TC BANCSHARES, INC.

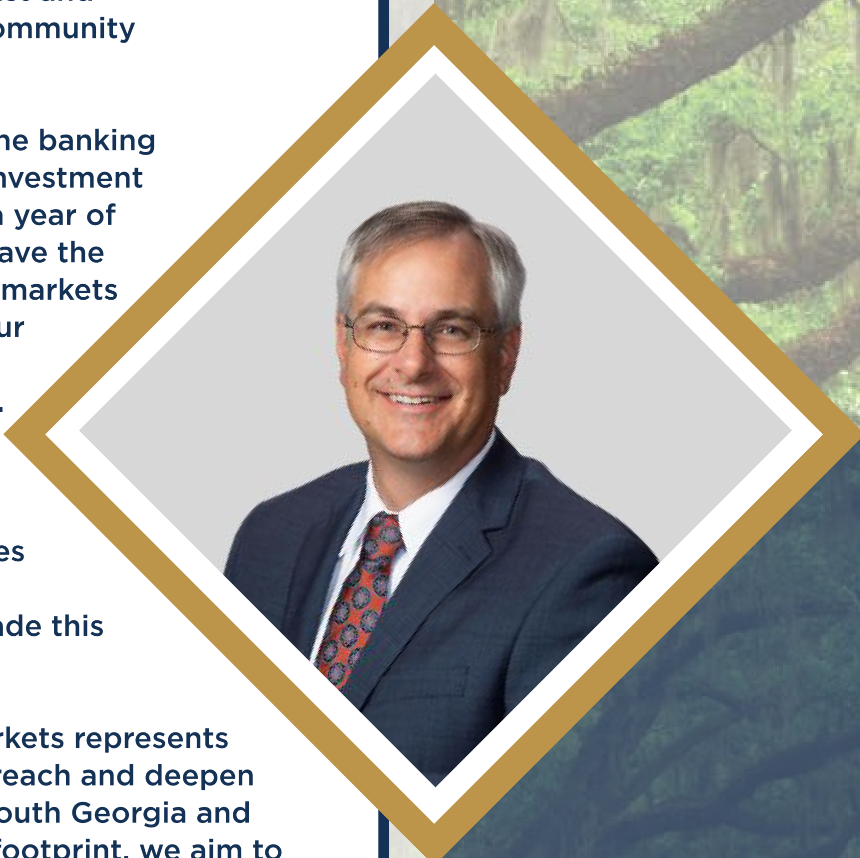
2023

Annual Report

Dear Shareholders,

At TC Federal Bank, we're committed to providing a sense of trust and certainty in an increasingly uncertain world. The world is stressful and we believe your banking experience doesn't have to be. We believe in making banking simple, accessible, and worry-free for our clients. Trust and certainty are what we promise, community banking is how we deliver it.

2023 was a tumultuous year for the banking industry but it marked a year of investment for TC Federal Bank. It has been a year of expansion and growth. We now have the privilege of serving four growing markets across the Southeast, including our recent expansions in Savannah, Georgia and Jacksonville, Florida. Launching in these two new markets would not have been possible without the collective efforts of our dedicated colleagues whose hard work, resilience, and unwavering commitment have made this expansion possible.



Our entry into these dynamic markets represents a strategic move to broaden our reach and deepen our relationships with clients in South Georgia and North Florida. By expanding our footprint, we aim to better serve the unique financial needs of local communities, while fostering long-term growth and sustainability for our organization. If someone is looking for how banking "used to be," they'll find that level of service at TC Federal Bank. We emphasize personalized experience, community engagement, and a client-first approach.

Looking ahead, we remain steadfast in our pursuit of excellence and innovation, continuously striving to deliver exceptional value to our shareholders, customers, and communities we serve. As we navigate the opportunities and challenges that lie ahead, we remain confident in our ability to adapt and thrive in an ever-changing landscape. Thank you for your continued trust and partnership.

Greg Eiford
President and CEO

"Trust and certainty are what we promise, ***community banking*** is how we deliver it."

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO**

Commission File Number 001-40637

TC BANCSHARES, INC.
(Exact name of Registrant as specified in its Charter)

Georgia	**86-2650449**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
131 South Dawson Street, Thomasville, Georgia	**31792**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (229) 226-3221

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.01	**TCBC**	**The Nasdaq Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ NO ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ☐ NO ☒

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

As of June 30, 2022, (the last business day of the registrant's most recently completed second fiscal quarter) the aggregate market value of the common stock held by nonaffiliates of the registrant was approximately $60 million based on the closing sale price of $13.60 per share as reported on the NASDAQ Market on June 30, 2022.

The number of shares of Registrant's common stock outstanding as of March 22, 2024 was 4,321,148.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement (the "Proxy Statement") for its 2024 annual meeting of shareholders are incorporated by reference herein into Part III, Items 10 through 14 of this Annual Report.

Table of Contents

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K (this "report") contains forward-looking statements, which reflect our current opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding, among other things, future events or future results, in contrast with statements that reflect historical facts. Forward-looking statements can be identified by the use of words such as "expects," "intends," "believes," "seek to," "potential," "goal," "may," "will," "would," "could," "should," "plan," "anticipate," "estimate," "possible," "likely" or the negative thereof as well as other similar words and expressions of the future. These forward-looking statements include, but are not limited to statements of our goals, intentions and expectations; statements regarding our business plans, prospects, growth and operating strategies; statements regarding the quality of our loan and investment portfolios; and estimates of our risks and future costs and benefits.

These forward-looking statements are based on our current beliefs and expectations and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- general economic conditions, either nationally or in our market areas, that are worse than expected;
- changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for credit losses under the credit impairment model for Current Expected Credit Losses ("CECL");
- our ability to maintain liquidity, primarily through deposits;
- the ongoing effects of the COVID-19 pandemic on our business, customers, employees, and third-party service providers;
- our ability to access cost-effective funding;
- fluctuations in real estate values and both residential and commercial real estate market conditions;
- demand for loans and deposits in our market area;
- our ability to implement and change our business strategies;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins and yields, our mortgage banking revenues, the fair value of financial instruments or our level of loan originations, or increase the level of defaults, losses and prepayments on loans we have made and make;
- adverse changes in the securities or secondary mortgage markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;
- changes to statutes, regulations or regulatory policies or practices;
- our ability to comply with the extensive laws and regulations to which we are subject, including the laws for each jurisdiction where we operate;
- the impact of the Dodd-Frank Act and the implementing regulations;
- changes in the quality or composition of our loan or investment portfolios;
- changes in consumer spending and saving habits;
- the effects of harsh weather conditions, including hurricanes, and man-made disasters;
- technological changes that may be more difficult or expensive than expected;
- the inability of third party providers to perform as expected;
- the efficiency and effectiveness of our internal control environment;
- our ability to manage market risk, credit risk, interest rate risk, liquidity risk and operational risk in the current economic environment;
- the soundness of other financial institutions;

- our ability to enter new markets successfully and capitalize on growth opportunities;
- our ability to successfully integrate into our operations any assets, liabilities, customers, systems and management personnel we may acquire and our ability to realize related revenue synergies and cost savings within expected time frames, and any goodwill charges related thereto;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission or the Public Company Accounting Oversight Board;
- our ability to retain key employees;
- our compensation expense associated with equity allocated or awarded to our employees;
- changes in the financial condition, results of operations or future prospects of issuers of securities that we own;
- the adverse effects of events beyond our control that may have a destabilizing effect on financial markets and the economy, such as epidemics and pandemics, war or terrorist activities, essential utility outages, deterioration in the global economy, instability in the credit markets, disruptions in our customers' supply chains or disruption in transportation; and
- each of the factors and risks under the heading "Risk Factors" in this report and in subsequent filings we make with the SEC.

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this report. Accordingly, you are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements included in this document are made only as of the date hereof. New factors emerge from time to time, and it is not possible for us to predict which will arise. We do not undertake, and specifically decline, any obligation to update any such statements or to publicly announce the results of any revisions to any of such statements to reflect future events or developments, except as required by law.

PART I

Item 1. Business.

TC Bancshares, Inc.

TC Bancshares, Inc. (the "Company") is a holding company incorporated under the laws of the State of Georgia on March 5, 2021, to serve as the holding company for TC Federal Bank (the "Bank"). The Bank is a covered savings association headquartered in Thomasville, Georgia that opened in 1934.

The Company was formed as part of the bank holding company reorganization of the Bank, which was completed on July 20, 2021. In connection with the reorganization, the Company sold 4,898,350 shares of its common stock at a price of $10.00 per share to the depositors of the Bank for net proceeds of approximately $49.0 million. On July 21, 2021, the Company's common stock commenced trading on the NASDAQ Stock Market under the symbol "TCBC".

In this report, unless the context indicates otherwise, all references to "we," "us" and "our" refer to the Company and the Bank, except if the discussions relate to a period before July 20, 2021, these terms refer solely to the Bank.

TC Federal Bank

The Bank was organized in 1934 as Thomas County Federal Savings & Loan Association and chartered by the Federal Home Loan Bank Board as a mutual savings and loan association owned 100% by its depositors. Effective January 1, 2018, the Bank amended its corporate name to TC Federal Bank. Our business consists primarily of taking deposits from the general public and investing those deposits, together with funds generated from operations in one-to-four family residential real estate loans, commercial real estate and multi-family loans, acquisition, development and land loans, commercial and industrial loans, home equity loans and lines of credit and consumer loans. In recent years, we have increased our focus, consistent with what we believe to be conservative underwriting standards, originating higher yielding commercial real estate and commercial and industrial loans.

We conduct our business from our main office in Thomasville, Georgia, as well as additional branch banking locations in Tallahassee, Florida, and new branch locations in Jacksonville, Florida and Savannah, Georgia. We also operate two Loan Production Offices (LPOs), one in Tallahassee and a second in Jacksonville, Florida. We provide a variety of financial services to individual and commercial customers in the markets we serve.

Our results of operations are largely dependent on net interest income, which is the difference between the interest earned on loans and securities and interest paid on deposits and borrowings. We generate non-interest income largely from our customer service fees and the sale of residential mortgages into the secondary market. Our results of operations are also impacted by our level of operating expenses, the provision for credit losses, the impact of federal and state income taxes, the relative levels of interest rates and local and national economic activity. At December 31, 2023, we had total consolidated assets of $466.6 million, loans, net of the allowance for credit losses and deferred fees, of $372.1 million, deposits of $369.9 million and stockholders' equity of $79.6 million.

Available Information

Our internet address is www.tcfederal.com. We file with or furnish to the U.S. Securities and Exchange Commission (the "SEC") annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and proxy statements. These documents are available free of charge on or through the "Investor Relations" section of our website as soon as reasonably practicable after they are filed with the SEC. The information contained on our website is not included in, nor incorporated by reference into, this Annual Report on Form 10-K. The SEC also maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

Market Area

Our headquarters are located in Thomasville, Georgia, which is approximately 35 miles north of Tallahassee and 225 miles south of Atlanta, and 230 miles southwest of Savannah, Georgia. We primarily serve retail and small business customers located in and around Thomasville and Savannah, Georgia as well as Tallahassee and Jacksonville, Florida through our branch network, and LPOs located in Tallahassee and Jacksonville, Florida. We consider our primary markets to be demographically and socioeconomically attractive.

Thomasville was founded in 1825, and serves as the county seat of Thomas County, Georgia. In 2022, the most recent estimate available, Thomas County had an estimated total population of 49,421. The largest employers in Thomas County are the Archbold Medical Center, the Thomas County School System and the Thomasville City School System. Thomasville is home to Flowers Foods (NYSE: FLO), the second largest baking company in the nation, and Archbold Medical Center, a four hospital, three nursing home health system with state-of-the-art facilities. Thomasville's economy focuses on healthcare and educational services, but also has significant manufacturing, retail and tourism industries.

Tallahassee is the capital city of Florida and is the county seat of Leon County, Florida. In 2022, the most recent estimate available, Leon County had an estimated total population of 297,211. The largest employers in Leon County are the State of Florida, Florida State University and Tallahassee Memorial Healthcare, Inc. Government and educational services are the central focus of Tallahassee's economy although professional, scientific and technical services, drawing on the highly educated population, play an important role as well.

Savannah is the oldest city in the state of Georgia and is the county seat of Chatham County, Georgia. In 2022, the most recent estimate available, Chatham County had an estimated total population of 304,339. The largest employers in Chatham County are Gulfstream Aerospace Corporation, Memorial Health University Medical Center and Savannah-Chatham County Board Education. Savannah's diverse economy consists of tourist attractions and retail shops, a major seaport, an army airbase, and health and educational services. The port of Savannah is home to the largest single-terminal container facility of its kind in North America.

Jacksonville, Florida is the largest city by area in the contiguous United States. Its location on the St. Johns River and the Atlantic Ocean have provided tremendous growth opportunities for the city. Jacksonville has a sizable deepwater port, which helps make it a leading port in the U.S. for automobile imports, as well as the leading transportation and distribution hub in the state. The strength of the city's economy lies in its broad diversification. The area's economy is balanced among distribution, financial services, biomedical technology, consumer goods, information services, manufacturing, insurance, and other industries. In addition, Jacksonville is home to the headquarters of four Fortune 500 companies: CSX Corporation, Fidelity National Financial, Fidelity National Information Services and Southeastern Grocers.

Competition

We face competition within our market areas both in making loans and attracting deposits. Our market area has a concentration of financial institutions that include large money center and regional banks, as well as community banks and credit unions. We also face competition from savings institutions, mortgage banking firms, consumer finance companies and, with respect to deposits from money market funds, brokerage firms, mutual funds and insurance companies. As of June 30, 2023 (the most recent date for which data is available), our market share of deposits represented approximately 12.2% of the deposits in Thomas County Georgia, ranking us third in market share of deposits out of seven institutions operating in the county. Our deposit market share in Leon County Florida was 1.0%, ranking us 14^{th} in market share of deposits out of 19 institutions operating in the county. As of June 30, 2023, while our Savannah branch ranked 21st out of the 21 banking institutions operating in Chatham County, Georgia, in one-month's time we were able to generate $22.5 million in deposits, which represented 0.25% of the overall deposit market in the county. Our new Jacksonville, Florida branch location, despite being opened for less than a month, ranked 23rd in deposit market share as of June 30, 2023, out of 27 banking institutions located in Duval County.

We compete for loans principally through the quality of our client service and our responsiveness to client needs in addition to competing on interest rates and loan fees. Management believes that our long-standing presence in the community and personal one-on-one service philosophy enhances our ability to compete favorably in attracting and retaining individual and business customers.

We rely upon personalized customer service, long-standing relationships with individual customers and businesses, and the favorable image of the Bank in the community to attract and retain deposits in addition to competing on rates paid. The flow of deposits is influenced significantly by general economic conditions, changes in money market and other prevailing interest rates and competition. The variety of deposit accounts we offer allows us to be competitive in obtaining funds and responding to changes in customer demand.

Personnel

At December 31, 2023, we had 65 full-time employees. Our employees are not represented by any collective bargaining group. Management believes that we have good working relations with our employees.

Lending Activities

General. It is our goal to build a diversified loan portfolio. We grant loans and extensions of credit to individuals and a variety of small businesses in our market areas. Our loan portfolio generally consists of one-to-four family residential real estate loans, commercial and multi-family real estate loans, construction and land development loans, commercial and industrial loans and consumer loans.

Loan Portfolio Composition. The following table presents information concerning the composition of our loan portfolio in dollar amounts and in percentages as of the dates indicated.

	At December 31,			
	2023	Percent	2022	Percent
	(Dollars in thousand)			
Real estate loans:				
Residential	$ 148,534	39.3 %	$ 138,276	40.7 %
Home equity	11,099	2.9 %	12,411	3.7 %
Multi-family	19,138	5.1 %	19,649	5.8 %
Commercial	123,573	32.7 %	116,110	34.2 %
Construction and land development	55,461	14.7 %	28,661	8.4 %
Total real estate loans	357,805	94.6 %	315,107	92.8 %
Consumer loans	3,345	0.9 %	847	0.2 %
Commercial and industrial loans	16,919	4.5 %	23,644	7.0 %
Total loans	378,069	100.0 %	339,598	100.0 %
Less: Allowance for credit losses	4,837		4,362	
Less: Deferred loan fees	1,169		1,097	
Loans, net	$ 372,063		$ 334,139	

Contractual Maturities. The following table sets forth certain information at December 31, 2023 regarding the dollar amount of loans maturing in our portfolio based on their contractual terms to maturity, but does not include scheduled payments or potential prepayments. Loans with scheduled maturities are reported in the maturity category in which the payment is due. Demand loans with no stated maturity and overdrafts are reported in the "due one year or less" category. Loans that have adjustable rates are shown as amortizing to final maturity rather than when the interest rates are next subject to change. Loan balances do not include undisbursed loan proceeds, unearned discounts, unearned income and the allowance for credit losses.

December 31, 2023	Residential	Home Equity	Multi-family	Commercial Real Estate
	(Dollars in thousands)			
Amounts Due in:				
One year or less	$ 4,544	$ 8	$ 1,309	$ 10,983
More than one to five years	20,567	496	13,364	54,363
More than five to fifteen years	21,246	10,595	4,179	42,863
More than fifteen years	102,177	-	286	15,364
Total	$ 148,534	$ 11,099	$ 19,138	$ 123,573

December 31, 2023	Construction and Land Development	Consumer	Commercial and Industrial	Total
Amounts Due in:				
One year or less	$ 17,898	$ 74	$ 2,474	$ 37,290
More than one to five years	23,356	807	11,144	124,097
More than five to fifteen years	5,334	2,464	3,301	89,982
More than fifteen years	8,873	-	—	126,700
Total	$ 55,461	$ 3,345	$ 16,919	$ 378,069

The total amount of loans due after December 31, 2024, which have pre-determined or fixed interest rates is $190.1 million, while the total amount of loans due after this date which have floating or adjustable interest rates is $150.7 million. The following table shows the dollar amount of all loans as of December 31, 2023 contractually due after December 31, 2024, as shown in the table above, which have fixed interest rates or which have floating or adjustable interest rates.

	Due after December 31, 2024		
	Fixed Rate	Floating or Adjustable Rate	Total
		(Dollars in thousands)	
Residential	$ 114,597	$ 29,393	$ 143,990
Home equity	11,091	-	11,091
Multi-family residential	1,282	16,547	17,829
Commercial real estate	39,616	72,974	112,590
Construction and land development	20,881	16,682	37,563
Consumer	333	2,938	3,271
Commercial and industrial	2,292	12,153	14,445
Total	$ 190,092	$ 150,687	$ 340,779

One-to-Four Family Residential Real Estate Lending. At December 31, 2023, we had $148.5 million of loans secured by one- to-four family real estate, representing 39.3% of our total loan portfolio. Of the $148.5 million, $99.0 million are loans secured by owner occupied properties, with the remaining $49.5 million of loans secured by non-owner occupied properties. Generally, non-owner occupied loans are booked into our loan portfolio on balloon terms with amortizations up to 20 years. We also originate single family owner occupied loans for sale in the secondary market.

Our one-to-four family owner occupied residential real estate loans are generally underwritten to internal guidelines and/or that of our investors. We generally follow documentation practices of Fannie Mae and Freddie Mac guidelines. The significant majority of our one-to-four family residential real estate loans are secured by properties located in our primary market area.

Our one-to-four family non-owner occupied residential real estate loans are underwritten per internal guidelines. We consider a number of factors in originating non-owner occupied residential real estate loans. We evaluate the qualifications and financial condition of the borrower, including credit history, profitability and expertise, as well as the value and condition of the property securing the loan. When evaluating the qualifications of the borrower, we consider the financial resources of the borrower and its related entities, the borrower's experience in owning or managing similar property and the borrower's payment history with us and other financial institutions. In evaluating the property securing the loan, the factors we consider include the net operating income of the mortgaged property before debt service and depreciation, the ratio of the loan amount to the appraised value of the mortgaged property, the debt service coverage ratio (the ratio of net operating income to debt service), and underlying leases. Personal guarantees are generally obtained from the principals of the asset owning entities.

We generally limit the loan-to-value ratios of our one-to-four family residential mortgage loans to 89.9% of the purchase price or appraised value, whichever is lower. In addition, we occasionally make one-to-four family residential mortgage loans with loan-to-value ratios in excess of 89.9% of the purchase price or appraised value, whichever is less, if the borrower obtains private mortgage insurance.

Our one-to-four family owner occupied residential real estate loans typically have terms of up to 30 years. Our adjustable-rate loans typically have five, seven or ten year fixed interest periods and then adjust annually with amortization terms of up to 30 years.

Our one-to-four family non-owner occupied residential real estate loans typically have fixed rates and have balloon terms of five to seven years. We offer one home equity line of credit with an interest only option and a ten-year term. These loans are generally limited primarily to borrowers' personal primary residences and to those borrowers who reside within our primary market area with acceptable credit ratings. These loans can be secured either by a first or second lien position. At December 31, 2023, our home equity loans totaled $11.1 million, or 2.9% of total loans.

We do not offer loans that provide for negative amortization of principal, such as "Option ARM" loans, where the borrower can pay less than the interest owed on the loan, resulting in an increased principal balance during the life of the loan. We do not offer "subprime loans" on one-to-four family residential real estate loans (*i.e.*, generally loans to borrowers with credit scores less than 620).

Commercial and Multi-Family Real Estate Loans. Our commercial real estate loans include both owner occupied as well as investment properties. They are secured by office buildings, farms, retail and mixed-use properties, churches, warehouses and restaurants, substantially all located in our market areas. Our multi-family real estate loans are secured by apartments, mobile home parks or other multi-family properties, substantially all located in our market areas. At December 31, 2023, we had $123.6 million in commercial real estate loans, representing 32.7% of our total loan portfolio. In addition, we had $19.1 million of multi-family residential real estate loans, representing 5.1% of our total loan portfolio. At December 31, 2023, our commercial real estate loans had an average principal balance of $668,000 and our multi-family loans had an average principal balance of $766,000.

Most of our commercial real estate loans are balloons with a five to seven year initial term and a 20-year amortization period, although we do originate loans that fully amortize over 20 years. The loan-to-value ratio of our commercial real estate loans vary by collateral type. All of our commercial real estate loans are subject to our underwriting procedures and guidelines. At December 31, 2023, our two largest commercial real estate loans had $3.9 million and $3.7 million exposure, respectively. The first loan originated in December 2023 in the amount of $3.9 million and is secured by a hotel. The second loan originated in September 2023 and had an original balance of $8.7 million; however, $4.9 million was participated with another financial institution. This loan is secured by a hotel. At December 31, 2023, our largest multi-family real estate loan had $4.2 million exposure. This loan was originated in December 2020 in the amount of $4.6 million and is secured by various multi-family units.

We have a policy to manage concentration risk whereas we limit our total exposure to a single piece of collateral property to $4.0 million for a single piece of collateral and exposure to a related entity aggregate debt of $6.5 million. There were no loans at December 31, 2023, that exceeded these limits.

We consider a number of factors in originating commercial real estate loans. We evaluate the qualifications and financial condition of the borrower, including credit history, profitability and expertise, as well as the value and condition of the property securing the loan. When evaluating the qualifications of the borrower, we consider the financial resources of the borrower and its related entities, the borrower's experience in owning or managing similar property and the borrower's payment history with us and other financial institutions. In evaluating the property securing the loan, the factors we consider include the net operating income of the mortgaged property before debt service and depreciation, the ratio of the loan amount to the appraised value of the mortgaged property, the debt service coverage ratio (the ratio of net operating income to debt service), and the composition of the tenants and underlying leases. The significant majority of our commercial real estate loans are appraised by outside independent appraisers approved by the board of directors, although we are only required to obtain independent appraisals on commercial real estate loans in amounts of $500,000 or greater if the property is income-producing property or $1.0 million or greater if the property is owner-occupied. Personal guarantees are generally obtained from the principals of commercial real estate borrowers.

Construction and Land Development Loans. We make construction loans to individuals for the construction of their primary or secondary residences or commercial structures, as well as loans to contractors and builders of single-family homes. We also make land development loans to complement our construction lending activities, as such loans are generally secured by lots that will be used for residential development. Land development loans also include loans secured by land purchased for investment purposes as well as loans secured by farmland. At December 31, 2023, our construction and land development loans totaled $55.5 million, representing 14.7% of our total loan portfolio. Of that total, $16.1 million was single-family construction loans, $16.3 million was other construction loans, and $23.1 million was land development loans. At December 31, 2023, we also had $20.9 million in unfunded commitments on construction and land development loans of which $5.9 million were for single-family construction loans, $13.8 million were other construction loans and $1.2 million were land development loans.

While we may originate loans to contractors and builders whether or not the collateral property underlying the loan is under contract for sale, we consider each project carefully in light of current residential real estate market conditions. We actively monitor the number of unsold homes in our construction loan portfolio and local housing markets to attempt to maintain an appropriate balance between home sales and new loan originations. We generally will limit the maximum number of speculative units (units that are not pre-sold) approved for each builder. We have attempted to mitigate the risk inherent in speculative construction lending by doing business with experienced small and mid-sized builders within our market area.

We also originate construction loans for commercial development projects, including retail buildings, churches, small industrial, hotels and office buildings. Most of our construction loans are interest-only loans that provide for the payment of interest during the construction phase, which is usually up to 12 months. At the end of the construction phase, the loan may convert to a permanent mortgage loan or the loan may be paid in full. Construction loans are generally made with a loan-to-value ratio that varies depending on the collateral type. Before making a commitment to fund a construction loan, we require an appraisal of the property by an independent licensed appraiser. We also require inspections of the property before disbursements of funds during the term of the construction loan.

At December 31, 2023, our largest construction and land development loan exposure to any one borrower was $6.5 million. As of December 31, 2023, the outstanding balance was $6.5 million. This loan originated in August 2023 and is secured by 9.56 acres of improved land in Tallahassee.

