

**NOBLE BANCSHARES, INC.  
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2024 AND 2023**



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The report accompanying this deliverable was issued  
by Warren Averett, LLC.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY  
TABLE OF CONTENTS  
DECEMBER 31, 2024 AND 2023**

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<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
Consolidated Statements of Financial Condition	3
Consolidated Statements of Income	5
Consolidated Statements of Comprehensive Income	7
Consolidated Statements of Changes in Stockholders' Equity	8
Consolidated Statements of Cash Flows	10
Notes to the Consolidated Financial Statements	12

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders  
Noble Bancshares, Inc., and Subsidiary

### **Opinion**

We have audited the accompanying consolidated financial statements of Noble Bancshares, Inc. and Subsidiary (an Alabama corporation), which comprise the consolidated statements of financial condition as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, changes in stockholders' 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 Noble Bancshares, Inc. and Subsidiary 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 Financial Statements section of our report. We are required to be independent of Noble Bancshares, Inc., and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Noble Bancshares, Inc., and Subsidiary'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 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, 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 Noble Bancshares, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Noble Bancshares, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

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

*Warren Averett, LLC*

Anniston, Alabama  
April 29, 2025

**NOBLE BANCSHARES, INC., AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION  
DECEMBER 31, 2024 AND 2023**

<b>ASSETS</b>	<b>2024</b>	<b>2023</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and due from banks	\$ 5,369,900	\$ 7,239,293
Interest bearing deposits in banks	15,711,860	7,101,183
Federal funds sold	4,900,000	4,900,000
Total cash and cash equivalents	25,981,760	19,240,476
<b>SECURITIES</b>		
Debt securities available-for-sale	110,285,392	105,547,001
Restrictive equity securities	1,522,900	1,548,950
<b>TOTAL SECURITIES</b>	111,808,292	107,095,951
<b>LOANS, NET OF ALLOWANCE FOR CREDIT LOSSES</b>	249,185,135	256,646,610
<b>LOANS HELD-FOR-SALE</b>	-	226,000
<b>PREMISES AND EQUIPMENT, NET</b>	6,667,428	6,517,894
<b>OPERATING LEASE RIGHT-TO-USE ASSETS</b>	1,418,042	1,515,067
<b>BANK-OWNED LIFE INSURANCE</b>	8,915,547	6,227,627
<b>LIMITED PARTNERSHIP INVESTMENT</b>	2,048,843	2,389,925
<b>INVESTMENT IN ANNUITIES</b>	1,517,863	1,568,888
<b>ACCRUED INTEREST RECEIVABLE</b>	1,845,066	1,968,331
<b>PREPAID EXPENSES</b>	469,501	417,161
<b>DEFERRED TAX</b>	5,459,551	5,020,855
<b>INCOME TAXES RECEIVABLE</b>	293,929	374,968
<b>OTHER ASSETS</b>	39,453	247,823
<b>TOTAL ASSETS</b>	<b>\$ 415,650,410</b>	<b>\$ 409,457,576</b>

See notes to the consolidated financial statements.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION  
DECEMBER 31, 2024 AND 2023**

	<b>2024</b>	<b>2023</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>DEPOSITS</b>		
Noninterest-bearing checking	\$ 100,519,397	\$ 102,720,484
Interest-bearing:		
Checking	177,932,643	176,980,517
Savings	27,691,102	30,533,383
Time deposits	77,132,126	64,037,532
Total deposits	383,275,268	374,271,916
<b>BORROWINGS</b>	6,000,000	10,000,000
<b>OPERATING LEASE PAYABLE</b>	1,418,042	1,515,067
<b>ACCRUED INTEREST PAYABLE</b>	798,353	885,956
<b>DEFERRED COMPENSATION</b>	802,225	768,154
<b>OTHER LIABILITIES</b>	1,039,723	1,484,390
Total liabilities	393,333,611	388,925,483
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$1 par value; 5,000,000 shares authorized; 1,460,889 and 1,459,889 shares issued for the years ended December 31, 2024 and 2023, respectively	1,460,889	1,459,889
Additional paid-in capital	18,510,730	18,534,677
Accumulated other comprehensive loss	(17,120,722)	(15,523,893)
Retained earnings	19,465,902	16,061,420
Total stockholders' equity	22,316,799	20,532,093
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 415,650,410</b>	<b>\$ 409,457,576</b>

See notes to the consolidated financial statements.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>INTEREST INCOME</b>		
Interest and fees on loans	16,588,148	15,412,139
Interest on debt securities	3,563,436	3,397,182
Interest on restrictive equity securities	77,172	73,193
Interest on due from accounts	<u>871,482</u>	<u>664,494</u>
Total interest income	<u>21,100,238</u>	<u>19,547,008</u>
<b>INTEREST EXPENSE</b>		
Interest on checking and money market	2,625,341	1,705,491
Interest on savings	43,443	42,944
Interest on certificates of deposit	2,740,922	1,848,917
Interest on borrowed funds	<u>529,061</u>	<u>581,344</u>
Total interest expense	<u>5,938,767</u>	<u>4,178,696</u>
<b>NET INTEREST INCOME</b>	15,161,471	15,368,312
<b>PROVISION (RECAPTURE) FOR CREDIT LOSSES</b>		
Provision for loan losses	1,409,894	396,175
Recapture for unfunded commitments	<u>(82,724)</u>	<u>-</u>
Total provision for credit losses	1,327,170	396,175
<b>NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES</b>	<u>13,834,301</u>	<u>14,972,137</u>

See notes to the consolidated financial statements.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>NONINTEREST INCOME</b>		
Service charges, fees and commissions	\$ 2,269,152	\$ 2,221,407
Bank-owned life insurance income	187,920	138,937
Realized gain on sale of premises and equipment	46,302	-
Realized gain on sale of foreclosed real estate and repossessed assets, net of write-downs	-	14,861
Miscellaneous noninterest income	101,949	79,826
	<u>2,605,323</u>	<u>2,455,031</u>
Total noninterest income		
<b>NONINTEREST EXPENSES</b>		
Salaries and employee benefits	5,947,514	6,024,916
Data processing expense	2,120,475	2,006,706
Occupancy expense	1,194,427	1,075,828
Professional fees	466,515	460,313
Business development expense	233,973	249,315
Supplies expense	170,858	126,860
Education, travel and entertainment expense	130,467	126,068
Insurance expense	129,159	116,019
Equipment expense	100,627	84,156
Communication expense	65,400	43,857
Foreclosed asset expenses and repossessed assets, net of write-downs	54,798	45,585
Realized loss on sale of securities	-	298,008
Other expenses	422,482	667,837
	<u>11,036,695</u>	<u>11,325,468</u>
Total noninterest expenses		
<b>INCOME BEFORE INCOME TAXES</b>	5,402,929	6,101,700
<b>INCOME TAX PROVISION</b>	<u>1,049,519</u>	<u>1,248,920</u>
<b>NET INCOME</b>	<u>\$ 4,353,410</u>	<u>\$ 4,852,780</u>

See notes to the consolidated financial statements.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>NET INCOME</b>	\$ 4,353,410	\$ 4,852,780
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>		
Unrealized (losses) gains on available-for-sale securities:		
Unrealized holding (losses) gains arising during the period	(2,018,221)	2,197,355
Reclassification adjustments for losses included in net income	-	298,008
Net unrealized (loss) gain	(2,018,221)	2,495,363
Income tax benefit (expense) related to items of other comprehensive income	421,392	(524,645)
Other comprehensive (loss) income	(1,596,829)	1,970,718
<b>COMPREHENSIVE INCOME</b>	<u>\$ 2,756,581</u>	<u>\$ 6,823,498</u>

See notes to the consolidated financial statements.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Retained Earnings</u>	<u>Total</u>
<b>BALANCE AT DECEMBER 31, 2023</b>	\$ 1,459,889	\$ 18,534,677	\$ (15,523,893)	\$ 16,061,420	\$ 20,532,093
Issuance of company stock	1,000	12,500	-	-	13,500
Stock options forfeited	-	(36,447)	-	-	(36,447)
Dividends declared and paid	-	-	-	(948,928)	(948,928)
Net income	-	-	-	4,353,410	4,353,410
Other comprehensive loss	-	-	(1,596,829)	-	(1,596,829)
<b>BALANCE AT DECEMBER 31, 2024</b>	<u>\$ 1,460,889</u>	<u>\$ 18,510,730</u>	<u>\$ (17,120,722)</u>	<u>\$ 19,465,902</u>	<u>\$ 22,316,799</u>

See notes to the consolidated financial statements.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Other Comprehensive (Loss) Income</u>	<u>Retained Earnings</u>	<u>Total</u>
<b>BALANCE AT DECEMBER 31, 2022</b>	1,449,889	18,419,677	(17,494,611)	12,353,448	14,728,403
Adoption of ASU 2016-13	-	-	-	(274,874)	(274,874)
Issuance of company stock	10,000	115,000	-	-	125,000
Dividends declared and paid	-	-	-	(869,934)	(869,934)
Net income	-	-	-	4,852,780	4,852,780
Other comprehensive income	-	-	1,970,718	-	1,970,718
<b>BALANCE AT DECEMBER 31, 2023</b>	<u>\$ 1,459,889</u>	<u>\$ 18,534,677</u>	<u>\$ (15,523,893)</u>	<u>\$ 16,061,420</u>	<u>\$ 20,532,093</u>

See notes to the consolidated financial statements.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 4,353,410	\$ 4,852,780
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	1,327,170	396,175
Net amortization of securities	129,123	159,548
Depreciation of premises and equipment	570,669	525,950
Gain on sale of foreclosed real estate	-	(14,861)
Gain on disposal of premises and equipment	(46,302)	-
Realized loss on sale of securities, net	-	298,008
Change in accrued interest receivable	123,265	(495,514)
Change in prepaid expenses	(52,340)	(40,281)
Change in deferred tax	(17,304)	(44,081)
Change in income tax receivable	81,039	257,996
Change in accrued interest payable	(87,603)	666,797
Change in deferred compensation	34,071	(82,042)
Change in other, net	(153,573)	238,276
Net cash provided by operating activities	6,261,625	6,718,751
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Activity in debt securities available-for-sale:		
Purchases	(12,655,442)	(13,628,406)
Sales	-	8,577,517
Maturities, paydowns and calls	5,769,707	4,544,991
Purchases of restrictive investments	(157,250)	(279,200)
Increase in limited partnership investment	341,082	140,049
Proceeds from sales of other investment securities	183,300	21,952
Net change in annuities value	51,025	155,805
Net change in loans receivable	6,051,581	(20,370,796)
Net change in loans held-for-sale	226,000	(226,000)
Proceeds from the sale of foreclosed real estate	-	14,862
Purchases of premises and equipment	(749,844)	(419,046)
Disposal of premises and equipment	75,943	-
Change in bank owned life insurance	(2,687,920)	(138,937)
Net cash used in investing activities	(3,551,818)	(21,607,209)

See notes to the consolidated financial statements.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net increase (decrease) in deposits	\$ 9,003,352	\$ (1,359,695)
Forfeiture of stock warrant	(36,447)	-
Issuance of common stock	13,500	125,000
Net change in borrowings	(4,000,000)	4,000,000
Cash dividends	(948,928)	(869,934)
Net cash provided by financing activities	<u>4,031,477</u>	<u>1,895,371</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	6,741,284	(12,993,087)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>19,240,476</u>	<u>32,233,563</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 25,981,760</u>	<u>\$ 19,240,476</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 6,026,370</u>	<u>\$ 3,511,899</u>
<b>NONCASH DISCLOSURES</b>		
Net change in unrealized (losses) gains on securities available-for-sale, net of taxes	<u>\$ (1,596,829)</u>	<u>\$ 1,970,718</u>

See notes to the consolidated financial statements.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

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**1. ORGANIZATION**

Noble Bancshares, Inc. (the Company), an Alabama corporation, formed on June 1, 2017, operates in the domestic commercial banking industry. The Company's subsidiary, Noble Bank & Trust (the Bank) was formed on October 5, 2005, by national charter, and on June 27, 2013, the Bank was permitted to change its charter from a national bank to a state bank. It is now regulated by the State of Alabama Banking Department and the Federal Reserve. The Bank operates six branches in Alabama, with the main branch being located in Anniston, and the other branches being located in Oxford, Piedmont, Alexandria, Birmingham and Heflin.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of the Company and its subsidiary conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and to general practice within the banking industry. The following summarizes the most significant of these policies.

