. It also equips us with up-to-date internal capabilities that will greatly enhance efficiency and productivity. Furthermore, we invested in safeguarding our customers' confidential information and protecting the bank from cyber threats.

Enhancing our senior management team, we welcomed Martin Eisele back to FCN Bank as our new Chief Lending Officer in December. Martin, who previously served as a Commercial Loan Officer at our Harrison, OH branch, brings a wealth of experience and expertise to his new role. Additionally, Mark Hildebrand has been promoted to Chief Retail Officer, where he will focus on enhancing the customers' experience, improving front-line capabilities, and significantly expanding our customer relationships within our branches. To further support our employees and the community, Beth Siebert has been promoted to Vice President-Impact Director. Beth's new role underscores our commitment to making a positive impact both within our organization and in the communities we serve.

Shareholder Return:

In 2024 shareholder equity in the form of capital remained at \$50 Million, Earnings per share decreased by 30 cents. The quarterly dividend of 34 cents per share was maintained throughout the calendar year, providing a solid 5% yield. We were not immune to the slower rebound in bank stock prices. FCN stock prices ended the year at \$27.75 per share.



A Spirit to Serve:

As always, our mission is: “As a locally owned and operated bank, we work to exceed our customers’ expectations with friendly service, expert financial advice, and whole-hearted support of the neighborhoods we serve.” We continue to focus on future trends and new techniques. Looking ahead, we believe that FCN Bank’s solid capital strength, leadership, dedication, and the loyalty of our employees will position us as a bank that is not simply built to last but to also build and excel.

Recognition:

We would like to recognize and express our sincere appreciation to Mr. Kenneth Wanstrath, who retired as Chairman of the Board of Directors of FCN Banc Corp and FCN Bank after 26 years of dedicated service. Under his leadership, FCN grew its assets from \$160 million to \$795 million, achieving significant success while fulfilling its mission to serve the community. We extend our heartfelt gratitude to Ken and wish him well in his future endeavors.

On behalf of all senior management, we would like to thank you, our loyal shareholders, our customers, officers, and employees for your continued confidence and support. We all hope to make 2025 and our next 125 years equally successful for you.

Sincerely,

Devin W. Listerman

Devin W. Listerman
Chairman of the Board, FCN Banc Corp

Thomas D. Horninger

Thomas D. Horninger
President & CEO

HIGHLIGHTS

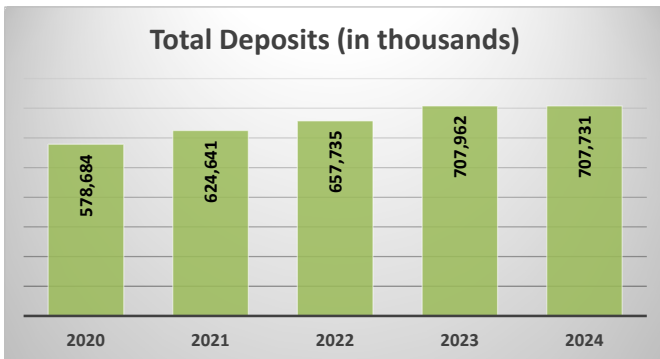
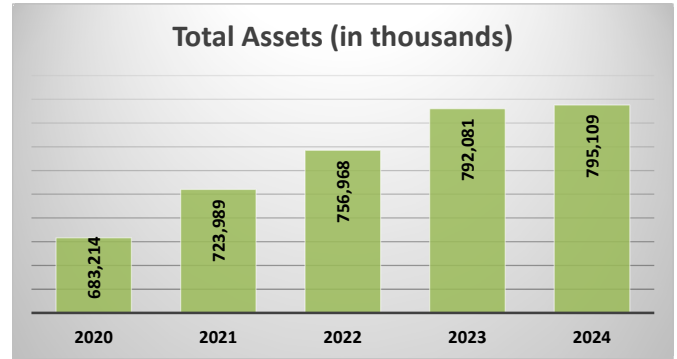
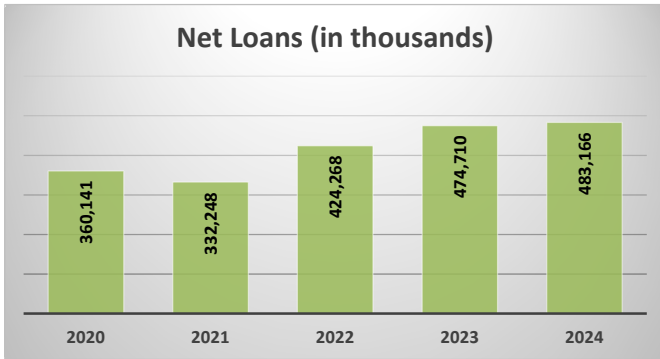
FCN Banc Corp. Financials Highlights

For the years ended December 31, 2024 and 2023

(In thousands, except per share data)

Earnings & Dividends	2024	2023	% Change
Net Income	4,230	4,766	-11.25%
Cash Dividends Declared	2,344	2,495	-6.05%
Per Share			
Earnings	2.47	2.77	-10.83%
Cash Dividends Declared	1.36	1.44	-5.56%
Year-End Book Value	28.85	29.63	-2.61%
Year-End Market Price	27.75	28.00	-0.89%
At Year-End			
Assets	795,109	792,081	0.38%
Loans and Leases	483,166	474,710	1.78%
Deposits	707,731	707,962	-0.03%
Shareholder's Equity	49,511	51,041	-3.00%
Key Ratios			
Return on Average Assets (ROA)	0.53%	0.62%	-14.52%
Return on Average Equity (ROE)	8.41%	10.35%	-18.74%
Net Interest Margin	2.55%	2.72%	-6.25%
Efficiency Ratio	78.49%	76.22%	2.98%
Average Shareholder's Equity to Average Assets	6.34%	5.95%	6.55%
Actuals			
Number of Shares	1,713,447	1,722,388	-0.52%

GRAPHS



FCN Banc Corp.
Consolidated Financial Statements
December 31, 2024 and 2023
With
Independent Auditors' Report

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION	3
CONSOLIDATED STATEMENTS OF INCOME	4
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	5
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY	6
CONSOLIDATED STATEMENTS OF CASH FLOWS	7 - 8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	9 - 50

INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders
FCN Banc Corp.
Brookville, Indiana

Opinion

We have audited the accompanying consolidated financial statements of FCN Banc Corp. which comprise the consolidated statements of financial condition as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income (loss), shareholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FCN Banc Corp. as of December 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of FCN Banc Corp. 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 these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards 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 judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

Other Information Included in the Corporation's Annual Report

Management is responsible for the other information included in the Corporation's annual report. The other information comprises the letter to shareholders, selected financial highlights and graphs, and bank location information, but it does not include the financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
March 14, 2025

FCN BANC CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

December 31, 2024 and 2023
(In thousands, except share data)

ASSETS	2024	2023
Cash and due from banks	\$ 4,466	\$ 280
Interest-bearing deposits in other financial institutions	<u>24,248</u>	<u>22,185</u>
Cash and cash equivalents	28,714	22,465
Investment securities designated as available for sale – fair value	203,017	209,582
Investment securities designated as held to maturity – amortized cost	-	4
Mortgage-backed securities designated as available for sale – fair value	29,553	34,360
Loans held for sale - at lower of cost or fair value	330	801
Loans receivable – net of allowance for credit loss of \$6,373 and \$6,210 as December 31, 2024 and 2023, respectively	483,166	474,710
Office premises and equipment - net	10,373	11,552
Restricted stock - at cost	2,249	2,249
Accrued interest receivable on loans	1,968	2,028
Accrued interest receivable on investments and interest-bearing deposits	1,309	1,328
Accrued interest receivable on mortgage-backed securities	56	65
Bank owned life insurance	16,400	16,016
Prepaid expenses and other assets	2,787	2,704
Goodwill	5,692	5,692
Deferred income taxes, net	<u>9,495</u>	<u>8,525</u>
Total assets	<u>\$795,109</u>	<u>\$792,081</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Non-interest bearing	\$141,317	\$140,713
Interest bearing	<u>566,414</u>	<u>567,249</u>
Total deposits	707,731	707,962
Repurchase agreements	31,197	26,825
Accrued interest payable	2,931	2,124
Investments payable	6	8
Dividends payable	585	588
Accrued income taxes	-	479
Other liabilities	<u>3,148</u>	<u>3,054</u>
Total liabilities	<u>745,598</u>	<u>741,040</u>
Shareholders' equity		
Common stock - \$6.25 par value, 10,000,000 shares authorized; 1,806,464 and 1,815,405 shares issued at December 31, 2024 and 2023, respectively	11,290	11,346
Additional paid-in capital	7,337	7,568
Retained earnings - restricted	62,519	60,633
Treasury shares - at cost, 93,017 and 93,017 shares at December 31, 2024 and 2023, respectively	(1,933)	(1,933)
Accumulated other comprehensive loss	<u>(29,702)</u>	<u>(26,573)</u>
Total shareholders' equity	<u>49,511</u>	<u>51,041</u>
Total liabilities and shareholders' equity	<u>\$795,109</u>	<u>\$792,081</u>

The accompanying notes are an integral part of these statements.

FCN BANC CORP.

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2024 and 2023
(In thousands, except per share data)

	2024	2023
Interest income		
Loans	\$28,645	\$24,628
Investment securities	4,000	3,973
Mortgage-backed securities	632	741
Interest-bearing deposits and other	<u>1,168</u>	<u>548</u>
Total interest income	<u>34,445</u>	<u>29,890</u>
Interest expense		
Deposits	14,287	10,020
FHLB advances	-	875
Short-term borrowings	<u>2,764</u>	<u>829</u>
Total interest expense	<u>17,051</u>	<u>11,724</u>
Net interest income	17,394	18,166
Provision for credit losses	<u>-</u>	<u>300</u>
Net interest income after provision for credit losses	<u>17,394</u>	<u>17,866</u>
Noninterest income (expense)		
Service charges on deposit accounts	429	449
Loss on sale of investments and mortgage-backed securities	-	(199)
Gain on sale of loans	111	195
Service charges on sold loans	266	329
Gain on sale of premises and equipment	16	-
ATM/Interchange fees	1,558	1,515
Increase in cash surrender value of bank owned life insurance	383	361
Other operating	<u>444</u>	<u>867</u>
Total noninterest income	<u>3,207</u>	<u>3,517</u>
Noninterest expense		
Employee compensation and benefits	9,135	9,470
Occupancy and equipment	825	757
Equipment expense	600	590
Audit and examination fees	451	450
Software maintenance fees	1,793	1,631
FDIC premium	434	325
Marketing	410	394
Other operating	<u>2,521</u>	<u>2,908</u>
Total noninterest expense	<u>16,169</u>	<u>16,525</u>
Income before income taxes	<u>4,432</u>	<u>4,858</u>
Income taxes (benefit)		
Current	340	578
Deferred	<u>(138)</u>	<u>(486)</u>
Total income taxes	<u>202</u>	<u>92</u>
NET INCOME	<u>\$ 4,230</u>	<u>\$ 4,766</u>
Basic earnings per share	<u>\$2.47</u>	<u>\$2.77</u>
Weighted-average shares outstanding	<u>1,715,866</u>	<u>1,722,753</u>

The accompanying notes are an integral part of these statements.

FCN BANC CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2024 and 2023
(In thousands)

	2024	2023
Net income	\$ 4,230	\$ 4,766
Other comprehensive income (loss), net of tax:		
Unrealized holding gains (losses) on securities during the year, net of tax benefit of \$(832) and \$2,192 for the years ended December 31, 2024 and 2023, respectively	(3,129)	8,150
Reclassification adjustment for realized losses included in income, net of tax benefit of \$0 and \$(42) for the years ended December 31, 2024 and 2023, respectively	<u>-</u>	<u>157</u>
Other comprehensive income (loss)	<u>(3,129)</u>	<u>8,307</u>
Comprehensive income	<u>\$ 1,101</u>	<u>\$13,073</u>

The accompanying notes are an integral part of these statements.