Commercial and Industrial Loans. We make commercial and industrial loans, primarily in our market area, to a variety of professionals, sole proprietorships and small businesses. These loans are generally secured by business assets, and we may support this collateral with junior liens on real property. At December 31, 2023, commercial and industrial loans were $16.9 million, or 4.5% of our gross loans held for investment. As part of our relationship driven focus, we encourage our commercial borrowers to maintain their primary deposit accounts with us, which enhances our interest rate spread and margin.

Commercial lending products include term loans and revolving lines of credit. Commercial loans and lines of credit are made with either adjustable or fixed rates of interest. Adjustable rates and fixed rates are based on the *Wall Street Journal* prime rate or the constant maturity treasury, plus a margin. We are focusing our efforts on experienced, growing small- to medium-sized, privately-held companies with solid historical financial performance and projected cash flow that operate in our market areas.

When making commercial and industrial loans, we consider the financial statements of the borrower and its related entities, our lending history with the borrower, the debt service capabilities and global cash flows of the borrower and other guarantors, the projected cash flows of the business and the value of the collateral, accounts receivable, inventory and equipment.

Our largest commercial and industrial loan at December 31, 2023 totaled $2.2 million, was originated in August 2021 for $2.6 million. It is secured primarily with commercial vehicles of the company.

Consumer Loans. We offer a limited range of consumer loans, principally to customers residing in our primary market areas with other relationships with us and with acceptable credit ratings. Our consumer loans generally consist of loans secured by deposit accounts, loans on new and used automobiles and unsecured personal loans. At December 31, 2023, consumer and other loans were $3.3 million, or 0.9% of gross loans held for investment, of which, $2.5 million were purchased from a third party.

Loan Underwriting Risks

Commercial Real Estate Loans. Loans secured by commercial real estate generally have larger balances and involve a greater degree of risk than one-to-four family residential real estate loans. The primary concern in commercial real estate lending is the borrower's creditworthiness and the feasibility and cash flow potential of the project. Payments on loans secured by income properties often depend on successful operation and management of the properties. We require borrowers and loan guarantors to provide annual financial statements on commercial real estate loans. In reaching a decision on whether to make a commercial real estate loan, we consider and review a global cash flow analysis of the borrower and consider the net operating income of the property, the borrower's expertise, credit history and profitability and the value of the underlying property. An environmental Phase 1 report is obtained when the possibility exists that hazardous materials may have existed on the site, or the site may have been impacted by adjoining properties that handled hazardous materials.

If we foreclose on a commercial real estate loan, the marketing and liquidation period to convert the real estate asset to cash can be lengthy with substantial holding costs. In addition, vacancies, deferred maintenance, repairs and market stigma can result in prospective buyers expecting sale price concessions to offset their real or perceived economic losses for the time it takes them to return the property to profitability. Depending on the individual circumstances, initial charge-offs and subsequent losses on commercial real estate loans can be unpredictable and substantial.

Commercial and Industrial Loans. Unlike residential real estate loans, which generally are made on the basis of the borrower's ability to make repayment from his or her employment or other income, and which are secured by real property whose value tends to be more easily ascertainable, commercial and industrial loans are of higher risk and typically are made on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business and the collateral securing these loans may fluctuate in value. Our commercial and industrial loans are originated primarily based on the identified cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. Most often, this collateral consists of accounts receivable, inventory or equipment, including rolling stock. Credit support provided by the borrower for most of these loans is based on the liquidation of the pledged collateral and enforcement of a personal guarantee, if any. Further, any collateral securing such loans may depreciate over time, may be difficult to appraise and may fluctuate in value. As a result, the availability of funds for the repayment of commercial and industrial loans may depend substantially on the success of the business itself.

Construction and Land Development Loans. Our construction loans are based upon estimates of costs and values associated with the completed project, along with the marketability of the completed project. Underwriting is focused on the borrower's financial strength, credit history and demonstrated ability to produce a quality product and effectively market and manage their operations.

Construction lending involves additional risks when compared with permanent lending because funds are advanced upon the security of the project, which is of uncertain value prior to its completion. Because of the uncertainties inherent in estimating construction costs, we generally require a third party review of the construction contracts or budgets on loans of over $1.0 million to assure reasonableness and ability to complete the project for the stated amount. In addition, generally during the term of a construction loan, interest may be funded by the borrower or disbursed from an interest reserve set aside from the construction loan budget. These loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project and the ability of the borrower to sell or lease the property or obtain permanent take-out financing, rather than the ability of the borrower or guarantor to repay principal and interest. If the appraised value of a completed project proves to be overstated, we may have inadequate security for the repayment of the loan upon completion of construction of the project and may incur a loss.

Balloon Loans. Although balloon mortgage loans may reduce to an extent our vulnerability to changes in market interest rates because they reprice at the end of the term, the ability of the borrower to renew or repay the loan and the marketability of the underlying collateral may be adversely affected if real estate values decline prior to the expiration of the term of the loan or in a rising interest rate environment.

Adjustable-Rate Loans. Adjustable-rate loans better offset the adverse effects of an increase in interest rates as compared to fixed-rate loans. An increased monthly payment required of adjustable-rate loan borrowers in a rising interest rate environment could cause an increase in delinquencies and defaults. The marketability of the underlying collateral also may be adversely affected in a high interest rate environment.

Consumer Loans. Consumer loans may entail greater risk than residential real estate loans, particularly in the case of consumer loans that are unsecured or secured by assets that depreciate rapidly, such as motor vehicles. Repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment for the outstanding loan and a small remaining deficiency often does not warrant further substantial collection efforts against the borrower. Consumer loan collections depend on the borrower's continuing financial stability, and therefore are likely to be adversely affected by various factors, including job loss, divorce, illness or personal bankruptcy. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount that can be recovered on such loans.

Originations, Purchases and Sales of Loans

Our lending activities are conducted by our loan personnel operating at our various locations. All loans originated are underwritten pursuant to our policies and procedures. We primarily originate hybrid ARM loans and fixed-rate balloon loans and, to a lesser extent, fully amortized fixed-rate loans. Our ability to originate hybrid ARM loans and fixed-rate balloon loans or fully amortized fixed-rate loans is dependent upon relative customer demand for such loans, which is affected by current and expected future levels of market interest rates. We originate real estate and other loans through our loan officers, marketing efforts, our customer base, walk-in customers and referrals from real estate brokers, builders and attorneys.

We will continue to evaluate purchasing or selling participation interests in loans. We underwrite our participation interest in the loan that we are purchasing according to our own underwriting criteria and procedures. At December 31, 2023, we had $17.6 million of committed funds for loan participation interests that we purchased, $17.3 million of which had been funded. At December 31, 2023, we had $29.9 million related to loans for which we had sold participations, with $340,000 still to be funded at December 31, 2023, of which $170,000 will be sold to our participating banks.

The following table shows total loans (excluding loans held for sale) originated, purchased, sold and repaid during the periods indicated.

	Year Ended December 31,	
	2023	2022
	(Dollars in thousands)	
Loan originations:(1)		
Residential	$ 15,847	$ 55,152
Home equity	1,005	2,631
Multi-family residential	701	-
Commercial real estate	21,867	17,183
Construction and land development	27,410	13,435
Commercial and industrial	3,466	16,047
Consumer	2,837	495
Total loan originations	73,133	104,943
Loans purchased (2)	12,054	981
Total loans originated and acquired	85,187	105,924
Loans sold (3)	11,106	5,058
Loans transferred to real estate owned	—	—
Loan principal repayments	35,682	32,656
Total loans sold and principal repayments	46,788	37,714
Net increase in loan portfolio	$ 38,399	$ 68,210

(1) Includes loan participations originated by the Bank and sold to other lenders.
(2) Participation interests in loans bought by the Bank.
(3) Participation interests in loans sold by the Bank.

In addition to originating loans for our own portfolio, we currently originate loans for sale to generate fee income. We sell residential loans through third-party loan servicers. At December 31, 2023, we held $289,000 of loans for sale, and we sold $12.6 million of loans during the year ended December 31, 2023, all on a servicing-released basis, generating $245,000 in gain on sale of loans income.

Loan Approval Procedures and Authority

Pursuant to federal law, the aggregate amount of loans that the Bank is permitted to make to any one borrower or a group of related borrowers is generally limited to 15% of the Bank's unimpaired capital and surplus (25% if the amount in excess of 15% is secured by "readily marketable collateral" or 30% for certain residential development loans). At December 31, 2023, based on the 15% limitation, the Bank's loans-to-one-borrower limit was approximately $11.0 million. No relationship exceeded that amount at December 31, 2023.

Our lending is subject to written underwriting standards and origination procedures. Decisions on loan applications are made on the basis of detailed applications submitted by the prospective borrower, credit histories that we obtain, and property valuations (consistent with our appraisal policy) prepared by outside independent licensed appraisers approved by our board of directors as well as internal evaluations, where permitted by regulations. The loan applications are designed primarily to determine the borrower's ability to repay the requested loan, and the more significant items on the application are verified through use of credit reports, bank statements and tax returns.

All loan approval amounts are based on the aggregate loans, including total balances of outstanding loans and the proposed loan to the individual borrower and any related entity. With respect to residential mortgage loans, our Mortgage Manager has individual authorization to approve residential mortgage loans up to the conforming mortgage limit, currently $766,550. For all loans, each of our President/Chief Executive Officer and Chief Credit Officer have individual authorization to approve secured loans up to $1.5 million. These individuals can combine their authority to approve loans up to $3.0 million as long as the total relationship exposure does not exceed $3.0 million. Combined, our President/Chief Executive Officer, Chief Credit Officer and Senior Lending Officer can approve loans up to the legal lending limit of the Bank. A sub-committee of the Bank's Board of Directors reviews credit decisions on a monthly basis.

Generally, we require title insurance or abstracts on our mortgage loans as well as fire and extended coverage casualty insurance in amounts at least equal to the principal amount of the loan or the value of improvements on the property, depending on the type of loan.

Delinquencies and Asset Quality

Delinquency Procedures. When a loan payment becomes 15 days past due, we contact the customer by mailing a late notice, and loan officers may contact their customers. If a loan payment becomes 30 days past due, we mail an additional late notice. These loan collection efforts continue until a loan becomes 120 days past due, at which point we would refer the loan for foreclosure proceedings unless management determines that it is in the best interest of TC Federal Bank to work further with the borrower to arrange a workout plan.

Loans Past Due and Non-Performing Assets. Loans are reviewed on a regular basis. Management determines that a loan is impaired or non-performing when it is probable that at least a portion of the loan will not be collected in accordance with the original terms due to a deterioration in the financial condition of the borrower or the value of the underlying collateral if the loan is collateral dependent. When a loan is determined to be impaired, the measurement of the loan in the allowance for credit losses is based on present value of expected future cash flows, except that all collateral-dependent loans are measured for estimated credit loss based on the fair value of the collateral. Non-accrual loans are loans for which collectability is questionable and, therefore, interest on such loans will no longer be recognized on an accrual basis. Generally, loans that become 90 days or more delinquent are placed on non-accrual . When loans are placed on non-accrual status, unpaid accrued interest is fully reversed, and further payments are used to reduce the principal outstanding.

When we acquire real estate as a result of foreclosure, the real estate is classified as other real estate owned. The other real estate owned is recorded at the lower of carrying amount or fair value, less estimated costs to sell. Soon after acquisition, we order a new appraisal to determine the current market value of the property. Any excess of the recorded value of the loan satisfied over the market value of the property is charged against the allowance for credit losses, or, if the existing allowance is inadequate, charged to expense in the current period. After acquisition, all costs incurred in maintaining the property are expensed. Costs relating to the development and improvement of the property, however, are capitalized to the extent of estimated fair value less estimated costs to sell.

Delinquent Loans. The following table shows our delinquent loans by the type of loan and number of days delinquent as of the dates indicated.

	At December 31,					
	2023			2022		
	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due
	(Dollars in thousands)					
Real estate loans:						
Residential	$ 154	$ 89	$ 12	$ 221	$ —	$ 32
Home equity	—	—	47	25	57	—
Multi-family	—	—	—	—	—	—
Commercial	—	—	—	—	—	57
Construction and land development	—	—	—	—	—	—
Total real estate loans	154	89	59	246	57	89
Consumer loans	—	1	—	6	—	—
Commercial and industrial loans	—	—	—	—	—	—
	$ 154	$ 90	$ 59	$ 252	$ 57	$ 89

Non-Performing Assets. Non-performing assets include loans that are 90 or more days past due or on non-accrual status, and other real estate owned as well as other loan collateral acquired through foreclosure and repossession.

The following table shows the amounts of non-performing assets at the dates indicated.

	December 31, 2023	December 31, 2022
	(Dollars in thousands)	
Non-accruing loans:		
Residential	$ 513	$ 454
Home equity	47	—
Multi-family	—	—
Commercial	—	57
Construction and land development	—	43
Commercial and industrial	728	—
Consumer	—	—
Total non-accruing loans	$ 1,288	$ 554
Total non-performing loans (1)	1,288	554
Other real estate owned, net (2)	-	684
Total non-performing assets	$ 1,288	$ 1,238
Total non-performing loans as a percentage of loans, gross	0.34 %	0.16 %
Total non-performing loans as a percentage of total assets	0.28 %	0.13 %
Total non-performing assets as a percentage of total assets	0.28 %	0.29 %

(1) Non-performing loans consist of non-accruing loans plus accruing loans 90 days or more past due.

(2) Other real estate owned balances are shown net of related credit allowances.

For the year ended December 31, 2023, gross interest income which would have been recorded had the non-accruing loans been current in accordance with their original terms amounted to $68,000. The amount that was included in interest income on such loans during the period was $21,000. There were no loans that were 90 days or more past due and still accruing as of December 31, 2023 and 2022.

Non-accrual Loans. As of December 31, 2023, the Company had $1.3 million of loans in non-accrual status. The single largest loan in non-accrual status at year-end 2023 was a commercial credit with a book balance of $680,000. The borrower went into non-accrual status in August 2023. The Bank has charged off $78,000 of this loan and has established a $70,000 specific reserve as of the end of 2023. The borrower was current on his payments at December 31, 2023. In order to be returned to accruing status, a borrower must make a minimum of six consecutive principal and interest payments on time and have no other issues that would cause concern that the Bank would not collect all of the contractual payments due on the credit.

Foreclosed Assets (Other Real Estate Owned). Foreclosed assets consist of property acquired through formal foreclosure, in-substance foreclosure or by deed in lieu of foreclosure, and are recorded at the lower of recorded investment or fair value, less estimated costs to sell. Write-downs from recorded investment to fair value, which are required at the time of foreclosure, are charged to the allowance for credit losses. We order a new appraisal before commencing foreclosure to determine the current market value of the property. Any excess of the recorded value of the loan satisfied over the market value of the property is charged against the allowance for credit losses, or, if the existing allowance is inadequate, charged to expense, in either case during the applicable period of such determination. After acquisition, all costs incurred in maintaining the property are expensed. Costs relating to the development and improvement of the property, however, are capitalized to the extent of estimated fair value, less estimated costs to sell.

During 2023, the Company disposed of two other real estate owned ("OREO") properties at a net pre-tax loss of $31,000. At December 31, 2023, we had no OREO on our books.

Classified Assets. Federal regulations provide for the classification of loans and other assets, such as debt and equity securities considered by the regulators to be of lesser quality, as “substandard,” “doubtful” or “loss.” An asset is considered “substandard” if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. “Substandard” assets include those characterized by the “distinct possibility” that the insured institution will sustain “some loss” if the deficiencies are not corrected. Assets classified as “doubtful” have all of the weaknesses inherent in those classified “substandard,” with the added characteristic that the weaknesses present make “collection or liquidation in full,” on the basis of currently existing facts, conditions, and values, “highly questionable and improbable.” Assets classified as “loss” are those considered “uncollectible” and of such little value that their continuance as an asset without the establishment of a specific allowance is not warranted. Assets which do not currently expose the insured institution to sufficient risk to warrant classification in one of the aforementioned categories, but possess weaknesses are designated as “special mention” by our management.

When an insured institution classifies problem assets as either substandard or doubtful, it may establish general allowances in an amount deemed prudent by management to cover estimated credit losses. General allowances represent loss allowances which have been established to cover probable incurred losses associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. When an insured institution classifies problem assets as “loss,” it is required either to establish a specific allowance for losses equal to 100% of that portion of the asset so classified or to charge-off such amount. An institution’s determination as to the classification of its assets and the amount of its valuation allowances is subject to review by the regulatory authorities, which may require the establishment of additional general or specific loss allowances.

In connection with the filing of our periodic regulatory reports and in accordance with our classification of assets policy, we regularly review the problem loans in our portfolio to determine whether any loans require classification in accordance with applicable regulations.

On the basis of this review of our assets, our classified and special mention assets at the dates indicated were as follows:

	At December 31,	
	2023	2022
	(Dollars in thousands)	
Special mention	$ 6,500	$ 7,804
Substandard	7,892	4,211
Doubtful	—	—
Loss	—	—
Total classified and criticized assets	$ 14,392	$ 12,015

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

The Company adopted ASC 326 using the modified retrospective approach for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for the periods beginning after January 1, 2023, are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company recorded a net reduction of retained earnings of $302,000 upon adoption. The transition adjustment includes an increase in credit related reserves of $255,000 for loans plus an increase in credit related reserves of $149,000 for unfunded commitments net of a corresponding increase in deferred tax assets of $102,000. In accordance with the standard, management did not reassess whether modifications to individually acquired financial assets accounted for in pools were troubled debt restructurings as of the date of adoption.

The allowance for credit losses ("ACL") is evaluated on a regular basis and established through charges to earnings in the form of a provision for credit losses. When a loan or portion of a loan is determined to be uncollectible, the portion deemed uncollectible is charged against the allowance and subsequent recoveries, if any, are credited to the allowance. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

a. Portfolio Segmentation ("Collectively Evaluated Loans")

Portfolio segmentation is defined as the pooling of loans based upon similar risk characteristics such that quantitative methodologies and qualitative adjustment factors for estimating the ACL are constructed for each segment. The Company has identified seven portfolio segments of loans including; real estate - residential, real estate - home equity, real estate - multi-family, real estate - commercial, real estate - construction and land development, consumer loans and commercial and industrial loans.

The ACL for Collectively Evaluated Loans estimate is based upon periodic review of the collectability of the loans quantitatively correlating historical loss experience with reasonable and supportable forecasts using forward looking information. Adjustments to the quantitative evaluation may be made for differences in current or expected qualitative risk characteristics. The Company has determined the nine "universal" qualitative adjustments categories prescribed by the 2006 Interagency Policy Statement are appropriate given their markets and pool of loans. These criteria are evaluated quarterly to ensure additional criteria do not need to be added, nor do the ranges assigned to each category need to be changed. The nine factors are as follows:

1. Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses.

2. Changes in international, national, regional, and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments.

3. Changes in the nature and volume of the portfolio and in the terms of loans.

4. Changes in the experience, ability, and depth of lending management and other relevant staff.

5. Changes in the volume and severity of past-due loans, the volume of non-accrual loans, and the volume and severity of adversely classified or graded loans.

6. Changes in the quality of the institution's loan review system.

7. Changes in the value of underlying collateral for collateral-dependent loans.

8. The existence and effect of any concentrations of credit, and changes in the level of such concentrations.

9. The effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the institution's existing portfolio.

b. Individually Evaluated Loans

The Company establishes a specific reserve for individually evaluated loans which do not share similar risk characteristics with the loans included in the collectively evaluated loan pools. These individually evaluated loans are removed from the pooling approach discussed above for the collectively evaluated loan pools, and may include nonaccrual loans, loan modifications to borrowers with financial difficulty, and other loans deemed appropriate by management.

c. Available-for-Sale ("AFS") Debt Securities

For AFS securities in an unrealized loss position, management first assesses whether (i) the Company intends to sell, or (ii) it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. If either case is affirmative, any previously recognized allowances are charged-off and the security's amortized cost is written down to fair value through income. If neither case is affirmative, the security is evaluated to determine whether the decline in fair value has resulted from credit losses or other factors. In making this assessment management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency and any adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an ACL is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an ACL is recognized in other comprehensive income. If there were any adjustments to the allowance, they would be reported in the Company's income statement as a component of provision for credit loss. AFS securities are charged-off against the allowance or, in the absence of any allowance, written down through income when deemed uncollectible by management or when either of the aforementioned criteria regarding intent or requirement to sell is met.

d. Accrued Interest Receivable

Upon adoption of ASC 326 and its related amendments on January 1, 2023, the Company made the following elections regarding accrued interest receivable:

- Presenting accrued interest receivable balances within another line item on the consolidated balance sheets labeled "accrued interest receivable and other assets".

- Excluding accrued interest receivable that is included in the amortized cost of financing receivables and debt securities from related disclosure requirements.

- Continuing the Company's policy to write off accrued interest receivable by reversing interest income. The write-off of accrued interest on loans typically occurs upon becoming 90 days past due. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful. Historically, the Company has not experienced uncollectible accrued interest receivable on its investment securities. However, the Company would generally write off accrued interest receivables by reversing interest income if the Company does not reasonably expect to receive payments. Due to the timely manner in which accrued interest receivables are written off, the amounts of such write offs are immaterial.

e. Reserve for Unfunded Commitments

The reserve for unfunded commitments (the "Unfunded Reserve") represents the expected credit losses on off-balance sheet commitments such as unfunded commitments to extend credit and standby letters of credit. However, a liability is not recognized for commitments unconditionally cancellable by the Company. The Unfunded Reserve is recognized as a liability (accrued interest payable and other liabilities in the consolidated balance sheets), with adjustments to the reserve recognized as an expense in other expenses in the consolidated statements of income. The Unfunded Reserve is determined by estimating expected future fundings, under each segment, and applying to the expected loss rates. Expected future fundings are based on historical averages of funding rates (i.e., the likelihood of draws taken).

Allowance for Loan Losses Prior to January 1, 2023, as described in further detail in the Company's 2022 Annual Report on Form 10-K, the Company used the incurred loss impairment model. Under this methodology, loans were charged against the allowance for loan losses when management believed that the collectability of the principal is unlikely. The allowance represented an amount which, in management's judgment, based on, among other things, historical losses and on the current economic environment, would be adequate to absorb probable losses on existing loans that may become uncollectible. Loans deemed uncollectible were charged-off and deducted from the allowance and recoveries on loans previously charged-off were added back to the allowance. Management's judgment in determining the adequacy of the allowance was based on evaluations of the collectability of loans. These evaluations took into consideration such factors as changes in the nature and volume of the loan portfolio, current economic conditions that may affect the borrower's ability to pay, overall portfolio quality, and review of specific problem loans.

As an integral part of their examination process, the OCC periodically reviews our allowance for credit losses, and as a result of such reviews, we may have to adjust our allowance. However, regulatory agencies are not directly involved in the process for establishing our allowance for credit losses.

The following table sets forth an analysis of our allowance for credit losses at the dates and for the periods indicated.

	At or for the years ended December 31,	
	2023	2022
	(Dollars in thousands)	
Balance at beginning of period:	$ 4,362	$ 4,184
ASC 326 adoption	255	—
Charge-offs:		
Real estate loans:		
Residential	$ -	$ (3)
Home equity	—	—
Multi-family		
Commercial	—	—
Construction and land development	—	—
Total real estate loans	-	(3)
Consumer loans	(34)	(65)
Commercial and industrial	(78)	-
Total Charge-offs	$ (112)	$ (68)
Recoveries:		
Real estate loans:		
Residential	$ 36	$ 53
Home equity	—	—
Multi-family	—	—
Commercial	—	—
Construction and development	23	11
Total real estate loans	59	64
Consumer loans	3	7
Commercial and industrial	95	64
Total recoveries	$ 157	$ 135
Net recoveries	$ 45	$ 67
Provision for credit losses	175	111
Balance at end of period	$ 4,837	$ 4,362
Net recoveries during the period to average loans outstanding during the period	0.01%	0.01%
Allowance as a percentage of non-performing loans	375.5%	787.4%
Allowance as a percentage of total loans, net (end of period)	1.28%	1.28%

Allocation of Allowance for Credit Losses. The following tables set forth the allowance for credit losses allocated by loan category and the percent of the loans in each category at the dates indicated. The allowance for credit losses allocated to each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance to absorb losses in other categories.

The following table summarizes the distribution of the allowance for credit losses by category at the dates indicated.

	At December 31,			
	2023		2022	
	Allowance for Credit Losses	Percent of loans in each category to total loans	Allowance for Loan Losses	Percent of loans in each category to total loans
	(Dollars in thousands)			
Real estate loans:				
Residential	$ 3,078	39.3 %	$ 1,961	40.2 %
Home equity	118	2.9 %	187	3.7 %
Multi-family	82	5.1 %	226	7.2 %
Commercial	1,092	32.7 %	1,632	32.8 %
Construction and land development	306	14.7 %	264	8.2 %
Total real estate loans	4,676	94.7 %	4,270	92.1 %
Consumer loans	28	0.9 %	1	0.3 %
Commercial and industrial loans	133	4.5 %	81	7.6 %
Unallocated	-	0.0 %	10	0.0 %
Total loans	$ 4,837	100 %	$ 4,362	100 %

Investment Activities

General. The primary purposes for our investment portfolio are to provide liquidity, meet pledging requirements, generate a reasonable rate of return, and assist in overall management of our balance sheet. Subject to loan demand, the potential uses of our liquidity and our interest rate risk analysis, we will increase the balance of our investment securities portfolio when we have excess liquidity.

Our investment policy was adopted and is reviewed annually by the board of directors. Investment decisions are made by our Chief Financial Officer in consultation with the Bank's President. The Chief Financial Officer provides an investment schedule detailing the investment portfolio which is reviewed at least quarterly by the Asset/Liability Management Committee of the Board.

Our current investment policy permits, with certain limitations: investments in U.S. Treasury securities; securities issued by the U.S. government and its agencies or government sponsored enterprises including mortgage-backed securities and collateralized mortgage obligations ("CMOs") issued by Fannie Mae, Ginnie Mae and Freddie Mac; corporate and municipal bonds; certificates of deposit in other financial institutions; federal funds and money market funds.

