



West-Central  
Bancorp, Inc.

# West-Central, Bancorp Inc. and Subsidiaries

## Consolidated Financial Report

December 31, 2024

# West-Central, Bancorp Inc. and Subsidiaries

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## **Independent Auditor's Report**

To the Board of Directors  
West-Central Bancorp, Inc. and Subsidiaries  
Spencer, West Virginia

### **Opinion**

We have audited the accompanying consolidated financial statements of West-Central Bancorp, Inc. and its Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2024 and the related consolidated statements of income, comprehensive income (loss), changes in shareholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

### **Basis of Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of West-Central Bancorp, Inc. and its Subsidiaries 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.

### **Prior Period Financial Statements**

The financial statements of the Company as of December 31, 2023 were audited by other auditors whose report dated February 22, 2024 expressed an unmodified opinion on those statements.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the West-Central Bancorp, Inc. and its Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

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

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

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
April 15, 2025



# **Consolidated Financial Statements**

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# West-Central Bancorp, Inc. and Subsidiaries

## Consolidated Balance Sheets

December 31, 2024 and 2023

	2024	2023
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and due from banks	\$ 4,007,440	\$ 3,111,504
Interest-earning deposits in other banks	453,198	430,334
Federal funds sold	18,405,000	-
Cash and cash equivalents	22,865,638	3,541,838
Time deposits	500,000	2,000,000
Investment securities		
Debt securities available-for-sale, at fair value	39,531,489	49,108,248
Other securities	84,000	79,800
Investment securities, net	39,615,489	49,188,048
Loans	84,104,921	88,426,195
Less: allowance for credit losses	(1,048,337)	(1,092,991)
Loans, net	83,056,584	87,333,204
Accrued interest receivable	399,500	419,062
Premises and equipment, net	2,670,144	2,841,526
Operating lease right-of-use assets	129,095	53,883
Other real estate owned	725,000	725,000
Cash surrender value - bank owned life insurance	3,551,850	3,493,516
Deferred income taxes	2,105,519	2,090,185
Other assets	147,446	249,575
	9,728,554	9,872,747
Total assets	<b>\$ 155,766,265</b>	<b>\$ 151,935,837</b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
Deposits		
Demand - noninterest-bearing	\$ 49,673,625	\$ 48,101,993
Demand - interest-bearing	12,836,193	23,377,148
Savings	18,993,692	19,937,924
Time	59,853,104	45,882,065
Total deposits	141,356,614	137,299,130
Advance payments from borrowers for taxes and insurance	113,794	120,693
Federal funds purchased	-	225,000
Accrued interest payable	255,198	136,428
Operating lease liabilities	129,095	53,883
Other liabilities	926,914	1,207,790
Total liabilities	142,781,615	139,042,924
<b>SHAREHOLDERS' EQUITY</b>		
Common stock, par value \$1.00; 5,000,000 shares authorized; 350,860 shares issued; 183,538 shares outstanding as of December 31, 2024 and 2024	350,860	350,860
Additional paid in capital	1,597,246	1,597,246
Retained earnings	19,356,848	19,740,174
Less: treasury stock, at cost (167,322 shares as of December 31, 2024 and 2023)	(4,268,015)	(4,268,015)
Accumulated other comprehensive loss	(4,052,289)	(4,527,352)
Total shareholders' equity	12,984,650	12,892,913
Total liabilities and shareholders' equity	<b>\$ 155,766,265</b>	<b>\$ 151,935,837</b>

# West-Central Bancorp, Inc. and Subsidiaries

## Consolidated Statements of Income

For Each of the Two Years in the Period Ended December 31, 2024

	2024	2023
<b>INTEREST INCOME</b>		
Interest and fees on loans	\$ 4,485,895	\$ 4,319,708
Interest on deposits in other banks	63,982	101,328
Interest on federal funds sold	384,910	118,284
Interest and dividends on investment securities	704,451	875,290
Total interest income	5,639,238	5,414,610
<b>INTEREST EXPENSE</b>		
Interest on deposits	1,699,918	1,028,147
Interest on federal funds purchased	491	11,646
Total interest expense	1,700,409	1,039,793
Net interest income	3,938,829	4,374,817
Credit loss expense	6,660	1,400
Net interest income after credit loss expense	3,932,169	4,373,417
<b>NONINTEREST INCOME</b>		
Service charges and fees	528,136	533,271
Increase in cash surrender value - bank owned life insurance	58,334	53,374
Net realized gains (losses) from sales of investment debt securities available-for-sale	(352,750)	32,851
Other income	52,086	75,767
Total noninterest income	285,806	695,263
<b>NONINTEREST EXPENSE</b>		
General and administrative		
Compensation and benefits	2,162,238	2,061,162
Occupancy and equipment	731,291	714,849
FDIC assessment	73,800	68,500
Data processing	580,604	545,766
Other expenses	1,161,607	1,033,101
Total noninterest expense	4,709,540	4,423,378
Income (loss) before income tax (benefit) expense	(491,565)	645,302
Income tax (benefit) expense	(200,008)	89,263
Net income (loss)	<u>\$ (291,557)</u>	<u>\$ 556,039</u>

## West-Central Bancorp, Inc. and Subsidiaries

### Consolidated Statements of Comprehensive Income

For Each of the Two Years in the Period Ended December 31, 2024

	2024	2023
<b>NET INCOME (LOSS)</b>	<u>\$ (291,557)</u>	<u>\$ 556,039</u>
<b>OTHER COMPREHENSIVE INCOME</b>		
Unrealized gains on investment debt		
securities available-for-sale arising during the year	297,314	1,278,424
Adjustment for income tax expense	<u>(83,286)</u>	<u>(345,870)</u>
	<u>214,028</u>	<u>932,554</u>
Reclassification adjustment for (gains) losses on investment debt		
securities available-for-sale included in net income	352,750	(32,851)
Adjustment for income tax expense (benefit)	<u>(91,715)</u>	<u>8,870</u>
	<u>261,035</u>	<u>(23,981)</u>
Other comprehensive income, net of income tax	<u>475,063</u>	<u>908,573</u>
Comprehensive income	<u><b>\$ 183,506</b></u>	<u><b>\$ 1,464,612</b></u>



**West-Central Bancorp, Inc. and Subsidiaries**  
**Consolidated Statements of Changes in Shareholders' Equity**  
For Each of the Two Years in the Period Ended December 31, 2024

	<b>Common Stock</b>	<b>Additional Paid-In Capital</b>	<b>Retained Earnings</b>	<b>Treasury Stock</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Total Shareholders' Equity</b>
<b>BALANCE, December 31, 2022</b>	\$ 350,860	\$ 1,597,246	\$ 19,368,115	\$ (4,210,269)	\$ (5,435,925)	\$ 11,670,027
Net Income	-	-	556,039	-	-	556,039
Comprehensive income	-	-	-	-	908,573	908,573
Cash dividends declared (\$1.00 per share)	-	-	(183,980)	-	-	(183,980)
Purchase of treasury stock (885 shares)	-	-	-	(57,746)	-	(57,746)
<b>BALANCE, December 31, 2023</b>	350,860	1,597,246	19,740,174	(4,268,015)	(4,527,352)	12,892,913
Net loss	-	-	(291,557)	-	-	(291,557)
Comprehensive income	-	-	-	-	475,063	475,063
Cash dividends declared (\$0.50 per share)	-	-	(91,769)	-	-	(91,769)
<b>BALANCE, December 31, 2024</b>	<b>\$ 350,860</b>	<b>\$ 1,597,246</b>	<b>\$ 19,356,848</b>	<b>\$ (4,268,015)</b>	<b>\$ (4,052,289)</b>	<b>\$ 12,984,650</b>