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and the Bank. All significant intercompany balances and transactions have been eliminated. Unless otherwise indicated herein, the financial results of the Company refer to the Company and the Bank on a consolidated basis.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term are related to the determination of the allowance for credit losses, the valuation of deferred tax assets, the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans and the fair value of financial instruments.

The determination of the adequacy of the allowance for credit losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral. The Bank's loans are generally secured by specific items of collateral, including real property, consumer assets and business assets. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

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While management used available information to recognize losses on loans, further reduction in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Bank to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

**Significant Group Concentrations of Credit Risk**

The majority of the Company's activities are with customers in north central Alabama. The types of securities in which the Company invests are discussed in Note 3. The types of lending performed by the Company are discussed in Note 4. The Company does not have any concentrations to any one industry or customer. The Company's geographic concentration and the risk therein is discussed in Note 12.

**Cash and Cash Equivalents**

The Company considers cash and due from banks, federal funds sold and all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents.

The Company maintains cash and cash equivalents in various correspondent or other bank accounts. The amounts by which cash and cash equivalents exceeded Federal Deposit Insurance Corporation (FDIC) insurance coverage at December 31, 2024 and 2023, were approximately \$12,355,000 and \$7,419,000, respectively. The Company has approximately \$8,044,000 and \$3,492,000 on deposit at the Federal Reserve Bank as of December 31, 2024 and 2023, which is not insured. Management monitors these bank accounts and does not expect to incur any losses from such accounts. In addition, federal funds sold are not insured or guaranteed by other parties.

The Bank is required by regulatory authorities to maintain average reserve balances either in vault cash or on deposit with the Federal Reserve Bank. In response to the global pandemic, the Federal Reserve reduced the reserve requirement ratios to zero percent effective on March 26, 2020; therefore, there was no reserve requirement required as of December 31, 2024 and 2023.

**Debt Securities Available-for-Sale**

Debt securities available-for-sale represent those securities intended to be held for an indefinite period of time, including securities that management intends to use as part of its asset/liability strategy or that may be sold in response to changes in interest rates, changes in prepayment risk, the need to increase regulatory capital or other similar factors. Debt securities available-for-sale are recorded at market value with unrealized gains and losses net of any tax effect and are reported as other comprehensive income (loss) in a separate component of stockholders' equity until realized. Gains or losses on disposition are based on the net proceeds and the adjusted carrying amount on the securities sold, using the specific identification method. The estimated values are provided by security dealers who have obtained quoted prices.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

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Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Premiums on callable debt securities are amortized to their earliest call date. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

**Allowance for Credit Losses – Available-For-Sale Securities**

For any securities classified as available-for-sale that are in an unrealized loss position at the balance sheet date, the Company assesses whether or not it intends to sell the security, or more likely than not will be required to sell the security, before recovery of its amortized cost basis. If either criteria is met, the security's amortized cost basis is written down to fair value through net income. If neither criteria is met, the Company evaluates whether any portion of the decline in fair value is the result of credit deterioration. Such evaluations consider the extent to which the amortized cost of the security exceeds its fair value, changes in credit ratings and any other known adverse conditions related to the specific security. If the evaluation indicates that a credit loss exists, an allowance for credit losses is recorded through provision for credit losses for the amount by which the amortized cost basis of the security exceeds the present value of cash flows expected to be collected, limited by the amount by which the amortized cost exceeds fair value. Any impairment not recognized in the allowance for credit losses is recognized in other comprehensive income.

**Restrictive Equity Investments**

Restrictive equity investments represent those securities whose sale is restricted to approved other organizations or the issuing company. Those securities are carried at cost, and their value is determined by the ultimate recoverability of par value. These investments represent less than a 20% economic interest and have no readily ascertainable market value; however, management is not aware of conditions that would require adjustments to the reflected carrying values.

**Loans**

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost, net of the allowance for credit losses. Amortized cost is the principal balance outstanding, net of deferred loan fees and costs. Accrued interest receivable is reported in accrued interest receivable on the consolidated balance sheets and is excluded from the estimate of credit losses. Interest income is accrued on the unpaid principal balance. Loan origination and commitment fees, as well as certain origination costs, when material, are deferred and amortized as a yield adjustment over the lives of the related loans using the interest method or the straight-line method.

**Income Recognition on Nonaccrual Loans**

Loans are generally classified as nonaccrual if they are past due as to maturity or payment of principal or interest for a period of more than 90 days, unless such loans are well-collateralized and in the process of collection. If a loan or a portion of a loan is classified as doubtful or is partially charged off, the loan is generally classified as nonaccrual.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

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Loans that are on a current payment status or past due less than 90 days may also be classified as nonaccrual if repayment in full of principal and/or interest is in doubt. Loans may be returned to accrual status when all principal and interest amounts contractually due are reasonably assured of repayment within an acceptable period of time, and there is a sustained period of repayment performance by the borrower, in accordance with the contractual terms of interest and principal.

While a loan is classified as nonaccrual and the future collectability of the recorded loan balance is doubtful, collections of principal and interest are generally applied as a reduction to principal outstanding, except in the case of loans with scheduled amortizations where the payment is generally applied to the oldest payment due. When the future collectability of the recorded loan balance is expected, interest income may be recognized on a cash basis. In the case where a nonaccrual loan has been partially charged off, recognition of interest on a cash basis is limited to that which would have been recognized on the recorded loan balance at the contractual interest rate. Receipts in excess of that amount are recorded as recoveries to the allowance for credit losses until prior charge-offs have been fully recovered. Interest income recognized on a cash basis was immaterial for the years ended December 31, 2024 and 2023.

**Allowance for Credit Loss – Loans**

The Bank estimates its allowance for credit losses in accordance with the Current Expected Credit Losses (CECL) methodology. Management assesses the adequacy of the allowance on a quarterly basis. This assessment includes procedures to estimate the allowance and test the adequacy and appropriateness of the resulting balance. The level of the allowance is based upon management's evaluation of historical default and loss experience, current and projected economic conditions, asset quality trends, known and inherent risks in the portfolio, adverse situations that may affect the borrowers' ability to repay a loan (including the timing of future payments), the estimated value of any underlying collateral, composition of the loan portfolio, industry and peer bank loan quality indications and other pertinent factors, including regulatory recommendations. The level of the allowance for credit losses maintained by management is believed adequate to absorb all expected future losses inherent in the loan portfolio at the balance sheet date. The allowance is increased through provision for credit losses and decreased by charge-offs, net of recoveries of amounts previously charged-off.

The allowance for credit losses is measured on a collective basis for pools of loans with similar risk characteristics. The Bank has identified the following pools of financial assets with similar risk characteristics for measuring expected credit losses:

- Construction, land development and other land loans – Construction, land development and other land loans include loans where the repayment is dependent on the successful completion and eventual sale, refinance or operation of the related real estate project. Construction and land development loans include 1-4 family construction projects and commercial construction endeavors such as warehouses, apartments, office and retail space and land acquisition and development.
- Owner-occupied commercial real estate mortgage loans – Owner-occupied commercial real estate mortgage loans are secured by commercial office buildings, industrial buildings, warehouses or retail buildings where the owner of the building occupies the property. For such loans, repayment is largely dependent upon the operation of the borrower's business.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

---

- Non-owner-occupied commercial real estate mortgage loans – These loans represent investment real estate loans secured by office buildings, industrial buildings, warehouses, retail buildings, and multifamily residential housing. Repayment is primarily dependent on lease income generated from the underlying collateral.
- Consumer real estate mortgage loans – Consumer real estate mortgage loans consist primarily of loans secured by 1-4 family residential properties, including home equity lines of credit. Repayment is primarily dependent on the personal cash flow of the borrower.
- Commercial, financial and agricultural loans – Commercial, financial and agricultural loans include loans to business enterprises issued for commercial, industrial and/or other professional purposes. These loans are generally secured by equipment, inventory, and accounts receivable of the borrower and repayment is primarily dependent on business cash flows.
- Consumer and other loans – Consumer and other loans include all loans issued to individuals not included in the consumer real estate mortgage classification. Examples of consumer and other loans are automobile loans, consumer credit cards and other personal secured and unsecured loans. Many consumer loans are unsecured. Repayment is primarily dependent on the personal cash flow of the borrower.

For the allowance of credit loss – loans, the Bank primarily utilizes a probability of default (PD) and loss given default (LGD) modeling approach. These models utilize historical correlations between default experience, loan level attributes and certain macroeconomic factors as determined through a statistical regression analysis. All loan segments modeled using this approach incorporate one or more macroeconomic drivers. Macroeconomic factors used in the model include the unadjusted and seasonally adjusted unemployment rate, gross domestic product, commercial property price index, consumer credit, commercial real estate price index, household debt ratio, household financial obligations ratio and certain home price indices. Projections of these macroeconomic factors, obtained from an independent third party, are utilized to predict quarterly rates of default based on the statistical PD models. Adjustments are made to predicted default rates as considered necessary for each loan segment based on other quantitative and qualitative information not utilized as a direct input into the statistical models. The predicted quarterly default rates are then applied to the estimated future exposure at default (EAD), as determined based on contractual amortization terms and estimated prepayments. An estimated LGD, determined based on historical loss experience, is then applied to the quarterly defaulted balances for each loan segment to estimate future losses of the loan's amortized cost.

Losses are predicted over a period of time determined to be reasonable and supportable, and at the end of the reasonable and supportable period losses are reverted to long term historical averages. The reasonable and supportable period and reversion period are re-evaluated each quarter by the Bank and are dependent on the current economic environment among other factors.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

---

The estimated credit losses for all loan segments are adjusted for changes in qualitative factors not inherently considered in the quantitative analyses. The qualitative categories and the measurements used to quantify the risks within each of these categories are subjectively selected by management but measured by objective measurements period over period. The data for each measurement may be obtained from internal or external sources. The current period measurements are evaluated and assigned a factor commensurate with the current level of risk relative to past measurements over time. The resulting qualitative adjustments are applied to the relevant collectively evaluated loan portfolios. These adjustments are based upon quarterly trend assessments in portfolio concentrations, policy exceptions, associate retention, independent loan review results, competition and peer group credit quality trends. The qualitative allowance allocation, as determined by the processes noted above, is increased or decreased for each loan segment based on the assessment of these various qualitative factors. Additional qualitative considerations are made for any identified risk which did not exist within our portfolio historically and therefore may not be adequately addressed through evaluation of such risk factor based on historical portfolio trends.

Loans that do not share similar risk characteristics with the collectively evaluated pools are evaluated on an individual basis and are excluded from the collectively evaluated pools. Such loans are evaluated for credit losses based on either discounted cash flows or the fair value of collateral. For loans individually evaluated for which repayment is expected to be provided substantially through the operation or sale of the collateral, the Bank has elected the practical expedient under ASC 326 to estimate expected credit losses based on the fair value of the collateral, with selling costs considered in the event sale of the collateral is expected.