FCN BANC CORP.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the years ended December 31, 2024 and 2023
(In thousands, except share data)

	Common shares outstanding	Treasury shares	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Accumulated other comprehensive loss	Total
Balance at December 31, 2022	<u>1,722,846</u>	<u>95,298</u>	<u>\$11,364</u>	<u>\$7,628</u>	<u>\$58,994</u>	<u>\$(2,024)</u>	<u>\$(34,880)</u>	<u>\$41,082</u>
Cumulative change in accounting principle (Note A)	-	-	-	-	(632)	-	-	(632)
Balance at January 1, 2023 (as adjusted)	<u>1,722,846</u>	<u>95,298</u>	<u>\$11,364</u>	<u>\$7,628</u>	<u>\$58,362</u>	<u>\$(2,024)</u>	<u>\$(34,880)</u>	<u>\$40,450</u>
Net income	-	-	-	-	4,766	-	-	4,766
Purchase of treasury shares	(458)	458	-	-	-	(78)	-	(78)
Retire treasury shares	-	(2,739)	(17)	(61)	-	169	-	91
Unrealized gains on securities designated as available for sale, net of recognized sales and related tax effects	-	-	-	-	-	-	8,307	8,307
Cash dividends of \$1.44 per share	-	-	-	-	(2,495)	-	-	(2,495)
Balance at December 31, 2023	<u>1,722,388</u>	<u>93,017</u>	<u>\$11,347</u>	<u>\$7,567</u>	<u>\$60,633</u>	<u>\$(1,933)</u>	<u>\$(26,573)</u>	<u>\$51,041</u>
Net income	-	-	-	-	4,230	-	-	4,230
Purchase of treasury shares	(8,941)	8,941	-	-	-	(287)	-	(287)
Retire treasury shares	-	(8,941)	(56)	(231)	-	287	-	-
Unrealized losses on securities designated as available for sale, net of recognized sales and related tax effects	-	-	-	-	-	-	(3,129)	(3,129)
Cash dividends of \$1.36 per share	-	-	-	-	(2,344)	-	-	(2,344)
Balance at December 31, 2024	<u>1,713,447</u>	<u>93,017</u>	<u>\$11,291</u>	<u>\$7,336</u>	<u>\$62,519</u>	<u>\$(1,933)</u>	<u>\$(29,702)</u>	<u>\$49,511</u>

The accompanying notes are an integral part of these statements.

FCN BANC CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2024 and 2023
(In thousands)

	2024	2023
Cash flows from operating activities:		
Net income	\$ 4,230	\$ 4,766
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	758	735
Amortization	315	333
Amortization of premiums on investments and mortgage-backed securities, net	916	1,086
Amortization of deferred loan origination fees	111	199
Loss on sale of investments and mortgage-backed securities	-	199
Loans originated for sale in the secondary market	(8,935)	(9,831)
Proceeds from sale of loans in the secondary market	9,517	10,064
Gain on sale of loans	(111)	(195)
Earnings on cash surrender value of life insurance	(384)	(360)
Provision for credit losses	-	300
Proceeds from sale of land	473	-
Loss on disposal of premises and equipment	(16)	-
Deferred taxes	(138)	(486)
Effects of change in operating assets and liabilities:		
Accrued interest receivable on loans	60	(589)
Accrued interest receivable on investments	19	176
Accrued interest receivable on mortgage-backed securities	9	13
Prepaid expenses and other assets	(400)	320
Accrued interest payable	807	1,288
Other liabilities	94	(172)
Current income taxes	<u>(479)</u>	<u>474</u>
Net cash provided by operating activities	<u>\$ 6,846</u>	<u>\$ 8,320</u>
Cash flows from investing activities:		
Purchase of investment securities designated as available for sale	(7,123)	(1,335)
Purchase of investment securities designated as held to maturity	(2)	(1)
Proceeds from sale of investment securities designated as available for sale	-	19,568
Maturities of investment securities designated as available for sale	8,246	2,568
Proceeds from sale of mortgage-backed securities designated as available for sale	-	1,094
Principal repayments on investment securities designated as available for sale	5,376	5,975
Loan disbursements	(148,143)	(177,489)
Principal repayments on loans	139,578	125,750
Purchases of and additions to office premises and equipment	<u>(36)</u>	<u>(499)</u>
Net cash used in investing activities	<u>\$ (2,104)</u>	<u>\$ (24,369)</u>
Net cash used in operating and investing activities (carried forward)	<u>\$ 4,742</u>	<u>\$ (16,049)</u>

The accompanying notes are an integral part of these statements.

FCN BANC CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

For the years ended December 31, 2024 and 2023
(In thousands)

	2024	2023
Net cash used in operating and investing activities (brought forward)	<u>\$ 4,742</u>	<u>\$ (16,049)</u>
Cash flows from financing activities:		
Net (decrease) increase in deposit accounts	(231)	50,227
Net increase in short-term borrowings	4,372	8,435
Proceeds from Federal Home Loan Bank advances	-	100,000
Repayment of Federal Home Loan Bank advances	-	(135,000)
Dividends on common stock	(2,347)	(2,566)
Purchase of treasury shares	<u>(287)</u>	<u>(78)</u>
Net cash provided by financing activities	<u>1,507</u>	<u>21,018</u>
Net change in cash and cash equivalents	6,249	4,969
Cash and cash equivalents at beginning of year	<u>22,465</u>	<u>17,496</u>
Cash and cash equivalents at end of year	<u>\$ 28,714</u>	<u>\$ 22,465</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Income taxes	<u>\$ 540</u>	<u>\$ 130</u>
Interest on deposits and borrowings	<u>\$ 16,244</u>	<u>\$ 10,436</u>
Supplemental disclosure of noncash investing and financing activities:		
Recognition of mortgage servicing rights	<u>\$ 52</u>	<u>\$ 96</u>
Dividends declared but unpaid	<u>\$ 585</u>	<u>\$ 588</u>

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

NOTE A - SUMMARY OF ACCOUNTING POLICIES

FCN Banc Corp. (the “Corporation”) is a bank holding company whose activities are primarily limited to holding the common shares of FCN Bank, NA, a nationally-chartered bank (the “Bank”). The Bank conducts a general banking business in southeast Indiana and southwest Ohio which consists of attracting deposits from the general public and applying those funds to the origination of loans for residential, consumer and commercial purposes. The Bank’s wholly-owned subsidiary, FCN Holdings, Inc., was incorporated in 2002 for the primary purpose of managing a significant portion of the Bank’s investment portfolio. In 2016, FCN Risk Management, Inc. was created as a wholly-owned subsidiary of the Corporation in order to provide property, casualty and liability insurance coverage to the Corporation. The Corporation closed and liquidated FCN Risk Management, Inc. in November 2023.

The Bank’s profitability is significantly dependent on its net interest income, which is the difference between interest income generated from interest-earning assets (i.e. loans and investments) and the interest expense paid on interest-bearing liabilities (i.e. customer deposits and borrowed funds). Net interest income is affected by the relative amount of interest-earning assets and interest-bearing liabilities and the interest received or paid on these balances. The level of interest rates paid or received by the Bank can be significantly influenced by a number of environmental factors, such as governmental monetary policy, that are outside of management’s control.

1. Basis of Presentation

The financial information presented herein has been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as contained in the Accounting Standards Codification (ASC) issued by the Financial Accounting Standards Board (FASB) and with general practices within the financial services industry.

2. Use of Estimates

In preparing consolidated financial statements in accordance with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the reporting period. A significant estimate is the allowance for credit losses. Actual results could differ from such estimates.

The following is a summary of the Corporation’s significant accounting policies, which have been consistently applied in the preparation of the accompanying consolidated financial statements.

3. Principles of Consolidation

The consolidated financial statements of the Corporation include the accounts of both wholly-owned subsidiaries, the Bank and FCN Risk Management, Inc. The Bank’s consolidated financial statements include its wholly-owned subsidiary, FCN Holdings, Inc. All significant intercompany balances and transactions have been eliminated.

4. Investment and Mortgage-Backed Securities

The Corporation accounts for investment and mortgage-backed securities in accordance with Standards for “Accounting for Investments in Debt Securities,” which requires that investments be classified as held to maturity, trading, or available for sale. These classifications are to be reassessed at each reporting date.

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE A - SUMMARY OF ACCOUNTING POLICIES (continued)

Securities classified as held to maturity are carried at cost only if the Corporation has the positive intent and ability to hold these securities to maturity. Securities designated as available for sale are carried at fair value with resulting unrealized gains or losses recorded to shareholders' equity, net of applicable taxes. At December 31, 2024 and 2023, substantially all of the Bank's securities were classified as available for sale. Premiums or discounts associated with the purchase of investment securities are amortized or accreted using the interest method to arrive at periodic interest income at a constant effective yield on the net investment. Purchases and sales are recorded on the trade date and realized gains and losses on sales are determined using the specific identification method.

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

5. Loans Receivable

Loans held in portfolio are stated at the principal amount outstanding, adjusted for net deferred loan origination fees and the allowance for credit losses. Interest is accrued as earned, unless the collectability of the loan is in doubt. Uncollectible interest on loans that are contractually past due is charged off, or an allowance is established based on management's periodic evaluation. The allowance is established by a charge to interest income equal to all interest previously accrued, and income is subsequently recognized only to the extent that cash payments are received until, in management's judgment, the borrower's ability to make periodic interest and principal payments has returned to normal, in which case the loan is returned to accrual status. If the ultimate collectability of the loan is in doubt, in whole or in part, all payments received on nonaccrual loans are applied to reduce principal until such doubt is eliminated.

Loans held for sale are carried at the lower of cost or fair value, determined in the aggregate. In computing cost, deferred loan origination fees are deducted from the principal balances of the related loans. Fair value is determined by reference to price quotations of government-sponsored enterprises in the secondary mortgage market. There were approximately \$330,000 and \$801,000 in loans held for sale at December 31, 2024 and 2023, respectively. These loans were settled within 30 days of these consolidated financial statements without fluctuation in their fair value.

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE A - SUMMARY OF ACCOUNTING POLICIES (continued)

The Bank accounts for mortgage servicing rights in accordance with the provisions of “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,” which requires the Bank recognize as separate assets, rights to service mortgage loans for others, regardless of how those servicing rights are acquired. These standards require an entity to choose either the amortization method or the fair value measurement method for measuring each class of separately recognized servicing assets and servicing liabilities. The Bank has chosen to measure servicing assets using the amortization method.

Servicing rights are evaluated for impairment based upon the fair value of the servicing rights as compared to the carrying amount. The fair value of servicing rights are subject to fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses. Any impairment is recognized through a valuation allowance. As of December 31, 2024 and 2023, the estimated fair value exceeded amortized costs and therefore no impairment was recognized.

6. Loan Origination Fees

The Bank accounts for loan origination fees in accordance with U.S. GAAP whereas origination fees received from loans, net of certain direct origination costs, are deferred and amortized to interest income using the interest method, giving effect to actual loan prepayments. Additionally, this standard generally limits the definition of loan origination costs to the direct costs attributable to originating a loan, i.e. principally actual personnel costs. Fees received for loan commitments that are expected to be drawn upon, based on the Bank’s experience with similar commitments, are deferred and amortized over the life of the loan using the level-yield method. Fees for other loan commitments are deferred and amortized over the loan commitment period on a straight-line basis.

7. Allowance for Credit Losses-Loans

The allowance for credit losses is a valuation account that is deducted from the loans’ amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectability of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors.