# West-Central Bancorp, Inc. and Subsidiaries

## Statements of Cash Flows

For Each of the Two Years in the Period Ended December 31, 2024

	2024	2023
<b>OPERATING ACTIVITIES</b>		
Net income (loss)	\$ (291,557)	\$ 556,039
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation	183,614	200,688
Credit loss expense	6,660	1,400
Provision for deferred income tax	(190,335)	35,095
Amortizations on investment securities, net	122,713	177,171
Net realized (gains) losses from sales of investment debt securities available-for-sale	352,750	(32,851)
Amortization of deferred gain on sale-leaseback transaction	-	(33,756)
(Increase) decrease in:		
Accrued interest receivable	19,562	6,899
Cash surrender value - bank owned life insurance	(58,334)	(53,374)
Other assets	102,129	(195,717)
Right-of-use operating lease asset	(75,212)	106,930
Increase (decrease) in:		
Accrued interest payable	118,770	115,466
Other liabilities	(287,536)	56,722
Operating lease liabilities	75,212	(106,930)
Total adjustments	369,993	277,743
Net cash provided by operating activities	78,436	833,782
<b>INVESTING ACTIVITIES</b>		
Net decrease in time deposits	1,500,000	750,000
Proceeds from sales, maturities, and calls of investment debt securities available-for-sale	9,045,756	3,154,598
Proceeds from principal payments on investment debt securities available-for-sale	705,604	702,573
Change in Federal Home Loan Bank stock	(4,200)	(11,500)
Net (increase) decrease in loans	4,276,620	(2,660,161)
Capital expenditures	(12,232)	(48,597)
Net cash provided by investing activities	15,511,548	1,886,913
<b>FINANCING ACTIVITIES</b>		
Net increase (decrease) in total deposits	4,057,484	(12,657,089)
Net increase (decrease) in advance payments from borrowers for taxes and insurance	(6,899)	13,934
Net increase (decrease) in short-term borrowings	(225,000)	225,000
Purchases of treasury stock	-	(57,746)
Cash dividends paid	(91,769)	(183,980)
Net cash provided by (used in) financing activities	3,733,816	(12,659,881)
Net increase (decrease) in cash and cash equivalents	19,323,800	(9,939,186)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	3,541,838	13,481,024
Ending	\$ 22,865,638	\$ 3,541,838

# West-Central Bancorp, Inc. and Subsidiaries

## Statements of Cash Flows

For Each of the Two Years in the Period Ended December 31, 2024

	2024	2023
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION</b>		
Cash paid during the year for:		
Interest	\$ 1,581,148	\$ 924,327
Income taxes	\$ -	\$ 180,250

# West-Central, Bancorp Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

December 31, 2024

### Note 1 – Summary of Significant Accounting and Reporting Policies

#### *Nature of Operations*

West-Central Bancorp, Inc. (the “Bancorp”) is a bank holding company whose wholly owned bank subsidiary, First Neighborhood Bank, Inc. (the “Bank”), is a commercial bank with operations in Spencer, Parkersburg, and Ripley, West Virginia. The Bank provides retail and commercial loans and deposit services principally to customers in Roane, Wood, and Jackson counties in West Virginia and surrounding counties. The Bank operates under a state bank charter and provides full banking services. As a state bank, the Bank is subject to regulation by the West Virginia Division of Financial Institutions and the Federal Deposit Insurance Corporation (FDIC). The Bancorp’s other subsidiary, West Central Insurance, LLC, had no significant operations during the years ended December 31, 2024 and 2023.

#### *Basis of Financial Statement Presentation*

The accounting and reporting policies of the Bancorp and its Subsidiaries conform with accounting principles generally accepted in the United States of America and with general practices followed within the banking industry.

#### *Principles of Consolidation*

The accompanying consolidated financial statements include the accounts of West-Central Bancorp, Inc. and its Subsidiaries, First Neighborhood Bank, Inc. and West Central Insurance, LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

#### *Use of Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates, such as the allowance for loan losses, are based on known facts and circumstances. Estimates are revised by management in the period such facts and circumstances change. Actual results could differ from those estimates.

#### *Comprehensive Income*

Accounting principles require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale debt securities, are reported as a separate component of the shareholders’ equity section of the balance sheets. Such items, along with net income, are components of comprehensive income.

	2024	2023
Unrealized losses on available for sale securities	\$ (5,551,289)	\$ (6,201,352)
Effect of income tax expense	1,499,000	1,674,000
	<u>\$ (4,052,289)</u>	<u>\$ (4,527,352)</u>

#### *Presentation of Cash Flows*

For the purpose of reporting cash flows, the Bancorp and its Subsidiaries have defined cash and cash equivalents as those amounts included in the consolidated balance sheets captions “Cash and due from banks” and “Interest-earning deposits

# **West-Central, Bancorp Inc. and Subsidiaries**

## **Notes to Consolidated Financial Statements**

**December 31, 2024**

in other banks,” which have original maturities of ninety (90) days or less, and “Federal funds sold.” Generally, federal funds are sold for one-day periods.

### ***Investment Securities***

It is the policy of the Bank to prohibit the use of their respective investment accounts to maintain a trading account or to speculate in securities that would demonstrate management’s intent to profit from short-term price movements.

Debt securities are classified as held-to-maturity when management has both the intent and ability to hold the securities to maturity. Securities held-to-maturity are carried at cost, adjusted for amortization of premiums and accretion of discounts computed by the interest method. There are no securities classified as held-to-maturity in the accompanying consolidated financial statements.

Debt securities not classified as held-to-maturity or as trading are classified as available-for-sale. Securities available-for-sale are carried at estimated fair value based on information provided by a third-party pricing service, with unrealized gains and losses, net of the deferred income tax effect, reported in accumulated other comprehensive income. Realized gains and losses on debt securities available-for-sale are included in noninterest income and, when applicable, are reported as a reclassification adjustment, net of income tax, in other comprehensive income. The cost of securities sold is determined on the specific-identification method. Purchase premiums are amortized to the earliest call date, while discounts on purchased debt securities are accreted to maturity. Amortization of premiums and accretion of discounts are recognized in interest income using the interest method.

### ***Allowance for Credit Losses***

#### **Held-to-Maturity Debt Securities**

For held-to-maturity debt securities, the Bancorp and its Subsidiaries are required to utilize a CECL methodology to estimate expected credit losses. Expected credit losses on held-to-maturity debt securities are measured on a collective basis by major security type, considering historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. There are no securities classified as held-to-maturity in the accompanying consolidated financial statements.

#### **Available-for-Sale Debt Securities**

For available-for-sale debt securities in an unrealized loss position, the Bancorp and its Subsidiaries 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 available-for-sale debt securities that do not meet the aforementioned criteria, the Bancorp and its Subsidiaries evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Bancorp and its Subsidiaries considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

# West-Central, Bancorp Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

December 31, 2024

Changes in the allowance for credit losses are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance when the Bancorp and its Subsidiaries believe the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met. As of December 31, 2024 and 2023, the Bancorp and its Subsidiaries determined that the unrealized loss positions in available-for-sale securities were not the result of credit losses, and therefore, an allowance for credit losses was not recorded.

Accrued interest receivable on securities available-for-sale totaled \$167,765 and \$218,139 at December 31, 2024 and 2023, respectively, and is excluded from the estimate of credit losses

### Loans

The Bank grants commercial, mortgage, and installment loans to customers. A substantial portion of the loan portfolio is represented by mortgage loans throughout West Virginia. The ability of the Bank's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans are stated at the amount of unpaid principal balances, less the allowance for credit losses.

Interest on loans is accrued based on principal amounts outstanding.