The starting point for the estimate of the allowance for credit losses on loans is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. The Bank uses a probability of default/loss given default model to determine the allowance for credit losses on loans. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification. Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses on loans because of the measurement methodologies used to estimate the allowance, a change to the allowance for credit losses on loans is generally not recorded upon modification. Occasionally, a loan modification will be granted by providing principal forgiveness on certain loans. When principal forgiveness is provided, the amortized cost basis of the asset is written off against the allowance for credit losses on loans. The amount of the principal forgiveness is deemed to be uncollectible; therefore, that portion of the loan is written off, resulting in a reduction of the amortized cost basis and a corresponding adjustment to the allowance for credit losses on loans.

In some cases, a loan modification will result in providing multiple types of concessions. Typically, one type of concession, such as a payment delay or term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness or an interest rate reduction, may be granted. Additionally, multiple types of concessions may be made on the same loan within the current reporting period. Such a combination is at least two of the following: a payment delay, term extension, principal forgiveness and interest rate reduction. Upon determination that a modified loan (or portion of the 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 on loans is adjusted by the same amount.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

---

In assessing the adequacy of the allowance for credit losses on loans, the Bank considers the results of the Bank's ongoing independent loan review process. The Bank undertakes this process both to ascertain those loans in the portfolio with elevated credit risk and to assist in its overall evaluation of the risk characteristics of the entire loan portfolio. Its loan review process includes the judgment of management, independent internal loan reviewers and reviews that may have been conducted by third-party reviewers including regulatory examiners. The Bank incorporates relevant loan review results in the allowance.

In accordance with CECL, losses are estimated over the remaining contractual terms of loans, adjusted for prepayments. The contractual term excludes expected extensions, renewals and modifications unless management has a reasonable expectation at the reporting date that a modification will be executed or such renewals, extensions or modifications are included in the original loan agreement and are not unconditionally cancellable by the Bank.

Credit losses are estimated on the amortized cost basis of loans, which includes the principal balance outstanding, purchase discounts and premiums, deferred loan fees and costs and accrued interest receivable. Accrued interest receivable is presented separately on the balance sheets and as allowed under Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses*, is excluded from the tabular loan disclosures in Note 4.

While policies and procedures used to estimate the allowance for credit losses on loans, as well as the resultant provision for credit losses charged to income, are considered adequate by management and are reviewed periodically by regulators, model validators and internal audit, they are necessarily approximate and imprecise. There are factors beyond the Bank's control, such as changes in projected economic conditions, real estate markets or particular industry conditions, which may materially impact asset quality and the adequacy of the allowance for credit losses on loans and thus the resulting provision for credit losses.

**Allowance for Credit Loss – Off Balance Sheet Credit Exposures**

The Bank estimates expected credit losses over the contractual term of obligations to extend credit, unless the obligation is unconditionally cancellable. The allowance for off balance sheet exposures is adjusted through the provision for credit losses and recorded in other liabilities. The estimates are determined based on the likelihood of funding during the contractual term and an estimate of credit losses subsequent to funding. Estimated credit losses on subsequently funded balances are based on the same assumptions as used to estimate credit losses on existing funded loans.

**Asset Quality**

Written underwriting standards established by management govern the lending activities of the Bank. An established loan policy requires appropriate documentation including borrower financial data and credit reports. For loans secured by real property, the Bank generally requires property appraisals, title insurance or a title opinion, hazard insurance and flood insurance, where appropriate. Loan payment performance is monitored, and late charges are assessed on past due accounts. Legal proceedings are instituted, as necessary, to minimize loss. Commercial and residential loans of the Bank are periodically reviewed through a loan review process. All other loans are also subject to loan review through a periodic sampling process.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

---

The Bank uses an asset risk classification system consistent with guidelines established by the Uniform Financial Institution Ratings System (UFIRS) as part of its efforts to monitor asset quality. In connection with examinations of insured institutions, both federal and state examiners also have the authority to identify problem assets and, if appropriate, classify them. The Bank has eight credit quality indicators for loans, as follows:

- Superior Quality (minimal risk) – Loans in this category are considered to be of the highest quality. The borrower is very liquid. Overall asset quality is very good. Leverage is very low and is stable or decreasing. For consumer loans, debt to income ratio should be very low and for business loans, cash flow is continually very high relative to all demands. Earnings are always very strong, being stable or even increasing through economic swings. Multiple sources of financing exist and can be easily obtained by this borrower.
- High Quality (low risk) – Loans in this category are considered to be of above average quality. The borrower is very liquid. Overall, leverage is relatively low and stable. Earnings are very strong and stable. For consumer loans, the debt-to-income ratio should be low and for business loans, cash flow is more than sufficient to meet total demands. Other sources of financing are available and are readily available to this borrower.
- Good Quality (normal risk) – Loans in this category are considered to be of good quality. These consumer borrowers have a history of successful credit performance, and the business borrowers have successful financial performance, but could be susceptible to economic changes. Asset quality is good. The balance sheet shows decent liquidity. Overall leverage is at a normal level. Income and cash flow may fluctuate, but are still sufficient to meet demands. Other sources of financing should be easily obtainable.
- Acceptable Quality (increased risk) – Loans in this grade are considered to be acceptable credit risk, but may require more than the normal servicing. Loans should be in this category not because they are problem credits, but because they may be higher than normal risk and the Bank needs to follow their performance more closely than others. Asset quality is marginally acceptable. Overall, leverage may fluctuate and is frequently at the upper end of the range of what is considered normal. Income and cash flow may be marginal, but continue to support demands. The outlook for continued improvement is good. Access to other financing sources is limited to a few banks.
- Special Mention (high risk) – A “Special Mention” loan has potential weaknesses that deserves management’s close attention. Such weaknesses could be that the borrower’s ability to repay from primary (intended) sources (i.e., income or cash flow) is marginal and is threatened by a potential weakness, which, if not checked or corrected, could result in deterioration of the repayment prospects for the loan and/or the Bank being inadequately protected against the risk of principal or income loss at some future date. The borrower is highly susceptible to current economic or market conditions, which may adversely affect the borrower’s ability to repay the debt. A consumer borrower may have had a reduction of income or have an unusually high level of financial leverage. A business borrower may be experiencing adverse operating trends or operating with unusually high financial leverage, thereby increasing the risk of untimely payment. A loan classified as “Special Mention” should be transitional and temporary (six months).

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

---

- Classified Substandard – Loans with a rating of “Substandard” show that the borrower’s ability to repay is threatened by a clearly defined weakness which jeopardizes liquidation of the loan. The distinct possibility exists that the Bank will sustain some principal or income loss if the deficiencies are not corrected.
- Classified Doubtful – Loans with a rating of “Doubtful” show that the borrower’s ability to repay in full, on the basis of currently existing facts, is highly questionable and improbable. Some loss of principal or income is likely; however, the total amount of such loss cannot be determined at the present time. A “Doubtful” risk grade should be temporary; therefore, when and if loss exposure is determined, the amount of loss will be charged off or the loan should be upgraded. Loans in this category shall be immediately placed on non-accrual with all payments applied to principal until such time as the potential loss exposure is eliminated.
- Classified Loss – Loans classified as “Loss” are considered partially or totally uncollectible and of such little value that their continuation as bankable assets is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this asset even though partial recovery may be affected in the future.

**Loans Held-for-Sale**

Loans held-for-sale consist of loans originated by the Bank’s loan department that are sold without recourse, normally within 10 working days. All of the loans are sold at face value plus any interest accrued from the date of origination. The loans are reflected at cost, which is also market value.

**Premises and Equipment**

Land is carried at cost. Other premises and equipment are stated at cost less accumulated depreciation. Expenditures for additions and major improvements that significantly extend the useful life of assets are capitalized. Expenditures for repairs and maintenance are charged against income when incurred.

Depreciation is provided generally by straight-line method based on the estimated useful lives of the respective assets, which generally range from three to 39 years.

**Leases**

Leases are classified as operating or finance leases at the lease commencement date. The Company leases certain locations and equipment. The Company records leases on the balance sheet in the form of a lease liability for the present value of future minimum payments under the lease terms and a right-of-use asset equal to the lease liability adjusted for items such as deferred or prepaid rent, lease incentives, and any impairment of the right-of-use asset. The discount rate used in determining the lease liability is based upon incremental borrowing rates the Company could obtain for similar loans as of the date of commencement or renewal. The Company does not record short term leases with an initial lease term of one year or less on the consolidated balance sheets.

At lease inception, the Company determines the lease term by considering the non-cancelable lease term and all optional renewal periods that the Company is reasonably certain to renew. The lease term is also used to calculate straight-line lease expense. Leasehold improvements are amortized over the shorter of the useful life and the estimated lease term.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

---

Operating lease expense consists of a single lease cost allocated over the remaining lease term on a straight-line basis, variable lease expense, and any impairment of the right-of-use asset. Lease expense is included in occupancy and equipment expense on the Company's consolidated statements of income. The Company's variable lease expense include rent escalators that are based on market conditions and include items such as common area maintenance, utilities, parking, property taxes, insurance and other costs associated with the lease. The amortization of the right-of-use asset arising from finance leases is expensed through occupancy and equipment expense and the interest on the related lease liability is expensed through interest expense on borrowings on the Company's consolidated statements of income.

The Company has elected to treat property leases that include both lease and non-lease components as a single component and account for it as a lease.

**Bank-Owned Life Insurance**

The Company has purchased life insurance policies on certain key employees. These policies are recorded at their cash surrender value or the amount that can be realized. Income from these policies and changes in the cash surrender value are recorded in other operating income.

**Limited Partnership Investment**

The Company has invested, as a limited partner with no management control, in 42EP CBT Fund II, LP (Partnership), and the purpose of the Partnership is to acquire, directly or indirectly, interests in the operating partnerships, each of which will own and operate a property that will qualify for tax credit, and to hold, sell, dispose of and otherwise deal with such interests. In addition, the Partnership is organized for the purpose of investing in "qualified opportunity zone property" as defined in Section 1400Z-2(d)(2) of the tax code (code) and intends to certify as a "qualified opportunity fund" as defined in Section 1400Z-2(d)(1) of the code (an "Opportunity Fund").

The Partnership expects to acquire partnership interests in the operating partnerships ("qualified opportunity zone partnership interests" as defined in Section 1400Z-2(d)(3) of the code) that operate affordable housing projects and qualify as a "qualified opportunity zone business" as defined in Section 1400Z-2(d)(3) of the code. The Partnership shall not engage in any other business or activity.

**Investment in Annuities**

The Company has purchased annuity contracts on certain key employees. These contracts are recorded at their cash surrender value or the amount that can be realized. Income from these contracts and changes in the cash surrender value are recorded in noninterest income.

**Foreclosed Real Estate**

Foreclosed real estate includes both formally foreclosed property and in-substance foreclosed property. In-substance, foreclosed properties are those properties for which the Bank has taken physical possession, regardless of whether formal foreclosure proceedings have taken place.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

---

At the time of foreclosure, foreclosed real estate is recorded at the fair value less estimated costs to sell, which becomes the property's new cost basis. Any write-downs based on the asset's fair value at date of acquisition are charged to the allowance for credit losses. Subsequent to foreclosure, valuations are periodically performed by management, and the assets are carried at the lower of carrying value amount or fair value less cost to sell. Costs incurred in maintaining other real estate and subsequent adjustments to the carrying amount of the property are included in income (loss) on other real estate. Costs incurred to complete, repair/renovate or make the property whole are capitalized, if these costs increase the fair value of the property.

**Deposits**

Customer deposits include public funds held on deposit under the Security for Alabama Funds Enhancement Act (SAFE) Program. The SAFE Program was established by the Alabama legislature to provide protection for public funds enrolled in the SAFE Program. Under this program, financial institutions are required to collateralize public fund deposits (see Note 3).

The Bank participates in the Certificate of Deposit Account Registry Service (CDARS), which is a network of banks that offer certificates of deposit products to individual and corporate customers in such amounts that allow such deposits to qualify for Federal Deposit Insurance Corporation (FDIC) insurance coverage.