The table below sets forth information regarding the composition of our securities portfolio and other investments at the dates indicated. At December 31, 2023, our securities portfolio did not contain securities of any issuer with an aggregate book value in excess of 10% of our equity capital, excluding those issued by the United States Government or its agencies.

	At December 31,			
	2023		2022	
	Book Value	Fair Value	Book Value	Fair Value
	(Dollars in thousands)			
Securities available-for-sale:				
U.S. treasuries	$ 10,090	$ 9,534	$ 10,115	$ 9,325
Municipal bonds	8,759	7,466	8,763	7,029
Mortgage-backed securities	9,194	8,406	9,618	8,732
Collateralized mortgage obligations	14,677	13,954	15,713	14,844
Commercial mortgage-backed securities	963	1,007	-	-
Corporate obligations	3,125	2,598	3,625	3,167
Total investment securities	$ 46,808	$ 42,965	$ 47,834	$ 43,097

__Portfolio Maturities and Yields.__ The composition and maturities of our investment portfolio at December 31, 2023 are indicated in the following table. Maturities are based on the final contractual payment date and do not reflect the effect of scheduled principal repayments, prepayments, or early redemptions that may occur. As of December 31, 2023, no securities were designated as held-to-maturity or trading.

	One Year or Less		Over One to Five Years		Over Five to Ten Years		Over Ten Years		Total Securities	
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield
Securities available-for-sale:										
U.S. treasuries	$ 5,001	2.15 %	$ 5,089	1.27 %	$ -	- %	$ -	- %	$ 10,090	1.71 %
Municipal bonds	-	-	1,006	1.77	7,753	1.71	-	-	8,759	1.72
Mortgage-backed securities	-	-	1,629	2.33	1,502	1.57	6,063	5.36	9,194	4.20
Collateralized mortgage obligations	-	-	1,079	2.08	3,167	4.57	10,431	5.97	14,677	5.38
Commercial mortgage-backed securities	-	-	-	-	963	5.78	-	-	963	5.78
Corporate obligations	-	-	-	-	3,125	3.76	-	-	3,125	3.76
Total investment securities	$ 5,001	2.15 %	$ 8,803	1.62 %	$ 16,510	2.87 %	$ 16,494	5.74 %	$ 46,808	3.57 %

Sources of Funds

General. Customer deposits are our primary source of funding for our lending and investment activities. We also may use wholesale sources of funding to supplement cash flow needs, to assist in managing our balance sheet, or to manage our cost of funds. In addition, we receive funds from scheduled loan payments, investment maturities and repayments, loan prepayments, retained earnings and income on earning assets. While scheduled loan payments and income on earning assets are relatively stable sources of funds, deposit inflows and outflows can vary widely and are influenced by prevailing interest rates, market conditions and levels of competition.

Deposits. Our deposits are generated primarily from our branch banking network. Our primary deposit products are personal checking accounts, business checking accounts, savings accounts, money market accounts and certificates of deposit. Deposit account terms vary, with the principal differences being the minimum balance required, the amount of time the funds must remain on deposit and the interest rate. In addition, we utilize brokered deposits as an additional source of funding and as a balance sheet management tool.

Interest rates paid, maturity terms, service fees and withdrawal penalties are established on a periodic basis. Deposit rates and terms are based primarily on current operating strategies and market rates, liquidity requirements, rates paid by competitors and growth goals. While we offer competitive deposit rates, we also rely upon personalized customer service and long-standing relationships with customers to attract and retain deposits. The addition of our new branch locations during 2023, in Savannah, Georgia and Jacksonville, Florida has significantly increased our ability to generate additional deposits to fund our operations.

The flow of deposits is influenced significantly by general economic conditions, changes in money market and other prevailing interest rates and competition. The variety of deposit accounts offered allows us to be competitive in obtaining funds and responding to changes in consumer demand. Based on experience, we believe that our deposits are relatively stable. However, the ability to attract and maintain deposits as well as the rates paid on these deposits, has been and will continue to be significantly affected by the prevailing interest rate environment.

The following table sets forth our average deposits by dollar amount and the average rate paid for the various types of deposit programs we offered at the dates indicated.

	Years Ended December 31,					
	2023			2022		
	Average Amount	Percent of Total	Average Rate	Average Amount	Percent of Total	Average Rate
	(Dollars in thousands)					
Deposits:						
Non-interest-bearing checking	$ 44,314	13.0 %	- %	$ 44,931	14.2 %	- %
Interest-bearing checking	53,763	15.7	0.45	59,426	18.8	0.13
Savings	41,880	12.2	1.46	33,935	10.7	0.14
Money market	104,560	30.6	2.73	103,042	32.6	0.71
Certificates of deposit	97,512	28.5	2.99	74,639	23.6	0.60
Total deposits	$ 342,029	100.0 %	1.94 %	$ 315,973	100.0 %	0.41 %

The following table sets forth our total deposit activities for the periods indicated.

	Years Ended December 31,	
	2023	2022
	(Dollars In thousands)	
Beginning balance	$ 329,128	$ 289,560
Net deposits	40,338	38,266
Interest credited	403	1,302
Ending balance	$ 369,869	$ 329,128
Net increase	$ 40,741	$ 39,568
Percent increase	12.4 %	13.7 %

The following table sets forth the rate and maturity information of our certificates of deposit at December 31, 2023.

	2023					
	Amount Due					
	One Year or Less	More Than One Year to Two Years	More Than Two Year to Three Years	More Than Three Years	Total	Percent of Total Time Deposit Accounts
	(Dollars in thousands)					
Certificates of Deposit:						
0.05 - 1.00%	$ 16,375	$ 3,347	$ 585	$ 91	$ 20,398	18.4 %
1.01 - 2.00%	1,568	39	217	350	2,174	2.0 %
2.01 - 3.00%	351	-	-	-	351	0.3 %
3.01 - 4.00%	10,412	16	-	-	10,428	9.4 %
4.01 - 5.00%	45,689	4,037	-	236	49,962	45.0 %
5.01 - 5.75%	26,216	1,424	-	-	27,640	24.9 %
Total certificates of deposit	$ 100,611	$ 8,863	$ 802	$ 677	$ 110,953	100.00 %

The following table indicates the amount of our certificates of deposit which are greater than the FDIC insurance limit of $250,000 as of December 31, 2023 by time remaining until maturity.

(Dollars In thousands)	
Maturity Period:	
Three months or less	$ 9,540
Over three through six months	8,476
Over six through twelve months	4,273
Over twelve months	1,285
Total	$ 23,574

Borrowings. Deposits are the primary source of funds for our lending and investment activities and general business purposes. However, as an alternate source of liquidity, we may obtain advances from the Federal Home Loan Bank of Atlanta, ("FHLB"), purchase federal funds from designated correspondent banks, and engage in overnight borrowings from the Federal Reserve. The level and terms of borrowings can fluctuate based on funding needs, costs, and the source utilized.

As of December 31, 2023, we had $98.9 million in credit available with FHLB. In addition, we have four unsecured federal funds lines of credit, in the aggregate amount of $28.5 million, and $24.8 million available from the Federal Reserve Discount Window. We had $11.0 million of long-term advances outstanding with the FHLB with a weighted average interest rate of 4.40% at December 31, 2023.

The following table sets forth information regarding our borrowings at the end of and during the periods indicated. The table includes both long and short-term borrowings.

	Years Ended December 31,	
	2023	2022
	(Dollars In thousands)	
FHLB Advances		
Average balance outstanding	$ 6,164	$ 1,268
Maximum Amount outstanding at any month-end during the period	$ 11,000	$ 11,000
Balance outstanding at end of period	$ 11,000	$ 11,000
Average interest rate during the period	4.35%	4.20%
Weighted average interest rate at end of period	4.40%	4.36%

SUPERVISION AND REGULATION

General

As a bank holding company, TC Bancshares, Inc. is subject to examination and supervision by, and is required to file certain reports with, the Board of Governors of the Federal Reserve System (“Federal Reserve Board”). The Company is also subject to the rules and regulations of the SEC under the federal securities laws. The Federal Reserve Board has not introduced any corresponding regulations for treatment of holding companies of covered savings associations, so ambiguity remains regarding the ongoing treatment and regulation of such holding companies.

As a federal savings bank, TC Federal Bank is subject to examination, supervision and regulation, primarily by the Office of the Comptroller of the Currency (“OCC”), and, secondarily, by the Federal Deposit Insurance Corporation (“FDIC”) as deposits insurer. The federal system of supervision and regulation establishes a comprehensive framework of activities in which the Bank may engage and is intended primarily for the protection of depositors and the FDIC’s Deposit Insurance Fund.

The Bank is also regulated to a lesser extent by the Federal Reserve Board, which governs the reserves to be maintained against deposits and other matters. In addition, the Bank is a member of and owns stock in the Federal Home Loan Bank of Atlanta, which is one of the 11 regional banks in the Federal Home Loan Bank System. The Bank’s relationship with its depositors and borrowers is also regulated to a great extent by federal law and, to a lesser extent, state law, including in matters concerning the ownership of deposit accounts and the form and content of the Bank’s loan documents.

The Bank elected to operate as a “covered savings association.” As a covered savings association, the Bank maintains its charter as a federal savings bank, but also has the power to engage in the same activities (including investment activities) as a national bank, subject to the same authorization, terms, and conditions as a national bank. Covered savings associations are subject to the federal savings association laws in the area of governance, consolidation, merger, dissolution, conservatorship and receivership. As a covered savings association, the Bank is not required to comply with the lending limits established by the Home Owners’ Loan Act that are applicable to federal savings associations.

Set forth below are certain material regulatory requirements that are applicable to the Company and the Bank. This description of statutes and regulations is not intended to be a complete description of such statutes and regulations and their effects on the Company and the Bank and is qualified by reference to the statutory and regulatory provisions discussed. Any change in these laws or regulations, whether by Congress or the applicable regulatory agencies, could have a material adverse impact on the Company, Bank and their operations.

The Dodd-Frank Wall Street Reform and Consumer Protection Act

The Dodd-Frank Act Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") made significant changes to the regulatory structure for depository institutions and their holding companies. However, the Dodd-Frank Act's changes go well beyond that and affect the lending, investments and other operations of all depository institutions. The Dodd-Frank Act required the Federal Reserve Board to set minimum capital levels for both bank holding companies and savings and loan holding companies that are as stringent as those required for the insured depository subsidiaries, and the components of Tier 1 capital for holding companies were restricted to capital instruments that were then currently considered to be Tier 1 capital for insured depository institutions. Subsequent regulations issued by the Federal Reserve Board generally exempted from these requirements bank and savings and loan holding companies of less than $3 billion of consolidated assets, such as the Company. The legislation also established a floor for capital of insured depository institutions that cannot be lower than the standards in effect upon passage, and directed the federal banking regulators to implement new leverage and capital requirements that take into account off-balance sheet activities and other risks, including risks relating to securitized products and derivatives. Additionally, the Dodd-Frank Act authorized the payment of interest on commercial checking accounts, effective July 21, 2011.

The Dodd-Frank Act created a new Consumer Financial Protection Bureau (the "CFPB") with broad powers to supervise and enforce consumer protection laws. The CFPB has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions such as the Bank, including the authority to prohibit "unfair, deceptive or abusive" acts and practices. The CFPB has examination and enforcement authority over all banks and savings institutions with more than $10 billion in assets. Banks and savings institutions with $10 billion or less in assets continue to be examined for compliance by their applicable bank regulators. The new legislation also weakened the federal preemption available for national banks and federal savings banks, and gave state attorneys general the ability to enforce applicable federal consumer protection laws.

The Dodd-Frank Act broadened the base for FDIC insurance assessments. Assessments are now based on the average consolidated total assets less tangible equity capital of a financial institution. The legislation also permanently increased the maximum amount of deposit insurance for banks, savings institutions and credit unions to $250,000 per depositor, retroactive to January 1, 2008. The Dodd-Frank Act increased stockholder influence over boards of directors by requiring publicly traded companies to give stockholders a non-binding vote on executive compensation and so-called "golden parachute" payments. The legislation also directed the Federal Reserve Board to promulgate rules prohibiting excessive compensation paid to bank holding company executives, regardless of whether the company is publicly traded. Further, the legislation required that originators of securitized loans retain a percentage of the risk for transferred loans, directed the Federal Reserve Board to regulate pricing of certain debit card interchange fees and contained a number of reforms related to mortgage origination.

Many provisions of the Dodd-Frank Act involve delayed effective dates and/or require implementing regulations. The implementation of the legislation is an ongoing process and the impact on operations cannot yet fully be assessed. However, there is a significant likelihood that the Dodd-Frank Act will result in an increased regulatory burden and compliance, operating and interest expense for the Company and the Bank.

Federal Banking Regulation

Business Activities. A federal savings bank derives its lending and investment powers from the Home Owners' Loan Act, as amended, and applicable federal regulations. Under these laws and regulations, the Bank may invest in mortgage loans secured by residential and commercial real estate, commercial business and consumer loans, certain types of debt securities and certain other assets, subject to applicable limits. However, as a covered savings association, the Bank is not subject to the qualified thrift lender test and the lending restrictions under the Home Owners' Loan Act. Covered savings associations such as the Bank have the power and authority to engage in the same activities as a national bank. Prior to the Bank's election to become a covered savings association, the Bank had authority to establish, subject to specified investment limits, service corporation subsidiaries that may engage in certain activities not otherwise permissible for the Bank, including real estate investment and securities and insurance brokerage. Upon election to become a covered savings association, the Bank was required to divest or discontinue subsidiaries, assets or activities that are not permissible for national banks, and no divestitures were required.

Examinations and Assessments. The Bank is primarily supervised by the OCC. The Bank is required to file reports with and is subject to periodic examination by the OCC. The Bank is required to pay assessments to the OCC to fund the agency's operations.

Capital Requirements. Federal regulations require FDIC-insured depository institutions, including federal savings banks, to meet several minimum capital standards: a common equity Tier 1 capital to risk-based assets ratio, a Tier 1 capital to risk-based assets ratio, a total capital to risk-based assets and a Tier 1 capital to total assets leverage ratio. The existing capital requirements were effective January 1, 2015 and are the result of a final rule implementing regulatory amendments based on recommendations of the Basel Committee on Banking Supervision and certain requirements of the Dodd-Frank Act.

The capital standards require the maintenance of common equity Tier 1 capital, Tier 1 capital and Total capital to risk-weighted assets of at least 4.5%, 6% and 8%, respectively. The regulations also establish a minimum required leverage ratio of at least 4% Tier 1 capital. Common equity Tier 1 capital is generally defined as common stockholders' equity and retained earnings. Tier 1 capital is generally defined as common equity Tier 1 and Additional Tier 1 capital. Additional Tier 1 capital generally includes certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries. Total capital includes Tier 1 capital (common equity Tier 1 capital plus Additional Tier 1 capital) and Tier 2 capital. Tier 2 capital is comprised of capital instruments and related surplus meeting specified requirements, and may include cumulative preferred stock and long-term perpetual preferred stock, mandatory convertible securities, intermediate preferred stock and subordinated debt. Also included in Tier 2 capital is the allowance for credit losses limited to a maximum of 1.25% of risk-weighted assets and, for institutions that have exercised an opt-out election regarding the treatment of accumulated other comprehensive income ("AOCI"), up to 45% of net unrealized gains on available-for-sale equity securities with readily determinable fair market values. Institutions that have not exercised the AOCI opt-out have AOCI incorporated into common equity Tier 1 capital (including unrealized gains and losses on available-for-sale-securities). Calculation of all types of regulatory capital is subject to deductions and adjustments specified in the regulations. The Bank exercised the AOCI opt-out.

In determining the amount of risk-weighted assets for purposes of calculating risk-based capital ratios, an institution's assets, including certain off-balance sheet assets (e.g., recourse obligations, direct credit substitutes, residual interests), are multiplied by a risk weight factor assigned by the regulations based on the risk deemed inherent in the type of asset. Higher levels of capital are required for asset categories believed to present greater risk. For example, a risk weight of 0% is assigned to cash and U.S. government securities, a risk weight of 50% is generally assigned to prudently underwritten first lien one to four-family residential mortgages, a risk weight of 100% is assigned to commercial and consumer loans, a risk weight of 150% is assigned to certain past due loans and a risk weight of between 0% to 600% is assigned to permissible equity interests, depending on certain specified factors.

In addition to establishing the minimum regulatory capital requirements, the regulations limit capital distributions and certain discretionary bonus payments to management if the institution does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets above the amount necessary to meet its minimum risk-based capital requirements.

The FASB adopted a new credit loss accounting standard applicable to all banks, savings banks, credit unions, and financial holding companies, regardless of size and is effective for the Bank for our fiscal year beginning on January 1, 2023. The final rule allows for an optional three-year phase in of the day-one adverse effects on a bank's regulatory capital. This Current Expected Credit Loss ("CECL") standard requires financial institutions to determine periodic estimates of lifetime expected credit losses on loans, and recognize the expected credit losses as allowances for credit losses.

Federal regulations establish minimum capital requirements for insured depository institutions, including minimum risk-based capital and leverage ratios and define what constitutes "capital" for calculating these ratios. The minimum capital requirements are: (1) a common equity Tier 1 capital ratio of 4.5%; (2) a Tier 1 to risk-based assets capital ratio of 6%; (3) a total capital ratio of 8%; and (4) a Tier 1 leverage ratio of 4%. The regulations also require unrealized gains and losses on certain "available-for-sale" securities holdings to be included for calculating regulatory capital requirements unless a one-time opt out is exercised. We elected to exercise our one-time option to opt out of the requirement to include certain "available-for-sale" securities holdings for calculating our regulatory capital ratios. The regulations also establish a "capital conservation buffer" of 2.5%, resulting in the following minimum ratios: (1) a common equity Tier 1 capital ratio of 7.0%, (2) a Tier 1 to risk-based assets capital ratio of 8.5%, and (3) a total capital ratio of 10.5%. An institution will be subject to limitations on paying dividends, repurchasing its shares, and paying discretionary bonuses, if its capital levels fall below the buffer amount.

The federal banking agencies proposed a rule to establish for institutions with assets of less than $10 billion that meet other specified criteria a "community bank leverage ratio" (the ratio of a bank's tangible equity capital to average total consolidated assets) of 9% that such institutions may elect to utilize in lieu of the generally applicable leverage and risk-based capital requirements under the Basel Committee on Banking Supervision ("Basel III"). A "qualifying community bank" with capital exceeding 9% will be considered compliant with all applicable regulatory capital and leverage requirements, including the requirement to be "well capitalized." The rule was adopted in final form, effective January 1, 2020. The Bank has not elected to use the community bank leverage ratio.

We have analyzed the effects of these capital requirements, and at December 31, 2023, the Bank's capital exceeded and we believe that the Bank meets all of these requirements, including the full 2.5% capital conservation buffer.

Loans-to-One Borrower. Generally, a federal savings bank may not make a loan or extend credit to a single or related group of borrowers in excess of 15% of unimpaired capital and surplus. An additional amount may be lent, equal to 10% of unimpaired capital and surplus, if secured by "readily marketable collateral," which generally includes certain financial instruments (but not real estate). As of December 31, 2023, the Bank was in compliance with the loans-to-one borrower limitations.

Standards for Safety and Soundness. Federal law requires each federal banking agency to prescribe certain standards for all insured depository institutions. These standards relate to, among other things, internal controls, information systems and audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, compensation and other operational and managerial standards as the agency deems appropriate. Interagency guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. If the appropriate federal banking agency determines that an institution fails to meet any standard prescribed by the guidelines, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard. Failure to implement such a plan can result in further enforcement action, including the issuance of a cease and desist order or the imposition of civil money penalties.

Prompt Corrective Action Regulations. Under the federal Prompt Corrective Action statute, the OCC is required to take supervisory actions against undercapitalized institutions under its jurisdiction, the severity of which depends upon the institution's level of capital. An institution that has a total risk-based capital ratio of less than 8.0%, a Tier 1 risk-based capital ratio of less than 6.0%, a common equity Tier 1 ratio of less than 4.5% or a leverage ratio of less than 4% is considered to be "undercapitalized." A savings institution that has total risk-based capital of less than 6.0%, a Tier 1 risk-based capital ratio of less than 4.0%, a common equity Tier 1 ratio of less than 3.0% or a leverage ratio that is less than 3.0% is considered to be "significantly undercapitalized." A savings institution that has a tangible capital to assets ratio equal to or less than 2.0% is deemed to be "critically undercapitalized."

Generally, the OCC is required to appoint a receiver or conservator for a federal savings bank that becomes "critically undercapitalized" within specific time frames. The regulations also provide that a capital restoration plan must be filed with the OCC within 45 days of the date that a federal savings bank is deemed to have received notice that it is "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." Any holding company of a federal savings bank that is required to submit a capital restoration plan must guarantee performance under the plan in an amount of up to the lesser of 5.0% of the savings bank's assets at the time it was deemed to be undercapitalized by the OCC or the amount necessary to restore the savings bank to adequately capitalized status. This guarantee remains in place until the OCC notifies the savings bank that it has maintained adequately capitalized status for each of four consecutive calendar quarters. Institutions that are undercapitalized become subject to certain mandatory measures such as restrictions on capital distributions and asset growth. The OCC may also take any one of a number of discretionary supervisory actions against undercapitalized federal savings banks, including the issuance of a capital directive and the replacement of senior executive officers and directors.

At December 31, 2023, the Bank met the criteria for being considered "well capitalized," which means that its total risk-based capital ratio exceeded 10%, its Tier 1 risk-based ratio exceeded 8.0%, its common equity Tier 1 ratio exceeded 6.5% and its leverage ratio exceeded 5.0%

Qualified Thrift Lender Test. As a covered savings association, the Bank is not required to satisfy the qualified thrift lender, or "QTL," test with which other federal savings banks would otherwise be required to comply. If the QTL test were to apply to the Bank, the bank would be required maintain at least 65% of its "portfolio assets" in "qualified thrift investments" (primarily residential mortgages and related investments, including mortgage-backed securities) in at least nine months of every 12-month period under the QTL test. "Portfolio assets" generally means total assets of a savings bank, less the sum of specified liquid assets up to 20% of total assets, goodwill and other intangible assets, and the value of property used in the conduct of the savings bank's business. Alternatively, the Bank would be able to satisfy the QTL test by qualifying as a "domestic building and loan association" as defined in the Internal Revenue Code.

Capital Distributions. Federal regulations govern capital distributions by a federal savings bank, which include cash dividends, stock repurchases and other transactions charged to the savings bank's capital account. A federal savings bank must file an application with the OCC for approval of a capital distribution if:

- the total capital distributions for the applicable calendar year exceed the sum of the savings bank's net income for that year to date plus the savings bank's retained net income for the preceding two years;
- the savings bank would not be at least adequately capitalized following the distribution;
- the distribution would violate any applicable statute, regulation, agreement or regulatory condition; or
- the savings bank is not eligible for expedited treatment of its filings.

An application or notice related to a capital distribution may be disapproved if:

- the federal savings bank would be undercapitalized following the distribution;
- the proposed capital distribution raises safety and soundness concerns; or
- the capital distribution would violate a prohibition contained in any statute, regulation or agreement.

In addition, the Federal Deposit Insurance Act provides that an insured depository institution shall not make any capital distribution if, after making such distribution, the institution would fail to meet any applicable regulatory capital requirement. A federal savings bank also may not make a capital distribution that would reduce its regulatory capital below the amount required for the liquidation account established in connection with its conversion to stock form.

Community Reinvestment Act and Fair Lending Laws. All federal savings banks have a responsibility under the Community Reinvestment Act and related regulations to help meet the credit needs of their communities, including low- and moderate-income borrowers. In connection with its examination of a federal savings bank, the OCC is required to assess the federal savings bank's record of compliance with the Community Reinvestment Act. A savings bank's failure to comply with the provisions of the Community Reinvestment Act could, at a minimum, result in denial of certain corporate applications such as branches or mergers, or in restrictions on its activities. In addition, the Equal Credit Opportunity Act and the Fair Housing Act prohibit lenders from discriminating in their lending practices on the basis of characteristics specified in those statutes. The failure to comply with the Equal Credit Opportunity Act and the Fair Housing Act could result in enforcement actions by the OCC, as well as other federal regulatory agencies and the Department of Justice.

On October 24, 2023, the OCC, FDIC, and Federal Reserve adopted a final rule intended to "strengthen and modernize the regulations implementing the Community Reinvestment Act to better achieve the purpose of the law." Most of these rules' requirements will be applicable beginning January 1, 2026. The full effects on the Bank of these changes to the Community Reinvestment Act rules will depend on the regulatory interpretation of this federal rulemaking and cannot be predicted at this time. Management will continue to evaluate any changes to the Community Reinvestment Act's regulations and their impact to the Bank.

The Community Reinvestment Act requires all institutions insured by the FDIC to publicly disclose their rating. The Bank received a "satisfactory" Community Reinvestment Act rating in its most recent federal examination.

Transactions with Related Parties. A federal savings bank's authority to engage in transactions with its affiliates is limited by Sections 23A and 23B of the Federal Reserve Act and federal regulation. An affiliate is generally a company that controls, or is under common control with an insured depository institution such as the Bank. The Company is an affiliate of the Bank because of its control of the Bank. In general, transactions between an insured depository institution and its affiliates are subject to certain quantitative limits and collateral requirements. In addition, transactions with affiliates must be consistent with safe and sound banking practices, not involve the purchase of low-quality assets and be on terms that are as favorable to the institution as comparable transactions with non-affiliates.

The Bank's authority to extend credit to its directors, executive officers and 10% stockholders, as well as to entities controlled by such persons, is currently governed by the requirements of Sections 22(g) and 22(h) of the Federal Reserve Act and Regulation O of the Federal Reserve Board. Among other things, these provisions generally require that extensions of credit to insiders:

- be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons and that do not involve more than the normal risk of repayment or present other unfavorable features; and
- not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of the Bank's capital.

In addition, extensions of credit in excess of certain limits must be approved by the Bank's board of directors. Extensions of credit to executive officers are subject to additional limits based on the type of extension involved.