### Allowance for Credit Losses – Loans

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

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. Probability of default based on FDIC data and the Bank's historical credit loss experience adjusted for economic index rates provides the basis for the estimation of expected credit losses. Adjustments are then made for differences in current loan-specific risk characteristics. Differences in items such as underwriting standards, portfolio mix, delinquency level, or term as well as changes in environmental conditions, such as changes in unemployment rates, property values, peer comparison, or other relevant factors may be considered in the adjustments. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. The Bancorp and its Subsidiaries made a policy election to present the accrued interest receivable balance separately in its consolidated balance sheets from the amortized cost of the loan.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Bancorp and its Subsidiaries have identified the following portfolio segments and measures the allowance for credit losses using the following method:

- Method: Probability of default/loss given default using a time series model
  - Commercial
    - Commercial & Industrial Line
    - Commercial & Industrial Loans
    - Commercial Real Estate
    - Commercial Real Estate Line of Credit
  - Real Estate
    - Agricultural Loans

# West-Central, Bancorp Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

December 31, 2024

- Home Equity Line of Credit
- Residential Real Estate
- Installment & Other
  - Automobile
  - Consumer Loans
  - Municipal/State

Risks related to agricultural loans include volatility of agricultural commodity prices, variations in crop yields, farmland values, and farm production costs. Automobile and consumer loan risk pool characteristics are influenced by general, regional, and local economic conditions. Commercial and industrial loans and lines are normally dependent upon the borrower's internal cash flow from operations to service debt or on external income of third parties for use of the real estate such as rents and leases. Commercial real estate loans and lines of credit are generally dependent on cash flow from the ongoing operations and activities conducted by the party who owns the property. Risks of residential real estate loans and home equity lines of credit are dependent upon individual borrowers who are affected by changes in general economic conditions, demand for housing, and resulting residential real estate valuation. The municipal and state pool is comprised of loans to state and political subdivisions in the U.S. which are guaranteed by the full faith and credit authority of the state or political subdivision.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, but may also include other non-performing loans or troubled debt restructurings, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate. These individually evaluated loans are removed from their respective pools and typically represent collateral dependent loans.

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

Accrued interest receivable on loans totaled \$231,735 and \$200,923 at December 31, 2024 and 2023, respectively, and was excluded from the estimate of credit losses.

### *Off-Balance-Sheet Credit Exposures*

In the ordinary course of business, the Bancorp and its Subsidiaries enter into off-balance sheet financial instruments consisting of commitments to extend credit and irrevocable letters of credit. Such financial instruments are recorded in the consolidated financial statements when they become payable. The Bancorp and its Subsidiaries estimate expected credit losses over the contractual period in which the Bancorp and its Subsidiaries are exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Bancorp and its Subsidiaries. The allowance for credit losses on off-balance sheet credit exposures is adjusted as 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. Methodology is based on a loss rate approach that starts with the probability of funding based on historical experience. Adjustments are made to the historical losses for current conditions and reasonable and supportable forecast. As of December 31, 2024 and 2023, the Bancorp and its Subsidiaries have not identified any specific categories of off-balance sheet credit exposures, and no credit loss reserve was recorded

# **West-Central, Bancorp Inc. and Subsidiaries**

## **Notes to Consolidated Financial Statements**

**December 31, 2024**

### *Charge Off of Uncollectible Loans*

Generally, any unsecured commercial loan that has reached 180 days delinquent in payment of interest must be charged off in full. If secured, the charge-off is generally made to reduce the loan balance to a level equal to the liquidation value of the collateral when payment of principal and interest is six months delinquent. Any commercial loan, secured or unsecured, on which a principal or interest payment has not been made within 90 days, is reviewed monthly for appropriate action.

First mortgage residential real estate loans, which are well-secured and in process of collection are to be charged off on or before becoming 365 days past due. Home equity and improvement loans are to be reviewed before they become 180 days past due, and are to be charged off unless they are well-secured and in process of collection. If well-secured and in process of collection, charge-off can be deferred until the loan is 365 days past due.

Consumer loans that are past due 120 cumulative days from the contractual due date are charged off. Any consumer loan on which a principal or interest payment has not been made within 90 days is reviewed monthly for appropriate action.

Outside of the circumstances described above, loans are charged off if a loss confirming event occurs. Loss confirming events include, but are not limited to, bankruptcy (unsecured), continued delinquency, or receipt of an asset valuation indicating a collateral deficiency and that asset is the sole source of repayment. Management monitors differences between expected and incurred loan losses. This monitoring process includes periodic assessments by senior management of loan portfolios and the models used to estimate expected credit losses in those portfolios. Additions to the allowance for credit losses are made by charges to credit loss expense. Credit exposures deemed to be uncollectible are charged against the allowance for credit losses. Recoveries of previously charged off amounts are credited to the allowance for credit losses.

### *Loan Modifications*

Occasionally, the Company modifies loans to borrowers in financial distress by providing modifications such as principal forgiveness, term extension, an other-than-significant payment delay, or interest rate reduction. In some cases, the Company may provide multiple types of concessions on one loan. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses. Upon the Company's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

### *Premises and Equipment*

Land is carried at cost. Bank buildings and equipment are carried at cost, less accumulated depreciation. Depreciation is computed primarily using the straight-line method for financial reporting purposes over the estimated useful lives of the respective assets, which range from 3 to 10 years for equipment and 10 to 50 years for buildings and improvements. Useful lives are revised when a change in life expectancy becomes apparent.

Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations as realized.



# **West-Central, Bancorp Inc. and Subsidiaries**

## **Notes to Consolidated Financial Statements**

**December 31, 2024**

### *Leases*

Leases are evaluated at inception to determine if an arrangement is or contains a lease. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities in the consolidated balance sheets. The Bank has no finance leases. Short-term leases (i.e., leases with an initial term of twelve months or less that do not contain a purchase option that is likely to be exercised) are not recorded on the consolidated balance sheet. Operating lease ROU assets represent the Bank's right to use an underlying asset for the lease term, and operating lease liabilities represent the Bank's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of the future lease payments over the lease term. The leases do not provide an implicit rate, so the Bank uses the risk-free rate of return based on the information available at commencement date as the discount rate in determining the present value of lease payments. The discount rate is reevaluated upon lease modification. The operating lease ROU asset also includes initial direct costs and prepaid lease payments made, if any, less lease incentives, if any. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised.

### *Other Real Estate Owned*

Real estate acquired through, or in lieu of, loan foreclosure is held-for-sale and is initially recorded at the lower of the Bank's cost (book value) or fair value less estimated selling costs at the date of foreclosure. Any write downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, valuations are periodically performed by management, and any subsequent write downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower new fair value less costs to sell. Costs of significant property improvements are capitalized, whereas costs relating to holding the property are expensed. The portion of interest costs relating to development of real estate is capitalized.

### *Advertising*

The Bancorp and its Subsidiaries' policy is to expense advertising costs as incurred. Advertising expense for the years ended December 31, 2024 and 2023 were \$68,824 and \$71,615, respectively.

### *Income Taxes*

Income taxes are provided for the tax effects of the transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of debt securities available-for-sale, supplemental employee benefit plans, subsequent loss write downs on other real estate owned, the allowance for loan losses, and accumulated depreciation for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. Valuation limitation reserves are established, as deemed necessary, and adjusted periodically on certain deferred tax assets to reflect estimated recoverability of the asset in a reasonable time period. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

The Bancorp and its Subsidiaries file consolidated federal and state tax returns. Tax allocation arrangements between the Bancorp and its Subsidiaries follow the policy of determining federal and state income taxes as if the Subsidiaries filed separate federal and state income tax returns.

# **West-Central, Bancorp Inc. and Subsidiaries**

## **Notes to Consolidated Financial Statements**

**December 31, 2024**

### *Employee Benefit Plans*

The Bank has a profit-sharing plan and an employee stock ownership plan (ESOP), which covers substantially all employees. The amount of the contributions to the plans is at the discretion of the Bank's Board of Directors.