The Bank is party to an agreement with QwickRate, an internet-based certificate of deposit listing service, to utilize their program to raise institutional time deposits.

**Borrowings**

The Bank records Federal Home Loan Bank advances and federal funds purchased at their principal amounts. Interest expense is recognized based on the coupon rate of the obligations.

**Common Stock**

Common stock has voting rights that are equal to one vote per share.

**Comprehensive Income**

Comprehensive income or loss is generally defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. Other comprehensive income (loss) is comprised of items not recorded as components of net income. The accumulated balance of other comprehensive income (loss) is reported separately from retained earnings in the equity section of the statements of financial condition.

**Stock Based Compensation**

Pursuant to the provisions of the Amended and Restated 2005 Incentive Stock Compensation Plan (the Plan), the stockholders and the Board of Directors approved 180,000 shares of common stock as reserved for stock options, warrants or restricted stock for various employees and directors. Note 15 summarizes the various grants of options, warrants and restricted stock.

**Major Services and Principal Markets**

The Company's main line of business consists of providing banking services for its customers, most of whom are located in East and Central Alabama.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

---

**Advertising**

The Bank's policy is to expense advertising costs as incurred. Advertising expense was \$60,268 and \$57,440 for the years ended December 31, 2024 and 2023, respectively.

**Revenue Recognition**

The Company recognizes revenue from contracts with customers. Noninterest revenue streams, such as service charges on deposit accounts and commissions and fees are recognized in accordance with Accounting Standards Codification ("ASC") Topic 606. Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans, securities and mortgage banking. In addition, certain noninterest income streams, such as financial guarantees, derivatives and certain credit card fees are outside the scope of the guidance. Noninterest revenue streams within the scope of Topic 606 are discussed below.

*Service Charges on Deposit Accounts*

Service charges on deposit accounts consist of monthly service fees, overdraft and nonsufficient funds fees, and MasterCard debit card interchange fees. The Company's performance obligation for monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Payment for service charges on deposit accounts is primarily received immediately or at the end of each month through a direct charge to customers' accounts. Overdraft and nonsufficient funds fees and other deposit account related fees are transactional based, and, therefore, the Company's performance obligation is satisfied, and related revenue recognized, at a point in time when the service is delivered. Debit card fees are primarily comprised of interchange fee income. Interchange fees are earned whenever the Company's debit cards are processed through the MasterCard network. The Company's performance obligation for interchange fee income is satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month.

Interchange income for vendors using terminals the Company has sold and commissions from MasterCard related to the Company's principal status are also included in other operating income. The Company's performance obligation is satisfied, and the related revenue is recognized when the commissions or fees are earned and are generally based on a percentage of activity.

*Other Operating Income*

Included in other operating income are various transaction-based revenue streams such as wire transfer fees, foreign ATM fees, ACH origination fees, cashier check fees and miscellaneous services provided such as assistance with balancing a customer's checking account or making copies. Each of these fees are transactional based; therefore, the Company's performance obligation is satisfied and related revenue recognized at a point in time when the service is delivered.

**Employee Benefit Plans**

The Bank has a qualified 401(k) profit-sharing plan covering substantially all employees. Eligible participating employees may elect to contribute tax-deferred contributions. The Bank contributions include matching annual and discretionary amounts as determined by the Board of Directors. The 401(k) plan allows participants to invest in unrelated mutual funds.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

---

The Bank has also provided a deferred compensation plan for certain key employees and directors. These plans are target benefit arrangements with defined contributions based on the key employee's earned salary. The amounts are unfunded and are included in other liabilities on the Bank's books. As such, the beneficiaries are general creditors of the Bank.

The Bank contributions to these benefit plans are included in salaries and employee benefits (see Notes 16 and 17).

**Income Taxes**

Income taxes are provided for the tax effects of the transactions reported in the consolidated financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of available-for-sale securities, allowance for credit losses, estimated losses on foreclosed real estate, deferred compensation 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. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

The Company and its subsidiary file a consolidated federal income tax return. The subsidiary provides for income taxes on a separate return basis and remits to the Company amounts determined to be currently payable.

**Transfers of Financial Assets**

Transfers of financial assets are accounted for as sales when control over assets has been surrendered. Control over transferred assets is deemed surrendered when (1) the assets have been isolated from the Bank and put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (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.

**Off-Balance Sheet Financial Instruments**

In the ordinary course of business, the Bank has entered into off-balance sheet financial instruments consisting of commitments to extend credit, commitments under credit card arrangements, commercial letters of credit and standby letters of credit. Such financial instruments are recorded in the consolidated financial statements when they are funded. See Note 11 for a further discussion of these financial instruments.

The Bank has available as a source of short-term financing the purchase of federal funds from other commercial banks from available lines totaling \$12,800,000, all of which is available and unused. The Bank also has a line of credit with the Federal Home Loan Bank of Atlanta (FHLB) of up to approximately \$103,820,000, of which all is available and unused as of December 31, 2024. The ability to utilize the remaining line is dependent on the amount of eligible collateral that is free to pledge to the FHLB. In addition, as part of the borrowing agreement, the Bank is required to purchase FHLB stock (see Note 3).

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

---

**Contingencies**

Certain conditions may exist as of the date the consolidated financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

**Fair Value Measurements**

The Bank adopted authoritative guidance issued by the Financial Accounting Standards Board (FASB) on fair value measurements. This standard defines fair value for financial reporting purposes as the price that would be received to sell an asset or paid to transfer a liability in an orderly market transaction between market participants at the measurement date (reporting date).

Fair value is based on an exit price in the principal market or most advantageous market in which the reporting entity could execute a transaction. New fair value measurements are not required, but fair value disclosures are required for financial assets or liabilities where other accounting pronouncements require or permit fair value reporting.

For each asset and liability required to be reported at fair value, management has identified the unit of account and valuation premise to be applied for purposes of measuring fair value. The unit of account is the level at which an asset or liability is aggregated or disaggregated. The valuation premise is a concept that determines whether an asset is measured on a stand-alone basis or in combination with other assets. The Bank measures its assets and liabilities on a stand-alone basis then aggregates assets and liabilities with similar characteristics for disclosure purposes.

The standard establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Bank. Unobservable inputs are inputs that reflect the Bank's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value guidance established three categories within a fair value hierarchy, which are presented below:

- Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Bank has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

- Level 2 – Valuations based on observable inputs, including quoted prices (other than Level 1) in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, such as interest rates, yield curves, volatilities and default rates and inputs that are derived principally from or corroborated by observable market data.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The adoption of this authoritative guidance had no impact on the consolidated financial statements of the Bank other than the additional disclosures included in Note 18.

**Subsequent Events**

Management has evaluated subsequent events and their potential effects on these consolidated financial statements through the date of the independent auditors' report, which is the date the consolidated financial statements were available to be issued.

**Reclassifications**

Certain reclassifications have been made to the 2023 consolidated financial statements included herein to conform to the 2024 presentation. These reclassifications had no effect on the financial position, results of operations or cash flows of the Bank.

**3. SECURITIES**

**Debt Securities Available-for-Sale**

The amortized cost and fair value of debt securities available-for-sale, with gross unrealized gains and losses, were as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
<b>As of December 31, 2024</b>				
Debt securities:				
U.S. government-sponsored enterprises (GSEs)*	\$ 12,570,074	\$ -	\$ 1,924,280	\$ 10,645,794
State and municipal	84,468,641	56,933	15,899,590	68,625,984
Corporate bonds	7,194,582	-	539,764	6,654,818
Mortgage-backed:				
GSE residential	24,035,564	5,068	3,373,592	20,667,040
Collateralized mortgage obligations (CMOs)	3,691,322	440	6	3,691,756
	<u>\$ 131,960,183</u>	<u>\$ 62,441</u>	<u>\$ 21,737,232</u>	<u>\$ 110,285,392</u>

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>As of December 31, 2023</b>				
Debt securities:				
U.S. government-sponsored enterprises (GSEs)*	\$ 12,567,820	\$ -	\$ 1,978,986	\$ 10,588,834
State and municipal	84,615,495	302,194	14,168,786	70,748,903
Corporate bonds	7,000,000	-	753,883	6,246,117
Mortgage-backed:				
GSE residential	20,662,976	-	3,053,777	17,609,199
Collateralized mortgage obligations (CMOs)	357,280	-	3,332	353,948
	\$ 125,203,571	\$ 302,194	\$ 19,958,764	\$ 105,547,001

\* Such as Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Federal Home Loan Banks.

The Bank did not classify any investments as trading or held-to-maturity at December 31, 2024 and 2023.

Debt securities available-for-sale with a carrying amount of \$16,719,003 and \$18,102,777 were pledged to secure various public funds under the SAFE Program at December 31, 2024 and 2023, respectively.

The amortized cost and fair value of debt securities available-for-sale by contractual maturity at December 31, 2024, were as follows:

	Amortized Cost	Fair Value
Within one year	\$ 1,153,034	\$ 1,153,027
After one year through five years	9,495,206	8,943,014
After five years through 10 years	53,508,408	45,508,380
Over 10 years	67,803,535	54,680,971
	\$ 131,960,183	\$ 110,285,392

Mortgage-backed securities have been included in the maturity tables based upon the guaranteed pay-off date of each security. The actual maturities may differ from the contractual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

For the years ended December 31, 2024 and 2023, proceeds from sales, maturities and calls of debt securities available-for-sale amounted to \$3,586,032 and \$10,847,517; there were no gross realized gains; and gross realized losses were \$-0- and \$298,008 respectively.

The following table shows the gross unrealized losses and fair value of the entity's debt securities available-for-sale with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2024 and 2023.

	Less Than 12 Months		More Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>As of December 31, 2024</b>						
Debt securities:						
U.S. GSEs	\$ 1,489,492	\$ 9,886	\$ 9,156,302	\$ 1,914,394	\$ 10,645,794	\$ 1,924,280
State and municipals	13,321,748	859,446	52,174,227	15,040,144	65,495,975	15,899,590
Corporate Bonds	1,193,400	1,182	4,461,418	538,582	5,654,818	539,764
Mortgage-backed:						
GSE residential	4,784,093	107,472	15,548,584	3,266,120	20,332,677	3,373,592
CMOs	-	-	153,027	6	153,027	6
	<u>\$ 20,788,733</u>	<u>\$ 977,986</u>	<u>\$ 81,493,558</u>	<u>\$ 20,759,246</u>	<u>\$ 102,282,291</u>	<u>\$ 21,737,232</u>
	Less Than 12 Months		More Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>As of December 31, 2023</b>						
Debt securities:						
U.S. GSEs	\$ 992,221	\$ 7,779	\$ 9,596,613	\$ 1,971,207	\$ 10,588,834	\$ 1,978,986
State and municipals	1,521,339	35,072	52,900,698	14,133,714	54,422,037	14,168,786
Corporate Bonds	864,119	135,881	4,381,997	618,002	5,246,116	753,883
Mortgage-backed:						
GSE residential	-	-	17,609,199	3,053,777	17,609,199	3,053,777
CMOs	353,948	3,332	-	-	353,948	3,332
	<u>\$ 3,731,627</u>	<u>\$ 182,064</u>	<u>\$ 84,488,507</u>	<u>\$ 19,776,700</u>	<u>\$ 88,220,134</u>	<u>\$ 19,958,764</u>

***U.S. Government-Sponsored Enterprises (GSEs)***

The Bank has 13 U.S. Government-sponsored enterprise securities with unrealized losses at December 31, 2024. The unrealized losses on these investments were caused by the current interest rate environment and reflected aggregate depreciation from amortized cost of 15.31%. The expected present value of future cash flows is expected to approximate the contractual cash flows. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost of the Bank's investment.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

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*State and Municipal*

The Bank has 129 state and municipal securities with unrealized losses at December 31, 2024. The unrealized losses on these investments were caused by the current interest rate environment and reflected aggregate depreciation from amortized cost of 19.53%. The expected present value of future cash flows is expected to approximate the contractual cash flows. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost of the Bank's investment.