The allowance for expected losses is measured on a collective (pool) basis when similar risk characteristics exist. The Company has identified the following portfolio segments:

- Construction loans secured by 1-4 family dwellings
- Construction loans secured by other real estate
- Real estate loans secured by farmland
- Residential real estate secured by first liens on 1-4 family dwellings
- Residential real estate secured by junior liens on 1-4 family dwellings

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE A - SUMMARY OF ACCOUNTING POLICIES (continued)

- Home equity line of credit loans
- Real estate loans secured by multi-family dwellings
- Real estate loans secured by owner occupied commercial real estate
- Real estate loans secured by non-owner occupied commercial real estate
- Commercial loans to other commercial banks
- Commercial loans to finance agricultural production and other loans to farmers
- Commercial loans and industrial loans
- Consumer loans
- Other loans

Measures of the allowance for credit loss are as follows:

Portfolio Segment	Methodology	Loss Driver(s)
Construction loans secured by 1-4 family dwellings	Discounted Cash Flow	Civilian Unemployment Rate, Percent, Seasonally Adjusted: FOMC Summary of Economic Projections for the Civilian Unemployment Rate, Median (Percent)
Construction loans secured by other real estate	Discounted Cash Flow	Civilian Unemployment Rate, Percent, Seasonally Adjusted: FOMC Summary of Economic Projections for the Civilian Unemployment Rate, Median (Percent)
Real estate loans secured by farmland	Discounted Cash Flow	Civilian Unemployment Rate, Percent, Seasonally Adjusted: FOMC Summary of Economic Projections for the Civilian Unemployment Rate, Median (Percent), Real Gross Domestic Product, Billions of Chained 2012 Dollars, Seasonally Adjusted Annual Rate: FOMC Summary of Economic Projections for the Growth Rate of Real Gross Domestic Product, Median (Percent Change from Year Ago)
Residential real estate secured by first liens on 1-4 family dwellings	Discounted Cash Flow	Civilian Unemployment Rate, Percent, Seasonally Adjusted: FOMC Summary of Economic Projections for the Civilian Unemployment Rate, Median (Percent)
Residential real estate secured by junior liens on 1-4 family dwellings	Discounted Cash Flow	Civilian Unemployment Rate, Percent, Seasonally Adjusted: FOMC Summary of Economic Projections for the Civilian Unemployment Rate, Median (Percent)
Home equity line of credit loans	Discounted Cash Flow	Civilian Unemployment Rate, Percent, Seasonally Adjusted: FOMC Summary of Economic Projections for the Civilian Unemployment Rate, Median (Percent)
Real estate loans secured by multi-family dwellings	Discounted Cash Flow	Civilian Unemployment Rate, Percent, Seasonally Adjusted: FOMC Summary of Economic Projections for the Civilian Unemployment Rate, Median (Percent)
Real estate loans secured by owner occupied commercial real estate	Discounted Cash Flow	Civilian Unemployment Rate, Percent, Seasonally Adjusted: FOMC Summary of Economic Projections for the Civilian Unemployment Rate, Median (Percent)
Real estate loans secured by non-owner occupied commercial real estate	Discounted Cash Flow	Civilian Unemployment Rate, Percent, Seasonally Adjusted: FOMC Summary of Economic Projections for the Civilian Unemployment Rate, Median (Percent)
Commercial loans to other commercial banks	Remaining Life Method	N/A

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE A - SUMMARY OF ACCOUNTING POLICIES (continued)

Portfolio Segment	Methodology	Loss Driver(s)
Commercial loans to finance agricultural production and other loans to farmers	Discounted Cash Flow	Civilian Unemployment Rate, Percent, Seasonally Adjusted: FOMC Summary of Economic Projections for the Civilian Unemployment Rate, Median (Percent), Real Gross Domestic Product, Billions of Chained 2012 Dollars, Seasonally Adjusted Annual Rate: FOMC Summary of Economic Projections for the Growth Rate of Real Gross Domestic Product, Median (Percent Change from Year Ago)
Commercial and industrial loans	Discounted Cash Flow	Civilian Unemployment Rate, Percent, Seasonally Adjusted: FOMC Summary of Economic Projections for the Civilian Unemployment Rate, Median (Percent)
Consumer loans	Discounted Cash Flow	Civilian Unemployment Rate, Percent, Seasonally Adjusted: FOMC Summary of Economic Projections for the Civilian Unemployment Rate, Median (Percent)
Other loans	Remaining Life Method	N/A

Management has chosen the discounted cash flow methodology (“DCF”) to estimate the quantitative portion of the allowance for credit losses on loans for all loan pools except for commercial loans to other commercial banks and other loans, which used the remaining life methodology. A Loss Driver Analysis (“LDA”) was performed for each segment to identify potential loss drivers and create a regression model for use in forecasting cash flows. The LDA for all discounts cash flow based pools utilized FCN Bank’s data and peer data from the FDIC and macroeconomic variable data obtained from the Federal Reserve of St. Louis’s Federal Reserve Economic Databased (FRED).

In creating the DCF model, management established a four quarter forecast period followed by a four quarter reversion period to the long term average loss rate. Due to the infrequency of losses within the Commercial Loans to Other Commercial Banks & Other Loans portfolios, FCN Bank elected to use peer data for a more statistically sound calculation.

Key assumptions in the DCF model include the probability of default (“PD”), loss given default (“LGD”), and prepayment/curtailment rates. The loss rate used as the basis for the estimate of credit losses is based upon correlations of the company’s historical loss data as well as peer loss data calculated using third party studies of FCN Bank’s data. Prepayment and curtailment rates were calculated using third party studies of FCN Bank’s data. Expected credit losses are estimated over the contractual term of the loans, adjusted for prepayments when appropriate. The contractual term excludes extensions, renewals, and modifications unless 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.

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE A - SUMMARY OF ACCOUNTING POLICIES (continued)

Qualitative factors analyzed for the DCF and Remaining Life methodologies include the following:

- Changes in lending policies and procedures, including changes in underwriting standards and collections, charge offs, and recovery practices.
- Changes in international, national, regional, and local conditions.
- Changes in the nature and volume of the portfolio and terms of loans.
- Changes in the experience, depth, and ability of lending management.
- Changes in the volume and severity of past due loans and other similar conditions.
- Changes in the quality of the organization's loan review system.
- Changes in the value of underlying collateral for collateral dependent loans.
- The existence and effect of any concentrations of credit and changes in the levels of such concentrations.
- The effect of other external factors (i.e. competition, legal and regulatory requirements) on the level of estimated credit losses.

Loans that do not share risk characteristics are evaluated on an individual basis and excluded from the collective evaluation. Management has determined that any loans which have been placed on non-performing status will be individually evaluated. When management determines that foreclosure is probably, expected credit losses for collateral dependent loans are based on the estimated fair value of the collateral at the reporting date, adjusted for selling costs as appropriate. A loan is considered collateral dependent when the borrower is experiencing financial difficulty and the loan is expected to be repaid substantially through the operation or sale of the collateral. Other non-performing loans may estimate fair value using either the collateral valuation or the net present value of expected future cash receipts, depending on the financial situation of the borrower.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures: The Company estimated 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. The allowance for credit losses on off-balance sheet credit exposures is adjusted through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

8. Foreclosed Assets

Real estate acquired through foreclosure is carried at the lower of the loan's unpaid principal balance (cost) or fair value less estimated selling expenses. Upon acquisition, property should be recorded at fair value (less cost to sell). Subsequent measurement would then be at the lower of cost or fair value at acquisition, adjustments are charged to the allowance for credit losses-loans. All subsequent adjustments to fair value are included in the statement of income, while costs relating to development and improvement of property are capitalized. Costs relating to holding real estate acquired through foreclosure, net of rental income, are charged against income as incurred.

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE A - SUMMARY OF ACCOUNTING POLICIES (continued)

9. Restricted Stock

The Bank is required, as a condition of membership in the Federal Home Loan Bank of Indianapolis (FHLB), to maintain an investment in FHLB common stock. The stock is redeemable at par and, therefore, its cost is equivalent to its redemption value. The Bank's ability to redeem FHLB shares is dependent on the redemption practices of the FHLB of Indianapolis. At December 31, 2024, the FHLB of Indianapolis placed no restrictions on redemption of shares in excess of a member's required investment in the stock. Both cash and stock dividends are reported as income.

The Bank is a member of its regional Federal Reserve Bank. FRB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

10. Office Premises and Equipment

Office premises and equipment are carried at cost and include expenditures which extend the useful lives of existing assets. Maintenance, repairs and minor renewals are expensed as incurred. For financial reporting, depreciation and amortization are provided on the straight-line and accelerated methods over the useful lives of the assets, estimated to be twenty-five to forty years for buildings, five to thirty-nine years for building improvements, five to fifteen years for furniture and equipment and three years for software. An accelerated depreciation method is used for tax reporting purposes.

11. Goodwill and Intangible Assets

The Bank recorded goodwill from an acquisition completed in February 2020, totaling \$3.6 million. Pursuant to accounting standards for "Goodwill and Intangible Assets" goodwill is subject to an impairment evaluation. The acquisition in 2020 was structured as a stock sale, and therefore the goodwill created is not tax deductible.

Goodwill arising from business combinations represents the value attributable to unidentifiable intangible elements in the business acquired. Goodwill recorded by the Bank in connection with its acquisitions relates to the inherent value in the business acquired and this value is dependent upon the Bank's ability to provide quality, cost-effective services in a competitive marketplace. As such, goodwill value is supported ultimately by revenue that is driven by the volume of business transacted. A decline in earnings as a result of a lack of growth or the inability to deliver cost-effective services over sustained periods can lead to impairment of goodwill that could adversely impact earnings in future periods. Goodwill is not amortized but is tested for impairment when indicators of impairment exist, or at least annually, to determine the reasonableness of the recorded amount. The balance of goodwill at December 31, 2024 and 2023 was \$5,692,000 and \$5,692,000, respectively. Management has determined that no impairment charge related to goodwill was necessary for the years ended December 31, 2024 and 2023.

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE A - SUMMARY OF ACCOUNTING POLICIES (continued)

12. Income Taxes

The Corporation accounts for income taxes pursuant to standards for “Accounting for Income Taxes.” In accordance with these standards, a deferred tax liability or deferred tax asset is computed by applying the current statutory tax rates to net taxable or deductible temporary differences between the tax basis of an asset or liability and its reported amount in the consolidated financial statements that will result in net taxable or deductible amounts in future periods. Deferred tax assets are recorded only to the extent that the amount of net deductible temporary differences or carry forward attributes may be utilized against current period earnings, carried back against prior years’ earnings, offset against taxable temporary differences reversing in future periods, or utilized to the extent of management’s estimate of future taxable income. Deferred tax liabilities are provided on the total amount of net temporary differences taxable in the future. Deferral of income taxes results primarily from the different methods of accounting for certain retirement plans, mortgage servicing rights, general loan loss allowances and goodwill. Additional temporary differences result from depreciation computed using accelerated methods for tax purposes. The Corporation’s policy with regard to interest and penalty is to recognize interest through interest expense and penalties through other expense. In evaluating the Corporation’s tax provisions and accruals, future taxable income, and the reversal of temporary differences, interpretations and tax planning strategies are considered.

The Corporation believes their estimates are appropriate based on current facts and circumstances, and no significant interest or penalties relating to income taxes were incurred for the years ended December 31, 2024 or 2023. The Corporation is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for tax years ended before December 31, 2019.

A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. There are no uncertain tax positions as of December 31, 2024 and December 31, 2023.

13. Retirement Plans

Profit sharing plan expense is the amount of contributions by the Corporation. Deferred compensation and supplemental retirement plan expense is recognized over years of service.

14. Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents includes cash and due from banks and interest-bearing deposits in other financial institutions with original maturities of less than 90 days.