### *Federal Home Loan Bank (FHLB) Stock*

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

### *Bank Owned Life Insurance*

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

### *Fair Value Measurements*

The Bancorp and its Subsidiaries follow the guidance of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 825, *Financial Instruments*, and FASB ASC 820, *Fair Value Measurements*. This guidance permits entities to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Under this guidance, fair value measurements are not adjusted for transaction costs. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

### *Revenue Recognition*

The majority of the Bank's revenue is from interest income including loans and securities that are outside the scope ASC 606. The services that fall within the scope of the standard are presented within noninterest income on the statements of income and are recognized as revenue as the Bank satisfies its obligations to the customer. The revenue that falls within the scope of ASC 606 is primarily related to service charges on deposit accounts, other service charges and fees, sales of OREO, insurance commissions, and miscellaneous fees.

The Bank earns fees from its deposit customers for overdraft and account maintenance services. Overdraft fees are recognized when the overdraft occurs. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Bank satisfies the performance obligation. The Bank also earns fees from its customers for transaction-based services. Such services include safe deposit, ATM, stop payment, and wire transfer fees. In each case, these service charges and fees are recognized as income at the time or within the same period that the Bank's performance obligation is satisfied.

# West-Central, Bancorp Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

December 31, 2024

### *Transfers of Financial Assets*

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank – put presumptively beyond the reach of the transferor and its creditors, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

### *Subsequent Events*

Management has evaluated the accompanying consolidated financial statements for subsequent events and transactions through April 15, 2025, the date these financial statements were available for issue, and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying consolidated financial statements or require additional disclosure.

### **Note 2 – Restriction on Cash and Due From Banks**

The Bank met the requirement to maintain reserve funds by either cash on hand or cash on deposit with the Federal Reserve Bank as of December 31, 2024 and 2023.

### **Note 3 – Investment Securities**

The amortized cost, gross unrealized gains, gross unrealized losses, and fair values of investment securities as of December 31 are summarized as follows:

	<b>2024</b>				
	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Allowance for Credit Losses</b>	<b>Fair Value</b>
Debt securities available-for-sale					
U.S. government and federal agencies	\$ 16,829,834	\$ -	\$ (2,319,558)	\$ -	\$ 14,510,276
U.S. treasuries	7,001,269	-	(202,874)	-	6,798,395
Mortgage-backed securities	5,641,316	-	(835,618)	-	4,805,698
State, county, and municipal – nontaxable	11,429,580	-	(1,549,388)	-	9,880,192
State, county, and municipal – taxable	4,180,779	-	(643,851)	-	3,536,928
	<b>\$ 45,082,778</b>	<b>\$ -</b>	<b>\$ (5,551,289)</b>	<b>\$ -</b>	<b>\$ 39,531,489</b>

# West-Central, Bancorp Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

December 31, 2024

	2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Debt securities available-for-sale					
U.S. government and federal agencies	\$ 17,829,110	\$ -	\$ (2,595,248)	\$ -	\$ 15,233,862
U.S. treasuries	12,998,261	-	(612,403)	-	12,385,858
Mortgage-backed securities	6,354,029	-	(843,326)	-	5,510,703
State, county, and municipal – nontaxable	13,935,759	-	(1,457,079)	-	12,478,680
State, county, and municipal – taxable	4,192,441	-	(693,296)	-	3,499,145
	<b>\$ 55,309,600</b>	<b>\$ -</b>	<b>\$ (6,201,352)</b>	<b>\$ -</b>	<b>\$ 49,108,248</b>

The caption “Other securities” in the consolidated balance sheets consists of Federal Home Loan Bank stock. This restricted equity security is carried at cost since it may only be sold back to the Federal Home Loan Bank or another member at par value.

Information pertaining to investment securities with gross unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is as follows:

	December 31, 2024					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Debt securities available-for-sale						
U.S. government and federal agencies	\$ -	\$ -	\$ 14,510,276	\$ (2,319,558)	\$ 14,510,276	\$ (2,319,558)
U.S. treasuries	-	-	6,798,395	(202,874)	6,798,395	(202,874)
Mortgage-backed securities	-	-	4,805,698	(835,618)	4,805,698	(835,618)
State, county, and municipal – nontaxable	-	-	9,880,192	(1,549,388)	9,880,192	(1,549,388)
State, county, and municipal – taxable	-	-	3,536,928	(643,851)	3,536,928	(643,851)
	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 39,531,489</b>	<b>\$ (5,551,289)</b>	<b>\$ 39,531,489</b>	<b>\$ (5,551,289)</b>

	December 31, 2023					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Debt securities available-for-sale						
U.S. government and federal agencies	\$ -	\$ -	\$ 15,233,862	\$ (2,595,248)	\$ 15,233,862	\$ (2,595,248)
U.S. treasuries	-	-	12,385,858	(612,403)	12,385,858	(612,403)
Mortgage-backed securities	-	-	5,510,703	(843,326)	5,510,703	(843,326)
State, county, and municipal – nontaxable	-	-	12,478,680	(1,457,079)	12,478,680	(1,457,079)
State, county, and municipal – taxable	-	-	3,499,145	(693,296)	3,499,145	(693,296)
	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 49,108,248</b>	<b>\$ (6,201,352)</b>	<b>\$ 49,108,248</b>	<b>\$ (6,201,352)</b>

Impairment is evaluated considering numerous factors and their relative significance varies from case to case. Factors considered include the length of time and extent to which the fair value has been less than cost; the financial condition

# **West-Central, Bancorp Inc. and Subsidiaries**

## **Notes to Consolidated Financial Statements**

**December 31, 2024**

and near-term prospects of the issuer; and the intent and ability to retain the security in order to allow for an anticipated recovery in fair value.

As of December 31, 2024 and 2023 there were fifty (50) and sixty-four (64) debt securities in an unrealized loss position. These securities are predominately rated investment grade securities and the unrealized losses are due to the current interest rate environment and not due to any underlying credit concerns of the issuers. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies or by a state or political subdivision, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold debt securities until maturity, or for the foreseeable future, if classified as available-for-sale, none of the securities are deemed to be impaired.

### *U.S. Government and Federal Agency Securities*

The portfolio includes securities issued by Federal Home Loan Bank, Federal Farm Credit Bank, Fannie Mae, and Freddie Mac. These securities provide a guarantee of full and timely payments of principal and interest by the issuing agency. The Bancorp 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 Bancorp has not recorded credit losses against any of its U.S. government and federal agency securities at December 31, 2024 and 2023.

### *U.S. Treasury Securities*

The portfolio includes securities issued by U.S. government. These securities provide a guarantee of full and timely payments of principal and interest by the issuing agency. The Bancorp 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 Bancorp has not recorded credit losses against any of its U.S. treasury securities at December 31, 2024 and 2023.

### *Mortgage-Backed Securities*

The portfolio includes securities issued by Fannie Mae and Freddie Mac. These securities provide a guarantee of full and timely payments of principal and interest by the issuing agency. The Bancorp 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 Bancorp has not recorded credit losses against any of its mortgage-backed securities at December 31, 2024 and 2023.

### *State, County, and Municipal*

#### Nontaxable

The portfolio includes securities issued by various municipalities throughout the United States. The Bancorp monitors the credit ratings of these securities and the majority of the portfolio is rated AA or higher. Additionally, the Bancorp 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 Bancorp has not recorded credit losses against any of its state, county, and municipal - nontaxable securities at December 31, 2024 and 2023.

# West-Central, Bancorp Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

December 31, 2024

### Taxable

The portfolio includes securities issued by various municipalities throughout the United States. The Bancorp monitors the credit ratings of these securities and the majority of the portfolio is rated AA or higher. Additionally, the Bancorp 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 Bancorp has not recorded credit losses against any of its state, county, and municipal - taxable securities at December 31, 2024 and 2023.