*Corporate Bonds*

At December 31, 2024, the Company had four corporate bonds with an unrealized loss. The unrealized loss on these securities was caused by the current interest rate environment and reflected aggregate depreciation from amortized cost of 8.71%. It is expected that the securities would not be settled at a price less than the amortized cost of the Company's investment.

*CMOs*

At December 31, 2024, the Company had one CMO with an unrealized loss. The unrealized loss on this security was caused by the current interest rate environment and reflected aggregate depreciation from amortized cost of 0.004%. It is expected that the securities would not be settled at a price less than the amortized cost of the Company's investment.

*Mortgage-Backed: GSE Residential*

The Bank had 32 mortgage-backed securities with unrealized losses at December 31, 2024. The unrealized losses on these investments were caused by the current interest rate environment and reflected aggregate depreciation from amortized cost of 14.23%. The expected present value of future cash flows is expected to approximate the contractual cash flows. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost of the Bank's investment.

The Bank does not consider these investments to be impaired at December 31, 2024, because the decline in market value is attributable to the current interest rate environment and not credit quality; moreover, the Bank does not intend to sell the investments, and it is not more likely than not that the Bank will be required to sell the investments before recovery of their amortized cost basis, which may be maturity.

*Restrictive Equity Securities*

The aggregate carrying value of the Bank's cost-method investments totaled \$1,522,900 and \$1,548,950 at December 31, 2024 and 2023, respectively. These investments were not evaluated for impairment because (1) the Bank did not estimate the fair value of these investments in accordance with ASC Topic 825, *Financial Instruments*, and (2) the Bank did not identify any events or changes in circumstances that may have had a significant adverse effect on the fair value of these investments. As of December 31, 2024, the Bank concluded that any impairments identified were temporary with no adjustments needed.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

The carrying amount of securities restrictive investment at December 31 is as follows:

	<u>2024</u>	<u>2023</u>
Federal Reserve Bank	\$ 702,100	\$ 544,850
First National Bankers Bank	534,200	534,200
Federal Home Loan Bank	<u>286,600</u>	<u>469,900</u>
	<u>\$ 1,522,900</u>	<u>\$ 1,548,950</u>

#### 4. LOANS

The composition of loans by primary loan classification and by performing and individually evaluated loan status at December 31, 2024 and 2023, is as follows:

	<u>December 31, 2024</u>		
	<u>Performing</u>	<u>Individually Evaluated</u>	<u>Total</u>
Construction, land development and other land	\$ 28,124,597	\$ -	\$ 28,124,597
Commercial real estate mortgage:			
Owner-occupied	53,690,673	-	53,690,673
Non-owner occupied	71,417,547	-	71,417,547
Consumer real estate mortgage	<u>60,766,282</u>	<u>154,368</u>	<u>60,920,650</u>
Total real estate mortgage	213,999,099	154,368	214,153,467
Commercial, financial and agricultural	31,406,283	-	31,406,283
Consumer	<u>6,650,951</u>	<u>-</u>	<u>6,650,951</u>
Subtotal	252,056,333	154,368	252,210,701
Allowance for credit losses	<u>(2,970,566)</u>	<u>(55,000)</u>	<u>(3,025,566)</u>
Net loans	<u>\$ 249,085,767</u>	<u>\$ 99,368</u>	<u>\$ 249,185,135</u>

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

	<b>December 31, 2023</b>		
	<b>Performing</b>	<b>Individually Evaluated</b>	<b>Total</b>
Construction, land development and other land	\$ 34,010,735	\$ -	\$ 34,010,735
Commercial real estate mortgage:			
Owner-occupied	56,440,245	291,424	56,731,669
Non-owner occupied	61,138,919	-	61,138,919
Consumer real estate mortgage	65,302,636	381,739	65,684,375
<b>Total real estate mortgage</b>	<b>216,892,535</b>	<b>673,163</b>	<b>217,565,698</b>
Commercial, financial and agricultural	33,672,949	2,066,533	35,739,482
Consumer	7,002,344	-	7,002,344
<b>Subtotal</b>	<b>257,567,828</b>	<b>2,739,696</b>	<b>260,307,524</b>
Allowance for credit losses	(2,941,386)	(719,528)	(3,660,914)
<b>Net loans</b>	<b>\$ 254,626,442</b>	<b>\$ 2,020,168</b>	<b>\$ 256,646,610</b>

The Bank has pledged eligible one to four family real estate mortgage loans, commercial mortgage loans, multifamily mortgage loans and investments as collateral to the Federal Home Loan Bank of Atlanta to secure a line of credit in the amount of \$103,820,000. At December 31, 2024 and 2023, there was an outstanding balance on the line of credit of \$-0- and \$4,000,000, respectively. See Note 9.

The changes in the allowance for credit losses for the years ended December 31, 2024 and 2023, are as follows:

	<b>2024</b>	<b>2023</b>
Balance at beginning of year	\$ 3,660,914	\$ 3,380,654
Impact of ASC 326	-	(8,554)
Loans charged off	(2,161,619)	(171,875)
Recoveries on loans previously charged off	116,377	64,514
<b>Net charge-offs</b>	<b>(2,045,242)</b>	<b>(107,361)</b>
Provision charged to operating expenses	1,409,894	396,175
<b>Balance at end of year</b>	<b>\$ 3,025,566</b>	<b>\$ 3,660,914</b>

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

The allocation and changes in the allowance for credit losses, by loan classification, as of and for the years ended December 31, 2024 and 2023, are as follows:

	<b>As of and for the year ended December 31, 2024</b>							
	<b>Construction, land development and other land</b>	<b>Commercial real estate mortgage</b>		<b>Consumer real estate mortgage</b>	<b>Commercial, financial and agricultural</b>	<b>Consumer</b>	<b>Unallocated</b>	<b>Total</b>
		<b>Owner- occupied</b>	<b>Non-owner occupied</b>					
Balance at beginning of year	\$ 488,735	\$ 1,275,183	\$ 143,038	\$ 658,865	\$ 1,029,367	\$ 65,726	\$ -	\$ 3,660,914
Charge-offs	-	-	-	-	(2,006,311)	(155,308)	-	(2,161,619)
Recoveries	-	-	-	28,950	25,337	62,090	-	116,377
Net charge-offs	-	-	-	28,950	(1,980,974)	(93,218)	-	(2,045,242)
Provision	68,828	(1,240,298)	891,431	(88,969)	1,654,461	124,441	-	1,409,894
Balance at end of year	<u>\$ 557,563</u>	<u>\$ 34,885</u>	<u>\$ 1,034,469</u>	<u>\$ 598,846</u>	<u>\$ 702,854</u>	<u>\$ 96,949</u>	<u>\$ -</u>	<u>\$ 3,025,566</u>

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

As of and for the year ended December 31, 2023

	Construction, land development and other land	Commercial real estate mortgage		Consumer real estate mortgage	Commercial, financial and agricultural	Consumer	Unallocated	Total
		Owner- occupied	Non-owner occupied					
Balance at beginning of year	\$ 19,802	\$ 1,645,240	\$ 43,951	\$ 310,653	\$ 1,230,456	\$ 78,139	\$ 52,413	\$ 3,380,654
Impact of ASC 326	-	-	-	-	-	-	(8,554)	(8,554)
Charge-offs	-	-	-	-	(70,671)	(101,204)	-	(171,875)
Recoveries	-	-	-	2,297	16,555	45,662	-	64,514
Net charge-offs	-	-	-	2,297	(54,116)	(55,542)	-	(107,361)
Provision	468,933	(370,057)	99,087	345,915	(146,973)	43,129	(43,859)	396,175
Balance at end of year	<u>\$ 488,735</u>	<u>\$ 1,275,183</u>	<u>\$ 143,038</u>	<u>\$ 658,865</u>	<u>\$ 1,029,367</u>	<u>\$ 65,726</u>	<u>\$ -</u>	<u>\$ 3,660,914</u>

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

The following table outlines the amount of each loan classification based on internally assigned risk ratings as of December 31, 2024 and 2023:

December 31, 2024								
Term Loans								
(amortized cost basis by origination year)								
	2024	2023	2022	2021	2020	Prior	Revolving Loans	Total
<b><i>Construction, land development and other land</i></b>								
Pass	\$ 12,800,067	\$ 6,275,109	\$ 4,418,081	\$ 2,044,260	\$ 220,376	\$ 883,556	\$ -	\$ 26,641,449
Special mention	-	-	1,265,000	-	-	-	-	1,265,000
Substandard	-	118,040	-	-	100,108	-	-	218,148
	<u>\$ 12,800,067</u>	<u>\$ 6,393,149</u>	<u>\$ 5,683,081</u>	<u>\$ 2,044,260</u>	<u>\$ 320,484</u>	<u>\$ 883,556</u>	<u>\$ -</u>	<u>\$ 28,124,597</u>
<b><i>Commercial real estate - owner-occupied</i></b>								
Pass	\$ 1,785,471	\$ 9,032,390	\$ 9,410,156	\$ 12,377,817	\$ 9,179,993	\$ 11,904,846	\$ -	\$ 53,690,673
	<u>\$ 1,785,471</u>	<u>\$ 9,032,390</u>	<u>\$ 9,410,156</u>	<u>\$ 12,377,817</u>	<u>\$ 9,179,993</u>	<u>\$ 11,904,846</u>	<u>\$ -</u>	<u>\$ 53,690,673</u>
<b><i>Commercial real estate - non-owner occupied</i></b>								
Pass	\$ 11,278,367	\$ 10,731,715	\$ 19,002,874	\$ 14,787,534	\$ 2,392,986	\$ 13,073,647	\$ -	\$ 71,267,123
Special mention	-	-	150,424	-	-	-	-	150,424
	<u>\$ 11,278,367</u>	<u>\$ 10,731,715</u>	<u>\$ 19,153,298</u>	<u>\$ 14,787,534</u>	<u>\$ 2,392,986</u>	<u>\$ 13,073,647</u>	<u>\$ -</u>	<u>\$ 71,417,547</u>

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

December 31, 2024

Term Loans (amortized cost basis by origination year)								Revolving Loans	Total
	2024	2023	2022	2021	2020	Prior			
<b><u>Consumer real estate mortgage</u></b>									
Pass	\$ 7,255,305	\$ 9,720,192	\$ 8,632,243	\$ 12,802,323	\$ 4,222,073	\$ 8,187,036	\$ 9,666,035	\$ 60,485,207	
Substandard	-	186,237	-	-	-	-	-	186,237	
Loss	-	14,421	80,417	-	-	-	-	94,838	
Individually evaluated	-	-	-	-	-	154,368	-	154,368	
	<u>\$ 7,255,305</u>	<u>\$ 9,920,850</u>	<u>\$ 8,712,660</u>	<u>\$ 12,802,323</u>	<u>\$ 4,222,073</u>	<u>\$ 8,341,404</u>	<u>\$ 9,666,035</u>	<u>\$ 60,920,650</u>	
<b><u>Commercial, financial and agricultural</u></b>									
Pass	\$ 7,368,171	\$ 4,126,434	\$ 9,259,608	\$ 2,896,064	\$ 3,044,778	\$ 4,509,394	\$ -	\$ 31,204,449	
Special mention	-	44,556	-	-	-	-	-	44,556	
Substandard	-	-	-	-	157,278	-	-	157,278	
	<u>\$ 7,368,171</u>	<u>\$ 4,170,990</u>	<u>\$ 9,259,608</u>	<u>\$ 2,896,064</u>	<u>\$ 3,202,056</u>	<u>\$ 4,509,394</u>	<u>\$ -</u>	<u>\$ 31,406,283</u>	
<b><u>Consumer</u></b>									
Pass	\$ 2,928,921	\$ 2,504,287	\$ 593,228	\$ 459,566	\$ 48,069	\$ 37,658	\$ 52,620	\$ 6,624,349	
Special mention	-	-	14,162	12,440	-	-	-	26,602	
	<u>\$ 2,928,921</u>	<u>\$ 2,504,287</u>	<u>\$ 607,390</u>	<u>\$ 472,006</u>	<u>\$ 48,069</u>	<u>\$ 37,658</u>	<u>\$ 52,620</u>	<u>\$ 6,650,951</u>	