Enforcement. The OCC has primary enforcement responsibility over federal savings banks and has authority to bring enforcement action against all "institution-affiliated parties," including directors, officers, stockholders, attorneys, appraisers and accountants who knowingly or recklessly participate in wrongful action likely to have an adverse effect on a federal savings bank. Formal enforcement action by the OCC may range from the issuance of a capital directive or cease and desist order to removal of officers and/or directors of the institution to the appointment of a receiver or conservator. Civil penalties cover a wide range of violations and actions, and range up to $25,000 per day, unless a finding of reckless disregard is made, in which case penalties may be as high as $1.0 million per day. The FDIC also has the authority to terminate deposit insurance or recommend to the OCC that enforcement action be taken with respect to a particular savings bank. If such action is not taken, the FDIC has authority to take the action under specified circumstances.

Insurance of Deposit Accounts. The Deposit Insurance Fund of the FDIC insures deposits at FDIC insured financial institutions such as the Bank. Deposit accounts in the Bank are insured by the FDIC generally up to a maximum of $250,000 per separately insured depositor and up to a maximum of $250,000 for self-directed retirement accounts.

The FDIC charges insured depository institutions premiums to maintain the Deposit Insurance Fund. Under the FDIC's risk-based assessment system, assessments for most institutions are now based on financial measures and supervisory ratings derived from statistical modeling estimating the probability of failure within three years and certain other factors. An institution's rate depended upon the category to which it is assigned, and certain adjustments specified by FDIC regulations. Institutions deemed less risky pay lower FDIC assessments. FDIC assessments are based upon each insured institution's total assets less tangible equity instead of deposits. Effective July 1, 2016, the FDIC adopted an assessment range (inclusive of possible adjustments) for most banks and savings banks of 1.5 basis points to 30 basis points.

The FDIC has authority to increase insurance assessments. Any significant increases would have an adverse effect on the operating expenses and results of operations of the Bank. Management cannot predict what assessment rates will be in the future.

Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. We do not currently know of any practice, condition or violation that may lead to termination of our deposit insurance.

Financial Privacy and Cybersecurity. Under privacy protection provisions of the Gramm-Leach-Bliley Act of 1999 and related regulations, we are limited in our ability to disclose non-public information about consumers to nonaffiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a nonaffiliated third party. Federal banking agencies have adopted guidelines for establishing information security standards and cybersecurity programs for implementing safeguards under the supervision of the board of directors. These guidelines, along with related regulatory materials, increasingly focus on risk management and processes related to information technology and the use of third parties in the provision of financial services.

Consumers must be notified in the event of a data breach under applicable state laws. Under federal regulations, banking organizations are required to notify their primary federal regulator as soon as possible and no later than 36 hours after the discovery of a "computer-security incident" that rises to the level of a "notification incident" within the meaning attributed to those terms by the federal regulations. Banks' service providers are required under the federal regulations to notify any affected bank to or on behalf of which the service provider provides services "as soon as possible" after determining that it has experienced an incident that materially disrupts or degrades, or is reasonably likely to materially disrupt or degrade, covered services provided to such bank for as much as four hours.

Federal Home Loan Bank System. The Bank is a member of the Federal Home Loan Bank System, which consists of 11 regional Federal Home Loan Banks. The Federal Home Loan Bank System provides a central credit facility primarily for member institutions as well as other entities involved in home mortgage lending. As a member of the Federal Home Loan Bank of Atlanta, the Bank is required to acquire and hold shares of capital stock in the Federal Home Loan Bank. As of December 31, 2023, the Bank was in compliance with this requirement. While the Bank's ability to borrow from the Federal Home Loan Bank of Atlanta provides an additional source of liquidity, the Bank has historically not used Federal Home Loan Bank advances to fund its operations.

Other Regulations

Interest and other charges collected or contracted for by the Bank are subject to state usury laws and federal laws concerning interest rates. The Bank's operations are also subject to federal laws applicable to credit transactions, such as the:

- Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;
- Home Mortgage Disclosure Act, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- Fair Credit Reporting Act, governing the use and provision of information to credit reporting agencies;
- Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies;
- Truth in Savings Act; and
- rules and regulations of the various federal agencies charged with the responsibility of implementing such federal laws.

The operations of the Bank also are subject to the:

- Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;
- Electronic Funds Transfer Act and Regulation E promulgated thereunder, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services;
- Check Clearing for the 21st Century Act (also known as "Check 21"), which gives "substitute checks," such as digital check images and copies made from that image, the same legal standing as the original paper check;
- The USA PATRIOT Act, which requires savings banks to, among other things, establish broadened anti-money laundering compliance programs, and due diligence policies and controls to ensure the detection and reporting of money laundering. Such required compliance programs are intended to supplement existing compliance requirements that also apply to financial institutions under the Bank Secrecy Act and the Office of Foreign Assets Control regulations; and
- The Gramm-Leach-Bliley Act, which places limitations on the sharing of consumer financial information by financial institutions with unaffiliated third parties. Specifically, the Gramm-Leach-Bliley Act requires all financial institutions offering financial products or services to retail customers to provide such customers with the financial institution's privacy policy and provide such customers the opportunity to "opt out" of the sharing of certain personal financial information with unaffiliated third parties.

Holding Company Regulation

General. The Company is a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended, and is registered with the Federal Reserve Board and subject to the regulation, examination, supervision and reporting requirements applicable to bank holding companies. In addition, the Federal Reserve Board has enforcement authority over the Company and its non-savings institution subsidiaries. Among other things, this authority permits the Federal Reserve Board to restrict or prohibit activities that are determined to be a serious risk to the subsidiary depository institution. Little is known regarding the supervision and regulation of holding companies of covered savings associations because the adopting rules governing covered savings association does not address the issue and neither the OCC nor the Federal Reserve Board has provided any guidance.

Permissible Activities. A bank holding company is generally prohibited from engaging in non-banking activities, or acquiring direct or indirect control of more than 5% of the voting securities of any company engaged in non-banking activities. One of the principal exceptions to this prohibition is for activities found by the Federal Reserve Board to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Some of the principal activities that the Federal Reserve Board has determined by regulation to be so closely related to banking are: (i) making or servicing loans; (ii) performing certain data processing services; (iii) providing discount brokerage services; (iv) acting as fiduciary, investment or financial advisor; (v) leasing personal or real property; (vi) making investments in corporations or projects designed primarily to promote community welfare; and (vii) acquiring a savings and loan association whose direct and indirect activities are limited to those permitted for bank holding companies.

As a bank holding company, the Company can elect to be treated as a "financial holding company," which would allow us to engage in a broader array of activities. In sum, a financial holding company can engage in activities that are financial in nature or incidental or complementary to financial activities, including insurance underwriting, sales and brokerage activities; providing financial and investment advisory services and underwriting services; and engaging in limited merchant banking activities. We have not sought financial holding company status, but we may elect that status in the future as our business matures. If we were to elect in writing for financial holding company status, we would be required to be well capitalized and well managed, and the Bank would also have to be well capitalized, well managed and have at least a satisfactory rating under the Community Reinvestment Act.

Capital. The Dodd-Frank Act required the Federal Reserve Board to promulgate consolidated capital requirements for depository institution holding companies that are no less stringent, both quantitatively and in terms of components of capital, than those applicable to institutions themselves. Consolidated regulatory capital requirements identical to those applicable to the subsidiary banks apply to bank holding companies; as is the case with institutions themselves, the capital conservation buffer was phased in between 2016 and 2019. However, the Federal Reserve Board has provided a "small bank holding company" exception to its consolidated capital requirements, and legislation and the related issuance of regulations by the Federal Reserve Board has increased the threshold for the exception to $3.0 billion. As a result, the Company is not currently subject to the capital requirement because its consolidated assets do not exceed $3.0 billion.

Source of Strength. The Dodd-Frank Act "source of strength" doctrine applies to bank holding companies. The Federal Reserve Board has issued regulations requiring that all bank holding companies serve as a source of strength to their subsidiary depository institutions.

Dividends and Stock Repurchases. The Federal Reserve Board has issued a policy statement regarding the payment of dividends by holding companies. In general, the policy provides that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the holding company appears consistent with the organization's capital needs, asset quality and overall supervisory financial condition. Separate regulatory guidance provides for prior consultation with Federal Reserve Bank staff concerning dividends in certain circumstances such as where the company's net income for the past four quarters, net of dividends previously paid over that period, is insufficient to fully fund the dividend or the company's overall rate or earnings retention is inconsistent with the company's capital needs and overall financial condition. The ability of a bank holding company to pay dividends may be restricted if a subsidiary insured depository institution becomes undercapitalized. The regulatory guidance also states that a bank holding company should inform Federal Reserve Bank supervisory staff prior to redeeming or repurchasing common stock or perpetual preferred stock if the bank holding company is experiencing financial weaknesses or the repurchase or redemption would result in a net reduction, at the end of a quarter, in the amount of such equity instruments outstanding compared with the beginning of the quarter in which the redemption or repurchase occurred. These regulatory policies may affect the ability of the Company to pay dividends, repurchase shares of common stock or otherwise engage in capital distributions.

Change in Control. Under the Change in Bank Control Act, a notice must be submitted to the Federal Reserve Board if any person (including a company), or group acting in concert, seeks to acquire direct or indirect "control" of a bank holding company. Under certain circumstances, a change of control may occur, and prior notice is required, upon the acquisition of 10% or more of the company's outstanding voting stock, unless the Federal Reserve Board has found that the acquisition will not result in control of the company. A change in control definitively occurs upon the acquisition of 25% or more of the company's outstanding voting stock. Under the Change in Bank Control Act, the Federal Reserve Board generally has 60 days from the filing of a complete notice to act, taking into consideration certain factors, including the financial and managerial resources of the acquirer and the competitive effects of the acquisition.

Federal Securities Laws

Our common stock is registered with the SEC under the Securities Exchange Act of 1934, as amended, and we are subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Securities Exchange Act of 1934.

Emerging Growth Company Status

The Jumpstart Our Business Startups Act (the "JOBS Act"), which was enacted in April 2012, has made numerous changes to the federal securities laws to facilitate access to capital markets. Under the JOBS Act, a company with total annual gross revenues of less than $1.0 billion during its most recently completed fiscal year qualifies as an "emerging growth company." The Company qualifies as an emerging growth company under the JOBS Act.

An "emerging growth company" may choose not to hold stockholder votes to approve annual executive compensation (more frequently referred to as "say-on-pay" votes) or executive compensation payable in connection with a merger (more frequently referred to as "say-on-golden parachute" votes). An emerging growth company also is not subject to the requirement that its auditors attest to the effectiveness of the company's internal control over financial reporting, and can provide scaled disclosure regarding executive compensation; however, the Company will also not be subject to the auditor attestation requirement or additional executive compensation disclosure so long as it remains a "smaller reporting company" under SEC regulations. The Company will remain a "smaller reporting company" so long as it has a less than $250 million in shares tradable by the public (excluding equity held by affiliates and insiders, referred to as a "public float") or the Company has less than $100 million in annual revenues and less than $700 million in public float. Finally, an emerging growth company may elect to comply with new or amended accounting pronouncements in the same manner as a private company, but must make such election when the company is first required to file a registration statement. Such an election is irrevocable during the period a company is an emerging growth company. The Company has elected to comply with new or amended accounting pronouncements in the same manner as a private company.

A company loses emerging growth company status on the earlier of: (i) the last day of the fiscal year of the company during which it had total annual gross revenues of $1.07 billion or more; (ii) the last day of the fiscal year of the issuer following the fifth anniversary of the date of the first sale of common equity securities of the company pursuant to an effective registration statement under the Securities Act of 1933, which for us is July 20, 2021; (iii) the date on which such company has, during the previous three-year period, issued more than $1.0 billion in non-convertible debt; or (iv) the date on which such company is deemed to be a "large accelerated filer" under SEC regulations (generally, at least $700 million of voting and non-voting equity held by non-affiliates).

Item 1A. Risk Factors.

Our operations and financial results are subject to various risks and uncertainties that could adversely affect our financial position, results of operations and cash flows. The risks described below should carefully be considered together with the other information contained in this report.

Risks Related to Lending Activities.

We originate commercial and multi-family real estate, commercial and industrial, and construction and land development loans, which involve credit risks that could adversely affect our financial condition and results of operations.

At December 31, 2023, commercial real estate loans totaled $123.6 million, or 32.7% of our loan portfolio, commercial and industrial loans totaled $16.9 million, or 4.5% of our loan portfolio, construction and land development loans totaled $55.5 million, or 14.7% of our loan portfolio and multi-family loans totaled $19.1 million, or 5.1% of our loan portfolio. Given their larger balances and the complexity of the underlying collateral, commercial and multi-family real estate, construction and land development loans, and commercial and industrial loans generally have more risk than the one-to-four family residential real estate loans we originate. Because the repayment of commercial real estate and commercial and industrial loans depends on the successful management and operation of the borrower's properties or related businesses, repayment of such loans can be affected by adverse conditions in the local real estate market or economy. Because construction and development loans rely on the demand for lots and housing, the ability of developers to repay loans can be impacted by the economy's impact on consumers. A downturn in the real estate market or the local economy could adversely impact the value of properties securing the loan or the revenues from the borrower's business, thereby increasing the risk of nonperforming loans. Further, unlike residential mortgage loans, commercial and industrial loans may be secured by collateral other than real estate, such as inventory and accounts receivable, the value of which may depreciate over time, may be more difficult to appraise and may be more susceptible to fluctuation in value at default. A downturn in the economy may also impact landlords' ability to retain and find new tenants in non-owner-occupied real estate properties. In addition, the physical condition of non-owner-occupied properties may be below that of owner-occupied properties due to lax property maintenance standards, which have a negative impact on the value of the collateral properties. As our commercial and multi-family real estate and commercial and industrial loan portfolios increase, the corresponding risks and potential for losses from these loans may also increase.

Our business may be adversely affected by credit risk associated with residential property.

At December 31, 2023, $148.5 million, or 39.3%, of our total loan portfolio, was secured by one-to-four family residential real estate. One- to-four family residential mortgage lending is generally sensitive to regional and local economic conditions that significantly impact the ability of borrowers to meet their loan payment obligations, making loss levels difficult to predict. A decline in residential real estate values as a result of a downturn in the Pennsylvania housing market could reduce the value of the real estate collateral securing these types of loans. As a result, we have increased risk that we could incur losses if borrowers default on their loans because we may be unable to recover all or part of the defaulted loans by selling the real estate collateral. In addition, if borrowers sell their homes, they may be unable to repay their loans in full from the sale proceeds. For these reasons, we may experience higher rates of delinquencies, defaults and losses on our residential mortgage loans. We have a significant number of loans secured by real estate, and a downturn in the local real estate market could negatively impact our profitability.

We have a significant volume of loans secured by real estate, and a downturn in the local real estate market could negatively impact our profitability.

At December 31, 2023, approximately $357.8 million, or 94.6%, of our total loan portfolio, was secured by real estate, most of which is located in our primary lending market areas. Future declines in the real estate values in our primary lending markets and surrounding markets as a result of the economic downturn could significantly impair the value of the particular collateral securing our loans and our ability to sell the collateral upon foreclosure for an amount necessary to satisfy the borrower's obligations to us. This could require increasing our allowance for credit losses to address the decrease in the value of the real estate securing our loans, which could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

Unlike larger financial institutions that are more geographically diversified, our profitability depends primarily on the general economic conditions in our primary market areas. Local economic conditions have a significant impact on our residential real estate, commercial real estate, construction, commercial and industrial and consumer lending, including, the ability of borrowers to repay these loans and the value of the collateral securing these loans. Deterioration in economic conditions in our primary market areas could result in the following consequences, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations:

- demand for our products and services may decrease;
- loan delinquencies, problem assets and foreclosures may increase;

- collateral for loans, especially real estate, may decline in value, thereby reducing customers' future borrowing power, and reducing the value of the assets and collateral associated with existing loans;
- the value of our securities portfolio may decrease; and
- the net worth and liquidity of loan guarantors may decrease, thereby impairing their ability to honor commitments made to us.

Moreover, a significant decline in general economic conditions, caused by inflation, acts of terrorism, an outbreak of hostilities or other international or domestic calamities or other factors beyond our control could further impact these local economic conditions and could further negatively affect our financial performance. In addition, deflationary pressures, while possibly lowering our operating costs, could have a significant negative effect on our borrowers, especially our business borrowers, and the values of underlying collateral securing loans, which could negatively affect our financial performance.

If our allowance for credit losses is not sufficient to cover actual loan losses, our earnings could decrease.

In originating loans there is a substantial likelihood that we will experience credit losses. The risk of loss will vary with, among other things, general economic conditions, the type of loan, the creditworthiness of the borrower over the term of the loan that represents management's best estimate of probable losses within the existing portfolio of loans. We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of borrowers and the value of the real estate and other assets serving as collateral for the repayment of loans. In determining the adequacy of the allowance for credit losses, we rely on our experience and our evaluation of economic conditions. If our assumptions prove to be incorrect, our allowance for credit losses may not be sufficient to cover losses inherent in our loan portfolio and adjustment may be necessary to allow for different economic conditions or adverse developments in our loan portfolio. Consequently, a problem with one or more loans could require us to significantly increase the level of our provision for credit losses. In addition, federal regulators periodically review our allowance for credit losses and as a result of such reviews, we may have to adjust our allowance for credit losses or recognize further loan charge-offs. However, regulatory agencies are not directly involved in the process of establishing the allowance for credit losses, as the process is our responsibility and any adjustment of the allowance is the responsibility of management. Material additions to the allowance would materially decrease our net income.

The CECL standard became effective for the Bank on January 1, 2023. Under CECL, the allowance for credit losses is an estimate of the expected credit losses on financial assets measured at amortized cost, which is measured using relevant information about past events, including historical credit loss experience on financial assets with similar risk characteristics, current conditions, and reasonable and supportable forecasts that affect the collectability of the remaining cash flows over the contractual term of the financial assets. Changes in economic forecasts, loan portfolio composition and credit quality, changes in model assumptions and other factors will influence the CECL outcomes and the resulting calculation of our allowance for credit losses.

Liquidity, primarily through deposits, in essential to our business model and a lack of liquidity, or an increase in the cost of liquidity could materially impair our ability to fund our operations and jeopardize our results of operation, financial condition and cash flows.

Liquidity represents an institution's ability to provide funds to satisfy demands from depositors, borrowers and other creditors by either converting assets into cash or accessing new or existing sources of incremental funds. Liquidity risk arises from the possibility that we may be unable to satisfy current or future funding requirements and needs.

Deposit levels may be affected by several factors, including rates paid by competitors, general interest rate levels, returns available to customers on alternative investments, customers seeking to maximize deposit insurance by limiting their deposits at a single financial institution to $250,000, general economic and market conditions and other factors. Loan repayments are a relatively stable source of funds but are subject to the borrowers' ability to repay loans, which can be adversely affected by a number of factors including changes in general economic conditions, adverse trends or events affecting business industry groups or specific businesses, declines in real estate values or markets, business closings or lay-offs, inclement weather, natural disasters and other factors.

Furthermore, loans generally are not readily convertible to cash. From time to time, if deposits and loan payments are not sufficient to meet our needs, we may be required to rely on secondary sources of liquidity to meet growth in loans, deposit withdrawal demands or otherwise fund operations. Such secondary sources include FHLB advances, brokered deposits, secured and unsecured federal funds lines of credit from correspondent banks, Federal Reserve borrowings and/or accessing the equity or debt capital markets. The availability of these secondary funding sources is subject to broad economic conditions, to regulation and to investor assessment of our financial strength and, as such, the cost of funds may fluctuate significantly and/or the availability of such funds may be restricted, thus impacting our net interest income, our immediate liquidity and/or our access to additional liquidity. Additionally, if we fail to remain " well-capitalized" our ability to utilize brokered deposits may be restricted. We have somewhat similar risks to the extent high balance core deposits exceed the amount of deposit insurance coverage available.

We anticipate we will continue to rely primarily on deposits, loan repayments, and cash flows from our investment securities to provide liquidity. Additionally, when necessary, the secondary sources of borrowed funds described above will be used to augment our primary funding sources. An inability to maintain or raise funds (including the inability to access secondary funding sources) in amounts necessary to meet our liquidity needs would have a substantial negative effect, individually or collectively, on our liquidity. Our access to funding sources in amounts adequate to finance our activities, or on terms attractive to us, could be impaired by factors that affect us specifically or the financial services industry in general. For example, factors that could detrimentally impact our access to liquidity sources include our financial results, a decrease in the level of our business activity due to a market downturn or adverse regulatory action against us, a reduction in our credit rating, any damage to our reputation, counterparty availability, changes in the activities of our business partners, changes affecting our loan portfolio or other assets, or any other event that could cause a decrease in depositor or investor confidence in our creditworthiness and business. Those factors may lead to depositors withdrawing their deposits or creditors limiting our borrowings. Our access to liquidity could also be impaired by factors that are not specific to us, such as general business conditions, interest rate fluctuations, severe volatility or disruption of the financial markets, bank closures or negative views and expectations about the prospects for the financial services industry as a whole, or legal, regulatory, accounting, and tax environments governing our funding transactions. In addition, our ability to raise funds is strongly affected by the general state of the U.S. and world economies and financial markets as well as the policies and capabilities of the U.S. government and its agencies, and may remain or become increasingly difficult due to economic and other factors beyond our control. Any such event or failure to manage our liquidity effectively could affect our competitive position, increase our borrowing costs and the interest rates we pay on deposits, limit our access to the capital markets and have a material adverse effect on our results of operations or financial condition.

Risks Related to Our Business Strategy.

Our business strategy includes growth, and our financial condition and results of operations could be negatively affected if we fail to grow or fail to manage our growth effectively. Growing our operations could also cause our expenses to increase faster than our revenues.

Our business strategy includes growth in assets, deposits and the scale of our operations. Achieving such growth will require us to attract customers that currently bank at other financial institutions in our market area. Our ability to successfully grow will depend on a variety of factors, including our ability to attract and retain experienced bankers, the continued availability of desirable business opportunities, competition from other financial institutions in our market area and our ability to manage our growth. Growth opportunities may not be available or we may not be able to manage our growth successfully. If we do not manage our growth effectively, our financial condition and operating results could be negatively affected. Furthermore, there can be considerable costs involved in opening branches and expanding lending capacity that generally require a period of time to generate the necessary revenues to offset their costs, especially in areas in which we do not have an established presence. Accordingly, any such business expansion, if done without proper due diligence and consideration of unexpected outcomes, could be expected to negatively impact our earnings for some period of time until certain economies of scale are reached. Our expenses could be further increased if we encounter delays in the opening of new branches.

We depend on our management team and other key personnel to implement our business strategy and execute successful operations and we could be harmed by the loss of their services.

We are dependent upon the services of the members of our senior management team who direct our strategy and operations. Members of our senior management team, or lending personnel who possess expertise in our markets and key business relationships, could be difficult to replace. Competition for employees is intense, and the process of locating key personnel with the combination of skills and attributes required to execute our business strategy may be lengthy. In 2021, there has been a dramatic increase in workers leaving their positions throughout our industry (and other industries) that is being referred to as the "great resignation," and the market to build, retain and replace talent has become even more highly competitive. Our loss of these persons, or our inability to hire additional qualified personnel, or the cost of replacing such personnel, could impact our ability to implement our business strategy and could have a material adverse effect on our results of operations and our ability to compete in our markets. We currently have a comprehensive succession plan in place for key members of our senior management team.

Risks Related to Economic Conditions.

Future changes in interest rates could reduce our profits and asset values.

Net income is the amount by which net interest income and non-interest income exceeds non-interest expense, provision for credit losses, and taxes. Net interest income makes up a majority of our income and is based on the difference between:

- the interest income we earn on interest-earning assets, such as loans and securities; and
- the interest expense we pay on interest-bearing liabilities, such as deposits and borrowings.

The rates we earn on our assets and the rates we pay on our liabilities are generally fixed for a contractual period of time. Like many savings institutions, our liabilities generally have shorter contractual maturities than our assets. This imbalance can create significant earnings volatility because market interest rates change over time. In a period of rising interest rates, the interest income we earn on our assets may not increase as rapidly as the interest we pay on our liabilities. In a period of declining interest rates, the interest income we earn on our assets may decrease more rapidly than the interest we pay on our liabilities, as borrowers prepay mortgage loans, and mortgage-backed securities and callable investment securities are called, requiring us to reinvest those cash flows at lower interest rates.

In addition, changes in interest rates can affect the average life of loans and mortgage-backed and related securities. A decline in interest rates results in increased prepayments of loans and mortgage-backed and related securities as borrowers refinance their debt to reduce their borrowing costs. This creates reinvestment risk, which is the risk that we may not be able to reinvest prepayments at rates that are comparable to the rates we earned on the prepaid loans or securities. Furthermore, an inverted interest rate yield curve, where short-term interest rates (which are usually the rates at which financial institutions borrow funds) are higher than long-term interest rates (which are usually the rates at which financial institutions lend funds for fixed-rate loans) can reduce a financial institution's net interest margin and create financial risk for financial institutions who originate longer-term, fixed rate mortgage loans.

Any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our financial condition, liquidity and results of operations. Changes in the level of interest rates also may negatively affect the value of our assets and ultimately affect our earnings.

Inflation may have an adverse impact on our business and on our customers.

Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. Recently, there have been market indicators of a pronounced rise in inflation and the Federal Reserve Board has raised certain benchmark interest rates in an effort to combat inflation. The Federal Reserve Board has signaled that further increases may be necessary to control inflation. As inflation increases, the value of our investment securities, particularly those with longer maturities, would decrease, although this effect can be less pronounced for floating rate instruments. In addition, inflation increases the cost of goods and services we use in our business operations, which increases our noninterest expenses. Furthermore, our customers are also affected by inflation and the rising costs of goods and services used in their households and businesses, which could have a negative impact on their ability to repay their loans with us.

Risks Related to Competitive Markets.

Strong competition within our market areas may limit our growth and profitability.