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE A - SUMMARY OF ACCOUNTING POLICIES (continued)

15. Fair Value of Financial Instruments

Standards for “Disclosures about Fair Value of Financial Instruments” require disclosures of fair value of financial instruments, both assets and liabilities, whether or not recognized in the consolidated statements of financial condition, for which it is practicable to estimate that value. For financial instruments where quoted market prices are not available, fair values are based on estimates using present value and other valuation methods.

The methods used are greatly affected by the assumptions applied, including the discount rate and estimates of future cash flows. Therefore, the fair values presented may not represent amounts that could be realized in an exchange for certain financial instruments.

The following methods and assumptions were used by the Corporation in estimating its fair value disclosures for financial instruments at December 31, 2024 and 2023:

Cash and cash equivalents: The carrying amounts presented in the consolidated statements of financial condition for cash and cash equivalents are deemed to approximate fair value.

Investment and mortgage-backed securities: For investment and mortgage-backed securities, fair value is deemed to equal the quoted market price.

Loans receivable and loans held for sale: The loan portfolio has been segregated into categories with similar characteristics, such as 1-4 family residential, multi-family residential, nonresidential real estate and consumer. These loan categories were further delineated into fixed-rate and adjustable-rate loans. The fair values for the resultant loan categories were computed via discounted cash flow analysis, using current interest rates offered for loans with similar terms to borrowers of similar credit quality.

Federal Reserve and Federal Home Loan Bank stock: The carrying amounts presented in the consolidated statements of financial condition are deemed to approximate fair value.

Interest Receivable/Payable: The fair values of interest receivable/payable approximate carrying values.

Mortgage Servicing Rights: The Bank accounts for mortgage servicing rights in accordance with the provisions of “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,” which requires that the Bank recognize as separate assets, rights to service mortgage loans for others, regardless of how those servicing rights are acquired. An institution that acquires mortgage servicing rights through either the purchase or origination of mortgage loans and sells those loans with servicing rights retained must allocate some of the cost of the loans to mortgage servicing rights. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses.

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE A - SUMMARY OF ACCOUNTING POLICIES (continued)

15. Fair Value of Financial Instruments (continued)

Deposits: The fair value of non-interest bearing and interest-bearing demand and savings accounts is deemed to approximate the amount payable on demand at December 31, 2024 and 2023. Fair values for fixed-rate certificates of deposit have been estimated using a discounted cash flow calculation using the interest rates currently offered for deposits of similar remaining maturities.

Short-term borrowings: The actual interest rates at December 31, 2024 and 2023, approximate market rates and, thus, the carrying value closely approximates fair value.

Federal Home Loan Bank advances and other advances: The fair value of Federal Home Loan Bank advances and other advances have been estimated using discounted cash flow analysis, based on the interest rates currently offered for advances of similar remaining maturities.

Commitments to extend credit: For fixed-rate and adjustable-rate loan commitments, the fair value estimate considers the difference between current levels of interest rates and committed rates. At December 31, 2024 and 2023, the fair value of loan commitments was not material.

Based on the foregoing methods and assumptions, the carrying value and fair value of the Corporation's financial instruments are as follows at December 31:

	2024	2023		
	Carrying value	Fair value	Carrying value	Fair value
	(In thousands)			
Financial assets				
Cash and cash equivalents	\$ 28,714	\$ 28,714	\$ 22,465	\$ 22,46
Investment and mortgage-backed securities	232,570	232,570	243,946	243,946
Loans receivable, including loans held for sale	483,496	461,181	475,511	460,615
Federal Reserve and Federal Home Loan Bank stock	2,249	2,249	2,249	2,249
Interest receivable	3,333	3,333	3,421	3,421
Mortgage servicing rights	1,226	2,100	1,491	2,300
Financial liabilities				
Interest payable	\$ 2,931	\$ 2,931	\$ 2,124	\$ 2,124
Deposits	707,731	652,266	707,962	650,024
Short-term borrowings	31,197	31,197	26,825	26,825

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE A - SUMMARY OF ACCOUNTING POLICIES (continued)

15. Fair Value of Financial Instruments (continued)

Accounting Standards for Fair Value Measurements defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard 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 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Fair value methods and assumptions are set forth below for each type of financial instrument. Following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Investments: Fair value on available for sale securities were based upon a market approach. Securities which are fixed income instruments that are not quoted on an exchange, but are traded in active markets, are valued using prices obtained from our custodian, which used third party data service providers. Available for sale securities includes U.S. agency securities, municipal bonds, corporate investments, student loan-backed securities, and mortgage-backed agency securities.

Impaired Loans: The Bank is predominately an asset based lender with real estate serving as collateral on a substantial majority of loans. Loans which are deemed to be impaired are primarily valued on a nonrecurring basis at the fair values of the underlying real estate collateral. Adjustments are routinely made by management to adjust for differences between the comparable sales and income data available for similar loans and collateral underlying such loans. Such adjustments were primarily due to selling costs and resulted in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Collateral-dependent loans are evaluated on a quarterly basis and adjusted in accordance with the allowance policy.

Real Estate Acquired Through Foreclosure: Real estate acquired through foreclosure is adjusted to fair value upon transfer of the loans to foreclosed assets. Subsequently, foreclosed assets are carried at the lower of carrying value or fair value. Fair value is based upon independent appraisals, which the Corporation considers to be Level 2 inputs.

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE A - SUMMARY OF ACCOUNTING POLICIES (continued)

15. Fair Value of Financial Instruments (continued)

Fair value measurements for certain assets measured at fair value on a recurring basis:

		<u>Fair Value Measurements (In thousands)</u>		
		Quoted prices in active markets for identical assets	Significant other observable inputs	Significant other unobservable inputs
		(Level 1)	(Level 2)	(Level 3)
December 31, 2024		Total		
Securities available for sale				
U.S. Government treasuries	\$ 3,481	\$ 3,481	\$ -	-
U.S. Government agency obligations	52,519	-	52,519	-
State and municipal obligations	145,411	-	145,411	-
Asset-backed securities	<u>1,606</u>	<u>-</u>	<u>1,606</u>	-
Total investment securities	\$ <u>203,017</u>	\$ <u>3,481</u>	\$ <u>199,536</u>	-
U.S. Government agency participation certificates	\$ 27,016	-	\$ 27,016	-
CMO's and REMIC's	<u>2,537</u>	-	<u>2,537</u>	-
Total mortgage-backed securities	\$ <u>29,553</u>	<u>-</u>	\$ <u>29,553</u>	-
December 31, 2023		Total		
Securities available for sale				
U.S. Government treasuries	\$ 478	\$ 478	\$ -	-
U.S. Government agency obligations	54,921	-	54,921	-
State and municipal obligations	152,275	-	152,275	-
Asset-backed securities	<u>1,908</u>	<u>-</u>	<u>1,908</u>	-
Total investment securities	\$ <u>209,582</u>	\$ <u>478</u>	\$ <u>209,104</u>	-
U.S. Government agency participation certificates	\$ 31,260	-	\$ 1,260	-
CMO's and REMIC's	<u>3,100</u>	-	<u>3,100</u>	-
Total mortgage-backed securities	\$ <u>34,360</u>	<u>-</u>	\$ <u>34,360</u>	-
Held to maturity				
Other securities	\$ <u>4</u>	-	\$ <u>4</u>	-
Total other securities	\$ <u>4</u>	<u>-</u>	\$ <u>4</u>	-

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE A - SUMMARY OF ACCOUNTING POLICIES (continued)

15. Fair Value of Financial Instruments (continued)

Fair value measurements for certain assets measured at fair value on a nonrecurring basis:

		<u>Fair Value Measurements (In thousands)</u>			
		Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
December 31, 2024					
Collateral dependent impaired loans	\$ 1,146	-	-	\$ 1,146	
December 31, 2023					
Collateral dependent impaired loans	\$ 204	-	-	\$ 204	

The following table presents quantitative information about level 3 fair value measurements for assets measured at fair value on a non-recurring basis at December 31, 2024 and December 31, 2023:

	Fair Value	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
December 31, 2024				
Collateral dependent loans				
Commercial	\$1,146	Sales comparison approach	Adjustment for differences between the comparable sales	35%
December 31, 2023				
Collateral dependent loans				
1-4 family residential	\$ 122	Sales comparison approach	Adjustment for differences between the comparable sales	40%
Collateral dependent loans				
Nonfarm nonresidential	\$ 82	Sales comparison approach	Adjustment for differences between the comparable sales	40%

16. Bank-Owned Life Insurance

The Bank has purchased life insurance policies on certain key executives. Bank-owned life insurance is recorded at its cash surrender value, or the amount that can be realized.

17. Advertising

Advertising costs are expensed when incurred. The Corporation's advertising expense totaled approximately \$410,000 and \$394,000 for the years ended December 31, 2024 and 2023, respectively.

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE A - SUMMARY OF ACCOUNTING POLICIES (continued)

18. Earnings Per Share

Basic earnings per share are computed based upon the weighted-average common shares outstanding during the year. Weighted-average common shares outstanding totaled 1,715,866 and 1,722,753 for the years ended December 31, 2024 and 2023, respectively.

Diluted earnings per share are computed by taking into consideration common shares outstanding and dilutive potential common share equivalents. The Corporation had no dilutive or potentially dilutive securities during the years ended December 31, 2024 and 2023.

19. Concentrations

The Corporation may at times maintain deposits in other financial institutions which exceed federally insured limits. The Corporation has not experienced any losses in such accounts and management does not believe it is exposed to significant risk on cash and cash equivalents. No deposit amounts in other financial institutions exceeded federally insured limits at December 31, 2024.

The Bank grants mortgage and other loans to customers located primarily in the south-eastern counties of Indiana and the south-western counties of Ohio. As such, a substantial portion of its debtors' ability to repay their loans is dependent upon the financial and economic health of the regional economy.

20. Adoption of New Accounting Standards

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

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE A - SUMMARY OF ACCOUNTING POLICIES (continued)

20. Adoption of New Accounting Standards (continued)

The following table illustrates the impact of ASC 326.

	January 1, 2023		
	As Reported Under <u>ASC 326</u>	Pre-ASC 326 <u>Adoption</u>	Impact ASC 326 <u>Adoption</u>
Assets:			
Loans			
Construction	\$ 94	\$ 94	\$ -
Farmland	412	412	-
1-4 family residential	875	875	-
Multi-family residential	160	160	-
Nonfarm nonresidential	1,832	1,032	800
Commercial	2,259	2,259	-
Consumer	<u>125</u>	<u>125</u>	<u>-</u>
Allowance for credit losses on loans	<u>\$ 5,757</u>	<u>\$ 4,957</u>	<u>\$ 800</u>

21. Subsequent Events

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

There were no material transactions requiring adjustment to the amounts recorded in the financial statements or disclosures.

22. Reclassifications

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

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE B – INVESTMENT AND MORTGAGE-BACKED SECURITIES

The amortized cost, gross unrealized gains, gross unrealized losses and estimated fair value of debt securities at December 31, 2024 and 2023 are as follows (in thousands):

	2024				
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Allowance for credit losses	Fair value
Available for sale:					
U.S. Government treasuries	\$ 3,495	\$ -	\$ 14	\$ -	\$ 3,481
U.S. Government agency obligations	55,446	-	2,927	-	52,519
State and municipal obligations	175,391	-	29,980	-	145,411
Corporate debt obligations	1,000	-	55	-	945
Asset-backed securities	<u>666</u>	<u>-</u>	<u>5</u>	<u>-</u>	<u>661</u>
Total available-for-sale	235,998	-	32,981	-	203,017
Held to maturity:					
Investment in Section 42 housing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total held-to-maturity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total debt securities	<u>\$235,998</u>	<u>\$ -</u>	<u>\$32,981</u>	<u>\$ -</u>	<u>\$203,017</u>
	2023				
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Allowance for credit losses	Fair value
Available for sale:					
U.S. Government treasuries	\$ 496	\$ -	\$ 18	\$ -	\$ 478
U.S. Government agency obligations	59,617	-	4,696	-	54,921
State and municipal obligations	176,401	-	24,126	-	152,275
Corporate debt obligations	1,000	-	40	-	960
Asset-backed securities	<u>965</u>	<u>-</u>	<u>17</u>	<u>-</u>	<u>948</u>
Total available-for-sale	238,479	-	28,897	-	209,582
Held to maturity:					
Investment in Section 42 housing	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>
Total held-to-maturity	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>
Total debt securities	<u>\$238,483</u>	<u>\$ -</u>	<u>\$28,897</u>	<u>\$ -</u>	<u>\$209,586</u>

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE B – INVESTMENT AND MORTGAGE-BACKED (continued)

The amortized cost and estimated fair value of investment securities by term to maturity at December 31 are shown below.