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

December 31, 2024								
Term Loans								
(amortized cost basis by origination year)								
	2024	2023	2022	2021	2020	Prior	Revolving Loans	Total
<b><i>Total loans</i></b>								
Pass	\$ 43,416,302	\$ 42,390,127	\$ 51,316,190	\$ 45,367,564	\$ 19,108,275	\$ 38,596,137	\$ 9,718,655	\$ 249,913,250
Special mention	-	44,556	1,429,586	12,440	-	-	-	1,486,582
Substandard	-	304,277	-	-	257,386	-	-	561,663
Loss	-	14,421	80,417	-	-	-	-	94,838
Individually evaluated	-	-	-	-	-	154,368	-	154,368
	<u>\$ 43,416,302</u>	<u>\$ 42,753,381</u>	<u>\$ 52,826,193</u>	<u>\$ 45,380,004</u>	<u>\$ 19,365,661</u>	<u>\$ 38,750,505</u>	<u>\$ 9,718,655</u>	<u>\$ 252,210,701</u>

\* Loans graded as superior quality, high quality, good quality and acceptable quality are classified as "Pass" grade for disclosure purposes.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

December 31, 2023

Term Loans (amortized cost basis by origination year)								
	2023	2022	2021	2020	2019	Prior	Revolving Loans	Total
<b><i>Construction, land development and other land</i></b>								
Pass	\$ 13,235,583	\$ 14,297,192	\$ 4,933,517	\$ 478,628	\$ 333,580	\$ 732,235	\$ -	\$ 34,010,735
	<u>\$ 13,235,583</u>	<u>\$ 14,297,192</u>	<u>\$ 4,933,517</u>	<u>\$ 478,628</u>	<u>\$ 333,580</u>	<u>\$ 732,235</u>	<u>\$ -</u>	<u>\$ 34,010,735</u>
<b><i>Commercial real estate - owner-occupied</i></b>								
Pass	\$ 7,289,352	\$ 11,333,253	\$ 13,513,036	\$ 9,798,416	\$ 2,983,994	\$ 11,522,194	\$ -	\$ 56,440,245
Individually evaluated	-	-	-	-	291,424	-	-	291,424
	<u>\$ 7,289,352</u>	<u>\$ 11,333,253</u>	<u>\$ 13,513,036</u>	<u>\$ 9,798,416</u>	<u>\$ 3,275,418</u>	<u>\$ 11,522,194</u>	<u>\$ -</u>	<u>\$ 56,731,669</u>
<b><i>Commercial real estate - owner-occupied</i></b>								
Pass	\$ 7,578,910	\$ 16,384,846	\$ 16,311,688	\$ 2,608,993	\$ 7,101,960	\$ 11,152,522	\$ -	\$ 61,138,919
	<u>\$ 7,578,910</u>	<u>\$ 16,384,846</u>	<u>\$ 16,311,688</u>	<u>\$ 2,608,993</u>	<u>\$ 7,101,960</u>	<u>\$ 11,152,522</u>	<u>\$ -</u>	<u>\$ 61,138,919</u>
<b><i>Consumer real estate mortgage</i></b>								
Pass	\$ 12,209,530	\$ 13,167,037	\$ 16,993,591	\$ 4,651,076	\$ 4,460,494	\$ 5,630,221	\$ 8,190,687	\$ 65,302,636
Individually evaluated	133,223	86,911	-	-	-	161,605	-	381,739
	<u>\$ 12,342,753</u>	<u>\$ 13,253,948</u>	<u>\$ 16,993,591</u>	<u>\$ 4,651,076</u>	<u>\$ 4,460,494</u>	<u>\$ 5,791,826</u>	<u>\$ 8,190,687</u>	<u>\$ 65,684,375</u>

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

December 31, 2023

Term Loans (amortized cost basis by origination year)								Revolving Loans	Total
	2023	2022	2021	2020	2019	Prior			
<b><i>Commercial, financial and agricultural</i></b>									
Pass	\$ 6,541,652	\$ 12,068,964	\$ 5,102,155	\$ 4,589,640	\$ 1,907,367	\$ 3,463,171	\$ -	\$ 33,672,949	
Individually evaluated	54,181	-	1,748,738	263,614	-	-	-	2,066,533	
	<u>\$ 6,595,833</u>	<u>\$ 12,068,964</u>	<u>\$ 6,850,893</u>	<u>\$ 4,853,254</u>	<u>\$ 1,907,367</u>	<u>\$ 3,463,171</u>	<u>\$ -</u>	<u>\$ 35,739,482</u>	
<b><i>Consumer</i></b>									
Pass	\$ 4,454,005	\$ 1,349,864	\$ 867,630	\$ 169,888	\$ 70,751	\$ 46,177	\$ 44,029	\$ 7,002,344	
	<u>\$ 4,454,005</u>	<u>\$ 1,349,864</u>	<u>\$ 867,630</u>	<u>\$ 169,888</u>	<u>\$ 70,751</u>	<u>\$ 46,177</u>	<u>\$ 44,029</u>	<u>\$ 7,002,344</u>	
<b><i>Total loans</i></b>									
Pass	\$ 51,309,032	\$ 68,601,156	\$ 57,721,617	\$ 22,296,641	\$ 16,858,146	\$ 32,546,520	\$ 8,234,716	\$ 257,567,828	
Individually evaluated	187,404	86,911	1,748,738	263,614	291,424	161,605	-	2,739,696	
	<u>\$ 51,496,436</u>	<u>\$ 68,688,067</u>	<u>\$ 59,470,355</u>	<u>\$ 22,560,255</u>	<u>\$ 17,149,570</u>	<u>\$ 32,708,125</u>	<u>\$ 8,234,716</u>	<u>\$ 260,307,524</u>	

\* Loans graded as superior quality, high quality, good quality and acceptable quality are classified as "Pass" grade for disclosure purposes.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

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

<b>At December 31, 2024</b>					
	<b>Real Estate Collateral</b>	<b>Commercial Equipment Collateral</b>	<b>Automobile Collateral</b>	<b>Total</b>	<b>Allowance for Credit Loss</b>
Consumer real estate mortgage	\$ 154,368	\$ -	\$ -	\$ 154,368	\$ 55,000
Total collateral-dependent loans	<u>\$ 154,368</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,368</u>	<u>\$ 55,000</u>
<b>At December 31, 2023</b>					
	<b>Real Estate Collateral</b>	<b>Commercial Equipment Collateral</b>	<b>Automobile Collateral</b>	<b>Total</b>	<b>Allowance for Credit Loss</b>
Commercial real estate mortgage:					
Owner-occupied	\$ 291,424	\$ -	\$ -	\$ 291,424	\$ -
Consumer real estate mortgage	381,739	-	-	381,739	40,823
Commercial, financial and agricultural	-	317,795	-	317,795	79,064
Total collateral-dependent loans	<u>\$ 673,163</u>	<u>\$ 317,795</u>	<u>\$ -</u>	<u>\$ 990,958</u>	<u>\$ 119,887</u>

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

In some cases, the Company provides multiple types of concessions on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. The combination is at least two of the following: a term extension, principal forgiveness, an other-than-insignificant payment delay and/or an interest rate reduction.

The Company did not modify any loans for the years ended December 31, 2024 and 2023.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts.

There were no modified loans that had a payment default during the years ended December 31, 2024 and 2023.

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.

Past due balances and loans on nonaccrual status at December 31, 2024 and 2023, by loan classification, are as follows:

	December 31, 2024						
	Past Due 30-89 Days and Still Accruing	Past Due 90 Days or More and Still Accruing	Total Past Due and Performing	Loans on nonaccrual status with ACL	Loans on nonaccrual status without ACL	Current	Total Loans
Construction, land development and other land	\$ 1,265,000	\$ -	\$ 1,265,000	\$ -	\$ 118,040	\$ 26,741,557	\$ 28,124,597
Commercial:							
Owner-occupied	-	-	-	-	-	53,690,673	53,690,673
Non-owner occupied	-	-	-	-	-	71,417,547	71,417,547
Consumer real estate mortgage	391,423	-	391,423	154,368	94,838	60,280,021	60,920,650
Commercial, financial and agricultural	242,260	-	242,260	-	157,278	31,006,745	31,406,283
Consumer	50,662	-	50,662	-	10,528	6,589,761	6,650,951
<b>Total</b>	<b>\$ 1,949,345</b>	<b>\$ -</b>	<b>\$ 1,949,345</b>	<b>\$ 154,368</b>	<b>\$ 380,684</b>	<b>\$ 249,726,304</b>	<b>\$ 252,210,701</b>

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

	December 31, 2023						
	Past Due 30-89 Days and Still Accruing	Past Due 90 Days or More and Still Accruing	Total Past Due and Performing	Loans on nonaccrual status with ACL	Loans on nonaccrual status without ACL	Current	Total Loans
Construction, land development and other land	\$ 110,059	\$ -	\$ 110,059	\$ -	\$ -	\$ 33,900,676	\$ 34,010,735
Commercial:							
Owner-occupied	-	-	-	-	291,424	56,440,245	56,731,669
Non-owner occupied	-	-	-	-	-	61,138,919	61,138,919
Consumer real estate mortgage	101,911	-	101,911	-	-	65,582,464	65,684,375
Commercial, financial and agricultural	263,614	54,181	317,795	-	-	35,421,687	35,739,482
Consumer	9,417	-	9,417	-	-	6,992,927	7,002,344
<b>Total</b>	<b>\$ 485,001</b>	<b>\$ 54,181</b>	<b>\$ 539,182</b>	<b>\$ -</b>	<b>\$ 291,424</b>	<b>\$ 259,476,918</b>	<b>\$ 260,307,524</b>

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

The Company did not modify any loans during the years ended December 31, 2024 and 2023; there were no modified loans that subsequently defaulted for the years ended December 31, 2024 and 2023. The Company had no modified loans that were past due as of December 31, 2024 and 2023.

Certain directors, executive officers and principal stockholders, including their immediate families and associates, were loan customers of the Bank during 2024 and 2023. A summary of activity and amounts outstanding as of December 31 is as follows:

	<u>2024</u>	<u>2023</u>
Balance at beginning of year	\$ 4,735,205	\$ 1,694,377
New loans or advances	506,303	2,567,865
Principal repayments	(717,609)	(3,773,411)
Transfers in	-	4,246,374
	<u>                    </u>	<u>                    </u>
Balance at end of year	<u>\$ 4,523,899</u>	<u>\$ 4,735,205</u>

**5. PREMISES AND EQUIPMENT**

Major classifications of premises and equipment at December 31 are summarized below:

	<u>2024</u>	<u>2023</u>
Building and improvements	\$ 7,349,971	\$ 7,288,565
Equipment	2,230,229	2,127,330
Furniture and fixtures	631,753	669,049
Computer software	198,174	207,036
Leasehold improvements	770,977	598,925
	<u>                    </u>	<u>                    </u>
	11,181,104	10,890,905
Less accumulated depreciation	<u>(5,997,673)</u>	<u>(5,857,008)</u>
Net depreciable premises and equipment	5,183,431	5,033,897
Land	<u>1,483,997</u>	<u>1,483,997</u>
Premises and equipment, net	<u>\$ 6,667,428</u>	<u>\$ 6,517,894</u>

The provision for depreciation charged to occupancy and equipment expense was \$570,669 and \$525,950 for the years ended December 31, 2024 and 2023, respectively.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**6. LEASE ARRANGEMENTS**

The Bank has entered into various operating leases, primarily for branch facilities and equipment. The leases are classified as operating leases at commencement. Right-of-use assets representing the right to use the underlying asset and lease liabilities representing the obligation to make future lease payments are recognized on the balance sheet within the other assets and other liabilities. These assets and liabilities are estimated based on the present value of future lease payments discounted using the Bank's incremental secured borrowing rates as of the commencement date of the lease. Certain lease agreements contain renewal options which are considered in the determination of the lease term if they are deemed reasonably certain to be exercised.