Competition in the banking and financial services industry is intense and we experience strong competition from many other financial institutions as well as financial technology companies ("fintechs"). In our market area, we compete with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds, insurance companies, and brokerage and investment banking firms and unregulated or less regulated non-banking entities, operating locally and elsewhere. Because technology and other changes have lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, we also compete with fintechs seeking to disrupt conventional banking markets. In particular, the activity of fintechs has grown significantly over recent years and is expected to continue to grow. Fintechs have and may continue to offer bank or bank-like products and a number of fintechs have applied for bank or industrial loan charters. In addition, other fintechs have partnered with existing banks to allow them to offer deposit products to their customers. Many of these competitors have substantially greater resources and higher lending limits than we have and offer certain services that we do not or cannot provide. In addition, some of our competitors offer loans with lower interest rates on more attractive terms than loans we offer. Competition also makes it increasingly difficult and costly to attract and retain qualified employees. Our profitability depends upon our continued ability to successfully compete in our market area. If we must raise interest rates paid on deposits or lower interest rates charged on our loans, our net interest margin and profitability could be adversely affected.

The financial services industry could become even more competitive as a result of new legislative, regulatory and technological changes and continued consolidation. Banks, securities firms and insurance companies can merge under the umbrella of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Also, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Many of our competitors have fewer regulatory constraints and may have lower cost structures. Additionally, due to their size, many competitors may be able to achieve economies of scale and, as a result, may offer a broader range of products and services as well as better pricing for those products and services than we can. We expect competition to increase in the future as a result of legislative, regulatory and technological changes and the continuing trend of consolidation in the financial services industry.

Our asset size makes it more difficult for us to compete.

Our asset size makes it more difficult to compete with other financial institutions that are larger and can more easily afford to invest in the marketing and technologies needed to attract and retain customers. Our ability to diversify economic risks is limited by our own local markets and economies. Because our principal source of income is the net interest income we earn on our loans and investments after deducting interest paid on deposits and other sources of funds, our ability to generate the revenues needed to cover our expenses and finance such investments is limited by the size of our loan and investment portfolios. Accordingly, we are not always able to offer new products and services as quickly as our competitors. In addition, our smaller customer base may make it difficult to generate meaningful non-interest income from such activities as securities and insurance brokerage. Finally, compared to larger institution, we are disproportionately affected by the continually increasing costs of compliance with new banking and other regulations.

Risks Related to Laws and Regulations.

We may be materially and adversely affected by the highly regulated environment in which we operate.

The Bank is subject to extensive regulation, supervision and examination by the OCC, and the Company is subject to extensive regulation, supervision and examination by the Federal Reserve Board. Such supervision and regulation governs the activities in which an institution and its holding company may engage and are intended primarily for the protection of the federal deposit insurance fund and the depositors and borrowers of the Bank, rather than for our stockholders. Regulatory authorities have extensive discretion in their supervisory and enforcement activities, including the imposition of restrictions on our operations, the classification of our assets and determination of the level of our allowance for credit losses. These regulations, along with existing tax, accounting, securities, insurance and monetary laws, rules, standards, policies, and interpretations, control the methods by which financial institutions conduct business, implement strategic initiatives and tax compliance, and govern financial reporting and disclosures. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, legislation or supervisory action, may have a material impact on our operations. Further, changes in accounting standards can be both difficult to predict and involve judgment and discretion in their interpretation by us and our independent accounting firms. These changes could materially impact, potentially even retroactively, how we report our financial condition and results of operations.

Uncertainty exists with regard to regulation of holding companies of covered savings associations.

Effective July 1, 2019, the Bank qualified as a “covered savings association” and elected to hold such status. On May 24, 2019, the OCC issued a final rule and outlined the nature and powers of a covered savings association as well as the applicable regulatory structure. Although as a covered savings association we are subject to the same reporting and regulatory requirements as a federal savings bank, neither the OCC nor the Federal Reserve Board has adopted regulations on the treatment of covered savings association holding companies. Based on guidance from the Federal Reserve Board, the Company is a bank holding company of a covered savings association. However, ambiguity remains on the ongoing treatment and regulation of such entities.

Non-compliance with the USA PATRIOT Act, Bank Secrecy Act, or other laws and regulations could result in fines or sanctions.

The USA PATRIOT and Bank Secrecy Acts require financial institutions to develop programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with the U.S. Treasury’s Office of Financial Crimes Enforcement Network. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts. Failure to comply with these regulations could result in fines or sanctions, including restrictions on conducting acquisitions or establishing new branches. The policies and procedures we have adopted that are designed to assist in compliance with these laws and regulations may not be effective in preventing violations of these laws and regulations.

We are subject to stringent capital requirements, which may adversely impact our return on equity, require us to raise additional capital, or limit our ability to pay dividends or repurchase shares.

Federal regulations establish minimum capital requirements for insured depository institutions, including minimum risk-based capital and leverage ratios and define what constitutes "capital" for calculating these ratios. The minimum capital requirements are: (1) a common equity Tier 1 capital ratio of 4.5%; (2) a Tier 1 to risk-based assets capital ratio of 6%; (3) a total capital ratio of 8%; and (4) a Tier 1 leverage ratio of 4%. The regulations also require unrealized gains and losses on certain "available-for-sale" securities holdings to be included for calculating regulatory capital requirements unless a one-time opt out is exercised. We elected to exercise our one-time option to opt out of the requirement to include certain "available-for-sale" securities holdings for calculating our regulatory capital ratios. The regulations also establish a "capital conservation buffer" of 2.5%, resulting in the following minimum ratios: (1) a common equity Tier 1 capital ratio of 7.0%, (2) a Tier 1 to risk-based assets capital ratio of 8.5%, and (3) a total capital ratio of 10.5%. An institution will be subject to limitations on paying dividends, repurchasing its shares, and paying discretionary bonuses, if its capital levels fall below the buffer amount.

The federal banking agencies proposed a rule to establish for institutions with assets of less than $10 billion that meet other specified criteria a "community bank leverage ratio" (the ratio of a bank's tangible equity capital to average total consolidated assets) of 9% that such institutions may elect to utilize in lieu of the generally applicable leverage and risk-based capital requirements under the Basel Committee on Banking Supervision ("Basel III"). A "qualifying community bank" with capital exceeding 9% will be considered compliant with all applicable regulatory capital and leverage requirements, including the requirement to be "well capitalized." The rule was adopted in final form, effective January 1, 2020.

We have analyzed the effects of these capital requirements, and we believe that the Bank meets all of these requirements, including the full 2.5% capital conservation buffer. Furthermore, the Bank runs an annual stress test on its loan portfolio to determine its ability to maintain the full capital conservation buffer in the event of heightened loan losses similar or greater than those experienced by banking peers in the Great Recession. See "Supervision and Regulation—Federal Banking Regulation—Capital Requirements."

Risks Related to Operational Matters.

We face significant operational risks because the financial services business involves a high volume of transactions and increased reliance on technology, including risk of loss related to cyber-security breaches.

We operate in diverse markets and rely on the ability of our employees and systems to process a high number of transactions and to collect, process, transmit and store significant amounts of confidential information regarding our customers, employees and others and concerning our own business, operations, plans and strategies. Operational risk is the risk of loss resulting from our operations, including but not limited to, the risk of fraud by employees or persons outside our company, the execution of unauthorized transactions by employees, errors relating to transaction processing and technology, systems failures or interruptions, breaches of our internal control systems and compliance requirements, and business continuation and disaster recovery. Insurance coverage may not be available for such losses, or where available, such losses may exceed insurance limits. This risk of loss also includes the potential legal actions that could arise as a result of operational deficiencies or as a result of non-compliance with applicable regulatory standards or customer attrition due to potential negative publicity. In addition, we outsource some of our data processing to certain third-party providers. If these third-party providers encounter difficulties, including as a result of cyber-attacks or information security breaches, or if we have difficulty communicating with them, our ability to adequately process and account for transactions could be affected, and our business operations could be adversely affected.

In the event of a breakdown in our internal control systems, improper operation of systems or improper employee actions, disruptions or failures in the physical infrastructure or operating systems that support our business and customers, or a breach of our security systems, including if confidential or proprietary information were to be mishandled, misused or lost, we could suffer financial loss, customer attrition, the inability of our customers to transact business with us, violations of applicable privacy and other laws, regulatory fines, penalties or intervention, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, any of which could materially adversely affect our results of operations or financial condition.

The cost of additional finance and accounting systems, procedures and controls in order to satisfy our new public company reporting requirements will increase our expenses.

As a result of our stock offering in July 2021, we became a public reporting company. We expect that the obligations of being a public company, including the substantial public reporting obligations, will require significant expenditures and place additional demands on our management team. We have made, and will continue to make, changes to our internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations as a stand-alone public company. However, the measures we take may not be sufficient to satisfy our obligations as a public company. Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes Oxley Act") requires annual management assessments of the effectiveness of our internal control over financial reporting, starting with the second annual report that we would expect to file with the SEC. Any failure to achieve and maintain an effective internal control environment could have a material adverse effect on our business and stock price. In addition, we may need to hire additional compliance, accounting and financial staff with appropriate public company experience and technical knowledge, and we may not be able to do so in a timely fashion. As a result, we may need to rely on outside consultants to provide these services for us until qualified personnel are hired. These obligations will increase our operating expenses and could divert our management's attention from our operations.

Risks Related to Accounting Matters.

Changes in accounting standards could affect reported earnings.

The bodies responsible for establishing accounting standards, including the FASB or SEC and other regulatory bodies, periodically change the financial accounting and reporting guidance that governs the preparation of our financial statements. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply new or revised guidance retroactively.

Changes in management's estimates and assumptions may have a material impact on our consolidated financial statements and our financial condition or operating results.

In preparing periodic reports we will be required to file under the Securities Exchange Act of 1934, including our consolidated financial statements, our management is and will be required under applicable rules and regulations to make estimates and assumptions as of a specified date. These estimates and assumptions are based on management's best estimates and experience as of that date and are subject to substantial risk and uncertainty. Materially different results may occur as circumstances change and additional information becomes known. The areas requiring significant estimates and assumptions by management include our evaluation of the adequacy of our allowance for credit losses and our determinations with respect to amounts owed for income taxes. The uncertainty surrounding the lasting effects of the COVID-19 pandemic may negatively impact results, and our management team's assumptions may not account for such effects.

We have a significant amount of net operating losses that we may not be able to utilize.

During the Great Recession, we generated significant net operating losses and unrealized tax losses (collectively, "NOLs"). As of December 31, 2023, we had an estimated federal NOL carryforward of $1.5 million and an estimated state NOL carryforward of $3.2 million, and recognized a deferred tax asset of $454,000 related to NOL carryforwards. These NOLs generally may be carried forward for a 20-year period to offset future taxable income and reduce our federal and state income tax liability, respectively. Our federal and state NOL carry-forwards begin to expire in 2031 unless previously utilized.

As a result of our conversion from mutual to stock form of ownership and our contemporaneous stock offering, it is possible that we would incur an "ownership change" under Section 382 of the Internal Revenue Code ("Section 382"). An ownership change will occur if after the conversion, the persons who are considered "owners" of the Bank before the conversion own less than 50% of our holding company's stock immediately after the conversion. In addition, an ownership change will occur if, over a rolling three-year period, the percentage of the common stock of the Company owned by stockholders holding 5% or more of our common stock has increased by more than 50% over the lowest percentage of common stock owned by such stockholders during the three-year period. In general, if a company incurs an ownership change under Section 382, the company's ability to utilize an NOL carryforward to offset its taxable income becomes limited to a certain amount per year. This limitation is computed by multiplying the company's fair market value immediately before the ownership change by a rate equal to the long-term tax-exempt rate for the month in which the ownership change occurs.

If we are unable to fully utilize the NOL carryforwards to reduce our taxable income prior to their expiration, either because of insufficient taxable income or a limitation imposed under Section 382, we will need to write off any remaining deferred tax asset and will incur additional income tax liability, which would adversely affect our results of operations.

Risks related to Public Health Issues, including COVID-19 and the Associated Economic Slowdown.

Outbreaks of communicable diseases, such as COVID-19 and its variants, have led to periods of significant volatility in financial commodities (including oil and gas) and other markets, adversely affected our ability to conduct normal business, adversely affected our clients, and are likely to harm our businesses, financial condition and results of operations.

Pandemics and widespread outbreaks of communicable diseases (such as COVID-19) have caused and may continue to cause significant disruption in the international and United States economies and financial markets and have had an adverse effect on our business and results of operations. This has recently been accompanied by a surge in flu and other respiratory illnesses of varying seriousness and magnitude. The spread of these diseases, including COVID variants, has caused illness and death resulting in quarantines, cancellation of events and travel, business and school shutdowns, reduction in business activity and financial transactions, supply chain interruptions, and overall economic and financial market instability. In response to the COVID-19 pandemic, the governments of the states in which we have branches, and most other states, periodically have taken preventative or protective actions, such as imposing restrictions on travel and business operations, advising or requiring individuals to limit or forego their time outside of their homes, and ordering temporary closures of businesses that have been deemed to be non-essential. These restrictions and other consequences of public health issues have resulted in significant adverse effects for many different types of businesses, including, among others, those in the hospitality (including hotels and lodging) and restaurant industries, and resulted in a significant number of layoffs and furloughs of employees nationwide and in the regions in which we operate.

Although we take precautions to protect the safety and well being of our employees and customers, the unpredictability of the pandemic and public health issues could result in the following:

- lower loan demand and an increased risk of loan delinquencies, defaults, and foreclosures due a number of factors, including continuing supply chain issues, decreased consumer and business confidence and economic activity;
- collateral for loans, especially real estate, may decline in value, which may reduce our ability to liquidate such collateral and could cause loan losses to increase and impair our ability over the long run to maintain our loan origination volume;
- volatility in financial and capital markets and interest rates;
- a significant decline in the market value of our common stock;
- increased demands on capital and liquidity;
- heightened cybersecurity, information security, and operational risks as cybercriminals attempt to profit from the disruption resulting from the pandemic given increased online and remote activity, including as a result of work-from-home arrangements;
- disruptions to business operations experienced by counterparties and service providers;
- increased risk of business disruption from the loss of employees due to their inability to work effectively because of illness, quarantines, government actions, failures in systems or technology that disrupt work-from-home arrangements, or other effects of the COVID-19 pandemic, including the increase in employee resignations currently taking place throughout the United States in connection with the COVID-19 pandemic, which is commonly referred to as the “great resignation”; and
- decreased demands for our products and services.

We have also experienced and may continue to experience other negative impacts to our business as a result of the pandemic that could exacerbate other risks discussed in this “Risk Factors” section. The ongoing fluidity of this situation precludes any prediction as to the ultimate adverse impact of COVID-19 on economic and market conditions, and, as a result, presents material uncertainty and risk with respect to us.

A worsening of economic conditions in our market area could reduce demand for our products and services and/or result in increases in our level of nonperforming loans, which could adversely affect our operations, financial condition and earnings.

Local economic conditions have a significant impact on the ability of our borrowers to repay loans and the value of the collateral securing loans. A deterioration in economic conditions could have the following consequences, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations:

- demand for our products and services may decline;
- loan delinquencies, problem assets and foreclosures may increase;
- collateral for loans, especially real estate, may decline in value, thereby reducing customers’ future borrowing power, and reducing the value of assets and collateral associated with existing loans; and
- the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us.

Moreover, a significant decline in general economic conditions caused by pandemics, inflation, recession, acts of terrorism, an outbreak of hostilities or other international or domestic calamities, unemployment or other factors beyond our control could further impact these local economic conditions and could further negatively affect the financial results of our banking operations. In addition, deflationary pressures, while possibly lowering our operating costs, could have a significant negative effect on our borrowers, especially our business borrowers, and the values of underlying collateral securing loans, which could negatively affect our financial performance.

Other Risks related to Our Business.

Legal and regulatory proceedings and related matters could adversely affect us.

We have been and may in the future become involved in legal and regulatory proceedings. We consider most of the proceedings to be in the normal course of our business or typical for the industry; however, it is inherently difficult to assess the outcome of these matters, and we may not prevail in any proceedings or litigation. There could be substantial cost and management diversion in such litigation and proceedings, and any adverse determination could have a materially adverse effect on our business, brand or image, or our financial condition and results of our operations.

We are subject to environmental liability risk associated with lending activities or properties we own.

A significant portion of our loan portfolio is secured by real estate, and we could become subject to environmental liabilities with respect to one or more of these properties, or with respect to properties that we own in operating our business. During the ordinary course of business, we may foreclose on and take title to properties securing defaulted loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous conditions or toxic substances are found on these properties, we may be liable for remediation costs, as well as for personal injury and property damage, civil fines and criminal penalties regardless of when the hazardous conditions or toxic substances first affected any particular property. Environmental laws may require us to incur substantial expenses to address unknown liabilities and may materially reduce the affected property's value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. Our policies, which require us to perform appropriate environmental due diligence when originating loans secured by certain types of commercial properties, may not be sufficient to detect all potential environmental hazards, particularly at the point of foreclosure, if necessary. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on us.

Natural disasters, acts of terrorism and other external events could harm our business.

Natural disasters can disrupt our operations, result in damage to our properties, reduce or destroy the value of the collateral for our loans and negatively affect the economies in which we operate, which could have a material adverse effect on our results of operations and financial condition. A significant natural disaster, such as a hurricane, pandemic, tornado, earthquake, fire or flood, could have a material adverse impact on our ability to conduct business, and our insurance coverage may be insufficient to compensate for losses that may occur. Acts of terrorism, war, civil unrest, violence, pandemics or human error could cause disruptions to our business or the economy as a whole. While we have established and regularly test disaster recovery procedures, the occurrence of any such event could have a material adverse effect on our business, operations and financial condition.

We are a community bank and our ability to maintain our reputation is critical to the success of our business and the failure to do so may materially adversely affect our performance.

We are a community bank, and our reputation is one of the most valuable components of our business. A key component of our business strategy is to rely on our reputation for customer service and knowledge of local markets to expand our presence by capturing new business opportunities from existing and prospective customers in our market area and contiguous areas. As such, we strive to conduct our business in a manner that enhances our reputation. This is done, in part, by recruiting, hiring and retaining employees who share our core values of being an integral part of the communities we serve, delivering superior service to our customers and caring about our customers and associates. If our reputation is negatively affected, by the actions of our employees, by our inability to conduct our operations in a manner that is appealing to current or prospective customers, or otherwise, our business and, therefore, our operating results may be materially adversely affected.

Risks Related to our Common Stock

The market price of our common stock may be subject to substantial fluctuations, which may make it difficult for you to sell your shares at the volume, prices and times desired.

The market price of our common stock may be highly volatile, which may make it difficult for you to resell your shares at the volume, prices and times desired. There are many factors that may affect the market price and trading volume of our common stock, including, without limitation, the risks discussed elsewhere in this "Risk Factors" section and:

- actual or anticipated fluctuations in our operating results, financial condition or asset quality;
- changes in economic or business conditions;
- the effects of, and changes in, trade, monetary and fiscal policies, including the interest rate policies of the Federal Reserve Board;

- publication of research reports about us, our competitors or the financial services industry generally, or changes in, or failure to meet, securities analysts' estimates of our financial and operating performance, or lack of research reports by industry analysts or the cessation of coverage;
- operating and stock price performance of companies that investors deem comparable to us;
- additional or anticipated sales of our common stock or other securities by us or our existing stockholders;
- additions, departures or inability to retain of key personnel;
- perceptions and speculations in the marketplace regarding our competitors or us;
- price and volume fluctuations in the overall stock market from time to time;
- litigation involving us, our industry or both;
- investigations by regulators into our operations or those of our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- actual or anticipated developments in our business, our competitors' businesses or the competitive landscape generally;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving our competitors or us;
- other economic, competitive, governmental, regulatory or technological factors affecting our operations, pricing, products and services; and
- other news, announcements or disclosures (whether by us or others) related to us, our competitors, our core market or the financial services industry.

The stock market and, in particular, the market for financial institution stocks have experienced substantial fluctuations in recent years, which in many cases have been unrelated to the operating performance and prospects of particular companies. In addition, significant fluctuations in the trading volume in our common stock may cause significant price variations to occur. Increased market volatility may materially and adversely affect the market price of our common stock, which could make it difficult to sell your shares at the volume, prices and times desired.

In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. Such litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

The implementation of the 2022 Equity Incentive Plan may dilute your ownership interest.

In 2022, we adopted the TC Bancshares, Inc. 2022 Equity Incentive Plan, which authorized the issuance of up to 700,000 shares of our common stock. To the extent issuances under the 2022 Equity Incentive Plan exceed the amount of the Company's open market purchases, our stockholders will experience a reduction in ownership interest.

The corporate governance provisions in our articles of incorporation and bylaws may prevent or impede the holders of a minority of our common stock from obtaining representation on our board of directors and may also prevent or impede a change in control.

Provisions in our articles of incorporation and bylaws may prevent or impede holders of a minority of our common stock from obtaining representation on our board of directors. For example, our board of directors is divided into three classes with staggered three-year terms. A classified board makes it more difficult for stockholders to change a majority of the directors because it generally takes at least two annual elections of directors for this to occur. Second, our articles of incorporation provides that there will not be cumulative voting by stockholders for the election of our directors. Also, we have the ability to issue preferred stock without stockholder approval with voting rights to third parties who may be friendly to our board of directors.

In addition, our articles of incorporation generally provide that, for a period of three years from July 20, 2021, the date closing of our initial public offering, no person may directly or indirectly offer to acquire or acquire the beneficial ownership of more than 10% of any class of our equity securities held by any person other than the Company, and that any shares acquired in excess of this limit would not be entitled to be voted and would not be counted as voting stock in connection with any matters submitted to the stockholders for a vote.

Under Federal Reserve Board regulations, no person may directly or indirectly acquire or offer to acquire beneficial ownership of more than 10% of our common stock without prior approval of the Federal Reserve Board. Under federal law, subject to certain exemptions, a person, entity or group must notify the Federal Reserve Board before acquiring control of a bank holding company. Acquisition of 10% or more of any class of voting stock of a bank holding company creates a rebuttable presumption that the acquirer "controls" the holding company. Also, a bank holding company must obtain the prior approval of the Federal Reserve Board before, among other things, acquiring direct or indirect ownership or control of more than 5% of any class of voting shares of any bank, including the Bank.

Our management team has limited experience managing a public company, and regulatory compliance may divert its attention from the day-to-day management of our business.

Our management team has limited experience managing a publicly-traded company or complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently manage our transition into a public company, which will be subject to significant regulatory oversight and reporting obligations under federal securities laws. In particular, these new obligations will require substantial attention from our management and may divert their attention away from the day-to-day management of our business, which could materially and adversely impact our business operations.

You may not receive dividends on our common stock.

Holders of our common stock are only entitled to receive dividends as our board of directors may declare out of funds legally available for such payments. The declaration and payment of future cash dividends will be subject to, among other things, regulatory restrictions, our then current and projected consolidated operating results, financial condition, tax considerations, future growth plans, general economic conditions, and other factors our board of directors deems relevant. See the sections entitled "Supervision and Regulation—Federal Banking Regulation—Capital Requirements"; "—Capital Distributions"; and "—Holding Company Regulation" in Item 1 of this report.

The Company will depend primarily upon the proceeds it retains from the offering as well as earnings of the Bank to provide funds to pay dividends on our common stock. The payment of dividends by the Bank also is subject to certain regulatory restrictions. Federal law generally prohibits a depository institution from making any capital distributions (including payment of a dividend) to its parent holding company if the depository institution would thereafter be or continue to be undercapitalized, and dividends by a depository institution are subject to additional limitations.

As a result, any payment of dividends in the future by the Company will depend, in large part, on the Bank's ability to satisfy these regulatory restrictions and its earnings, capital requirements, financial condition and other factors.

We are an emerging growth company, and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.

We are an emerging growth company, and, for as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to "emerging growth companies," including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. As an emerging growth company, we also will not be subject to Section 404(b) of the Sarbanes-Oxley Act, which would require that our independent auditors review and attest as to the effectiveness of our internal control over financial reporting. We have also elected to use the extended transition period to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. Accordingly, our financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards.

We could remain an "emerging growth company" for up to five years following the completion of our initial public offering, or until the earliest of (a) the last day of the first fiscal year in which our total annual gross revenues amount to $1.07 billion or more, (b) the date that we become a "large accelerated filer" as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended, which would occur if the market value of our common stock that is held by non-affiliates exceeds $700 million as of the last business day of our most recently completed second fiscal quarter, or (c) the date on which we have issued more than $1.0 billion in non-convertible debt during the preceding three-year period.

As a result, our stockholders may not have access to certain information they may deem important, and investors may find our common stock less attractive if we choose to rely on these exemptions. This could result in a less active trading market for our common stock and the price of our common stock may be more volatile.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity.

Policy statements and regulations by state and federal bank regulators indicate that financial institutions should design multiple layers of security controls to establish lines of defense and to ensure that their risk management processes also address the risk posed by compromised customer credentials, including security measures to reliably authenticate customers accessing internet-based services of the financial institution. For example, a financial institution's management is expected to maintain sufficient business continuity planning processes to ensure the rapid recovery, resumption and maintenance of the institution's operations after a cyberattack involving destructive malware.

On April 1, 2022, a final rule issued by federal financial regulatory agencies became effective – that rule imposes upon banking organizations and their service providers notification requirements for significant cybersecurity incidents. Specifically, the rule requires banking organizations to notify their primary federal regulator as soon as possible and no later than 36 hours after the discovery of a "computer-security incident" that rises to the level of a "notification incident" as those terms are defined in the rule. Banks' service providers are required under that rule to notify any affected bank to or on behalf of which the service provider provides services "as soon as possible" after determining that it has experienced an incident that materially disrupts or degrades, or is reasonably likely to materially disrupt or degrade, covered services provided to such bank for as much as four hours.