The amortized cost and fair values of securities as of December 31, 2024, are summarized by contractual maturity as follows:

	<b>Debt Securities Available-for-Sale</b>	
	<b>Amortized Cost</b>	<b>Fair Value</b>
Due in one year or less	\$ 3,994,786	\$ 3,909,293
Due after one year through five years	14,118,755	12,869,790
Due after five years through ten years	14,804,675	12,384,138
Due after ten years	12,164,562	10,368,268
	<b>\$ 45,082,778</b>	<b>\$ 39,531,489</b>

Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

Securities pledged to secure public deposits and for other purposes required or permitted by law had a carrying value of \$6,000,200 and \$5,996,963 as of December 2024 and 2023, respectively.

The following is a summary of the proceeds from sales of investment debt securities available-for-sale and the related gross realized gains and losses:

<b>Year Ending December 31,</b>	<b>Proceeds</b>	<b>Gross Realized Gains</b>	<b>Gross Realized Losses</b>
2024	\$ 9,045,756	\$ -	\$ 352,750
2023	3,154,598	38,478	(5,627)

# West-Central, Bancorp Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

December 31, 2024

### Note 4 – Loans

The composition of recorded investment in loans by segment for December 31 is as follows:

	2024	2023
Secured by real estate		
Construction	\$ 122,392	\$ 109,947
Farmland	1,963,036	2,017,386
Residential	48,508,722	50,372,303
Commercial	18,440,486	20,839,288
Commercial and industrial	11,594,357	10,304,123
Consumer	3,173,698	4,482,131
Government	302,230	301,017
Total loans	84,104,921	88,426,195
Less allowance for loan losses	(1,048,337)	(1,092,991)
Total loans, net	<u>\$ 83,056,584</u>	<u>\$ 87,333,204</u>

As of December 31, 2024 and 2023, overdrafts from deposit accounts of \$28,342 and \$29,290, respectively, are included within the appropriate loan segments above.

In the ordinary course of business, the Bancorp and its Subsidiaries have and expect to continue to have transactions, including borrowings, with its officers, directors, and their affiliates. In the opinion of management, such transactions were on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the time of comparable transactions with other customers and did not involve more than a normal credit risk of collectability or present any other unfavorable features to the Bancorp and its Subsidiaries. Loans to such borrowers as of December 31, are summarized as follows:

	2024	2023
Balance at beginning of year	\$ 5,172,808	\$ 5,943,127
Repayments	(1,692,141)	(1,820,323)
Borrowings	2,558,771	1,050,004
Change in status	-	-
Balance at end of year	<u>\$ 6,039,438</u>	<u>\$ 5,172,808</u>

### Note 5 – Credit Quality

Management monitors the credit quality of loans on an ongoing basis. Measurement of delinquency and past due status are based on the contractual terms of the loan.

For all loan classes, past due loans are reviewed on a weekly basis to identify loans for nonaccrual status. Generally, when full collection of the principal and interest is jeopardized, the loan is placed on nonaccrual. The accrual of interest income generally is discontinued when a loan becomes 90 days or more past due as to principal or interest, unless the loan is fully secured and in the process of collection and resolution of collection is expected in the near term (generally less than 90 days). When interest accruals are discontinued, unpaid interest recognized in income in the current year is reversed, and unpaid interest accrued in prior years is charged to the allowance for loan losses. The Bank's method of income recognition for loans that are classified as nonaccrual is to recognize interest income on a cash basis or to apply the cash receipt to principal when the ultimate collectability of the principal is in doubt. Management may elect to continue the accrual of

# West-Central, Bancorp Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

December 31, 2024

interest when the estimated net realized value of collateral exceeds the principal balance and accrued interest, and the loan is in the process of collection. Nonaccrual loans will not normally be returned to accrual status unless all past due principal and interest have been paid.

The following table sets forth the Bank's age analysis of its past due loans, segregated by class of loans as of December 31:

2024						
	30-89 Days Past Due	90 Days of More Past Due	Total Past Due	Total Current	Total	Recorded Investment >90 Days and Accruing
Secured by real estate						
Construction	\$ -	\$ -	\$ -	\$ 122,392	\$ 122,392	\$ -
Farmland	-	-	-	1,963,036	1,963,036	-
Residential	157,700	-	157,700	48,351,022	48,508,722	-
Commercial	433,495	-	433,495	18,006,991	18,440,486	-
Commercial and industrial	-	-	-	11,594,357	11,594,357	-
Consumer	16,616	-	16,616	3,157,082	3,173,698	-
Government	-	-	-	302,230	302,230	-
	<u>\$ 607,811</u>	<u>\$ -</u>	<u>\$ 607,811</u>	<u>\$ 83,497,110</u>	<u>\$ 84,104,921</u>	<u>\$ -</u>
2023						
	30-89 Days Past Due	90 Days of More Past Due	Total Past Due	Total Current	Total	Recorded Investment >90 Days and Accruing
Secured by real estate						
Construction	\$ -	\$ -	\$ -	\$ 109,947	\$ 109,947	\$ -
Farmland	-	-	-	2,017,386	2,017,386	-
Residential	215,255	-	215,255	50,157,048	50,372,303	-
Commercial	-	-	-	20,839,288	20,839,288	-
Commercial and industrial	104,249	-	104,249	10,199,874	10,304,123	-
Consumer	12,727	-	12,727	4,469,404	4,482,131	-
Government	-	-	-	301,017	301,017	-
	<u>\$ 332,231</u>	<u>\$ -</u>	<u>\$ 332,231</u>	<u>\$ 88,093,964</u>	<u>\$ 88,426,195</u>	<u>\$ -</u>

The Bank generally places loans on nonaccrual status when the full and timely collection of interest or principal becomes uncertain, part of the principal balance has been charged off and no restructuring has occurred, or the loans reach a certain number of days past due.

The Bank had no nonaccrual loans as of December 31, 2024 and 2023.

The Bank has not granted modifications to borrowers experiencing financial difficulty in a troubled debt restructuring during the years ended December 31, 2024 and 2023.

As of December 31, 2024, there are no commitments to lend additional funds to any borrower with financial difficulty whose loan terms have been modified.

As of December 31, 2024, there were no loans in formal foreclosure procedures.

The Bank assigns credit quality indicators of pass, special mention, substandard, doubtful, and loss to its loans. The loans are internally assigned a grade based on a combination of the known creditworthiness of the borrower and on the loan's delinquency status. The Bank updates these grades on a quarterly basis.



# West-Central, Bancorp Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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A loan classified as pass has strong asset quality and liquidity along with a multi-year track record of profitability.

A loan classified as special mention has potential weaknesses that deserve management's close attention. If left unmonitored, these potential weaknesses may result in deterioration of the repayment prospects for such loans or in the borrower's credit position at some future date. Adverse economic or market conditions may also support a special mention rating. Other nonfinancial reasons for rating a credit exposure as special mention can include known borrower problems, pending litigation, or lending agreement issues.

A loan classified as substandard contains weaknesses that, if left uncorrected, create some degree of doubt as to the likelihood of full collection of principal and interest. These loans require intensive supervision by management. Such loans are generally characterized by current or expected unprofitable operations, inadequate debt service coverage, inadequate liquidity, or marginal capitalization. Repayment may depend on collateral or other credit risk mitigants.

A loan classified as doubtful exhibits all the weaknesses inherent in one classified as substandard with the additional characteristic that the weaknesses make its collection in full, based on currently existing facts, conditions, and values, highly questionable and improbable. A doubtful loan has a high probability of total or substantial loss, but because of specific pending events that may strengthen the credit, its classification as loss is deferred at the present time. Doubtful borrowers are usually in default, lack adequate liquidity or capital, and lack the resources necessary to remain operationally solvent. Specific pending events may include mergers, acquisitions, liquidations, capital injections, the perfection of liens of additional collateral, the valuation of collateral, and refinancing. Loans classified as doubtful are also considered impaired. Generally, consumer credit exposures are charged off prior to being classified as doubtful.