	2024		2023	
	Amortized cost	Fair value	Amortized cost	Fair value
	(In thousands)			
Available-for-sale				
Due in one year or less	\$ 47,637	\$ 45,848	\$ 4,705	\$ 4,563
Due after one year to five years	20,184	18,663	62,800	57,893
Due after five years to ten years	70,498	58,913	30,641	27,012
Due after ten years	<u>97,679</u>	<u>79,593</u>	<u>140,337</u>	<u>120,118</u>
	<u>\$235,998</u>	<u>\$203,017</u>	<u>\$238,483</u>	<u>\$209,586</u>
Held-to-maturity				
One to five years	\$ -	\$ -	\$ 4	\$ 4
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 4</u>

The amortized cost, gross unrealized gains, gross unrealized losses and estimated fair values of mortgage-backed securities at December 31, 2024 and 2023 are presented below.

	2024				
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Allowance for credit losses	Fair value
	(In thousands)				
Available for sale:					
U.S. Government agency participation certificates	\$31,455	\$ -	\$4,439	\$ -	\$27,016
CMOs and REMICs	<u>2,715</u>	<u>-</u>	<u>178</u>	<u>-</u>	<u>2,537</u>
Total mortgage-backed securities	<u>\$34,170</u>	<u>\$ -</u>	<u>\$4,617</u>	<u>\$ -</u>	<u>\$29,553</u>

	2023				
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Allowance for credit losses	Fair value
	(In thousands)				
Available for sale:					
U.S. Government agency participation certificates	\$35,786	\$ -	\$4,526	\$ -	\$31,260
CMOs and REMICs	<u>3,314</u>	<u>-</u>	<u>214</u>	<u>-</u>	<u>3,100</u>
Total mortgage-backed securities	<u>\$39,100</u>	<u>\$ -</u>	<u>\$4,740</u>	<u>\$ -</u>	<u>\$34,360</u>

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE B - INVESTMENT AND MORTGAGE-BACKED SECURITIES (continued)

The amortized cost and estimated fair value of mortgage-backed securities at December 31, by contractual terms to maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may generally prepay obligations without prepayment penalties.

	2024		2023	
	Amortized cost	Fair value	Amortized cost	Fair value
	(In thousands)			
Due within one year	\$ 1,160	\$ 1,128	\$ 807	\$ 776
Due after one year to five years	9,685	8,804	7,768	7,376
Due after five years to ten years	<u>23,325</u>	<u>19,621</u>	<u>30,525</u>	<u>26,208</u>
Total mortgage-backed securities	<u>\$34,170</u>	<u>\$29,553</u>	<u>\$39,100</u>	<u>\$34,360</u>

The tables below indicate the length of time individual securities have been in a continuous unrealized loss position at December 31, 2024 and 2023:

Description of securities	Less than 12 months			12 months or longer			Number of investments	Total Fair value	Unrealized losses
	Number of investments	Fair value	Unrealized losses	Number of investments	Fair value	Unrealized losses			
(Dollars in thousands)									
December 31, 2024:									
U.S. Government agency obligations	-	\$ -	\$ -	47	\$ 53,001	\$ 2,942	47	\$ 53,001	\$ 2,942
State and municipal obligations	1	295	5	315	145,115	29,975	316	145,410	29,980
Corporate debt obligations	-	-	-	4	1,525	60	4	1,525	60
Mortgage backed securities	-	-	-	64	<u>29,552</u>	<u>4,617</u>	64	<u>29,552</u>	<u>4,617</u>
Total temporarily impaired securities	<u>1</u>	<u>\$295</u>	<u>\$ 5</u>	<u>430</u>	<u>\$229,193</u>	<u>\$37,594</u>	<u>431</u>	<u>\$229,488</u>	<u>\$37,599</u>

Description of securities	Less than 12 months			12 months or longer			Number of investments	Total Fair value	Unrealized losses
	Number of investments	Fair value	Unrealized losses	Number of investments	Fair value	Unrealized losses			
(Dollars in thousands)									
December 31, 2023:									
U.S. Government agency obligations	-	\$ -	\$ -	49	\$ 55,399	\$ 4,714	49	\$ 55,399	\$ 4,714
State and municipal obligations	3	1,188	118	314	151,087	24,008	317	152,275	24,126
Corporate debt obligations	2	751	8	3	1,157	49	5	1,908	57
Mortgage backed securities	-	-	-	64	<u>34,360</u>	<u>4,740</u>	64	<u>34,360</u>	<u>4,740</u>
Total temporarily impaired securities	<u>5</u>	<u>\$1,939</u>	<u>\$126</u>	<u>430</u>	<u>\$242,003</u>	<u>\$33,511</u>	<u>435</u>	<u>\$243,942</u>	<u>\$33,637</u>

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE B - INVESTMENT AND MORTGAGE-BACKED SECURITIES (continued)

There were no sales of securities in 2024. Proceeds from sale of securities available for sale were \$20.7 million for December 31, 2023. Gross losses of \$199,000 were realized for 2023 for sale of investment securities.

Unrealized losses on securities classified available for sale have not been recognized into income because the issuers/bonds are of high credit quality. Management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuers continue to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds approach maturity. Therefore, there is no allowance for credit losses related to available for sale securities held at December 31, 2024.

At December 31, 2024, 100% of the mortgage-backed securities held by the Company were issues by U.S. government sponsored entities and agencies. Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not have the intent to sell these mortgage-back securities and it likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at December 31, 2024.

Securities with a carrying value of \$32,831,600 and \$29,835,500 were pledged at December 31, 2024 and 2023, respectively to collateralize certain deposits and for other purposes as permitted or required by law.

NOTE C - LOANS AND ALLOWANCE FOR CREDIT LOSSES

Loans (excluding loans held for sale) at year-end were as follows (in thousands):

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Construction	\$ 47,979	\$ 50,240	\$ 37,052
Farmland	25,141	26,114	26,045
1-4 family residential	154,771	140,916	118,800
Multi-family residential	52,551	56,512	47,102
Nonfarm nonresidential	140,058	138,841	126,432
Commercial	62,402	61,322	60,741
Consumer	<u>7,918</u>	<u>8,145</u>	<u>14,024</u>
	490,820	482,090	430,196
Allowance for credit losses	(6,373)	(6,210)	(4,957)
Deferred loan fees	<u>(1,281)</u>	<u>(1,170)</u>	<u>(971)</u>
Total net loans	<u>\$483,166</u>	<u>\$474,710</u>	<u>\$424,268</u>

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE C - LOANS AND ALLOWANCE FOR CREDIT LOSSES (continued)

The risk characteristics applicable to each segment of the loan portfolio are described as follows:

Construction Loans. Construction financing is generally considered to involve a higher degree of risk of loss than long-term financing on improved, occupied real estate. Risk of loss on a construction loan depends largely upon the accuracy of the initial estimate of the property's value at completion of construction and the estimated cost (including interest) of construction. During the construction phase, a number of factors could result in delays and cost overruns. If the estimate of construction costs proves to be inaccurate, we may be required to advance funds beyond the amount originally committed to permit completion of the building. If the estimate of value proves to be inaccurate, we may be confronted, at or before the maturity of the loan, with a building having a value which is insufficient to assure full repayment. If we are forced to foreclose on a building before or at completion due to a default, there can be no assurance that we will be able to recover all of the unpaid balance of, and accrued interest on, the loan as well as related foreclosure and holding costs.

Farmland (Agricultural) Loans. Payments on agricultural loans are typically dependent on the profitable operation or management of the related farm property. The success of the farm may be affected by many factors outside the control of the borrower, including adverse weather conditions that prevent the planting of a crop or limit crop yields, declines in market prices for agricultural products and the impact of government regulations. In addition, many farms are dependent on a limited number of key individuals whose injury or death may significantly affect the successful operation of the farm. If the cash flow from a farming operation is diminished, the borrower's ability to repay the loan may be impaired. For large loan relationships, crop insurance is required when the crops are the Bank's primary collateral.

1-4 Family Residential. Residential real estate loans are secured by 1-4 family residences and are generally owner-occupied. The Bank generally establishes a maximum loan-to-value ratio and requires private mortgage insurance if that ratio is exceeded. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market area, such as unemployment levels. Repayment can also be impacted by changes in property values of residential properties. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

Multi-Family Residential. Loans secured by multi-family and nonresidential real estate generally have larger balances and involve a greater degree of risk than 1-4 family residential mortgage loans. Of primary concern in multi-family and nonresidential real estate lending is the borrower's creditworthiness and the feasibility and cash flow potential of the project. Payments on loans secured by income properties often depend on successful operation and management of the properties. As a result, repayment of such loans may be subject to a greater extent than residential real estate loans to adverse conditions in the real estate market or the economy. To monitor cash flows on income properties, we require borrowers, co-borrowers and loan guarantors of large loan relationships to provide annual financial statements and/or tax returns. In reaching a decision on whether to make a multi-family and nonresidential real estate loan, we consider the net operating income of the property, the borrower's expertise, credit history and profitability and the value of the underlying property. We have generally required that the properties securing these real estate loans have debt service coverage ratios (the ratio of earnings before debt service to debt service) of at least 1.20x. Environmental surveys and inspections are generally required for large loans.

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE C - LOANS AND ALLOWANCE FOR CREDIT LOSSES (continued)

Nonfarm Nonresidential Real Estate. Nonfarm nonresidential real estate loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Nonfarm nonresidential real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. The characteristics of properties securing the Bank's Nonfarm nonresidential real estate portfolio are diverse, but with geographic location almost entirely in the Bank's market area. Management monitors and evaluates Nonfarm nonresidential real estate loans based on cash flows of borrowers, geography and risk grade criteria.

Commercial. Commercial loans are primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be expected and the collateral securing these loans may fluctuate in value. Most commercial loans are secured by the assets being financed or other business assets, such as accounts receivable or inventory, and may include a personal guarantee. Short-term loans may be made on an unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrowers to collect amounts due from its customers.