Additionally, effective December 9, 2022, the FTC's amendments to the GLBA's Safeguards Rule went into effect. That rule requires financial institutions to: (i) appoint a qualified individual to oversee and implement their information security programs; (ii) implement additional criteria for information security risk assessments; (iii) implement safeguards identified by assessments, including access controls, data inventory, data disposal, change management, and monitoring, among other things; (iv) implement information system monitoring in the form of either "continuous monitoring" or "periodic penetration testing;" (v) implement additional controls including training for security personnel, periodic assessment of service providers, written incident response plans, and periodic reports from the qualified individual to the board of directors. Additionally, multiple states and Congress are considering laws or regulations which could create new individual privacy rights and impose increased obligations on companies handling personal data.

Risk management and strategy.

Our risk management program is designed to identify, assess, and mitigate risks across various aspects of our Company, including financial, operational, regulatory, reputational, and legal. Cybersecurity is a critical component of this program, given the increasing reliance on technology and potential of cyber threats. Our Information Security Officer Committee (ISOC) is primarily responsible for this cybersecurity component. The ISOC is chaired by the Company's Chief Financial Officer with oversight by a third-party information security specialist. In addition, the ISOC members include our Chief Information Officer along with external technology and internal business resources. The ISOC makes quarterly reports to the board of directors.

Our objective for managing cybersecurity risk is to avoid or minimize the impacts of external threat events or other efforts to penetrate, disrupt or misuse our systems or information. The structure of our information security program is designed around the National Institute of Standards and Technology ("NIST") Cybersecurity Framework, regulatory guidance, and other industry standards. In addition, we leverage certain industry and government associations, third-party benchmarking, audits, and threat intelligence feeds to facilitate and promote program effectiveness. Our Chief Information Officer, who reports directly to our Chief Financial Officer, along with key members of their teams, regularly collaborate with peer banks, industry groups, and policymakers to discuss cybersecurity trends and issues and identify best practices. The information security program is periodically reviewed by such personnel with the goal of addressing changing threats and conditions.

We employ an in-depth, layered, defensive strategy that embraces a "trust by design" philosophy when designing new products, services, and technology. We leverage people, processes, and technology as part of our efforts to manage and maintain cybersecurity controls. We also employ a variety of preventative and detective tools designed to monitor, block, and provide alerts regarding suspicious activity, as well as to report on suspected advanced persistent threats. We have established processes and systems designed to mitigate cyber risk, including regular and on-going education and training for employees, preparedness simulations and tabletop exercises, and recovery and resilience tests. We engage in regular assessments of our infrastructure, software systems, and network architecture, using internal cybersecurity experts and third-party specialists. We also actively monitor our email gateways for malicious phishing email campaigns and monitor remote connections as a significant portion of our workforce has the option to work remotely. We leverage internal and external auditors and independent external partners to periodically review our processes, systems, and controls, including with respect to our information security program, to assess their design and make recommendations to strengthen our risk management program.

We maintain an Incident Response Plan that provides a documented framework for responding to actual or potential cybersecurity incidents, including timely notification of and escalation to executive management and/or the Board of Directors. The Incident Response Plan is coordinated through the Chief Information Officer and key members of management are embedded into the Plan by its design. The Incident Response Plan facilitates coordination across multiple parts of our organization and is evaluated at least annually.

Notwithstanding our defensive measures and processes, the threat posed by cyber-attacks is severe. Our internal systems, processes, and controls are designed to mitigate loss from cyber-attacks and, while we have experienced cybersecurity events in the past, to date, risks from cybersecurity threats have not materially affected our company. For further discussion of risks from cybersecurity threats, see the section captioned “Risks Related to Operational Matters” in Item 1A. Risk Factors.

Governance.

Our Chief Information Officer is accountable for managing our enterprise information security department and delivering our information security program. The responsibilities of this department include cybersecurity risk assessment, defense operations, incident response, vulnerability assessment, threat intelligence, identity access governance, third-party risk management, and business resilience. The foregoing responsibilities are covered on a day-to-day basis by a first line of defense function, and our second line of defense function, including the Chief Information Officer, provides guidance, oversight, monitoring and challenge of the first line’s activities. The second line of defense function is separated from the first line of defense function through organizational structure and ultimately reports directly to the Chief Financial Officer. The department, as a whole, consists of information security professionals with varying degrees of education and experience, as well as third-party information security specialists. In particular, our Chief Information Officer has substantial relevant expertise and formal training in the areas of information security and cybersecurity risk management.

In addition to the ISOC, our board of directors has created the Information Technology Steering Committee, These committees provide oversight and governance of the technology program and the information security program. These committees include the Chief Financial Officer and Chief Information Officer as well as their direct reports and other key departmental managers from throughout the entire Company. The Information Technology Steering Committee meets on a quarterly basis. The ISOC generally meets monthly to provide oversight of the risk management strategy, standards, policies, practices, controls, and mitigation and prevention efforts employed to manage security risks. More frequent meetings occur from time to time in accordance with the Incident Response Plan in order to facilitate timely informing and monitoring efforts. The Chief Information Officer reports summaries of key issues, including significant cybersecurity and/or privacy incidents, discussed at committee meetings and the actions taken to the Information Technology Steering Committee of our board of directors on a quarterly basis (or more frequently as may be required by the Incident Response Plan).

The Information Technology Steering Committee of our board of directors is responsible for overseeing our information security and technology programs, including management’s actions to identify, assess, mitigate, and remediate or prevent material cybersecurity issues and risks. Our Chief Information Officer provides quarterly reports to the Information Technology Steering Committee of our board of directors regarding the information security program and the technology program, key enterprise cybersecurity initiatives, and other matters relating to cybersecurity processes. The board of directors reviews and approves our information security and technology budgets and strategies annually.

Item 2. Properties.

We currently conduct business from our main office in Thomasville, Georgia, as well as additional full service branches in Tallahassee, Florida; Savannah, Georgia; and Jacksonville, Florida. We also operate LPOs in Tallahassee, Florida and Jacksonville, Florida. The following table sets forth the net book value of the land, building and leasehold improvements and certain other information with respect to our offices at December 31, 2023:

Location	Leased/Owned	Date of Lease Expiration	Net Book Value of Property and Leasehold Improvements	Amount of Deposits
		(Dollar in thousands)		
Main Office **131 South Dawson Street** **Thomasville, Georgia 31792**	Owned	N/A	$ 1,405	$ 202,348
Tallahassee Branch **2915-501 Kerry Forest Parkway** **Tallahassee, Florida 32309**	Owned	N/A	$ 1,048	$ 100,233
Savannah Branch **7150 Hodgson Memorial Drive** **Suite A** **Savannah, Georgia 31406**	Leased	5/14/33	$ 729	$ 32,450
Jacksonville Branch **10970 San Jose Boulevard** **Jacksonville, Florida 32223**	Leased	3/22/33	$ 429	$ 34,838
Tallahassee LPO **6267 Old Water Oak Road** **Suite 205** **Tallahassee, Florida 32312**	Leased	9/14/26	$ -	N/A
Jacksonville LPO **3121 Venture Place** **Jacksonville, Florida 32257**	Leased	5/31/24	$ -	N/A
Total			$ 3,611	$ 369,869

Item 3. Legal Proceedings

We are not involved in any pending legal proceedings other than routine legal proceedings occurring in the ordinary course of business. At December 31, 2023, we were not involved in any legal proceedings the outcome of which would be material to our financial condition or results of operations.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The Company's shares of common stock are traded on the Nasdaq Capital Market under the symbol TCBC. As of March 22, 2024 there were approximately 500 active stockholders of record of our common stock.

Dividends. The Company commenced the payment of a $0.05 per common share of common stock semi-annual dividend in July of 2022. During 2023, the Company declared two cash dividends of $0.05 each. The first was declared in June and paid in July of 2023. The second was declared by the board of directors in December of 2023 and paid to shareholders in January of 2024. The Board's decision to declare any future dividends would entail a review of a number of factors including our financial condition, capital requirements, earnings, cash flow, as well as other factors.

Stock Repurchases. The following table contains information regarding the Company's purchases of its common stock made during the fourth quarter 2023 by or on behalf of the Company or any "affiliated purchaser," as defined by Rule 10b-18(a)(3) of the Exchange Act.

Period	Total Number of Shares Repurchased (1)	Average Price Paid Per Share	Total Number of Shares Repurchased as Part of Publicly Announced Plan or Programs	Maximum Number of Shares that May Yet Be Repurchased under the Plans or Programs (2), (3)
October 1-31, 2023	119,800	$ 13.89	119,800	-
November 1-30, 2023	-	-	-	-
December 1-31, 2023	82,000	14.09	201,800	368,000
Total	201,800	$ 13.97	368,000	368,000

(1) Theses numbers do not include shares repurchased and canceled for tax obligations on restricted shares vested during the quarter.

(2) On June 27, 2023, the Company announced a program to repurchase up to 250,000 shares of the Company's common stock through June 30, 2024. This program was completed during the fourth quarter of 2023.

(3) On December 15, 2023, the Company announced a program to repurchase up to 450,000 shares of the Company's common stock through June 30, 2024.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion provides additional information regarding our results of operations and financial condition for the years ending December 31, 2023 and 2022, and should be read in conjunction with our consolidated financial statements and the related notes, which appear beginning in Item 8 of this report. Historical results of operations and the percentage relationships among any amounts included, and any trends that may appear, may not indicate trends in operations or results of operations for any future periods.

We have made, and will continue to make, various forward-looking statements with respect to financial and business matters. Comments regarding our business that are not historical facts are considered forward-looking statements that involve inherent risks and uncertainties. Actual results may differ materially from those contained in these forward-looking statements. For additional information regarding our cautionary disclosures, see the "Cautionary Note Regarding Forward-Looking Statements" at the beginning of this annual report.

Recent Mutual-to-Stock Conversion and Reorganization

The Company, a Georgia corporation, was formed on March 5, 2021 to serve as the holding company for the Bank. The Bank is a federally chartered covered savings association headquartered in Thomasville, Georgia that has served the banking needs of our customers since 1934. On July 20, 2021, the Bank completed a mutual-to-stock conversion in a series of transactions by which it reorganized its corporate structure from a mutual savings bank to a federal stock covered savings association, and became a wholly-owned subsidiary of the Company. In connection with the reorganization and conversion, the Company sold 4,898,350 shares of common stock at a price of $10.00 per share, which we refer to as the "stock offering," and on July 21, 2021, the Company's common stock commenced trading on the NASDAQ Stock Market under the symbol "TCBC."

Before the reorganization and conversion, the Company conducted no operations other than organizational activities. In this annual report, unless the context indicates otherwise, all references to "we," "us" and "our" refer to the Company and the Bank, except that if the discussions relate to a period before July 20, 2021, these terms refer solely to the Bank.

Recent Banking Events

There were five bank failures in 2023. The first two of these failures were caused by a lack of liquidity as depositors sought to withdraw their deposits. Due to embedded losses in their investment portfolios from rising interest rates, these banks were unable to sell investment securities held to meet liquidity needs without realizing substantial losses. As a result of the March 2023 bank closures and in an effort to minimize the need for banks to sell securities at a loss in times of stress, the Federal Reserve announced the creation of a new Bank Term Funding Program. In January of 2024, the Federal Reserve announced that March 11, 2024 will be the last day loans will be made under this program.

The COVID-19 pandemic impacted business and the economy in a variety of ways. Having employees working remotely became a much more accepted practice for businesses. As a result, the need for office space in a postpandemic world has decreased. During this same time frame the Federal Reserve has increased interest rates multiple times causing concerns about borrowers' ability to refinance their debt over the near-term. The combination of these factors is beginning to strain the commercial real estate market. How the impact of these changes will unfold in the banking industry is yet unknown, however regulators have heightened concerns that asset quality metrics may suffer due to losses associated with commercial real estate lending.

Overview

We are a full service community bank that provides a variety of services to individuals and businesses in our market areas. Our business consists primarily of taking deposits from the general public and investing those deposits, together with funds generated from our operations, into loans to support the communities we serve as well as other liquid assets. At December 31, 2023, we had total assets of $466.6 million, loans, net of the allowance for credit losses and deferred fees, of $372.1 million, total deposits of $369.9 million and total stockholders' equity of $79.6 million.

Our primary deposit products are personal checking accounts, business checking accounts, savings accounts, money market accounts and certificates of deposit. Our lending products include single-family residential loans, construction loans, land development loans and SBA/USDA guaranteed loans.

We expect to continue to focus on originating one-to-four family residential real estate loans, commercial and multi-family residential real estate loans, commercial and industrial loans, construction and land development loans and consumer loans. Although in recent years, we have increased our focus, consistent with what we believe to be conservative underwriting standards, on originating higher yielding commercial real estate and commercial and industrial loans.

We also invest in securities. Our bond portfolio consists primarily of U.S. Agency issued mortgage-backed securities. In addition, at year-end 2023, we also held securities issued by the U.S. Treasury, as well as those issued by a variety of municipalities and other banking institutions. These securities support the liquidity position of the Company, while providing an additional source of interest income to our overall revenue stream.

With our current balance sheet structure, our interest-bearing liabilities reprice or mature more quickly than our interest-earning assets. As a result, the rate of increase in our interest expense has outpaced the rate of increases in our earning asset yields during this recent window when the Federal Reserve has increased rates multiple times. As a result, our net interest margin for the full year of 2023 compressed 28 basis points when compared to that of the prior twelve-month period.

Business Strategy

Our goal is to provide long-term value to our stockholders, depositors, customers, employees and the communities we serve by executing a safe and sound business strategy that produces increasing earnings. We believe there is a significant opportunity for a community-focused bank to provide a full range of financial services to commercial and retail customers in our market areas, and we believe that the increased capital resulting from the completion of our stock offering enables us to compete more effectively with other financial institutions.

Our current business strategy consists of the following:

- ***Leverage the infrastructure of the Bank to create additional value for shareholders, depositors, employees, customers and the communities in which we operate.*** During 2023, the Company expanded its branch network by opening two new branch offices, one in Savannah, Georgia, and another in Jacksonville, Florida. While the initial costs of opening, staffing, and promoting these new facilities have hampered our bottom line results, these facilities are located in two dynamic markets that have the potential to provide strong growth for the Company going into the future. The Bank's capital position provides us with the opportunity to take steps today that can lead the Company to a more valuable tomorrow.
- ***Grow our loan portfolio prudently.*** We intend to continue to build and maintain a high quality and diversified loan portfolio. While our capital base can support a larger balance sheet, we intend on increasing our loan outstandings through our expanded footprint with an experienced lending and credit staff, without compromising our credit standards.
- ***Continue to increase core deposits.*** We seek to increase our core deposit base in order to provide a stable source of funds to support our loan and overall balance sheet growth. Our two new branch offices are in high growth markets and are staffed with experience bankers. While we have paid market rates to attract and retain depositors at these new locations, their performance has exceeded our initial expectations. We believe that these new branch offices, coupled with our existing branch footprint, will provide the Company with a solid core deposit base for our future.

  We continue to strive to build our core deposit base. However, we will utilizing non-core funding sources such as CDARs, brokered deposits, and borrowings to supplement funding asset growth as well as to assist in the overall management of our balance sheet.
- ***Maintain Credit Standards while Growing.*** We believe strong asset quality is a critical key to our long-term financial success. Our strategy for credit risk management focuses on having experienced credit professionals, well-defined policies and procedures, prudent loan underwriting criteria, and active credit monitoring. We value our credit culture, both in the personnel we employ, as well as ancillary support systems we utilize in order to be able to evaluate more complex loans and better manage credit risk. This approach, we believe, will allow us to grow our loan portfolio while maintaining our high credit standards.
- ***Supplement organic growth through opportunistic bank or branch acquisitions.*** Although management has no current definitive plans or commitments for an acquisition, we would continue to consider opportunities that we believe would enhance the value of our franchise and yield potential financial benefits for our stockholders. Our capital position provides us with the ability to consider the acquisition of other financial institutions located within a reasonable proximity of our current footprint.
- ***Enhance the sales, marketing and service culture.*** We believe that loyalty is a key component of the success of community banks. We will continue to develop loyalty with our community and our customers. We will invest in customer and community relationships with the spirit of a servant's heart and servant leadership. We expect to serve customers when and how they wish to be served within the boundaries of safe and sound risk management. Our technology was significantly enhanced during 2020, including an expansion of our digital banking capabilities, as a result of our core conversion upgrade and ancillary services. We plan to continue to optimize the system for greater internal efficiencies and customer interactions.

We believe the core system will allow us to materially improve the customer experience and help us facilitate greater cross selling.

- ***Expand our employee base to support future growth.*** We plan to continue to build depth and expertise as needed with increases in our size and complexity.

Critical Accounting Estimates

We have adopted various accounting policies that govern the application of accounting principles generally accepted in the U.S. and with general practices within the banking industry in the preparation of our financial statements. Our significant accounting policies are described in Note 1 to our Consolidated Financial Statements as of December 31, 2023.

Certain accounting policies inherently involve a greater reliance on the use of estimates, assumptions and judgments and, as such, have a greater possibility of producing results that could be materially different than originally reported, which could have a material impact on the carrying values of our assets and liabilities and our results of operations. We consider these accounting policies and estimates to be critical accounting policies. We have identified the determination of the allowance for credit losses and income taxes to be our significant accounting policies that require the most subjective or complex judgments and, as such, could be most subject to revision as new or additional information becomes available or circumstances change, including overall changes in the economic climate and/or market interest rates.

The following represent our significant accounting policies:

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

The allowance for credit losses is a reserve for estimated credit losses on individually evaluated loans determined to be impaired as well as estimated credit losses inherent in the loan or AFS investment portfolio. Actual credit losses, net of recoveries, are deducted from the allowance for credit losses. Loans are charged off when management believes that the collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance for credit losses. A provision for credit losses, which is a charge against earnings, is recorded to bring the allowance for credit losses to a level that, in the judgment of management, is adequate to absorb probable losses in the loan portfolio. The Asset Quality Committee and the Board of Directors are responsible for ensuring that the methodology and processes applied by management to determine the appropriateness of the allowance for credit losses is appropriate, subject to the use of estimates, assumptions, and judgment. Because interpretation and analysis involve judgment, current economic or business conditions can change, and future events are inherently difficult to predict, the anticipated amount of estimated credit losses and therefore the appropriateness of the allowance for credit losses could change significantly.

The allowance for credit losses is evaluated on a regular basis and established through charges to earnings in the form of a provision for credit losses. When a loan or portion of a loan is determined to be uncollectible, the portion deemed uncollectible is charged against the allowance and subsequent recoveries, if any, are credited to the allowance. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

Income Taxes. The assessment of income tax assets and liabilities involves the use of estimates, assumptions, interpretation, and judgment concerning certain accounting pronouncements and federal and state tax codes. There can be no assurance that future events, such as court decisions or positions of federal and state taxing authorities, will not differ from management's current assessment, the impact of which could be significant to the results of operations and reported earnings.

We file a federal and a state income tax return. Amounts provided for income tax expense are based on income reported for financial statement purposes and do not necessarily represent amounts currently payable under tax laws. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax law rates applicable to the periods in which the differences are expected to affect taxable income. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income tax expense. Valuation allowances are established when it is more likely than not that a portion of the full amount of the deferred tax asset will not be realized. In assessing the ability to realize deferred tax assets, management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies. We may also recognize a liability for unrecognized tax benefits from uncertain tax positions. Unrecognized tax benefits represent the differences between a tax position taken or expected to be taken in a tax return and the benefit recognized and measured in the financial statements. Penalties related to unrecognized tax benefits are classified as income tax expense.

Comparison of Financial Condition at December 31, 2023 and 2022

Total assets. Total assets increased $37.0 million, or 8.6%, to $466.6 million at December 31, 2023, from $429.6 million at December 31, 2022. The increase was principally due to a $37.9 million increase in net loans, coupled with a $1.7 million and $1.9 million increase in our premises & equipment and right-of use lease assets, respectively. The new branch offices in Savannah, Georgia, and Jacksonville, Florida are the main reason for our increase in the latter two categories. These increases were partially offset by a $2.2 million decrease in cash and certificates of deposit with other banks. In addition, during 2023, the year-over-year balance of mortgage loans held-for-sale fell by $1.8 million.

Cash and cash equivalents. Cash and cash equivalents decreased $507,000, or 2.0%, to $25.0 million at December 31, 2023, from $27.3 million at December 31, 2022. The Company's cash position was primarily supported by a $40.7 million increase in deposits, which outpaced the growth of net loans.

Total Loans. Total loans increased $38.5 million, or 11.3%, to $378.1 million at December 31, 2023, from $339.6 million at December 31, 2022. Residential real estate loans remained our largest loan category and increased $10.2 million, or 7.4%, to $148.5 million at December 31, 2023, from $138.3 million at December 31, 2022. Commercial real estate loans, our second largest loan category representing 32.7% of total loans, increased $7.5 million, or 6.4%, to $123.6 million at December 31, 2023, from $116.1 million at December 31, 2022. Construction and land development loans experienced $26.8 million of growth to $55.5 million at December 31, 2023, from $28.7 million at December 31, 2022.

Allowance for Credit Losses. Management's policy is to maintain the allowance for credit losses at a level sufficient to absorb probable losses inherent in the loan portfolio as of the balance sheet date. The allowance is increased by the provision for credit losses and recoveries and is decreased by charge-offs. With the adoption of ASC 326 in January of 2023, the Company made a one-time addition of $255,000 to the allowance. Our allowance for credit losses was $4.8 million, or 1.28% of total loans, at December 31, 2023, compared to $4.4 million, or 1.28% of total loans, at December 31, 2022. During the year ended December 31, 2023, a total of $112,000 in loans were charge-offs; which were more than offset by $157,000 in recoveries, resulting in net recoveries of $45,000 for the year. Also, during 2023, the Company recognized a provisions for credit losses of $175,000.

Investment securities. The balance of our investment securities portfolio, all of which are available-for-sale, and other investments, remained relatively unchanged, increasing $120,000, or 0.3%, to $44.6 million at December 31, 2023, from $44.5 million at December 31, 2022. The amortized cost of investment securities available-for-sale decreased to $46.8 million at December 31, 2023, versus $47.8 million at December 31, 2022. The net unrealized losses embedded in the investment portfolio totaled $3.8 million at December 31, 2023, and $4.7 million at December 31, 2022. Management does not believe that any of these losses are credit related, but rather are the result of changes in interest rates.

Bank Owned Life Insurance. Our investment in bank owned life insurance increased $286,000, or 2.5%, to $11.7 million at December 31, 2023, from $11.4 million at December 31, 2022. We invest in bank owned life insurance to provide us with additional revenue to help offset the cost of benefit programs we offer to attract and retain employees. Bank owned life insurance generally provides us with a source of non-taxable noninterest income.

Deposits. Total deposits increased $40.7 million, or 12.4%, to $369.8 million at December 31, 2023, from $329.1 million at December 31, 2022. This increase was primarily due to growth in savings accounts and certificates of deposits as customers sought out higher returns as the Federal Reserve increased short-term interest rates on multiple occasions during 2023. Savings accounts grew $22.6 million, or 15.9%, to $164.6 million at December 31, 2023, from $142.0 million at December 31, 2022, Certificates of deposit increased $21.4 million, or 24.0%, to $110.9 million at December 31, 2023, from $89.5 million at December 31, 2022. It should be noted that $12.0 million and $13.0 million of the balances in certificate of deposit at year end 2023 and 2022, respectively, was comprised of brokered funds. Further contributing to the Company's favorable deposit growth was the addition of our two new full-service branches, one located in Savannah, Georgia, and the second in Jacksonville, Florida. While both of these new branch facilities opened in the middle of 2023, the Savannah and Jacksonville branches ended the year with $32.4 million and $34.8 million in total deposits, respectively.

Federal Home Loan Bank Advances. We had $11 million of outstanding advances from FHLB at both December 31, 2023 and 2022. The advances at year-end 2023, are longer-term fixed rate sources of funding versus the same amount of short-term funds on our balance sheet at the end of 2022.

Stockholders' Equity. Total stockholders' equity decreased $5.7 million, or 6.6%, to $79.6 million at December 31, 2023, from $85.3 million at December 31, 2022. This decrease resulted primarily from the Company's repurchase of $6.1 million of common stock during 2023. In addition, the Company declared $463,000 in cash dividends to its stockholders and had a $303,000 charge, net of deferred taxes, to its retained earnings for the adoption of ASC 326 in January of 2023. These decreases were partially offset by a $1.2 million increase in our other comprehensive income due to a $680,000 improvement in our level of net unrealized losses on our available-for-sale investment portfolio and, to a lesser extent, a $499,000 change in our unfunded pension liability. In addition, in December 2022, the Company implemented the Equity Incentive Plan. During 2023, additional paid in capital increased by $485,000 and $226,000 associated with the ongoing vesting of restricted stock and option awards, respectively. Also, the Company increased its' retained earnings through the $266,000 of net income generated during the year ended December 31, 2023.

Comparison of Operating Results for the Years Ended December 31, 2023 and 2022

General. For the year ended December 31, 2023, the Company posted net income $266,000, or $0.06 per diluted share, compared to $1.8 million of net income, or $0.36 per diluted share, earned for the year ended December 31, 2022. The decrease was due to a variety of factors. We experienced a significant rise in interest expense as the Federal Reserve increased rates multiple times during 2023, causing a corresponding increase in deposit as well as wholesale funding costs. This rise in our cost of funds out paced the increase in our level of interest income generated from our earning asset base. Furthermore, as a result of the Federal Reserve increasing short-term rates, longer term borrowing rates also increased, negatively impacting the volume of housing sales and mortgage loan refinancings. This reduction in the volume of mortgage lending, coupled with changes in our staffing, resulted in a lower level of fee income related to our secondary mortgage business. Another factor impacting our earnings was an increase in noninterest expenses associated with the ongoing expansion of our franchise as we continue to leverage our capital.