A loan classified as a loss is considered uncollectible. This classification does not guarantee that the loan has no recovery or salvage value, but rather it is not practical or desirable to defer charging off the loan even though partial recovery may be affected in the future.

The following table sets forth the Bank's credit quality indicators information, segregated by class of loans as of December 31:

	2024					Total
	Pass	Special Mention	Substandard	Doubtful	Loss	
Secured by real estate						
Construction	\$ 122,392	\$ -	\$ -	\$ -	\$ -	\$ 122,392
Farmland	1,963,036	-	-	-	-	1,963,036
Residential	47,864,679	521,974	122,069	-	-	48,508,722
Commercial	17,428,610	1,011,876	-	-	-	18,440,486
Commercial and industrial	11,594,357	-	-	-	-	11,594,357
Consumer	3,173,698	-	-	-	-	3,173,698
Government	302,230	-	-	-	-	302,230
	<b>\$ 82,449,002</b>	<b>\$ 1,533,850</b>	<b>\$ 122,069</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 84,104,921</b>

# West-Central, Bancorp Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

December 31, 2024

	2023					Total
	Pass	Special Mention	Substandard	Doubtful	Loss	
Secured by real estate						
Construction	\$ 109,947	\$ -	\$ -	\$ -	\$ -	\$ 109,947
Farmland	2,017,386	-	-	-	-	2,017,386
Residential	50,205,980	-	166,323	-	-	50,372,303
Commercial	20,764,264	-	75,024	-	-	20,839,288
Commercial and industrial	10,235,552	-	68,571	-	-	10,304,123
Consumer	4,482,131	-	-	-	-	4,482,131
Government	301,017	-	-	-	-	301,017
	<u>\$ 88,116,277</u>	<u>\$ -</u>	<u>\$ 309,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,426,195</u>

### Note 6 – Allowance for Credit Losses

The Bank considers the allowance for credit losses of \$1,048,337 and \$1,092,991 adequate to cover loan losses inherent in the loan portfolio as of December 31, 2024 and 2023, respectively. All disclosures as of and for the years ended December 31, 2024 and 2023 are presented in accordance with ASC 326.

The following table presents by portfolio segment, the changes in the allowance for credit losses for the years ended December 31.

	2024				
	Commercial	Real Estate	Installment and Other	Unallocated	Total
Allowance for credit losses					
Beginning balance	\$ 139,106	\$ 545,482	\$ 127,566	\$ 280,837	\$ 1,092,991
Charge-offs	(35,950)	-	(8,704)	-	(44,654)
Recoveries	-	-	-	-	-
Provision	280,837	-	-	(280,837)	-
Ending balance	<u>\$ 383,993</u>	<u>\$ 545,482</u>	<u>\$ 118,862</u>	<u>\$ -</u>	<u>\$ 1,048,337</u>
	2023				
	Commercial	Real Estate	Installment and Other	Unallocated	Total
Allowance for credit losses					
Beginning balance	\$ 517,996	\$ 194,808	\$ 29,548	\$ 275,831	\$ 1,018,183
Charge-offs	(8,118)	-	(3,286)	-	(11,404)
Recoveries	81,037	-	3,775	-	84,812
Provision	(451,809)	350,674	97,529	5,006	1,400
Ending balance	<u>\$ 139,106</u>	<u>\$ 545,482</u>	<u>\$ 127,566</u>	<u>\$ 280,837</u>	<u>\$ 1,092,991</u>

# West-Central, Bancorp Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

December 31, 2024

### Note 7 – Premises and Equipment

The major categories of premises and equipment are as follows:

	2024	2023
Land	\$ 922,931	\$ 922,931
Building and improvements	3,271,853	3,271,853
Furniture, fixtures, and equipment	2,125,527	2,104,769
Automobile	69,809	69,809
	<u>6,390,120</u>	<u>6,369,362</u>
Less accumulated depreciation	(3,719,976)	(3,527,836)
Total cost, net	<u><u>\$ 2,670,144</u></u>	<u><u>\$ 2,841,526</u></u>

Depreciation expense for the years ended December 31, 2024 and 2023 totaled \$183,614 and \$200,688, respectively.

### Note 8 – Deposits

Time deposits issued in denominations that meet or exceed the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000 or more totaled \$33,082,006 and \$16,097,265 as of December 31, 2024 and 2023, respectively.

	2024	2023
NOW accounts	\$ 3,208,608	\$ 4,649,974
Demand deposits	49,673,625	48,101,993
Money market accounts	9,627,585	18,727,174
Savings deposits	18,993,692	19,937,924
Certificates of deposits	59,853,104	45,882,065
Total deposits	<u><u>\$ 141,356,614</u></u>	<u><u>\$ 137,299,130</u></u>

As of December 31, 2024, the maturity distribution of time deposits is as follows:

2025	\$ 56,107,053
2026	1,948,645
2027	1,116,592
2028	521,726
2029	159,088
	<u><u>\$ 59,853,104</u></u>

The Bank held related party deposits of approximately \$34,653,462 and \$29,389,000 as of December 31, 2024 and 2023, respectively.

### Note 9 – Short-Term Borrowings

The Bank has obtained unsecured, uncommitted, borrowing facilities for the purchase of federal funds in the amounts of \$4,500,000 from SouthState Bank, N.A. (SSB) and \$5,000,000 from Pacific Coast Bankers' Bank (PCBB). Any borrowings bear an interest rate which is determined at the time of each advance. Requests for advances under these facilities are subject to SSB and PCBB's sole and absolute discretion, including, without limitation, the availability of funds. There were no borrowings outstanding as of December 31, 2024 and 2023, respectively.

# West-Central, Bancorp Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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The Bank is a member of the Federal Home Loan Bank of Pittsburgh (FHLB). As a member, the Bank has an open line of credit commitment from the FHLB. Any advances bear interest at the interest rate posted by the FHLB on the day of the borrowing and are subject to change daily. Any advances are secured by a blanket lien on certain loans secured by 1 to 4 family mortgages made by the Bank and other eligible collateral. As of December 31, 2024, no loans were pledged for collateral. In addition, the Bank has a maximum borrowing capacity with the FHLB of approximately \$48,270,650 based on qualifying loan collateral. As of December 31, 2024 and 2023, outstanding borrowings were \$-0- and \$225,000, respectively.

### Note 10 – Income Taxes

The consolidated provision for income taxes consists of the following for the years ended December 31:

	2024	2023
Current	\$ (9,673)	\$ 54,168
Deferred	(190,335)	35,095
Total income tax (benefit) expense	<u>\$ (200,008)</u>	<u>\$ 89,263</u>

Deferred income taxes reflect the impact of “temporary differences” between amounts of assets and liabilities for financial reporting purposes and such amounts as measured for tax purposes. Deferred tax assets and liabilities represent the future tax return consequences of temporary differences, which will either be taxable or deductible when the related assets and liabilities are recovered or settled.

Management believes that the Bank will generate sufficient future taxable income to realize the deferred tax assets. Management continually reviews the need for a valuation allowance and will recognize tax benefits only as reassessment indicates that it is more likely than not that the benefits will be realized.

Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

The tax effects of temporary differences which give rise to the Bancorp’s deferred tax assets and liabilities are as follows at December 31:

	2024	2023
Deferred tax assets		
Provision for credit losses	\$ 187,808	\$ 199,416
Employee benefit plans	229,539	251,488
Deferred gain on sale-leaseback	-	4,388
Net unrealized loss on securities available-for-sale	1,499,000	1,674,000
Charitable contributions	650	-
Federal net operating loss	199,649	-
State net operating loss	18,537	-
Total deferred tax assets	<u>2,135,183</u>	<u>2,129,292</u>
Deferred tax liabilities		
Accumulated depreciation	(29,664)	(39,107)
Total deferred tax liabilities	<u>(29,664)</u>	<u>(39,107)</u>
Net deferred tax assets	<u>\$ 2,105,519</u>	<u>\$ 2,090,185</u>

# West-Central, Bancorp Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Bancorp and its Subsidiaries and recognize a tax liability (or asset) if the Bancorp and its Subsidiaries have taken an uncertain position that more-likely-than-not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed tax positions taken by the Bancorp and its Subsidiaries, and has concluded that as of December 31, 2024, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Bancorp files income tax returns in the United States federal jurisdiction and West Virginia state jurisdiction, and is subject to examination of those filings by the authorities representing those jurisdictions. There are no current examinations in process for any filings, and management believes that the Bancorp is not subject to audit for any years prior to 2021.

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### Note 11 – Employee Benefit Plans

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#### *Profit Sharing and Employee Stock Ownership Plans*

The Bank has a defined contribution profit sharing plan covering substantially all employees. The Bank's contributions under the profit sharing plan are funded with a trustee and are contingent upon the Bank achieving a minimum earnings level.

The Bank has an Employee Stock Ownership Plan (ESOP) which enables eligible employees to acquire shares of the Bancorp's common stock. The cost of the ESOP is borne by the Bank through annual contributions to an Employee Stock Ownership Trust, the trustees of which are also members of the Bancorp and its Subsidiary Bank's Board of Directors. The expense recognized by the Bank is based on cash contributed or committed to be contributed by the Bank to the ESOP during the year. Dividends made by the Bancorp to the ESOP are reported as a reduction to retained earnings. The ESOP owns 20,722 shares of the Bancorp's common stock as of December 31, 2024, all of which are considered outstanding for earnings per share computations. The Bank's Board of Directors elected to terminate the ESOP effective December 17, 2021. That request was then terminated during 2024 with the Internal Revenue Service due to the pending Merger. The ESOP is currently frozen.

The amount of the contributions to the profit-sharing plan and the ESOP (prior to termination of the plan as of December 17, 2021) are determined at the discretion of the Bank's Board of Directors in compliance with Internal Revenue Service limitations. Contributions have historically been made in the amount of 10% of the Bank's income before profit-sharing, ESOP, and income taxes. In the event this calculated contribution exceeds the amount allowable under current Internal Revenue Service regulations, the excess is distributed to the employees in the form of a cash bonus. Contributions to the plans, for the years ended December 31, 2024 and 2023, were \$-0- and \$80,600, respectively.

#### *Executive Supplemental Income Plan*

The Bank has entered into a nonqualified supplemental income plan with certain current and former senior officers that provide these participating officers with an income benefit payable at retirement age or death. The liabilities accrued for the Executive Supplemental Income Plan as of December 31, 2024 and 2023, were \$928,897 and \$967,271, respectively, which are included in other liabilities in the accompanying consolidated balance sheets. In addition, the Bank has purchased certain insurance contracts to fund the liabilities arising under this plan. As of December 31, 2024 and 2023, the cash surrender value of these insurance contracts was \$3,551,850 and \$3,493,516, respectively.

# West-Central, Bancorp Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

December 31, 2024

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### Note 12 – Restrictions on Bank Dividends

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The payment of dividends to shareholders by the Bancorp is not encumbered by any restrictive provisions. There are, however, limitations set by law on the amount of funds available to the Bancorp from its Subsidiary Bank. Dividends may be paid out of funds legally available subject to the restrictions set forth in *West Virginia Code*, Section 31-A-4-25, which provides that prior approval of the West Virginia Commissioner of Financial Institutions is required if the total of all dividends declared by a state bank in any calendar year will exceed the bank's net profits for that year combined with its retained net profits for the preceding two years.

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### Note 13 – Regulatory Capital Matters

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The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for Prompt Corrective Action ("PCA"), the Bank must meet specific capital guidelines (set forth in the table below) that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts, and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Management believes, as of December 31, 2024 and 2023, the Bank meets all capital adequacy requirements to which it is subject.

On September 17, 2019, the Federal Deposit Insurance Corporation ("FDIC") finalized a rule that introduced an optional simplified measure of capital adequacy for qualifying community banking organizations (i.e., the community bank leverage ratio ("CBLR") framework) as required by the Economic Growth, Regulatory Relief and Consumer Protection Act. The CBLR framework is designed to reduce burden by removing the requirements for calculating and reporting risk-based capital ratios for qualifying community banking organizations that opt into the framework. In order to qualify for the CBLR framework, a community banking organization must have a tier 1 leverage ratio of at least 9%, less than \$10 billion in total consolidated assets, and limited amounts of off-balance-sheet exposures and trading assets and liabilities. A qualifying community banking organization that opts into the CBLR framework and meets all requirements under the framework will be considered to have met the well-capitalized ratio requirements under PCA regulations and is not required to report or calculate risk-based capital. The Bank adopted the CBLR framework beginning with its March 31, 2020 Call Report.

In April 2020, the federal banking agencies issued an interim final rule that makes temporary changes to the CBLR framework, pursuant to section 4012 of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, and a second interim final rule that provides a graduated increase in the CBLR requirement after the expiration of the temporary changes implemented pursuant to section 4012 of the CARES Act. Under the interim final rules, the CBLR minimum requirement is 8.5% as of December 31, 2021, and 9% for the calendar year and beyond. The interim rule allows for a two-quarter grace period to correct a CBLR that falls below the required amount, provided that the qualifying community banking organization maintains a CBLR greater than 7.5% as of December 31, 2021, and greater than 8% thereafter. Under the final rule, an eligible community banking organization can opt out of the CBLR framework and revert to the risk-weighting framework without restriction.

As of December 31, 2024, the Bank was well capitalized under the regulatory framework for PCA. To be categorized as well capitalized, the Bank must maintain a minimum CBLR as set forth in the table below. There are no conditions or events since that notification that management believes have changed the Bank's category.

# West-Central, Bancorp Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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The following tables present the Bank's actual and required capital amounts and capital ratios as of December 31:

2024					
	Actual		To Be Well Capitalized Under Prompt Corrective Action Regulations (CBLR Framework)		
	Amount	Ratio	Amount	Ratio	
	(Thousands)		(Thousands)		
Leverage – (Tier 1 capital to average total assets)					
Subsidiary Bank	\$ 16,920	11.67%	\$ 13,045	≥	9.00%
2023					
	Actual		To Be Well Capitalized Under Prompt Corrective Action Regulations (CBLR Framework)		
	Amount	Ratio	Amount	Ratio	
	(Thousands)		(Thousands)		
Leverage – (Tier 1 capital to average total assets)					
Subsidiary Bank	17,314	11.40%	\$ 13,670	≥	9.00%

### Note 14 – Commitments and Contingent Liabilities

The Bancorp and its Subsidiary Bank have an executive benefit agreement with the current President and CEO. This agreement contains change in control provisions that would entitle the officer to receive a multiple of his annual compensation if there is a change in control in the Bancorp (as defined) and a termination of his employment under certain circumstances. The maximum contingent liability under this agreement approximates \$135,000 as of December 31, 2024.

The Bank is involved in various legal actions arising in the ordinary course of business. In the opinion of management and counsel, there are no legal actions pending at the time of the audit report.

From time to time, the Bank maintains cash balances in other financial institutions exceeding the Federal Deposit Insurance Corporation's insured balance of up to \$250,000.