Consumer. Consumer loans consist of two segments - automobile loans and home equity loans. Automobile loans are generally secured by the automobile being financed or other personal assets. Home equity loans are typically secured by a subordinate interest in 1-4 family residences. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market area, such as unemployment levels, and secondarily on the collateral securing the loan. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE C - LOANS AND ALLOWANCE FOR CREDIT LOSSES (continued)

The following table presents the activity in the allowance for credit losses by portfolio segment for the year ended December 31, 2024 (in thousands):

	December 31, 2024							
	<u>Construction</u>	<u>Farmland</u>	<u>1-4 Family Residential</u>	<u>Multi-family Residential</u>	<u>Nonfarm nonresidential</u>	<u>Commercial</u>	<u>Consumer</u>	<u>Total</u>
Allowance for credit losses:								
Beginning balance	\$ 687	\$ 217	\$ 1,143	\$ 1,831	\$ 1,444	\$ 802	\$ 86	\$ 6,210
Provision	-	-	-	-	-	-	-	-
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	-	14	-	-	148	1	163
Ending Balance	<u>\$ 687</u>	<u>\$ 217</u>	<u>\$ 1,157</u>	<u>\$ 1,831</u>	<u>\$ 1,444</u>	<u>\$ 950</u>	<u>\$ 87</u>	<u>\$ 6,373</u>
Allowance for credit losses:								
Individually evaluated for impairment	\$ -	\$ -	\$ -	\$ -	\$ 504	\$ 8	\$ -	\$ 512
Collectively evaluated for impairment	687	217	1,157	1,831	940	942	87	5,861
Ending Balance	<u>\$ 687</u>	<u>\$ 217</u>	<u>\$ 1,157</u>	<u>\$ 1,831</u>	<u>\$ 1,444</u>	<u>\$ 950</u>	<u>\$ 87</u>	<u>\$ 6,373</u>
Loans:								
Individually evaluated for impairment	\$ -	\$ -	\$ -	\$ -	\$ 2,486	\$ 3,275	\$ -	\$ 5,761
Collectively evaluated for impairment	47,979	25,141	154,771	52,551	137,572	59,127	7,918	485,059
Ending Balance	<u>\$ 47,979</u>	<u>\$ 25,141</u>	<u>\$ 154,771</u>	<u>\$ 52,551</u>	<u>\$ 140,058</u>	<u>\$ 62,402</u>	<u>\$ 7,918</u>	<u>\$ 490,820</u>

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE C - LOANS AND ALLOWANCE FOR CREDIT LOSSES (continued)

The following table presents the activity in the allowance for credit losses by portfolio segment for the year ended December 31, 2023 (in thousands):

	December 31, 2023							
	<u>Construction</u>	<u>Farmland</u>	<u>1-4 Family Residential</u>	<u>Multi-family Residential</u>	<u>Nonfarm nonresidential</u>	<u>Commercial</u>	<u>Consumer</u>	<u>Total</u>
Allowance for credit losses:								
Beginning balance, prior to adoption of ASC 326	\$ 94	\$ 412	\$ 875	\$ 160	\$ 1,032	\$ 2,259	\$ 125	\$ 4,957
Impact of adopting ASC 326	-	-	-	-	800	-	-	800
Provision	593	(195)	263	1,671	(586)	(1,417)	(29)	300
Charge-offs	-	-	-	-	-	(162)	(12)	(174)
Recoveries	-	-	5	-	198	122	2	327
Ending Balance	<u>\$ 687</u>	<u>\$ 217</u>	<u>\$ 1,143</u>	<u>\$ 1,831</u>	<u>\$ 1,444</u>	<u>\$ 802</u>	<u>\$ 86</u>	<u>\$ 6,210</u>
Allowance for credit losses:								
Individually evaluated for impairment	\$ -	\$ -	\$ -	\$ -	\$ 237	\$ 17	\$ -	\$ 254
Collectively evaluated for impairment	<u>687</u>	<u>217</u>	<u>1,143</u>	<u>1,831</u>	<u>1,207</u>	<u>785</u>	<u>86</u>	<u>5,956</u>
Ending Balance	<u>\$ 687</u>	<u>\$ 217</u>	<u>\$ 1,143</u>	<u>\$ 1,831</u>	<u>\$ 1,444</u>	<u>\$ 802</u>	<u>\$ 86</u>	<u>\$ 6,210</u>
Loans:								
Individually evaluated for impairment	\$ -	\$ -	\$ 115	\$ -	\$ 1,513	\$ 2,878	\$ -	\$ 4,506
Collectively evaluated for impairment	<u>50,240</u>	<u>26,114</u>	<u>140,801</u>	<u>56,512</u>	<u>137,328</u>	<u>58,444</u>	<u>8,145</u>	<u>477,584</u>
Ending Balance	<u>\$ 50,240</u>	<u>\$ 26,114</u>	<u>\$ 140,816</u>	<u>\$ 56,512</u>	<u>\$ 138,841</u>	<u>\$ 61,322</u>	<u>\$ 8,145</u>	<u>\$ 482,090</u>

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE C - LOANS AND ALLOWANCE FOR CREDIT LOSSES (continued)

There were no loans on nonaccrual status or loans past due over 89 days still accruing as of December 31, 2024. The following tables present the amortized cost basis of loans on nonaccrual status and loans past due over 89 days still accruing as of December 31, 2023 (in thousands).

	December 31, 2023		
	Nonaccrual with No Allowance for Credit Loss	Nonaccrual with Allowance for Credit Loss	Loans Past Due Over 89 Days Still Accruing
Real Estate:			
Construction	\$ -	\$ -	\$ -
Farmland	-	-	-
1-4 family residential	115	-	-
Multi-family residential	-	-	-
Nonfarm nonresidential	-	-	-
Commercial	-	-	-
Consumer	—	—	—
Total	\$ <u>115</u>	\$ <u>—</u>	\$ <u>—</u>

The following table presents the amortized cost basis of collateral-dependent loans by class of loans as of December 31, 2024 and December 31, 2023 (in thousands).

	December 31, 2024	December 31, 2023
	Real Estate Collateral	Real Estate Collateral
Real Estate:		
Construction	\$ -	\$ -
Farmland	-	-
1-4 family residential	-	122
Multi-family residential	-	-
Nonfarm nonresidential	1,146	82
Commercial	-	-
Consumer	—	—
Total	\$ <u>1,146</u>	\$ <u>204</u>

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE C - LOANS AND ALLOWANCE FOR CREDIT LOSSES (continued)

The following tables present the aging of the amortized cost basis in past-due loans at December 31, 2024 and December 31, 2023 (in thousands):

December 31, 2024

	30-89 Days Past <u>Due</u>	Over 89 Days <u>Past Due</u>	Total Past <u>Due</u>	<u>Current</u>	<u>Total Loans</u>
Real Estate:					
Construction	\$ -	\$ -	\$ -	\$ 47,979	\$ 47,979
Farmland	-	-	-	25,141	25,141
1-4 family residential	283	-	283	154,488	154,771
Multi-family residential	-	-	-	52,551	52,551
Nonfarm nonresidential	100	-	100	139,958	140,058
Commercial	26	-	26	62,376	62,402
Consumer	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,918</u>	<u>7,918</u>
Total	<u>\$ 409</u>	<u>\$ -</u>	<u>\$ 409</u>	<u>\$ 490,411</u>	<u>\$ 490,820</u>

December 31, 2023

	30-89 Days Past <u>Due</u>	Over 89 Days <u>Past Due</u>	Total Past <u>Due</u>	<u>Current</u>	<u>Total Loans</u>
Real Estate:					
Construction	\$ -	\$ -	\$ -	\$ 50,240	\$ 50,240
Farmland	-	-	-	26,114	26,114
1-4 family residential	194	52	246	140,670	140,916
Multi-family residential	-	-	-	56,512	56,512
Nonfarm nonresidential	124	-	124	138,717	138,841
Commercial	-	-	-	61,322	61,322
Consumer	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,145</u>	<u>8,145</u>
Total	<u>\$ 318</u>	<u>\$ 52</u>	<u>\$ 370</u>	<u>\$ 481,720</u>	<u>\$ 482,090</u>

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE C - LOANS AND ALLOWANCE FOR CREDIT LOSSES (continued)

Occasionally, the Bank modifies loans to borrowers in financial distress by providing principal forgiveness, term extension, or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged-off again the allowance for credit losses. In some cases, the Bank provides multiple type of concessions on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted.

The following tables present the amortized cost basis of loans at December 31, 2024 and December 31, 2023 that were both experiencing financial difficulties and modified during the years ended December 31, 2024 and December 31, 2023 (in thousands).

December 31, 2024

	<u>Principal Forgiveness</u>	<u>Payment Delay</u>	<u>Term Extension</u>	<u>Interest Rate Reduction</u>	<u>Combination Term Extension and Principal Forgiveness</u>	<u>Combination Term Extension Interest Rate Reduction</u>	<u>Total Class of Financing Receivable</u>
RealEstate:							
Nonfarm nonresidential	\$ -	\$ -	\$ 1,146	\$ -	\$ -	\$ -	41%
Commercial	-	-	219	-	-	1,450	59%
Total	\$ -	\$ -	\$ 1,365	\$ -	\$ -	\$ 1,450	100%

December 31, 2023

	<u>Principal Forgiveness</u>	<u>Payment Delay</u>	<u>Term Extension</u>	<u>Interest Rate Reduction</u>	<u>Combination Term Extension and Principal Forgiveness</u>	<u>Combination Term Extension Interest Rate Reduction</u>	<u>Total Class of Financing Receivable</u>
Commercial	\$ -	\$ -	\$ 137	\$ -	\$ -	\$ -	100%
Total	\$ -	\$ -	\$ 137	\$ -	\$ -	\$ -	100%

There were no payment defaults during 2024 and 2023 that were modified in the 12 months prior to such default to those experiencing financial difficulty.

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE C - LOANS AND ALLOWANCE FOR CREDIT LOSSES (continued)

Credit Risk Profile Categories

The Corporation assigns credit risk grades to evaluated loans using grading standards employed by regulatory agencies. The following are the Bank's internally assigned grades:

Pass. Loans in this category carry lower-risk attributes and currently have a minimal likelihood of loss. These loans represent the Corporation's standard or average loans that require a normal amount of supervision.

Special mention. Assets in this category have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special mention assets are not adversely classified and do not expose the institution to sufficient risk to warrant adverse classification.

Substandard. An asset classified substandard is protected inadequately by the current net worth and paying capacity of the obligor, or by the collateral pledged, if any. Assets 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 institution will sustain some loss if the deficiencies are not corrected. Any loan 90 days past due will automatically be classified substandard.

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

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE C - LOANS AND ALLOWANCE FOR CREDIT LOSSES (continued)

Based on the most recent analysis performed, the risk category of loans by class of loans is as follows (in thousands):

December 31, 2024							
<u>Term Loans Amortized by Cost Basis by Origination</u>							
<u>Construction</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>Prior</u>	<u>Revolving Loans Amortized Cost Basis</u>	<u>Revolving Loans Converted to Term</u>	<u>Total</u>
Risk Rating:							
Pass	\$ 5,292	\$ 17,791	\$ 14,377	\$ 10,519	\$ -	\$ -	\$ 47,979
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total	<u>\$ 5,292</u>	<u>\$ 17,791</u>	<u>\$ 14,377</u>	<u>\$ 10,519</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,979</u>
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

December 31, 2023							
<u>Term Loans Amortized by Cost Basis by Origination</u>							
<u>Farmland</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>Prior</u>	<u>Revolving Loans Amortized Cost Basis</u>	<u>Revolving Loans Converted to Term</u>	<u>Total</u>
Risk Rating:							
Pass	\$ 1,742	\$ 5,882	\$ 3,421	\$ 14,096	\$ -	\$ -	\$ 25,141
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total	<u>\$ 1,742</u>	<u>\$ 5,882</u>	<u>\$ 3,421</u>	<u>\$ 14,096</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,141</u>
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE C - LOANS AND ALLOWANCE FOR CREDIT LOSSES (continued)