Right-of-use assets and lease liabilities relating to the Bank's operating leases are as follows at December 31, 2024 and 2023:

Right-of-use assets:		
Operating leases	<u>\$ 1,418,042</u>	<u>\$ 1,515,067</u>
Total right-of-use assets	<u>\$ 1,418,042</u>	<u>\$ 1,515,067</u>
Lease liabilities		
Operating leases	<u>\$ 1,418,042</u>	<u>\$ 1,515,067</u>
Total lease liabilities	<u>\$ 1,418,042</u>	<u>\$ 1,515,067</u>

The total lease cost related to operating leases is recognized on a straight-line basis over the lease term. The total operating lease cost for December 31, 2024 and 2023, was \$96,447 and 89,520, respectively.

The weighted average remaining lease term and weighted average discount rate for operating leases at December 31, 2024, are:

	<u><b>2024</b></u>
Weighted average remaining lease term –	
Operating leases	8.68
Weighted average discount rate –	
Operating leases	4.65%

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

Future undiscounted lease payments for operating leases are as follows:

2025	\$ 162,557
2026	162,590
2027	168,491
2028	169,266
2029	172,301
Thereafter	<u>1,005,633</u>
Total undiscounted lease payments	1,840,838
Less: imputed interest	<u>(422,796)</u>
Net lease liability	<u><u>\$ 1,418,042</u></u>

## 7. LIMITED PARTNERSHIP INVESTMENT

The Company's investment in the limited partnership is for the investment in qualified affordable housing projects. The partnership currently has three projects in process, and at the completion of these projects, they are converted to tax credits. The tax credits are then amortized over a maximum of a 10-year period, based on the usage rate. At December 31, 2024 and 2023, the balance of the Partnership investment was \$2,048,843 and \$2,389,925. These balances are reflected in the assets section on the consolidated balance sheets.

## 8. DEPOSITS

The aggregate amount of deposits from executive officers, directors and principal stockholders was \$31,739,738 and \$29,933,110 at December 31, 2024 and 2023, respectively.

The Bank had \$32,388,097 and \$27,284,997 of time deposits outstanding greater than the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000 at December 31, 2024 and 2023.

Demand deposit overdrafts reclassified as loan balances amounted to \$138,344 and \$110,884 at December 31, 2024 and 2023, respectively.

The maturity schedule for all time deposits as of December 31, 2024, over the next five years and in the aggregate is as follows:

Years Ending December 31,	
2025	\$ 74,763,836
2026	1,143,448
2027	430,126
2028	279,934
2029	<u>514,782</u>
	<u><u>\$ 77,132,126</u></u>

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**9. BORROWINGS**

Borrowings at December 31 consist of the following:

	<b>2024</b>	<b>2023</b>
FHLB advance dated December 15, 2023, with interest paid quarterly at 5.44%, matured January 16, 2024, and was secured by commercial real estate loans, multifamily residential loans and one to four family mortgage loans and securities.	\$ -	\$ 4,000,000
Term note payable to a financial institution with a variable interest rate of prime as published by the Wall Street Journal, which was 7.50% as of December 31, 2023, due in quarterly interest installments and all outstanding principal will be due at maturity of November 15, 2032, collateralized by Bank stock.	6,000,000	6,000,000
	<b>\$ 6,000,000</b>	<b>\$ 10,000,000</b>

The maturity schedule for all borrowings as of December 31, 2024, is as follows:

Years Ending December 31,	
2025	750,000
2026	750,000
2027	750,000
2028	750,000
2029	750,000
Thereafter	2,250,000
	<b>\$ 6,000,000</b>

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**10. INCOME TAX PROVISION**

The components of income tax expense for the years ended December 31, 2024 and 2023, were as follows:

	<u>2024</u>	<u>2023</u>
Current:		
Federal	\$ 702,555	\$ 1,004,555
State	<u>364,268</u>	<u>288,446</u>
	1,066,823	1,293,001
Deferred:		
Federal	<u>(17,304)</u>	<u>(44,081)</u>
	<u>\$ 1,049,519</u>	<u>\$ 1,248,920</u>

The provision for federal income taxes differs from that computed by applying the federal statutory rates to income before federal income tax expense, as indicated in the following analysis:

	<u>2024</u>	<u>2023</u>
Federal statutory income tax at 21%	\$ 1,134,615	\$ 1,281,357
Tax-exempt interest	(233,033)	(225,048)
State income tax, net of federal benefit	287,772	227,872
Low income housing tax credit	(381,886)	(381,886)
Other temporary or permanent differences	<u>242,051</u>	<u>346,625</u>
	<u>\$ 1,049,519</u>	<u>\$ 1,248,920</u>

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

A cumulative net deferred tax asset is included in other assets. The components of the net deferred tax assets are as follows:

	<u>2024</u>	<u>2023</u>
Differences in accounting for credit losses	\$ 832,041	\$ 1,006,751
Differences in depreciation methods	(219,118)	(257,800)
Differences in unrealized gains and losses on investments	4,554,069	4,132,677
Differences in stock options and warrants	-	10,023
Difference in deferred compensation	225,505	208,201
Other differences	67,054	(78,997)
	<u>\$ 5,459,551</u>	<u>\$ 5,020,855</u>
Deferred tax assets	\$ 5,678,669	\$ 5,357,652
Deferred tax liabilities	(219,118)	(336,797)
	<u>\$ 5,459,551</u>	<u>\$ 5,020,855</u>

Temporary differences giving rise to the deferred tax asset consist primarily of differences in the bad debt deduction for tax purposes and financial reporting purposes, differences in depreciation for tax purposes and financial reporting purposes and the difference in unrealized gains and losses on investments.

The Company has invested in a limited partnership that will eventually hold tax credits, to reduce to the amount of income tax paid by the Company. See note 7.

## **11. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK**

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated statements of financial condition.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

The Bank's exposure to credit loss in the event of nonperformance by the other parties to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

Unless noted otherwise, the Bank does not require collateral or other security to support financial instruments with credit risk. The approximate outstanding notional amount of off-balance sheet risks at December 31, 2024 and 2023, is as follows:

	<b>2024</b>	<b>2023</b>
Unused lines of credit	\$ 53,524,000	\$ 50,944,000
Standby letters of credit	307,000	149,000
Credit cards	8,682,000	7,452,000
	\$ 62,513,000	\$ 58,545,000

Commitments to extend credit are agreements to lend to a customer, as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Performance and financial letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in loan facilities extended to customers.

## **12. CONCENTRATION OF CREDIT RISK**

Most of the Bank's deposit and lending activities occur with customers located within Calhoun, Cleburne, Jefferson and Shelby Counties in Alabama. The Bank grants commercial, residential and consumer loans primarily to customers in central and east Alabama. The concentrations of loans by type are set forth in Note 4.

## **13. RESTRICTIONS ON DIVIDENDS**

The Bank is subject to the dividend restrictions set forth by the State Banking Department. Under such restrictions, the Bank may not, without the prior approval of the State Banking Department, declare dividends in excess of the sum of the current year's earnings plus the net earnings from the prior two years. For the year ending December 31, 2025, the Bank can declare dividends, without regulatory approval, of approximately \$4,732,000 plus an additional amount equal to its net profits for 2025. However, restrictions exist related to the maintenance of adequate capital and, as such, may further restrict the amounts of allowable dividends which can be paid.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

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#### **14. REGULATORY CAPITAL**

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities and certain off balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available-for-sale securities is not included in computing regulatory capital. Management believes as of December 31, 2024, the Company and Bank meet all capital adequacy requirements to which they are subject.

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

In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework (CBLR framework), for qualifying community banking organizations, consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act. The final rule became effective on January 1, 2020 and was elected by the Bank as of January 1, 2020. 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 community bank leverage ratio requirement after the expiration of the temporary changes implemented pursuant to section 4012 of the CARES Act.

The community bank leverage ratio removes the requirement for qualifying banking organizations to calculate and report risk-based capital but rather only requires a Tier 1 to average assets (leverage) ratio. Qualifying banking organizations that elect to use the community bank leverage ratio framework and that maintain a leverage ratio of greater than required minimums will be considered to have satisfied the generally applicable risk based and leverage capital requirements in the agencies' capital rules (generally applicable rule) and, if applicable, will be considered to have met the well capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act. Under the interim final rules, the community bank leverage ratio minimum requirement is 9% for calendar year 2022 and beyond. The interim rule allows for a two-quarter grace period to correct a ratio that falls below the required amount, provided that the bank maintains a leverage ratio greater than 8%. Under the final rule, an eligible banking organization can opt out of the CBLR framework and revert to the risk-weighting framework without restriction. As of December 31, 2024 and 2023, both the Company and Bank were qualifying community banking organizations as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

The Bank's actual and required capital amounts and ratios under the new capital guidance are as follows (dollars in thousands):

	Actual		Minimum CBLR Ratio	
	Amount	Ratio	Amount	Ratio
<b>As of December 31, 2024</b>				
Tier 1 leverage:				
Consolidated	\$ 39,438	9.452%	N/A	N/A
Bank	43,779	10.531%	\$ 37,416	9.000%
<b>As of December 31, 2023</b>				
Tier 1 leverage				
Consolidated	\$ 36,056	9.085%	N/A	N/A
Bank	40,948	10.342%	\$ 35,634	9.000%

## 15. STOCK-BASED COMPENSATION

On April 18, 2006, the Stockholders and Directors approved and adopted the Plan, a stock-based compensation plan for key employees and directors. The purpose of the Plan is to enhance stockholder investment by attracting, retaining and motivating key employees and directors of the Bank and to align the interests of management with those of stockholders.

The weighted-average estimated fair value of the warrants and options was determined using the Black-Scholes option-pricing model, which values options based on the stock price at the grant date, the expected life of the option, the estimated volatility of the stock, the expected dividend payments and the risk-free interest rate over the expected life of the option.

The Black-Scholes option valuation model was developed for estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Because option valuation models require the use of subjective assumptions, changes in these assumptions can materially affect the fair value of the options, and since the Bank's options do not have the characteristics of traded options, the option valuation models do not necessarily provide a reliable measure of the fair value of its options.

Compensation expense recorded for the following plans totaled \$-0- for both years ended December 31, 2024 and 2023.

In 2014, the Board of Directors approved the issuance of stock options to one Bank officer/manager. The employee received an option for 10,000 shares of stock at a strike price of \$12. The total expense over the five-year vesting period was \$36,447. The weighted average estimated fair value of stock options granted during 2014 was \$3.6447 per share.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

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The assumptions used in the Black-Scholes model were as follows for stock options granted in 2014:

Risk-free interest rate	2.59%
Expected volatility of common stock	15%
Dividend yield	0%
Expected life of options	10 years

As of December 31, 2024 and 2023, there were -0- and 10,000 shares, respectively, with a weighted average exercise price of \$-0- and \$120,000, respectively, outstanding and exercisable. The remaining contractual life expired in 2024 and the remaining 10,000 shares were forfeited.