### Note 15 – Financial Instruments with Off-Balance Sheet Risk

In the normal course of business, the Bank has outstanding commitments, contingent liabilities, and other financial instruments that are not reflected in the accompanying consolidated financial statements. These include commitments to extend credit, standby letters of credit, and overdraft protection, which are some of the instruments used by the Bank to meet the financing needs of its customers. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated balance sheets.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for these commitments is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments as it does for on-balance sheet instruments.

# West-Central, Bancorp Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

December 31, 2024

### *Commitments to Extend Credit*

The Bank has outstanding firm commitments to extend credit as follows at December 31:

	2024	2023
Financial instruments with off-balance sheet risk:		
Undisbursed loan commitments and available on lines of credit	\$ 7,211,142	\$ 10,373,000
Standby letters of credit	300,000	295,000
	<u>\$ 7,511,142</u>	<u>\$ 10,668,000</u>

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

### *Overdraft Protection*

The Bank has an overdraft privilege product with qualified individual transaction account holders providing automatic payment of overdrafts up to a specified amount based on the type of account, charging the standard overdraft fee. The Bank had commitments of \$798,361 and \$853,879 as of December 31, 2024 and 2023, respectively.

## Note 16 – Fair Value Measurements

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Accounting guidance also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this guidance are described below.

**Level 1** – Valuation is based on quoted prices in active markets for identical assets or liabilities that the Bank has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

**Level 2** – Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on 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 asset or liability.

**Level 3** – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.



# West-Central, Bancorp Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Accordingly, investment debt securities available-for-sale are recorded at fair value on a recurring basis. Additionally, from time to time, the Bank may be required to record other assets at fair value on a nonrecurring basis, such as impaired loans and other real estate owned. These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or write downs of individual assets.

The following describes the valuation techniques used to measure certain financial assets and liabilities recorded at fair value on a recurring basis in the financial statements.

### *Investment Debt Securities Available-for-Sale*

Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange or traded by dealers or brokers in active over-the-counter markets. Level 2 securities include securities issued by government sponsored entities, mortgage-backed securities, and municipal bonds. Level 3 securities include those with unobservable inputs. Transfers between levels can occur due to changes in the observability of significant inputs.

The following are assets and liabilities that were accounted for or disclosed at fair value on a recurring basis at December 31:

2024				
Fair Value Measurements				
	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)		
			Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities available-for-sale				
U.S. government and federal agencies	\$ 14,510,276	\$ -	\$ 14,510,276	\$ -
U.S. treasuries	6,798,395	-	6,798,395	-
Mortgage-backed securities	4,805,698	-	4,805,698	-
State, county, and municipal – nontaxable	9,880,192	-	9,880,192	-
State, county, and municipal – taxable	3,536,928	-	3,536,928	-
Total debt securities available-for-sale	<u>\$ 39,531,489</u>	<u>\$ -</u>	<u>\$ 39,531,489</u>	<u>\$ -</u>

# West-Central, Bancorp Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

December 31, 2024

	2023				
	Fair Value Measurements				
		Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value				
Debt securities available-for-sale					
U.S. government and federal agencies	\$ 15,233,862	\$	-	\$ 15,233,862	\$ -
U.S. treasuries	12,385,858		-	12,385,858	-
Mortgage-backed securities	5,510,703		-	5,510,703	-
State, county, and municipal – nontaxable	12,478,680		-	12,478,680	-
State, county, and municipal – taxable	3,499,145		-	3,499,145	-
Total debt securities available-for-sale	<b>\$ 49,108,248</b>	<b>\$</b>	<b>-</b>	<b>\$ 49,108,248</b>	<b>\$ -</b>

The following describes the valuation techniques used to measure certain assets and liabilities recorded at fair value on a nonrecurring basis in the financial statements.

### *Individually Assessed Loans*

In the determination of the allowance for credit losses, loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate. Fair value is measured using a market approach based on the value of the collateral securing the loans. Collateral may be in the form of real estate or business assets including equipment, inventory, and accounts receivable. When the fair value of the collateral is based on an observable market price or a current appraised value, the fair value is considered Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the fair value is considered Level 3. For individually assessed loans, a specific reserve is established through the allowance for credit losses, if necessary, by estimating the fair value of the underlying collateral on a nonrecurring basis. Any fair value adjustments are recorded in the period incurred as credit loss expense on the consolidated statements of income.

### *Other Real Estate Owned (OREO)*

OREO consists of real estate acquired in foreclosure or other settlement of loans. Such assets are carried on the consolidated balance sheet at the lower of the investment in the real estate or its fair value less estimated selling costs. The fair value of OREO is determined on a nonrecurring basis generally utilizing current appraisals performed by an independent, licensed appraiser applying an income or market value approach using observable market data (Level 2). However, if a current appraisal is not available, the original appraised value is discounted, as appropriate, to compensate for the estimated depreciation in the value of the real estate since the date of its original appraisal. Such discounts are generally estimated based upon management's knowledge of sales of similar property within the applicable market area and its knowledge of other real estate market-related data as well as general economic trends (Level 3). Upon foreclosure,

# West-Central, Bancorp Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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any fair value adjustment is charged against the allowance for loan losses. Subsequent fair value adjustments are recorded in the period incurred and included in other noninterest expense in the consolidated statements of income.

The following are assets and liabilities that were accounted for or disclosed at fair value on a nonrecurring basis at December 31:

2024				
Fair Value Measurements				
Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)				
Significant Other Observable Inputs (Level 2)				
Significant Unobservable Inputs (Level 3)				
Fair Value				
Other real estate owned				
Commercial	\$ 725,000	\$ -	\$ -	\$ 725,000
Total other real estate owned	<u>\$ 725,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 725,000</u>
2023				
Fair Value Measurements				
Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)				
Significant Other Observable Inputs (Level 2)				
Significant Unobservable Inputs (Level 3)				
Fair Value				
Other real estate owned				
Commercial	\$ 725,000	\$ -	\$ -	\$ 725,000
Total other real estate owned	<u>\$ 725,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 725,000</u>

The quantitative information about Level 3 fair value measurements for assets and liabilities measured at fair value on a nonrecurring basis is as follows:

December 31, 2024			
Fair Value	Valuation Technique	Significant Unobservable Input	Range
Other real estate owned	Appraisal of property	Appraisal of property	Up to 3%

# West-Central, Bancorp Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

December 31, 2024

	December 31, 2023			
	Fair Value	Valuation Technique	Significant Unobservable Input	Range
Other real estate owned	\$ 725,000	Appraisal of property	Appraisal of property	Up to 3%

### Note 17 – Mergers

On August 16, 2024, the Company entered into a Purchase and Assumption Agreement (the “Agreement”) with REV Federal Credit Union, a South Carolina credit union organization headquartered in Summerville, South Carolina. In accordance with the Agreement, the Company shall merge with and into REV Federal Credit Union (the “Merger”). The Company will cease to exist, and REV Federal Credit Union shall survive and continue to exist as a South Carolina credit union organization. The Merger has been approved by the Company’s Board of Directors and shareholders. Currently, regulatory approval is pending, and the Merger is expected to be finalized in the second quarter of 2025.

### Note 18 – Recent Accounting Pronouncements and Changes

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments in this ASU require an entity to disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold, which is greater than five percent of the amount computed by multiplying pretax income by the entity’s applicable statutory rate, on an annual basis. Additionally, the amendments in this ASU require an entity to disclose the amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes and the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions that are equal to or greater than five percent of total income taxes paid (net of refunds received). Lastly, the amendments in this ASU require an entity to disclose income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign and income tax expense (or benefit) from continuing operations disaggregated by federal, state, and foreign. This ASU is effective for annual periods beginning after December 15, 2025. Early adoption is permitted. The amendments should be applied on a prospective basis; however, retrospective application is permitted. The Company does not expect the adoption of ASU 2023-09 to have a material impact on its financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Company’s financial position, results of operations or cash flows.