Interest Income. The Company's interest income increased $5.5 million, or 35.8%, to $20.8 million for the year ended December 31, 2023, from $15.3 million for the year ended December 31, 2022. The increase was due primarily to a $4.2 million, or 30.6%, increase in interest income on loans, driven by an increase in both the volume of and rate earned on our loan portfolio. The average balance of our loans outstanding, including loans held-for-sale, increased $47.1 million, or 15.6%, to $349.2 million for the year ended December 31, 2023, from $302.1 million for the year ended December 31, 2022. The average yield on our loans increased 60 basis points to 5.19% for the year ended December 31, 2023, from 4.59% for the year ended December 31, 2022, as new loans have gone on the books at higher rates in response to increases in market rates overall. Interest and dividend income on investment securities and interest earning deposits also increased $678,000 and $561,000, respectively. The average outstandings of our available-for-sale securities portfolio fell $1.5 million, or 3.1%, to $47.1 million for the year ended December 31, 2023, from $48.6 million for the year ended December 31, 2022. The average yield on this portfolio increased 140 basis points to 3.18% for the year ended December 31, 2023, from 1.78% for the year ended December 31, 2022. Our level of average interest-earning deposits decreased $14.9 million, or 38.9%, to $23.3 million for the year ended December 31, 2023, from $38.2 million for the year ended December 31, 2022. However, revenue generated from these funds benefited from the multiple Federal Reserve rate increases during 2023, moving the average yield on our interest-earning deposits up 331 basis points to 4.72% for the year ended December 31, 2023, from 1.41% for the year ended December 31, 2022.

Interest Expense. Interest expense was significantly impacted by an elevated interest rate environment, coupled with an increase in the level of our interest bearing liabilities used to fund our earning asset growth. Interest expense totaled $6.9 million, an increase of $5.5 million, or 407.9%, for the year ended December 31, 2023, when compared to the $1.4 million of interest expense for the year ended December 31, 2022. This increase is primarily the result of costs to attract and retain deposits after the Federal Reserve raised the Federal funds rate multiple times during 2022 and 2023. In addition, during the first quarter of 2023, two large bank failures put additional pressure on the banking industry to maintain liquidity, which came at an additional cost to ensure depositors funds were retained. This increase in rates was followed by a transition of customer deposits into higher yielding products. Specifically, during 2023, the average balance in our savings and money market accounts grew $9.5 million, or 6.9%, to $146.4 million. While the average balance in our certificate of deposit products increased $22.9 million, or 30.6%, to $97.5 million. Due primarily to rising rates, interest expense on savings and money market accounts increased $2.7 million, or 346.3%, to $3.5 million for the year ended December 31, 2023, from $776,000 for the year ended December 31, 2022. The average rate paid on our savings and money market accounts increased 179 bps to 2.36% for the year ended December 31, 2023, from 0.57% paid for the year ended December 31, 2022. Similarly, interest expense on certificates of deposit increased $2.5 million, or 546.3%, to $2.9 million for the year ended December 31, 2023, from $451,000 for the year ended December 31, 2022. The average balance outstanding of our certificates of deposit climbed $22.9 million, or 30.6%, to $97.5 million for the year ended December 31, 2023, from $74.6 million for the year ended December 31, 2022. Further, as we expanded our branch footprint into the Savannah, Georgia, and Jacksonville, Florida, markets mid-year 2023, we offered competitive deposit rates to support these new facilities. In addition, the Company utilized borrowings during the year with an average outstanding balance of $6.2 million and an average cost of 4.43% for the year ended December 31, 2023, as compared to $1.3 million of average outstandings at a rate of 4.23% for the year ended December 31, 2022. Interest expense on borrowing totaled $273,000 and $55,000 for the years ended December 31, 2023, and December 31, 2022, respectively.

Net Interest Income. Net interest income for the year ended December 31, 2023, totaling $13.9 million, remained relatively unchanged from the $14.0 million generated during the year ended December 31, 2022. While the Company was able to produce gains in the level of earning assets, as well as the yield on those assets, the need to increase the offering rates to attract and retain deposits in a highly competitive market for funding resulted in an increase in our cost of funds that outpaced our gains on the asset side of the balance sheet during 2023. Our average earning assets increased by $31.1 million, or 8.0%, to $420.9 million for the year ended December 31, 2023, from $389.8 million for the year ended December 31, 2022, due primarily to a $47.1 million increase in the average balances of our loan portfolio. In funding this asset growth, the level of our average interest-bearing liabilities grew $31.5 million, or 11.6%, to $303.9 million for the year ended December 31, 2023, from $272.4 million for the year ended December 31, 2022. While the yield on our average earning assets outstanding during 2023 grew 102 basis points to 4.95%, our cost on interest-bearing liabilities increased 177 basis points to 2.27% from 0.50% for the same twelve month period one year ago. As a result, we experienced a reduction in both our net interest spread and margin. Our net interest rate spread decreased 75 basis points to 2.68% for the year ended December 31, 2023, from 3.43% for the year ended December 31, 2022. Our net interest margin fell by 27 basis points to 3.31% for the year ended December 31, 2023, from 3.58% for the year ended December 31, 2022.

While we can not predict the timing, direction, or magnitude of future interest rates, the Company's current balance sheet is comprised primarily of longer-term fixed rate earning assets, funded by short-term interest-bearing liabilities. As a result, we believe that our net interest spread and margin will be favorably impacted in an environment where short-term funding rates come down and the yield curve regains a positive slope.

Average Balances, Interest and Average Yields/Cost

The following tables set forth for the periods indicated, information regarding average balances of assets and liabilities as well as the total dollar amounts of interest income from average interest-earning assets and interest expense on average interest-bearing liabilities, resultant yields, interest rate spread, net interest margin (otherwise known as net yield on interest-earning assets), and the ratio of average interest-earning assets to average interest-bearing liabilities. All average balances are daily average balances. Non-accruing loans have been included in the table as loans carrying a zero yield. Loan fees are included in interest income on loans and are not material. No tax-equivalent yield adjustments have been made, as the effects would be immaterial.

	For the twelve months ended December 31,					
	2023			2022		
	Average Balance Outstanding	Interest Earned/ Paid	Average Yield/ Rate	Average Balance Outstanding	Interest Earned/ Paid	Average Yield/ Rate
Interest-earning assets:						
Loans receivable	$ 349,178	$ 18,130	5.19 %	$ 302,073	$ 13,880	4.59 %
Securities available-for-sale	47,110	1,499	3.18 %	48,599	863	1.78 %
Interest-earning deposits	23,340	1,101	4.72 %	38,225	540	1.41 %
Other interest-earning assets	1,269	86	6.78 %	855	44	5.15 %
Total interest-earning assets	420,897	20,816	4.95 %	389,752	15,327	3.93 %
Non-interest-earning assets	16,599			17,901		
Total assets	$ 437,496			$ 407,653		
Interest-bearing liabilities:						
Savings and money market accounts	$ 146,439	3,463	2.36 %	$ 136,977	776	0.57 %
Interest-bearing checking accounts	53,763	241	0.45 %	59,426	75	0.13 %
Certificate accounts	97,513	2,915	2.99 %	74,639	451	0.60 %
Total interest-bearing deposits	297,715	6,619	2.22 %	271,042	1,302	0.48 %
Borrowings	6,167	273	4.43 %	1,299	55	4.23 %
Total interest-bearing liabilities	303,882	6,892	2.27 %	272,341	1,357	0.50 %
Non-interest-bearing liabilities	50,647			49,489		
Total liabilities	354,529			321,830		
Total equity	82,967			85,823		
Total liabilities and equity	$ 437,496			$ 407,653		
Net interest income		$ 13,924			$ 13,970	
Net earning assets	$ 117,015			$ 117,411		
Net interest rate spread(1)			2.68 %			3.43 %
Net interest margin(2)			3.31 %			3.58 %
Average interest-earning assets to average interest-bearing liabilities	138.51 %			143.11 %		

(1) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate of interest-bearing liabilities.

(2) Net interest margin represents net interest income divided by average total interest-earning assets.

Rate/Volume Analysis

The following schedule presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities. It distinguishes between the changes related to outstanding balances and that due to the changes in interest rates. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in volume (i.e., changes in volume multiplied by old rate) and (ii) changes in rate (i.e., changes in rate multiplied by old volume). For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately to the change due to volume and the change due to rate.

	Year Ended December 31, 2023 vs. 2022		
	Increase/ (decrease) due to		
	Volume	Rate	Total increase/ (decrease)
	(In thousands)		
Interest-earning assets:			
Loans receivable	$ 1,725	$ 2,525	$ 4,250
Securities available-for-sale	(24)	659	635
Interest-earning deposits	(165)	726	561
Other interest-earning assets	26	17	43
Total interest-earning assets	1,562	3,927	5,489
Interest-bearing liabilities:			
Savings and money market accounts	18	2,670	2,688
Interest-bearing checking accounts	(8)	174	166
Certificate accounts	930	1,533	2,463
Total interest-bearing deposits	940	4,377	5,317
Borrowings	214	4	218
Total interest-bearing liabilities	1,154	4,381	5,535
Change in net interest income	$ 408	$ (454)	$ (46)

Provision for Credit Losses. Provisions for credit losses are charged to operations to establish an allowance for credit losses at a level necessary to absorb known and inherent losses in our loan portfolio that are both probable and reasonably estimable at the date of the financial statements. In evaluating the level of the allowance for credit losses, management analyzes several qualitative loan portfolio risk factors including, but not limited to, management's ongoing review and grading of loans, facts and issues related to specific loans, historical loan loss and delinquency experience, trends in past due and non-accrual loans, existing risk characteristics of specific loans or loan pools, the fair value of underlying collateral, current economic conditions and other qualitative and quantitative factors which could affect potential credit losses. See the section entitled "Critical Accounting Estimates" in this Item 7, and the section entitled "Allowance for Credit Losses" in Item 1 of this report.

Our allowance for credit losses was $4.8 million at December 31, 2023, an increase of $475,000 when compared to the $4.4 million balance at December 31, 2022. The allowance for credit losses to total loans remained flat at 1.28% at December 31, 2023 and 2022. The allowance for credit losses covered non-performing loans 376 times at December 31, 2023, versus 787 times at December 31, 2022. The largest impaired loan in the portfolio totaled $680,000 and represented over half all non-performing loans at year end 2023. This loan is supported by a guarantee from the Small Business Administration (SBA) and management has established a specific reserve for the exposure believed to be in excess of the amount that is the responsibility of the SBA.

In January of 2023, the Company adopted ASC 326 using the modified retrospective approach for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for the periods beginning after January 1, 2023, are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The transition adjustment includes an increase in credit related reserves for funded loans of $255,000.

To the best of our knowledge, we have recorded all credit losses that are both probable and reasonable to estimate at December 31, 2023. However, future changes in the factors described above, including, but not limited to, actual loss experience with respect to our loan portfolio, could result in material increases in our provision for credit losses. In addition, the OCC, as an integral part of its examination process, will periodically review our asset quality and as a result of such reviews, may recommend adjustments to our allowance for credit losses. However, regulatory agencies are not directly involved in establishing the allowance for credit losses as the process is the responsibility of management under the supervision of the Board of Directors.

Other Income. Non-interest income information is as follows.

	For the twelve months ended December 31, 2023	For the twelve months ended December 31, 2022	Change Amount	Change Percent
	(Dollars in thousands)			
Service charges on deposit accounts	$ 548	$ 585	$ (37)	(6.3) %
Gain on sale of loans	245	1,061	(816)	(76.9)
Other	363	307	56	18.2
Total non-interest income	$ 1,156	$ 1,953	$ (797)	(40.8) %

Other income decreased $797,000, or 40.8%, to $1.2 million for the year ended 2023, when compared to the $2.0 of non-interest income generated during 2022. This decrease is primarily in response to the Federal Reserve increasing short-term rates multiple times during 2022 and 2023. As a consequence of this action by the Federal Reserve, longer term borrowing rates also increased, negatively impacting the volume of housing sales and mortgage loan refinancings. This reduction in the volume of mortgage lending, coupled with changes in our staffing, resulted in a lower level of fee income related to our secondary mortgage business. As noted in the table above, the Company realized $245,000 on the gain from the sale of loans during 2023, an $816,000 change when compared to the $1.1 million of income generated from the sale of loans in the prior year. While we continue to dedicate resources to the generation of mortgage loans to service the needs of our customers, we do not anticipate the revenue from this activity to attain levels reached in prior periods.

Other Expense. Non-interest expense information is as follows.

	For the twelve months ended December 31, 2023	For the twelve months ended December 31, 2022	Change Amount	Change Percent
	(Dollars in thousands)			
Salaries and employee benefits	$ 8,527	$ 7,904	$ 623	7.9 %
Occupancy and equipment	1,295	828	467	56.4
Advertising	399	288	111	38.5
Audit and examination	528	554	(26)	(4.7)
Checking account related expenses	122	158	(36)	(22.8)
Consulting and advisory fees	71	106	(35)	(33.0)
Data processing fees	459	509	(50)	(9.8)
Director fees	537	576	(39)	(6.8)
Legal	185	286	(101)	(35.3)
Other real estate loss/(gain) on sale and write-downs	38	132	(94)	(71.2)
Insurance	227	215	12	5.6
Other	2,143	1,820	323	17.7
Total non-interest expense	$ 14,531	$ 13,376	$ 1,155	8.6 %

Non-interest expenses increased $1.1 million, or 8.6%, to $14.5 million for the year ended December 31, 2023, from $13.4 million for the same period ended December 31, 2022. The bulk of this increase was due to a $623,000 increase in salaries and employee benefits due principally to additions of staffing for our two new branch locations. In addition, we experienced an increase in occupancy and equipment expenses, as well as costs to promote the opening of these two new branch facilities. Occupancy and equipment expenses for 2023, totaled $1.3 million, a $467,000 or 56.4% increase over the $828,000 spent during the year ended December 31, 2022. Advertising related expenses grew $111,000 during 2023, totaling $399,000, a 38.5% increase over the $288,000 spent in 2022. Other non-interest expenses also increased as infrastructure items, such as data processing and FDIC deposit insurance, have risen with the expansion of our franchise. While some of the initial costs of opening our new Savannah, Georgia, and Jacksonville, Florida, branches will not be recurring, we do expect that the baseline of our non-interest expenses on a go-forward basis will remain above that of prior periods.

Income Tax Expense. We incurred income tax expense of $108,000 and $675,000 for the years ended December 31, 2023 and 2022, respectively, resulting in effective rates of 28.9% and 27.7%, respectively. The differences in the effective tax rates in 2023 and 2022 and the statutory federal rate of 21% are mainly due to fluctuations in pretax earnings, state income taxes and tax exempt income.

Management of Market Risk

General. Our most significant form of market risk is interest rate risk because, as a financial institution, the majority of our assets and liabilities are sensitive to changes in interest rates. Therefore, a principal part of our operations is to manage interest rate risk and limit the exposure of our financial condition and results of operations to changes in market interest rates. Our Asset/Liability Management Committee is responsible for evaluating the interest rate risk inherent in our assets and liabilities, for determining the level of risk that is appropriate, given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the policy and guidelines approved by our board of directors. We currently utilize a third-party modeling program, prepared on a quarterly basis, to evaluate our sensitivity to changing interest rates, given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the guidelines approved by the board of directors.

Net Interest Income. We analyze our sensitivity to changes in interest rates through an interest rate risk model, developed by a third-party provider. Net interest income is the difference between the interest income we earn on our interest-earning assets, such as loans and securities, and the interest we pay on our interest-bearing liabilities, such as deposits and borrowings. We estimate what our net interest income would be for a 12-month period. We then calculate what the net interest income would be for the same period under the assumptions that the United States Treasury yield curve increases or decreases instantly by up to 300 basis points, in 100 point increments, with changes in interest rates representing immediate and permanent, parallel shifts in the yield curve. One basis point equals one-hundredth of one percent, and 100 basis points equals one percent. An increase in interest rates from 2.0% to 3.0% would mean, for example, a 100 basis point increase in the "Change in Interest Rates" column below.

The table below sets forth, as of December 31, 2023, the calculation of the estimated changes in our Bank's net interest income that would result from the designated immediate changes in the United States Treasury yield curve.

Change in Interest Rates (basis points) (1)	Net Interest Income Year 1 Forecast	Year 1 Change from Level
	(Dollars in thousands)	
+300	$ (1,965)	(15.29) %
+200	(1,349)	(10.49)
+100	(692)	(5.38)
Level	—	—
-100	281	2.18
-200	804	6.25
-300	1,249	9.72

(1) Assumes an immediate uniform change in interest rates at all maturities.

Economic Value of Equity. We also compute amounts by which the net present value of our Bank's assets and liabilities (economic value of equity or "EVE") would change in the event of a range of assumed changes in market interest rates. This model uses a discounted cash flow analysis and an option-based pricing approach to measure the interest rate sensitivity of net portfolio value. The model estimates the economic value of each type of asset, liability and off-balance sheet contract under the assumptions that the United States Treasury yield curve increases or decreases instantaneously by 300 basis point increments, with changes in interest rates representing immediate and permanent, parallel shifts in the yield curve.

The tables below set forth, as of December 31, 2023, the estimated changes in our EVE that would result from the designated instantaneous changes in market interest rates. Computations of prospective effects of hypothetical interest rate changes are based on numerous assumptions including relative levels of market interest rates, loan prepayments and deposit decay, and should not be relied upon as indicative of actual results.

		Estimated Increase (Decrease) in EVE		EVE as a Percentage of Present value of Assets(3)	
Basis Point Change in Interest Rates (1)	Estimated EVE(2)	Amount	Percent	EVE Ratio(4)	Increase (Decrease) (Basis Points)
		(Dollars in thousands)			
+300	$ 70,851	$ (10,645)	(13.06) %	16.71 %	(123)
+200	74,934	(6,562)	(8.05)	17.27	(67)
+100	78,657	(2,839)	(3.48)	17.72	(22)
Level	81,496	—	—	17.94	—
-100	83,095	1,599	1.96	17.89	(5)
-200	82,556	1,060	1.30	17.39	(55)
-300	78,845	(2,651)	(3.25)	16.27	(167)

(1) Assumes an instantaneous uniform change in interest rates at all maturities.
(2) EVE is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts.
(3) Present value of assets represents the discounted value of incoming cash flows on interest-earning assets.
(4) EVE Ratio represents EVE divided by the present value of assets.

The table above indicates that at December 31, 2023, in the event of an instantaneous parallel 300 basis point increase in interest rates, we would experience a 13.06% decrease in economic value of equity, and in the event of an instantaneous 300 basis point decrease in interest rates, we would experience a 3.25% decrease in economic value of equity.

Certain shortcomings are inherent in the methodologies used in the above interest rate risk measurements. Modeling changes require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the net interest income and economic value of equity tables presented assume that the composition of our interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although the net interest income and EVE tables provide an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on net interest income and EVE and will differ from actual results. Furthermore, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Additionally, certain assets have features that restrict changes in interest rates both on a short-term basis and over the life of the asset.

Interest rate risk calculations also may not reflect the fair values of financial instruments. For example, decreases in market interest rates can increase the fair values of our loans and investment securities.

Liquidity and Capital Resources. Liquidity describes our ability to meet the financial obligations that arise in the ordinary course of business. Liquidity is primarily needed to meet the borrowing and deposit withdrawal requirements of our customers and to fund current and planned expenditures. Our primary sources of funds are deposits, principal and interest payments on loans and securities, proceeds from the sale of loans, and proceeds from maturities of securities. We also have the ability to borrow from the Federal Home Loan Bank of Atlanta (FHLB) as well as from the Federal Reserve Bank of Atlanta's Discount Window. In addition, we have unsecured Federal Fund lines through our correspondent banking relationships. Further, we have established relationships that provide the Bank with the ability to issue brokered deposits. While we did not utilize the program, as an additional avenue to liquidity, during 2023, the Bank established the ability to borrow under the Federal Reserve's Bank Term Funding Program.

At December 31, 2023, we had the capacity to borrow up to $98.9 million under our credit line with the FHLB, and $11 million in outstanding advances. In addition, as of year end 2023, we had $24.8 million and $28.5 million of borrowing capacity through the Federal Reserve Discount Window and unsecured federal funds lines with our correspondent banks, respectively. No amounts were outstanding on these lines of credit at December 31, 2023.

While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions, and competition. Our most liquid assets are cash and short-term investments including interest-bearing demand deposits. The levels of these assets are dependent on our operating, financing, lending, and investing activities during any given period.

We are committed to maintaining a strong liquidity position. We monitor our liquidity position on a daily basis. We anticipate that we will have sufficient funds to meet our current funding commitments. Based on our deposit retention experience and current pricing strategy, we anticipate that a significant portion of our deposit base will be retained.

Our Bank's capital levels are strong, exceeded all of the regulatory requirements to be considered "well capitalized" at December 31, 2023 and 2022. Management is not aware of any conditions or events since the most recent notification that would change our category. See note 11 to the financial statements included in this Annual Report.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Commitments. As a financial services provider, we routinely are a party to various financial instruments with off-balance-sheet risks, such as commitments to extend credit and unused lines of credit. While these contractual obligations represent our future cash requirements, a significant portion of commitments to extend credit may expire without being drawn upon. Such commitments are subject to the same credit policies and approval process accorded to loans we make. At December 31, 2023, we had outstanding commitments to originate loans of $48.6 million. We anticipate that we will have sufficient funds available to meet our current lending commitments.

The following table is a summary of the total contractual amount of loan commitments outstanding at December 31, 2023 and 2022.

	Year Ended December 31,	
	2023	2022
	(Dollars in thousands)	
Commitments to extend credit	$ 11,810	$ 13,057
Unused lines of credit	15,174	14,870
Construction loans in process	20,887	21,262
Standby financial letters of credit	719	819
Total off-balance sheet instruments	$ 48,590	$ 50,008

Contractual Obligations. In the ordinary course of our operations, we enter into certain contractual obligations. Such obligations include data processing services, operating leases for premises and equipment, agreements with respect to borrowed funds and deposit liabilities.

Recent Accounting Pronouncements

Please refer to Note 1 to the Financial Statements for the years ended December 31, 2023 and 2022, for a description of recent accounting pronouncements that may affect our financial condition and results of operations.

As an “emerging growth company” we may delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We intend to take advantage of the benefits of this extended transition period. Accordingly, our financial statements may not be comparable to companies that comply with such new or revised accounting standards.

Impact of Inflation and Changing Price

The financial statements and related data presented herein have been prepared in accordance with U.S. GAAP which requires the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. The primary impact of inflation on our operations is reflected in increased operating costs. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates, generally, have a more significant impact on a financial institution’s performance than does inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable to smaller reporting companies.

Item 8. Financial Statements and Supplementary Data.

TC BANCSHARES, INC AND SUBSIDIARY

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

WIPFLI

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
TC Bancshares, Inc.
Thomasville, Georgia

Opinion on the Consolidated Financial Statements
We have audited the accompanying consolidated balance sheets of TC Bancshares, Inc. and subsidiary (the "Company") as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income (loss), changes in stockholders' equity and cash flows for the years then ended and the related notes to the consolidated financial statements (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion
These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Change in Accounting Principle
As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for the recognition and measurement of allowance for credit losses as of January 1, 2023 due to the adoption of ASC Topic 326, *Financial Instruments – Credit Losses*.

Critical Audit Matter
The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Estimate of allowance for credit losses – reserves related to collectively evaluated loans
As described in Notes 1 and 3 to the consolidated financial statements, the Company's allowance for credit losses ("ACL") totaled approximately $4,837,000 of which approximately $4,762,000 relates to collectively evaluated loans ("general reserves"). The Company estimated the general reserves using the weighted average remaining life method. The Company considers historical loss experience, current economic and business conditions, as well as reasonable and supportable forecasts to develop the quantitative component. This quantitative component is then adjusted for qualitative environmental factors that involve significant assumptions that require a high degree of management's judgment.

We identified management's selection of qualitative factor adjustments, including reasonable and supportable forecasts, used in the calculation of general reserves as a critical audit matter. Management's selection of qualitative factor adjustments, including reasonable and supportable forecasts, which are used to adjust the quantitative historical losses (both upwards and downwards), are highly subjective and could have a significant impact on the allowance for credit losses. Auditing these complex judgments and assumptions involved especially challenging auditor judgment due to the nature and extent of audit evidence and effort required to address these matters, including the extent of specialized skill and knowledge needed.

The primary audit procedures we performed to address this critical audit matter included:

- We obtained an understanding of the relevant controls relating to the Company's ACL calculation, including controls over the segmentation of the loan portfolio, the completeness and accuracy of data used in the calculation, the periods and assumptions used in the calculation, the determination of qualitative factors including reasonable and supportable forecasts, and the precision of management's review and approval of the calculation and resulting estimate.

- We tested the Company's ACL calculation for computational accuracy.

- We tested the completeness and accuracy of the information used by management to calculate general reserves, including evaluating the relevance and reliability of such information.

- We evaluated management's judgments and assumptions used in the development of the qualitative factor adjustments, including reasonable and supportable forecasts, for reasonableness, and tested the reliability of the underlying data on which these factors are based, by comparing information to source documents and external information sources.

- We evaluated the completeness and accuracy of disclosures made within the consolidated financial statements with regards to the ACL.

We have served as the Company's auditor since 2012.