## **16. EMPLOYEE BENEFIT PLAN**

### **401(K) Plan**

On November 1, 2005, the Bank adopted the Noble Bank and Trust 401(k) Profit Sharing Plan (401(k)) to provide eligible participants with retirement benefits. This 401(k) is a safe harbor 401(k) plan, and the Bank will contribute a matching portion of employee contributions up to a maximum of 5.0% of compensation.

Profit-sharing contributions to the 401(k) are made at the discretion of the employer. The 401(k) substantially covers all employees who meet certain age and length of service requirements. The employees are not required to contribute to participate in the profit-sharing contributions. Contributions charged to operations for the years ended December 31, 2024 and 2023, were \$191,824 and \$192,442, respectively.

## **17. POSTRETIREMENT BENEFITS**

The Bank has also entered into nonqualified deferred compensation agreements (the Agreements) covering certain executive officers. The Agreements provide for payments of scheduled benefits to the participants or their beneficiaries for a period between seven to 13 years following specified retirement dates (Full Benefit Dates). The Full Benefit Dates range from year 2022 through 2036 and reflect the participant having reached age 65. The Agreements provide for defined retirement benefits (Full Retirement Benefits) upon the fulfillment of certain conditions related primarily to continued length of service. Reduced retirement benefits (Limited Retirement Benefits) are also scheduled in the Agreements should separation of service occur prior to the Full Benefit Date, under certain conditions. The scheduled Limited Retirement Benefits reflect annual increases until reaching the Full Retirement Benefits on the Full Benefit Date. The Agreements provide that each annual increase is subject to annual approval by, and at the discretion of, the Bank's Board of Directors, thereby potentially reducing the scheduled Full Retirement Benefits and the Limited Retirement Benefits. The Agreements also provide for acceleration of the length of service requirement to receive the Full Retirement Benefits upon change of control (as defined in the Agreements) and acceleration of both the Full Retirement Benefits and the Full Benefit Date as a result of death or disability (as defined). The present value of the estimated liability under the Agreements is being accrued over the expected remaining years of service.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

The aggregate benefit cost expected to be accrued for the year ending December 31, 2025, is \$66,292.

The measurement date for the agreement is December 31 of each year. A weighted average assumed discount rate of 5.50% was used in calculating the accumulated benefit obligation. The agreement is not considered a pay-related plan, and there are no plan assets on which to compute long-term rates of return. Since there are no plan assets, the agreement is underfunded by the total amount of the benefit obligation liability. Furthermore, the Bank plans on funding the required payments through the continuing operations of the Bank.

The present value of the agreement's accumulated benefit obligation amounted to \$802,225 and \$768,154 at December 31, 2024 and 2023, respectively. The benefit obligation expense for the years ended December 31, 2024 and 2023, was \$39,071 and \$60,846 respectively.

Expected benefit payments for the deferred compensation plan for the 10-year period following December 31, 2024, are as follows:

Years Ending December 31,	
2025	\$ 48,328
2026	48,328
2027	48,328
2028	48,328
2029	53,328
2030-2034	<u>445,035</u>
	<u><u>\$ 691,675</u></u>

## **18. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

**Cash and Cash Equivalents** – For those instruments, the carrying amount is a reasonable estimate of fair value.

**Securities** – For securities available-for-sale, fair values are based on quoted market prices or dealer quotes. For other investments, fair value is estimated to be approximately the carrying amount.

**Loans** – For certain homogeneous categories of loans, such as some residential mortgage, credit card receivables and other consumer loans, fair value is estimated using the quoted market prices for securities backed by similar loans, adjusted for differences in loan characteristics. The fair value of other types of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

Loans held-for-sale – For these short-term investments, the carrying amount is a reasonable estimate of fair value.

Accrued Interest Receivable and Payable – The carrying amount of accrued interest receivable and payable approximates its fair value.

Deposits – The fair value of demand deposits, savings accounts and certain money market deposits is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities.

Borrowings – The fair value of borrowings, including federal funds purchased, is estimated to be approximately the same as the carrying value.

Commitments to Extend Credit, Standby Letters of Credit and Financial Guarantees Written – The fair value of commitments, letters of credit and financial guarantees is estimated to be approximately the fees charged for these arrangements.

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

	<b>2024</b>		<b>2023</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
Financial assets:				
Cash and cash equivalents	\$ 25,981,760	\$ 25,981,760	\$ 19,240,476	\$ 19,240,476
Securities available-for-sale	110,285,392	110,285,392	105,547,001	105,547,001
Restrictive equity investments	1,522,900	1,522,900	1,548,950	1,548,950
Loans, net	249,185,135	247,832,407	256,646,610	247,863,541
Loans held-for-sale	-	-	226,000	226,000
Premises and equipment, net	6,667,428	6,667,428	6,517,894	6,517,894
Investment in annuities	1,517,863	1,517,863	1,568,888	1,568,888
Financial liabilities:				
Deposits	383,275,268	328,426,266	374,271,916	323,942,131
Borrowings	6,000,000	6,000,000	10,000,000	10,000,071
Accrued interest payable	798,353	798,353	885,956	885,956
Unrecognized financial instruments:				
Commitments to extend credit	53,524,000	53,524	50,944,000	50,944
Standby letters of credit	307,000	307	149,000	149

The Bank's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with FASB ASC Topic 820. See Note 2.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**Items Measured at Fair Value on a Recurring Basis**

The following fair value hierarchy table presents information about the Bank's assets and liabilities measured at fair value on a recurring basis as of December 31, 2024 and 2023:

<b>December 31, 2024</b>					
<b>Fair Value Measurement at Report Date Using</b>					
<b>Fair Value</b>	<b>Quoted Prices in Active Markets Level 1</b>	<b>Significant Other Observable Inputs Level 2</b>	<b>Significant Unobservable Inputs Level 3</b>		
Debt securities:					
U.S. GSEs	\$ 10,645,794	\$ -	\$ 10,645,794	\$ -	
State and municipals	68,625,984	-	68,625,984	-	
Corporate Bonds	6,654,818	-	6,654,818	-	
Mortgage-backed:					
GSE residential	20,667,040	-	20,667,040	-	
CMOs	3,691,756	-	3,691,756	-	
	<u>\$ 110,285,392</u>	<u>\$ -</u>	<u>\$ 110,285,392</u>	<u>\$ -</u>	
<b>December 31, 2023</b>					
<b>Fair Value Measurement at Report Date Using</b>					
<b>Fair Value</b>	<b>Quoted Prices in Active Markets Level 1</b>	<b>Significant Other Observable Inputs Level 2</b>	<b>Significant Unobservable Inputs Level 3</b>		
Debt securities:					
U.S. GSEs	\$ 10,588,834	\$ -	\$ 10,588,834	\$ -	
State and municipals	70,748,903	-	70,748,903	-	
Corporate Bonds	6,246,117	-	6,246,117	-	
Mortgage-backed:					
GSE residential	17,609,199	-	17,609,199	-	
CMOs	353,948	-	353,948	-	
	<u>\$ 105,547,001</u>	<u>\$ -</u>	<u>\$ 105,547,001</u>	<u>\$ -</u>	

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

The valuation techniques used to measure fair value for the items in the table above are as follows:

Debt securities available-for-sale – Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, fair values are estimated using pricing models and discounted cash flows that consider standard input factors, such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes and credit spreads. Examples of such instruments, which would generally be classified within Level 2 of the valuation hierarchy, include GSE obligations, corporate bonds and other securities. Mortgage-backed securities are included in Level 2 if observable inputs are available. In certain cases where there is limited activity or less transparency around inputs to the valuation, the securities are classified in Level 3.

**Items Measured at Fair Value on a Nonrecurring Basis**

The following fair value hierarchy table presents information about the Bank’s assets and liabilities measured at fair value on a nonrecurring basis as of December 31, 2024 and 2023:

	<b>December 31, 2024</b>			
	<b>Fair Value Measurement at Report Date Using</b>			
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets Level 1</b>	<b>Significant Other Observable Inputs Level 2</b>	<b>Significant Unobservable Inputs Level 3</b>
Collateral dependent loans, net	\$ 99,368	\$ -	\$ -	\$ 99,368
	<u>\$ 99,368</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,368</u>
		<b>December 31, 2023</b>		
		<b>Fair Value Measurement at Report Date Using</b>		
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets Level 1</b>	<b>Significant Other Observable Inputs Level 2</b>	<b>Significant Unobservable Inputs Level 3</b>
Collateral dependent loans, net	\$ 2,020,168	\$ -	\$ -	\$ 2,020,168
	<u>\$ 2,020,168</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,020,168</u>

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

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The valuation techniques used to measure fair value for the items in the table above are as follows:

Collateral dependent loans – Nonrecurring fair value adjustments to collateral dependent loans reflect full or partial write-downs that are based on the loan’s observable market price or current appraised value of the collateral in accordance with FASB ASC Section 310-10-35, *Receivables, Subsequent Measurement, Loan Impairment*. Loans subjected to nonrecurring fair value adjustments based on the current appraised value of the collateral may be classified as Level 2 or Level 3 depending on the type of asset and the inputs to the valuation. When appraisals are used to determine impairment, and these appraisals require significant adjustments to market-based valuation inputs or apply an income approach based on unobservable cash flows to measure fair value, the related loans subjected to nonrecurring fair value adjustments are typically classified as Level 3 due to the fact that Level 3 inputs are significant to the fair value measurement.

Foreclosed Real Estate – Nonrecurring fair value adjustments to foreclosed real estate reflect full or partial write-downs that are based on the real estate’s observable market price or current appraised value of the collateral.

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**19. CONDENSED PARENT COMPANY INFORMATION**

**Statements of Financial Condition at December 31:**

**ASSETS**

	<b>2024</b>	<b>2023</b>
<b>CASH AND DUE FROM BANKS</b> – eliminated upon consolidation	\$ 1,732,063	\$ 1,237,788
<b>INVESTMENT IN SUBSIDIARY</b> (equity method) – eliminated upon consolidation	26,658,403	25,424,638
<b>TOTAL ASSETS</b>	\$ 28,390,466	\$ 26,662,426

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>BORROWINGS</b>	\$ 6,000,000	\$ 6,000,000
<b>ACCRUED INTEREST ON BORROWINGS</b>	73,667	130,333
Total liabilities	6,073,667	6,130,333
Total shareholders' equity	22,316,799	20,532,093
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	\$ 28,390,466	\$ 26,662,426

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**Statements of Income for the Years Ended December 31:**

	<u>2024</u>	<u>2023</u>
<b>INCOME</b>		
Dividends	\$ 2,160,934	\$ 1,967,016
Total income	2,160,934	1,967,016
<b>EXPENSES</b>		
Interest	508,542	498,625
Legal and professional	165,000	165,000
License, taxes and fees	923	228
Miscellaneous	100	-
Total expenses	<u>674,565</u>	<u>663,853</u>
<b>INCOME BEFORE EQUITY IN UNDISTRIBUTED EARNINGS OF SUBSIDIARY</b>	1,486,369	1,303,163
<b>EQUITY IN UNDISTRIBUTED EARNINGS OF SUBSIDIARY</b>	<u>2,867,041</u>	<u>3,549,617</u>
<b>NET INCOME</b>	<u>\$ 4,353,410</u>	<u>\$ 4,852,780</u>

**NOBLE BANCSHARES, INC., AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**Statements of Cash Flows for the Years Ended December 31:**

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 4,353,410	\$ 4,852,780
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in undistributed earnings of subsidiaries	(2,867,041)	(3,549,617)
Other, net	<u>(56,666)</u>	<u>24,708</u>
Net cash provided by operating activities	1,429,703	1,327,871
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash dividends	(948,928)	(869,934)
Issuance of common stock	<u>13,500</u>	<u>125,000</u>
Net cash used in financing activities	<u>(935,428)</u>	<u>(744,934)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	494,275	582,937
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,237,788</u>	<u>654,851</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 1,732,063</u></u>	<u><u>\$ 1,237,788</u></u>