<u>Term Loans Amortized by Cost Basis by Origination</u>					<u>Revolving Loans Amortized Cost Basis</u>	<u>Revolving Loans Converted to Term</u>	<u>Total</u>
<u>1-4 Family Residential</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>Prior</u>			
Risk Rating:							
Pass	\$ 29,410	\$ 33,603	\$ 20,427	\$ 68,916	\$ 1,503	\$ 29	\$ 153,888
Special mention	-	79	-	804	-	-	883
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total	<u>\$ 29,410</u>	<u>\$ 33,682</u>	<u>\$ 20,427</u>	<u>\$ 69,720</u>	<u>\$ 1,503</u>	<u>\$ 29</u>	<u>\$ 154,771</u>
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Term Loans Amortized by Cost Basis by Origination</u>					<u>Revolving Loans Amortized Cost Basis</u>	<u>Revolving Loans Converted to Term</u>	<u>Total</u>
<u>Multi- Family Residential</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>Prior</u>			
Risk Rating:							
Pass	\$ 7,316	\$ 12,088	\$ 19,672	\$ 13,475	\$ -	\$ -	\$ 52,551
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total	<u>\$ 7,316</u>	<u>\$ 12,088</u>	<u>\$ 19,672</u>	<u>\$ 13,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,551</u>
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Term Loans Amortized by Cost Basis by Origination</u>					<u>Revolving Loans Amortized Cost Basis</u>	<u>Revolving Loans Converted to Term</u>	<u>Total</u>
<u>Nonfarm Nonresidential</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>Prior</u>			
Risk Rating:							
Pass	\$ 16,981	\$ 24,836	\$ 39,499	\$ 54,484	\$ -	\$ -	\$ 135,800
Special mention	-	-	480	1,292	-	-	1,772
Substandard	-	-	-	2,486	-	-	2,486
Doubtful	-	-	-	-	-	-	-
Total	<u>\$ 16,981</u>	<u>\$ 24,836</u>	<u>\$ 39,979</u>	<u>\$ 58,262</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140,058</u>
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE C - LOANS AND ALLOWANCE FOR CREDIT LOSSES (continued)

<u>Commercial</u>	<u>Term Loans Amortized by Cost Basis by Origination</u>				<u>Revolving</u>	<u>Revolving</u>	<u>Total</u>
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>Prior</u>	<u>Loans</u>	<u>Loans</u>	
<u>Risk Rating:</u>					<u>Amortized</u>	<u>Converted</u>	
					<u>Cost Basis</u>	<u>to Term</u>	
Pass	\$ 10,988	\$ 9,422	\$ 6,061	\$ 31,093	\$ -	\$ -	\$ 57,564
Special mention	24	1,291	179	69	-	-	1,563
Substandard	2,163	26	-	1,086	-	-	3,275
Doubtful	—	—	—	—	—	—	—
Total	\$ 13,175	\$ 10,739	\$ 6,240	\$ 32,248	\$ —	\$ —	\$ 62,402
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

<u>Consumer</u>	<u>Term Loans Amortized by Cost Basis by Origination</u>				<u>Revolving</u>	<u>Revolving</u>	<u>Total</u>
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>Prior</u>	<u>Loans</u>	<u>Loans</u>	
<u>Risk Rating:</u>					<u>Amortized</u>	<u>Converted</u>	
					<u>Cost Basis</u>	<u>to Term</u>	
Pass	\$ 2,930	\$ 2,715	\$ 1,494	\$ 722	\$ -	\$ -	\$ 7,861
Special mention	40	14	-	3	-	-	57
Substandard	-	-	-	-	-	-	-
Doubtful	—	—	—	—	—	—	—
Total	\$ 2,970	\$ 2,729	\$ 1,494	\$ 725	\$ —	\$ —	\$ 7,918
Current period gross write offs	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ -

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE C - LOANS AND ALLOWANCE FOR CREDIT LOSSES (continued)

The Bank's lending efforts have historically focused on 1-4 family residential and nonfarm nonresidential real estate, which comprised approximately \$294.8 million, or 60%, of the total loan portfolio at December 31, 2024, and \$279.8 million, or 58%, of the total loan portfolio at December 31, 2023. The vast majority of these loans have been underwritten on the basis of no more than a 90% loan-to-value ratio, which has historically provided the Bank with adequate collateral coverage in the event of default. The Bank, as with any lending institution, is subject to the risk that real estate values could deteriorate in its primary lending area of southeast Indiana, thereby impairing collateral values.

In the normal course of business, the Bank has made loans to its directors, officers and their related business interests. The following is an analysis of the activity of such loans for the years ended December 31, 2024 and 2023 (in thousands):

	<u>2024</u>	<u>2023</u>
Balance, beginning of the year	\$ 717	\$1,307
Loans originated	28	37
Repayments	<u>(253)</u>	<u>(627)</u>
Balance, end of year	<u>\$ 492</u>	<u>\$ 717</u>

The Bank has sold whole loans and participating interests in loans in the secondary market, generally retaining servicing on the loans sold. Loans sold and serviced for others totaled approximately \$221.8 million and \$233.3 million at December 31, 2024 and 2023, respectively.

The table below shows the activity of mortgage servicing rights at December 31, 2024 and 2023, respectively.

	<u>2024</u>	<u>2023</u>
Balance, beginning of the year	\$ 1,491	\$ 1,730
New mortgage servicing rights added	52	96
Recorded amortization	<u>(317)</u>	<u>(335)</u>
Balance, end of year	<u>\$ 1,226</u>	<u>\$ 1,491</u>

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE D - OFFICE PREMISES AND EQUIPMENT

Office premises and equipment, including construction in process, is comprised of the following at December 31:

	<u>2024</u>	<u>2023</u>
	(In thousands)	
Land and land improvements	\$ 5,562	\$ 6,014
Buildings and improvements	8,636	8,636
Furniture and equipment	<u>5,109</u>	<u>5,091</u>
	19,307	19,741
Less accumulated depreciation and amortization	<u>(8,934)</u>	<u>(8,189)</u>
	<u>\$ 10,373</u>	<u>\$ 11,552</u>

NOTE E - LEASE

The Corporation accounts for leases in accordance with ASC 842 which requires leases with durations greater than twelve months to be recognized on the statements of financial condition. The Corporation did not have any leases outstanding at December 31, 2024 or 2023.

NOTE F - DEPOSITS

Deposits consist of the following major classifications at December 31:

Deposit type and weighted-average interest rate	<u>2024</u>	<u>2023</u>
	(In thousands)	
Interest-bearing demand accounts		
2024 – 2.20%	\$197,170	\$174,275
2023 – 4.68%		
Savings accounts		
2024 – 0.13%	105,188	109,520
2023 – 0.40%		
Non-interest bearing accounts	<u>141,317</u>	<u>140,713</u>
Total demand and savings accounts	<u>\$443,675</u>	<u>\$424,508</u>

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE F - DEPOSITS (continued)

Certificates of deposit, including individual retirement accounts:

Original maturities of:

12 months and less		
2024 – 4.49%	150,486	129,495
2023 – 4.53%		
15 months to 18 months		
2024 – 4.55%	29,533	75,675
2023 – 4.02%		
21 months to 30 months		
2024 – 3.77%	50,214	35,994
2023 – 3.37%		
More than 30 months		
2024 – 3.22%	<u>33,823</u>	<u>42,290</u>
2023 – 2.62%		

Total certificates of deposit	\$ <u>264,056</u>	\$ <u>283,454</u>
Total deposits	\$ <u>707,731</u>	\$ <u>707,962</u>

The Dodd-Frank Wall Street Reform and Consumer Protection Act permanently raised the standard maximum deposit insurance amount to \$250,000. Certain deposits with balances greater than \$250,000 are not federally insured. At December 31, 2024 and 2023, the Bank had certificate of deposit accounts with balances greater than \$250,000 totaling approximately \$74.4 million and \$58.3 million, respectively.

In the ordinary course of business, the Bank maintains deposit accounts for some officers, directors, and other related interests. The aggregate dollar amount of related party deposits totaled \$1.5 million and \$2.0 million at December 31, 2024 and 2023, respectively.

Interest expense on deposits for the year ended December 31 is summarized as follows:

	<u>2024</u>	<u>2023</u>
	(In thousands)	
Interest-bearing demand accounts	\$ 3,288	\$ 2,212
Savings accounts	145	162
Certificates of deposit	<u>10,854</u>	<u>7,646</u>
	<u>\$14,287</u>	<u>\$10,020</u>

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE F - DEPOSITS (continued)

Maturities of outstanding certificates of deposit at December 31 are summarized as follows:

	<u>2024</u>
	(In thousands)
2025	\$ 212,523
2026	34,619
2027	9,006
2028	3,452
2029 and thereafter	<u>4,456</u>
	<u>\$264,056</u>

NOTE G – REPURCHASE AGREEMENTS

Securities sold under agreements to repurchase consist of obligations of the Bank to other parties and mature within one day from the transaction date. Information concerning securities sold under agreements to repurchase is summarized as follows:

	<u>2024</u>	<u>2023</u>
	(In thousands)	
Average balance during the year	\$27,184	\$20,656
Average interest rate during the year	3.91%	3.67%
Maximum month-end balance during the year	\$31,847	\$27,138
Year-end balance	\$31,197	\$26,825
Obligations of investment securities underlying the agreements at year end:		
Book value	\$36,985	\$33,892
Fair value	\$32,832	\$29,836

These agreements may be terminated by either the Bank or other party on terms ranging from one to five days.

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE H - INCOME TAXES

The provision for income taxes differs from the amount computed at the statutory corporate tax rate for the year ended December 31 as follows:

	<u>2024</u>		<u>2023</u>	
	(In thousands)			
Federal income taxes computed at the statutory rate based on income less captive insurance income	\$932	21.0%	\$912	21.0%
Increase (decrease) in taxes resulting from:				
Tax-exempt interest	(661)	(14.9%)	(684)	(15.8%)
Non-taxable income on bank owned life insurance	(81)	(1.7%)	(76)	(1.7%)
State income taxes, net of federal benefits	25	0.2%	(25)	(0.2%)
Other	<u>(13)</u>	<u>(0.3%)</u>	<u>(35)</u>	<u>(0.8%)</u>
Income tax provision	<u>\$202</u>	<u>4.3%</u>	<u>\$92</u>	<u>2.5%</u>

The composition of the Corporation's net deferred tax asset at December 31 is as follows:

	<u>2024</u>		<u>2023</u>	
	(In thousands)			
Deferred tax assets:				
Retirement expense	\$ 313		\$ 357	
General loan loss allowance	1,474		1,472	
Deferred loan fees	296		277	
Unrealized losses on AFS securities	7,895		7,064	
Other	<u>45</u>		<u>32</u>	
Total deferred tax assets	<u>10,023</u>		<u>9,202</u>	
Deferred tax liabilities:				
FHLB stock dividends	(27)		(28)	
Mortgage servicing rights	(283)		(356)	
Book versus tax depreciation	(218)		(293)	
Total deferred tax liabilities	<u>(528)</u>		<u>(677)</u>	
Net deferred income tax asset	<u>\$ 9,495</u>		<u>\$ 8,525</u>	

Management believes that it is more likely than not that the results of future operations will generate sufficient taxable income to realize reported deferred taxes, therefore, a valuation allowance is not deemed necessary.

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE I - BENEFIT PLANS

The Corporation sponsors a postretirement plan (the “Plan”) covering certain directors of the Bank. Based upon calculations received from the benefit plan administrators, the Bank recorded expense of approximately \$5,000 and \$82,000 for the years ended December 31, 2024 and 2023, respectively.

The Bank has a contributory 401(k) plan covering substantially all employees. Contributions to the plan are voluntary and are subject to matching by the Bank. The Bank’s expense related to the 401(k) plan totaled approximately \$205,000 and \$199,000 for the years ended December 31, 2024 and 2023, respectively.

The Corporation has a deferred compensation plan that covers certain directors and is recorded in other liabilities on the consolidated statements of financial condition. Under the plan, the Corporation pays each participant, or their beneficiary, an amount deferred over 15 years, beginning upon the individual’s termination of service. The cash payouts for the deferred compensation for the year ended December 31, 2024 was \$45,000 resulting in a deferred compensation liability of \$674,000. The cash payouts and required increase in accrual for the deferred compensation for the year ended December 31, 2023 were \$45,000 and \$51,000, respectively, resulting in a deferred compensation liability of \$719,000. Accrual of this liability is based on individual discount rates by participant ranging from 6.50 - 10.00%. Income tax deductions are allowable only as retirement benefits are paid. The Corporation has a rabbi trust to fund the obligations of this deferred compensation plan. The trust holds assets consisting of cash and FCN Banc Corp stock. In accordance with the accounting guidance for rabbi trust arrangements, the assets of the trust and the obligations of the plan are reported on the Corporation’s consolidated statements of financial condition. The cash is held in other assets while the stock is designated as treasury shares. If the trust assets earn interest or dividends from the invested assets, the Corporation would record earnings in the same period. Therefore, the assets are reported at fair value with any subsequent changes in fair value recorded in the Consolidated Statements of Income. At December 31, 2024 and 2023, the trust asset balances were \$675,000 and \$700,000, respectively.

The Corporation has a supplemental executive retirement plan (SERP) that covers certain directors and certain executive officers and is recorded in other liabilities on the statements of financial condition. Under the plan, the Corporation pays each participant, or their beneficiary, a fixed retirement benefit over 10 years for directors and 20 years for executive officers, beginning upon the individual’s retirement. A liability is accrued for the obligation under these plans, with a balance of \$635,000 and \$687,000 as of December 31, 2024 and 2023, respectfully. Accrual of this liability is based on individual discount rates by participant ranging from 6.00 - 10.00%. Income tax deductions are allowable only as retirement benefits are paid. Cash payouts under the plan totaled approximately \$92,000 and \$88,000 for the years ended December 31, 2024 and 2023, respectfully. Expense under the plan totaled approximately \$40,000 and \$48,000 for the year ended December 31, 2024 and 2023, respectfully.

The Corporation has a deferred director compensation plan that covers all directors to elect monthly director compensation. Under the plan, the Corporation pays each participant, or their beneficiary, plus interest over the elected payout period beginning with the individual’s termination of service. A liability is accrued for the obligation under these plans. The expense incurred for the deferred compensation for each of the last two years was \$20,000 and \$18,000 resulting in a deferred compensation liability of \$489,000 and \$428,000 as of year-end 2024 and 2023.

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE J – COMMITMENTS AND CONTINGENCIES

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

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

	2024		2023	
	<u>Fixed Rate</u>	<u>Variable Rate</u>	<u>Fixed Rate</u>	<u>Variable Rate</u>
Commitments to make loans	\$ 2,990	\$ 11,999	\$ 262	\$ 11,475
Unused lines of credit	\$ 4,039	\$ 110,511	\$ 4,865	\$ 108,093
Standby Letters of Credit	\$ -	\$ 15	\$ -	\$ 15

The Corporation may be involved in various legal proceedings and other matter arising in the normal course of business. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the consolidated financial statements.

NOTE K - REGULATORY CAPITAL

The Bank is subject to the regulatory capital requirements of the Federal Deposit Insurance Corporation (the “FDIC”). Failure to meet minimum capital requirements can initiate certain mandatory – and possibly additional discretionary – actions by regulators that, if undertaken, could have a direct material effect on the Bank’s financial statements. Under 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 classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

The FDIC has adopted risk-based capital ratio guidelines to which the Bank is subject. The guidelines establish a systematic analytical framework that makes regulatory capital requirements more sensitive to differences in risk profiles among banking organizations. Risk-based capital ratios are determined by allocating assets and specified off-balance sheet commitments to four risk-weighting categories, with higher levels of capital being required for the categories perceived as representing greater risk.

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE K - REGULATORY CAPITAL (continued)

As of December 31, 2024 and 2023, the Bank reported that it was categorized as “well-capitalized” under the regulatory framework for prompt corrective action. To be categorized as “well-capitalized” the Bank must maintain minimum capital ratios as set forth in the table that follows.

2024:

	<u>Actual</u>		<u>For capital adequacy purposes</u>		<u>To be “well-capitalized” under prompt corrective action provisions</u>	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
Common Equity tier 1 (to risk-based capital)	\$73,059	13.68%	≥\$24,025	≥ 4.5%	≥\$34,702	≥ 6.5%
Total capital (to risk-weighted assets)	\$79,432	14.88%	≥\$42,710	≥ 8.0%	≥\$53,388	≥ 10.0%
Tier I capital (to risk-weighted assets)	\$73,059	13.68%	≥\$32,033	≥ 6.0%	≥\$42,710	≥ 8.0%
Tier I leverage	\$73,059	9.09%	≥\$32,154	≥ 4.0%	≥\$40,193	≥ 5.0%

2023:

	<u>Actual</u>		<u>For capital adequacy purposes</u>		<u>To be “well-capitalized” under prompt corrective action provisions</u>	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
Common Equity tier 1 (to risk-based capital)	\$70,561	13.38%	≥\$23,725	≥ 4.5%	≥\$34,269	≥ 6.5%
Total capital (to risk-weighted assets)	\$76,771	14.56%	≥\$42,177	≥ 8.0%	≥\$52,721	≥ 10.0%
Tier I capital (to risk-weighted assets)	\$70,561	13.38%	≥\$31,633	≥ 6.0%	≥\$42,177	≥ 8.0%
Tier I leverage	\$70,561	9.30%	≥\$30,344	≥ 4.0%	≥\$37,930	≥ 5.0%

The Bank’s management believes that, under the current regulatory capital regulations, the Bank will continue to meet its minimum capital requirements in the foreseeable future. However, events beyond the control of the Bank, such as increased interest rates or a downturn in the economy in the Bank’s primary market area, could adversely affect future earnings and, consequently, the ability to meet future minimum regulatory capital requirements.

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE L - COMPREHENSIVE INCOME RECLASSIFICATION ADJUSTMENT

The following information discloses the reclassification adjustments for each component of accumulated other comprehensive income (loss), including the income statement line items that were affected, as of December 31, 2023:

Accumulated Other Comprehensive Income Components	Reclassification Amount (in thousands)	Affected Line Item in the Consolidated Statements of Income
December 31, 2023:		
Unrealized loss on available for sale securities	\$ (199)	Loss on sale of investments and mortgage-backed securities
	<u>42</u>	Income taxes
Total reclassifications	<u>\$ (157)</u>	

There are no reclassifications for December 31, 2024.

NOTE M - REVENUE RECOGNITION

ASC 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. In addition, certain noninterest income streams such as fees associated with mortgage servicing rights, financial guarantees, derivatives, and certain credit card fees are also not in scope. ASC 606 is applicable to noninterest revenue streams such as trust and asset management income, deposit related fees, interchange fees, merchant income, and annuity and insurance commissions. Substantially all of the Corporation's revenue is generated from contracts with customers. Noninterest revenue streams in-scope of ASC 606 are discussed below.

The following presents noninterest income, segregated by revenue streams in-scope and out-of-scope of ASC 606, for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
	(In thousands)	
Noninterest income (expense):		
In-scope of ASC 606:		
Service charges and fees	\$ 695	\$ 778
ATM/Interchange fees	1,558	1,515
Other	<u>444</u>	<u>867</u>
Total noninterest income in-scope of ASC 606	2,697	3,160
Total noninterest income out-of-scope of ASC 606:	<u>510</u>	<u>357</u>
Total noninterest income	<u>\$3,207</u>	<u>\$3,517</u>

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE M - REVENUE RECOGNITION (continued)

Service charges and fees. Service charges consist of account analysis fees (i.e., net fees earned on analyzed business and public checking accounts), monthly service fees, and other deposit account related fees. The Corporation's performance obligation for account analysis fees and monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Other deposit account related fees are largely transactional based, and therefore, the Corporation's performance obligation is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts.

ATM/Interchange fees. Fees, exchange, and other service charges are primarily comprised of debit and credit card income, ATM fees and other service charges. Debit and credit card income is primarily comprised of interchange fees earned whenever the Corporation's debit and credit cards are processed through card payment networks such as Mastercard. ATM fees are primarily generated when a Corporation cardholder uses a non-Corporation ATM or a non-Corporation cardholder uses a Corporation ATM. The Corporation's performance obligation for fees, exchange, and other service charges are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month.

Other. Other noninterest income consists of other recurring revenue streams such as net insurance premiums written for FCN Risk Management, trust department income, safety deposit box rental fees, check order fees, and other miscellaneous revenue streams. Net insurance premiums are those that are paid annually by the Corporation and its other subsidiaries to FCN Risk Management, after paying insurance claims and other changes. This revenue is recognized upon receipt of payment. Trust department income is fees earned for certain asset management services that are charged on a monthly basis and recognized upon receipt of payment. Safe deposit box rental fees are charged to the customer on an annual basis and recognized upon receipt of payment. Check order income mainly represents fees charged to customers for checks. The Corporation determined that since rentals and renewals occur fairly consistently over time, revenue is recognized on a basis consistent with the duration of the performance obligation.

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE N - CONDENSED FINANCIAL STATEMENTS OF FCN BANC CORP.

The following condensed financial statements summarize the financial position of FCN Banc Corp. as of December 31, 2024 and 2023, and the results of its operations and cash flows for the years ended December 31, 2024 and 2023.

FCN Banc Corp.
STATEMENTS OF FINANCIAL CONDITION
 December 31, 2024 and 2023
 (In thousands)

ASSETS	2024	2023
Cash and cash equivalents	\$ 208	\$ 1,701
Investment in FCN Bank	49,049	49,681
Prepaid expenses	254	247
Dividend receivable from FCN Bank	<u>585</u>	<u>-</u>
Total assets	<u>\$50,096</u>	<u>\$51,629</u>
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Dividends payable	\$ <u>585</u>	\$ <u>588</u>
Total liabilities	<u>585</u>	<u>588</u>
Shareholders' equity		
Common stock	11,290	11,346
Additional paid-in capital	7,337	7,568
Retained earnings	62,519	60,633
Treasury shares	(1,933)	(1,933)
Unrealized losses on securities designated as available for sale, net	<u>(29,702)</u>	<u>(26,573)</u>
Total shareholders' equity	<u>49,511</u>	<u>51,041</u>
Total liabilities and shareholders' equity	<u>\$50,096</u>	<u>\$51,629</u>

FCN BANC CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2024 and 2023

NOTE N - CONDENSED FINANCIAL STATEMENTS OF FCN BANC CORP (continued)

**FCN Banc Corp.
STATEMENTS OF INCOME**
December 31, 2024 and 2023
(In thousands)

	2024	2023
Equity in earnings of FCN Bank	\$4,254	\$4,851
Fee income from subsidiary	-	41
General and administrative expenses	<u>(30)</u>	<u>(152)</u>
Income before income tax benefit	4,224	4,740
Income tax benefit	<u>6</u>	<u>26</u>
NET INCOME	<u>\$4,230</u>	<u>\$4,766</u>

**FCN Banc Corp.
STATEMENTS OF CASH FLOWS**
Years ended December 31, 2024 and 2023
(In thousands)

	2024	2023
Cash flows provided by (used in) operating activities:		
Net income	\$ 4,230	\$ 4,766
Adjustments to reconcile net income to net cash provided by operating activities:		
Undistributed earnings of consolidated subsidiary	(2,497)	(3,020)
Effect of changes in operating assets and liabilities:		
Other assets and liabilities	<u>(592)</u>	<u>(16)</u>
Net cash provided by (used in) operating activities	<u>1,141</u>	<u>1,730</u>
Cash flows provided by (used in) investing activities:		
Purchase of investment securities designated as available for sale	-	(864)
Proceeds from sale of investment securities designated as available for sale	-	736
Maturity of investment securities designated as available for sale	<u>-</u>	<u>845</u>
Net cash provided by (used in) investing activities	<u>-</u>	<u>717</u>
Cash flows provided by (used in) financing activities:		
Dividends on common stock	(2,347)	(2,566)
Purchase of treasury shares	<u>(287)</u>	<u>(78)</u>
Net cash provided by (used in) financing activities	<u>(2,634)</u>	<u>(2,644)</u>
Net decrease in cash and cash equivalents	(1,493)	(197)
Cash and cash equivalents at beginning of year	<u>1,701</u>	<u>1,898</u>
Cash and cash equivalents at end of year	<u>\$ 208</u>	<u>\$ 1,701</u>