/s/ WIPFLI LLP

Atlanta, Georgia
March 22, 2024

TC BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

ASSETS

	December 31, 2023	December 31, 2022
Cash and due from banks	$ 25,039,214	$ 25,545,872
Certificates of deposit with other banks	—	1,739,000
Investment securities available-for-sale (amortized cost of $46,807,212 and $47,834,395; $0 allowance for credit losses)	42,964,495	43,096,552
Other investments	1,629,150	1,377,500
Mortgage loans held for sale	289,111	2,085,099
Loans	376,899,968	338,501,049
Allowance for credit losses	(4,836,878)	(4,362,178)
Net loans	372,063,090	334,138,871
Premises and equipment, net	4,782,760	3,132,282
Right-of-use asset	1,944,885	—
Other real estate owned	—	683,800
Bank owned life insurance	11,729,019	11,442,653
Accrued interest receivable and other assets	6,141,545	6,375,897
Total Assets	$ 466,583,269	$ 429,617,526

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 2023	December 31, 2022
Deposits:		
Demand	$ 41,571,035	$ 38,703,612
Interest-bearing demand	52,721,981	58,873,304
Savings	164,622,926	142,045,939
Certificates of deposit	110,952,852	89,505,398
Total deposits	369,868,794	329,128,253
Federal Home Loan Bank advances	11,000,000	11,000,000
Lease liability	2,102,426	—
Accrued interest payable and other liabilities	3,977,628	4,211,439
Total liabilities	386,948,848	344,339,692
Stockholders' Equity:		
Common stock, $.01 par value, 20,000,000 shares authorized as of December 31, 2023 and 2022; 4,461,667 shares and 5,049,372 shares issued as of December 31, 2023 and 2022, respectively; 4,461,667 and 4,974,200 shares outstanding as of December 31, 2023 and 2022, respectively	44,617	50,494
Additional paid in capital	43,181,994	48,267,762
Retained earnings	42,863,945	45,876,694
Accumulated other comprehensive loss	(3,125,257)	(4,305,039)
Treasury stock: -0- shares and 75,172 shares as of December 31, 2023 and 2022, respectively	—	(1,085,265)
Unearned ESOP 333,088 shares and 352,682 shares unallocated at December 31, 2023 and 2022, respectively	(3,330,878)	(3,526,812)
Total stockholders' equity	79,634,421	85,277,834
Total Liabilities and Stockholders' Equity	$ 466,583,269	$ 429,617,526

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

TC BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Year Ended December 31, 2023	Year Ended December 31, 2022
Interest and Dividend Income:		
Interest and fees on loans	$ 18,129,865	$ 13,880,109
Interest and dividends on taxable investment securities	1,585,248	906,936
Interest on deposits with other banks and federal fund sold	1,101,382	539,993
Total interest and dividend income	20,816,495	15,327,038
Interest Expense:		
Interest on deposits	6,619,095	1,301,618
Interest on borrowings	272,769	55,300
Total interest expense	6,891,864	1,356,918
Net interest income	13,924,631	13,970,120
Provision for Credit Losses	175,000	110,905
Net interest income after provision for credit losses	13,749,631	13,859,215
Other Income:		
Service charges on deposits accounts	547,766	584,510
Gain on sale of loans	245,362	1,061,276
Gain on sale of fixed assets	12,086	—
Bank owned life insurance income	286,366	276,080
Other	64,163	31,137
Total other income	1,155,743	1,953,003
Other Expense:		
Salaries and employee benefits	8,526,759	7,903,629
Occupancy and equipment	1,294,952	827,785
Other real estate owned, net of operations, loss on sales and write-downs	37,844	131,606
Other	4,671,764	4,513,313
Total other expense	14,531,319	13,376,333
Income Before Income Taxes	374,055	2,435,885
Income Tax Expense	108,230	675,472
Net Income	$ 265,825	$ 1,760,413
Earnings per share:		
Basic	$ 0.06	$ 0.36
Diluted	$ 0.06	$ 0.36
Weighted Average Shares Outstanding:		
Basic	4,783,618	4,880,723
Diluted	4,796,488	4,881,923

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

TC BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Year Ended December 31,	
	2023	**2022**
Net Income	$ 265,825	$ 1,760,413
Other Comprehensive Income (Loss),		
Net of Income Taxes:		
Unrealized gains (losses) on securities available-for-sale:		
Holding gains (losses) arising during the period, net of taxes of $214,747 and ($1,127,099), respectively	680,379	(3,371,973)
Change in post-retirement benefit obligations, net of taxes of $167,802 and $226,917, respectively	499,403	675,335
Total other comprehensive income (loss)	1,179,782	(2,696,638)
Comprehensive Income (Loss)	$ 1,445,607	$ (936,225)

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

TC BANCSHARES, INC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Unearned ESOP Shares	Total
Balance, December 31, 2021	$ 48,984	$ 47,481,077	$ 44,613,668	$ (1,608,401)	$ —	$ (3,722,747)	$ 86,812,581
Net income	—	—	1,760,413	—	—	—	1,760,413
Other comprehensive loss, net of tax	—	—	—	(2,696,638)	—	—	(2,696,638)
Restricted stock award	1,566	(1,566)	—	—	—	—	—
Amortization of unearned compensation associated with restricted stock	—	465,072	—	—	—	—	465,072
Stock based compensation	—	361,493	—	—	—	—	361,493
Repurchase of stock for tax obligation on restricted shares	(56)	(82,629)	—	—	—	—	(82,685)
Release of ESOP shares	—	44,315	—	—	—	195,935	240,250
Dividends	—	—	(497,387)	—	—	—	(497,387)
Repurchase of common stock	—	—	—	—	(1,085,265)	—	(1,085,265)
Balance, December 31, 2022	$ 50,494	$ 48,267,762	$ 45,876,694	$ (4,305,039)	$ (1,085,265)	$ (3,526,812)	$ 85,277,834
Cumulative change in accounting principle (Note 1)	—		(302,504)	—	—	—	(302,504)
Balance, January 1, 2023	50,494	48,267,762	45,574,190	(4,305,039)	(1,085,265)	(3,526,812)	84,975,330
Net income	—	—	265,825	—	—	—	265,825
Other comprehensive income, net of tax	—	—	—	1,179,782	—	—	1,179,782
Amortization of unearned compensation associated with restricted stock	—	484,944	—	—	—	—	484,944
Stock based compensation	—	225,810	—	—	—	—	225,810
Repurchase of stock for tax obligation on restricted shares	(62)	(61,688)	(24,643)	—	—	—	(86,393)
Release of ESOP shares	—	74,651	—	—	—	195,934	270,585
Dividends	—	—	(463,076)	—	—	—	(463,076)
Repurchase of common stock				—	(6,062,999)		(6,062,999)
Retirement of common stock	(5,815)	(5,809,485)	(2,488,351)	—	7,148,264	—	(1,155,387)
Balance, December 31, 2023	$ 44,617	$ 43,181,994	$ 42,863,945	$ (3,125,257)	$ —	$ (3,330,878)	$ 79,634,421

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

TC BANCSHARES, INC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	Year Ended December 31, 2023	2022
Cash Flows from Operating Activities		
Net income	$ 265,825	$ 1,760,413
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, amortization and accretion	686,348	652,727
Lease expense	157,541	—
Deferred income tax expense	113,086	683,123
Provision for credit losses	175,000	110,905
Net loss on sale of other real estate owned	30,848	
(Gain) loss on sale of premises and equipment	(12,086)	583
Stock based compensation	710,754	826,565
ESOP expense	270,585	240,250
Increase in cash surrender value of bank owned life insurance	(286,366)	(276,080)
Write-down of other real estate owned	—	107,825
Gain on mortgage loans sold, net	(245,362)	(971,970)
Proceeds from the sale of mortgage loans held for sale	14,640,905	49,782,816
Originations of mortgage loans held for sale	(12,599,555)	(48,051,238)
Change in:		
Accrued interest receivable and other assets	(140,985)	(1,036,576)
Accrued interest payable and other liabilities	265,592	544,335
Net cash provided by operating activities	4,032,130	4,373,678
Cash Flows from Investing Activities		
Net change in interest-bearing deposits in other banks	1,739,000	1,712,000
Purchase of investment securities available-for -sale	(962,344)	(5,750,000)
Proceeds from calls, paydowns and maturities of investment securities available-for-sale	1,771,566	3,480,977
Purchase of other investments	(719,150)	(1,186,800)
Proceeds from sales of other investment	467,500	—
Net change in loans	(38,354,219)	(67,945,328)
Proceeds from sales of other real estate owned	652,952	323,475
Proceeds from sales of premises and equipment	18,500	—
Purchase of premises and equipment	(2,125,279)	(255,667)
Net cash used in investing activities	(37,511,474)	(69,621,343)
Cash Flows from Financing Activities		
Net change in deposits	40,740,541	39,568,043
Proceeds from Federal Home Loan Bank advances	14,500,000	11,000,000
Repayments of Federal Home Loan Bank advances	(14,500,000)	—
Dividends	(463,076)	(497,387)
Repurchase and retirement of common stock	(7,218,386)	(1,085,265)
Repurchase of stock for tax obligation on restricted shares	(86,393)	(82,685)
Net cash provided by financing activities	32,972,686	48,902,706
Net Change in Cash and Cash Equivalents	(506,658)	(16,344,959)
Cash and Cash Equivalents, Beginning of Year	25,545,872	41,890,831
Cash and Cash Equivalents, End of Year	$ 25,039,214	$ 25,545,872
Supplement Disclosures of Cash Flow Information:		
Cash paid during the period for interest	$ 6,454,199	$ 1,242,524
Cash received from tax refund	—	6,885
Non-Cash Investing and Financing Activities:		
Transfer of loans to other real estate owned	$ —	$ —
Change in unrealized losses on securities-for-sale, net of tax	$ 680,379	$ (3,371,973)
Change in defined benefit pension obligations, net of tax	$ 499,403	$ 675,335

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations:

TC Bancshares, Inc. (the "Company") is a holding company incorporated under the laws of the State of Georgia in 2021, to serve as the holding company for TC Federal Bank (the "Bank"). The Company owns 100% of the outstanding stock of the Bank. The Bank opened in 1934 and was chartered by the Federal Home Loan Bank Board as a mutual savings and loan association owned 100% by its depositors. The Bank currently operates four branch locations; in Thomasville, and Savannah, Georgia, as well as in Tallahassee, and Jacksonville, Florida. In addition, the Bank maintains loan production offices in Tallahassee and Jacksonville, Florida. The Bank's primary lending products consist of single-family residential mortgage loans and commercial and multi-family real estate loans. Its deposit products are the primary source of funding. The Bank is regulated by the Office of the Comptroller of the Currency ("OCC") and its deposits are insured by the Federal Deposit Insurance Corporation ("FDIC"). The Bank undergoes periodic examinations by the OCC. The Company is subject to the supervision, examination, and reporting requirements of the Bank Holding Company Act and the regulations of the Board of Governors of the Federal Reserve System (the "Federal Reserve").

Basis of Presentation:

The accounting and financial reporting policies of the Company conform, in all material respects to accounting principles generally accepted in the United States of America ("GAAP") and with general practices within the banking industry. The consolidated financial statements have been prepared in accordance with GAAP and with the instructions to Form 10-K adopted by the Securities and Exchange Commission (the "SEC"). In preparing financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts in the financial statements. Actual results could differ significantly from those estimates. Material estimates common to the banking industry that are particularly susceptible to significant change in the near term include, but are not limited to, the determination of the allowance for credit losses and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans, the valuation of the post-retirement obligation, and valuation allowance associated with the realization of deferred tax assets, which are based on future taxable income.

Cash and Cash Equivalents:

For purposes of reporting cash flows, cash and cash equivalents include cash and balances due from banks and federal funds sold, all of which mature within 90 days. Effective March 26, 2020, the Federal Reserve eliminated reserve requirements for depository institutions. These reserve requirements are subject to annual adjustment by the Federal Reserve.

Investment Securities:

The Company classifies its securities in one of three categories: trading, available-for-sale, or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities for which the Company has the ability and intent to hold the security until maturity. All other securities not included in trading or held-to-maturity are classified as available-for-sale. As of December 31, 2023 and 2022, all of the Company's securities were classified as available-for-sale.

Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization of premiums and accretion of discounts. Unrealized holding gains and losses, net of the related tax effect, on securities available-for-sale are excluded from income and are reported as a separate component of accumulated other comprehensive income in stockholders' equity until realized. Transfers of securities between categories are recorded at fair value at the date of transfer.

Effective January 1, 2023, the Company evaluates individual available-for-sale securities in an unrealized loss position by first determining whether the decline in fair value below the amortized cost basis of the security has resulted from a credit loss or other factors. A credit loss exists when the present value of cash flows expected to be collected from the security is less than the amortized cost basis of the security. In determining whether a credit loss exists, the Company considers the extent to which the fair value is less than the amortized cost basis, adverse conditions related to the security, the industry, or geographic areas, the payment structure of the debt security, failure of the issuer to make scheduled payments, and any changes to the rating of the security. Impairment related to credit losses is recognized through an allowance for credit losses up to the amount that the fair value is less than the amortized cost basis. Changes to the allowance are recognized through earnings as a provision for (or a recovery of) credit losses. Impairment related to other factors is recognized in other comprehensive income.

Premiums and discounts are amortized or accreted over the life of the related security as an adjustment to the yield. Realized gains and losses for securities classified as available-for-sale are included in income and are derived using the specific identification method for determining the cost of securities sold.

Other Investments:

Other investments are carried at cost and consist of Federal Reserve Bank and Federal Home Loan Bank of Atlanta (“FHLB”) stock, which are held in accordance with certain lender and/or member requirements and are stated at cost, which approximates fair value. The Bank is required to hold the FHLB stock as a member of the FHLB, and transfer of the stock is substantially restricted. The stock is pledged as collateral for outstanding FHLB advances.

Loans, Loan Fees and Interest Income on Loans:

Loans are stated at the principal amount outstanding, net of the allowance for credit losses. Interest on loans is calculated by using the simple interest method on daily balances of the principal amount outstanding.

Accrual of interest is discontinued on a loan when management believes, after considering economic and business conditions and collection efforts that the borrower’s financial condition is such that collection of interest is doubtful. When a loan is placed on nonaccrual status, previously accrued and uncollected interest is charged to interest income on loans. Generally, payments on nonaccrual loans are applied to principal. Interest income on certain, well collateralized loans, may be recognized using the cash-basis method of accounting.

Loan fees, net of certain origination costs, are deferred and amortized over the lives of the respective loans.

Allowance for Credit Losses:

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

The Company adopted ASC 326 using the modified retrospective approach for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for the periods beginning after January 1, 2023, are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company recorded a cumulative effective adjustment to retained earnings of $302,504 upon adoption. The transition adjustment includes an increase in credit related reserves of $255,000 for loans plus an increase in credit related reserves of $149,000 for unfunded commitments net of a corresponding increase in deferred tax assets of $102,000.

The allowance for credit losses ("ACL") is evaluated on a regular basis and established through charges to earnings in the form of a provision for credit losses. When a loan or portion of a loan is determined to be uncollectible, the portion deemed uncollectible is charged against the allowance and subsequent recoveries, if any, are credited to the allowance. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

a. Portfolio Segmentation ("Collectively Evaluated Loans")

Portfolio segmentation is defined as the pooling of loans based upon similar risk characteristics such that quantitative methodologies and qualitative adjustment factors for estimating the ACL are constructed for each segment. The Company has identified seven portfolio segments of loans including; real estate - residential, real estate - home equity, real estate - multi-family, real estate - commercial, real estate - construction and land development, consumer loans and commercial and industrial loans.

The ACL for Collectively Evaluated Loans estimate is based upon periodic review of the collectability of the loans quantitatively correlating historical loss experience with reasonable and supportable forecasts using forward looking information. Adjustments to the quantitative evaluation may be made for differences in current or expected qualitative risk characteristics. The Company has determined the nine “universal” qualitative adjustments categories prescribed by the 2006 Interagency Policy Statement are appropriate given their markets and pool of loans. These criteria are evaluated quarterly to ensure additional criteria do not need to be added, nor do the ranges assigned to each category need to be changed. The nine factors are as follows:

1. Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses.

2. Changes in international, national, regional, and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments.

3. Changes in the nature and volume of the portfolio and in the terms of loans.

4. Changes in the experience, ability, and depth of lending management and other relevant staff.

5. Changes in the volume and severity of past-due loans, the volume of non-accrual loans, and the volume and severity of adversely classified or graded loans.

6. Changes in the quality of the institution’s loan review system.

7. Changes in the value of underlying collateral for collateral-dependent loans.

8. The existence and effect of any concentrations of credit, and changes in the level of such concentrations.

9. The effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the institution’s existing portfolio.

b. Individually Evaluated Loans

The Company establishes a specific reserve for individually evaluated loans which do not share similar risk characteristics with the loans included in the collectively evaluated loan pools. These individually evaluated loans are removed from the pooling approach discussed above for the collectively evaluated loan pools, and may include nonaccrual loans, loan modifications to borrowers with financial difficulty, and other loans deemed appropriate by management.

c. Available-for-Sale ("AFS") Debt Securities

For AFS securities in an unrealized loss position, management first assesses whether (i) the Company intends to sell, or (ii) it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. If either case is affirmative, any previously recognized allowances are charged-off and the security's amortized cost is written down to fair value through income. If neither case is affirmative, the security is evaluated to determine whether the decline in fair value has resulted from credit losses or other factors. In making this assessment management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency and any adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an ACL is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an ACL is recognized in other comprehensive income. If there were any adjustments to the allowance, they would be reported in the Company's income statement as a component of credit loss expense. AFS securities are charged-off against the allowance or, in the absence of any allowance, written down through income when deemed uncollectible by management or when either of the aforementioned criteria regarding intent or requirement to sell is met.

d. Accrued Interest Receivable

Upon adoption of ASU 2016-13 and its related amendments on January 1, 2023, the Company made the following elections regarding accrued interest receivable:

- Presenting accrued interest receivable balances within another line item on the consolidated balance sheets labeled "accrued interest receivable and other assets".

- Excluding accrued interest receivable that is included in the amortized cost of financing receivables and debt securities from related disclosure requirements.

• Continuing the Company's policy to write off accrued interest receivable by reversing interest income. The write-off of accrued interest on loans typically occurs upon becoming 90 days past due. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful. Historically, the Company has not experienced uncollectible accrued interest receivable on its investment securities. However, the Company would generally write off accrued interest receivables by reversing interest income if the Company does not reasonably expect to receive payments. Due to the timely manner in which accrued interest receivables are written off, the amounts of such write offs are immaterial.

e. Reserve for Unfunded Commitments

The reserve for unfunded commitments (the "Unfunded Reserve") represents the expected credit losses on off-balance sheet commitments such as unfunded commitments to extend credit and standby letters of credit. However, a liability is not recognized for commitments unconditionally cancellable by the Company. The same segmentation is utilized for off-balance sheet commitments as is applied to the funded loan portfolio. The Unfunded Reserve is recognized as a liability (accrued interest payable and other liabilities in the consolidated balance sheets), with adjustments to the reserve recognized as an expense in other expenses in the consolidated statements of income. The Unfunded Reserve is determined by estimating expected future fundings, under each segment, and applying to the expected loss rates. Expected future fundings are based on historical averages of funding rates (i.e., the likelihood of draws taken) for each loan segment. We then apply the loss rates that were derived on the funded loan portfolio, by loan segment, to calculate the Unfunded Reserve.

Allowance for Loan Losses:

Prior to January 1, 2023, as described in further detail in the Company's 2022 Annual Report on Form 10-K, the Company used the incurred loss impairment model. Under this methodology, loans were charged against the allowance for loan losses when management believed that the collectability of the principal is unlikely. The allowance represented an amount which, in management's judgment, based on, among other things, historical losses and on the current economic environment, would be adequate to absorb probable losses on existing loans that may become uncollectible. Loans deemed uncollectible were charged-off and deducted from the allowance and recoveries on loans previously charged-off were added back to the allowance. Management's judgment in determining the adequacy of the allowance was based on evaluations of the collectability of loans. These evaluations took into consideration such factors as changes in the nature and volume of the loan portfolio, current economic conditions that may affect the borrower's ability to pay, overall portfolio quality, and review of specific problem loans.

Mortgage Loans Held for Sale:

The Bank sells mortgage loans for an amount equal to the principal amount of loans with yields to investors based upon current market rates. Realized gains and losses related to loan sales are included in gains on sale of loans and are determined using the specific identification method. For financial reporting purposes, the Bank classifies a portion of its loans as “Mortgage loans held for sale”. Included in this category are loans which the Bank has the current intent to sell and loans which are available to be sold in the event the Bank determines that loans should be sold to support the Bank’s investment and liquidity objectives. Loans included in this category for which the Bank has the current intention to sell are recorded at the lower of the aggregate cost or fair value. As of December 31, 2023 and 2022, the Bank had $289,111 and $2.1 million, respectively, in loans classified as “Mortgage loans held for sale.”

Premises and Equipment:

Premises and equipment are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related asset. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs which do not improve or extend the useful life of the respective asset is charged to income as incurred, whereas significant renewals and improvements are capitalized. The range of estimated useful lives for premises and equipment is:

Building and improvements	20 - 40 years
Furniture, automobiles and equipment	5 - 10 years

Leases:

ASC 842, “Leases” (“ASC 842”) requires a lessee to recognize a right-of-use asset and a lease liability for all leases with a term greater than 12 months on its consolidated balance sheet regardless of whether the lease is classified as financing or operating.

All of the Company's lessee arrangements are operating leases, being real estate leases for Company facilities. Under these arrangements, the Company records right-of-use assets and corresponding lease liabilities, each of which is based on the present value of the remaining lease payments discounted using the risk-free rate practical expedient allowable under ASC 842. Right-of-use assets and the related lease liabilities are reported on separate line items on the consolidated balance sheets. All leases are recorded on the consolidated balance sheet except for leases with an initial term less than 12 months for which the Company elected short-term lease recognition under ASC 842. Lease terms may contain renewal and extension options and early termination features. Many leases include one or more options to renew, with renewal terms that can extend the lease term from one to ten years or more. The exercise of lease renewal options is at the Company's sole discretion. Renewal options which are reasonably certain to be exercised in the future were included in the measurement of right-of-use assets and lease liabilities.

Lease expense is recognized on a straight-line basis over the lease term and is recorded in the “Occupancy and equipment” line item in the consolidated statements of operations. The Company does not have any material sublease agreements currently in place.

Advertising Costs:

Advertising costs are expensed as incurred.

Other Real Estate Owned:

Other real estate owned ("OREO") represents properties acquired through or by deed in lieu of loan foreclosure and is initially recorded at fair value less estimated costs to sell. Any write-down to fair value at the time of transfer to other real estate owned is charged to the allowance for credit losses. Costs of improvements are capitalized, whereas costs relating to holding other real estate owned and subsequent adjustments to the value are expensed. As of December 31, 2023, the Company had no OREO on its books and had $684,000 of OREO at year end 2022.

Bank owned life insurance:

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

Income Taxes:

The Company uses the liability method of accounting for income taxes which requires the recognition of deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Additionally, this method requires the recognition of future tax benefits, such as net operating loss carryforwards, to the extent that realization of such benefits is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the assets and liabilities are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income tax expense in the period that includes the enactment date.

In the event the future tax consequences of differences between the financial reporting bases and the tax bases of the Company’s assets and liabilities results in deferred tax assets, an evaluation of the probability of being able to realize the future benefits indicated by such asset is required. A valuation allowance is provided for the portion of the deferred tax asset when it is more likely than not that some portion or all of the deferred tax asset will not be realized. In assessing the realization of the deferred tax assets, management considers the scheduled reversals of deferred tax liabilities, projected future taxable income, and tax planning strategies.

The Company currently evaluates income tax positions judged to be uncertain. A loss contingency reserve is accrued if it is probable that the tax position will be challenged, it is probable that the future resolution of the challenge will confirm that a loss has been incurred, and the amount of such loss can be reasonably estimated.

The Company and the Bank file consolidated income tax returns, with income tax expense or benefit computed and allocated on a separate return basis.

Post-Retirement Defined Benefit Obligation:

The Bank accounts for its post-retirement defined benefit obligations under Accounting Standards Codification (“Codification” or “ASC”) Topic 715, *Retirement Benefits* (“ASC 715”). The under or over funded status of the Bank’s post-retirement defined benefit obligations are recognized as a liability or asset in the balance sheet. To the extent these obligations are funded, changes in funded status are reflected in other comprehensive income. Net actuarial gains and losses and adjustments to prior service costs that are not recorded as components of the net periodic benefit cost are charged to other comprehensive income.

Employee Stock Ownership Plan:

The Company sponsors an employee stock ownership plan ("ESOP") that covers all employees who meet certain service requirements. The Company will make annual contributions to the ESOP in amounts as defined by the plan document. These contributions are used to pay debt service and purchase additional shares. Certain ESOP shares are pledged as collateral for debt. As the debt is repaid, shares are released from collateral and allocated to active employees, based on the proportion of debt service paid in the year.

In connection with the Company's initial public stock offering, the ESOP borrowed $3.9 million payable to the Company for the purpose of purchasing shares of the Company's common stock. A total of 391,868 shares were purchased with the loan proceeds. The residual balance of unearned ESOP shares are reflected as a reduction of stockholders' equity on the Company's balance sheet.

Equity Incentive Plan:

On September 21, 2022, the Company's stockholders approved the TC Bancshares, Inc. 2022 Equity Incentive Plan ("Equity Plan") which provides for the grant of stock options, restricted stock awards and other equity awards to our officers, employees, directors, advisors, and consultants. During the year ended December 31, 2023, no stock options were granted under the Equity Plan, while 357,510 stock options were granted during the year ended December 31, 2022. In addition, no restricted stock awards were granted during the year ended December 31, 2023, while 156,590 restricted stock awards were granted during the year ended December 31, 2022. During the years ended December 31, 2023, and 2022, there were 30,998 and 32,598 restricted stock awards that vested, respectively, and there were 92,994 unvested as of December 31, 2023.

Stock Based Compensation:

The Company accounts for its stock-based compensation plan using a fair value-based method of accounting, whereby compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period.

Revenue from Contracts with Customers:

Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* (“Accounting Standards Codification (“ASC”) Topic 606”) (“ASU 2014-09”) focuses on revenues from contracts earned over time. Fee income is generally earned over a short period of time, such as monthly, or is earned concurrently with a specific transaction. The Company records a gain or loss from the sale of other real estate owned (“OREO”) when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. There are no ASC Topic 606 implications unless the Company finances the sale of the OREO property. ASC Topic 606 could change the timing of revenue recognition in the case of seller financing. The Company's other revenue streams are outside the scope of ASC Topic 606.

Comprehensive Income (Loss):

The Company has elected to present comprehensive income (loss) in a separate statement of comprehensive income (loss). Accumulated other comprehensive income (loss) includes the net of tax effect of unrealized gains (losses) on securities available-for-sale and the unfunded post-retirement benefit obligation of the Company’s defined benefit plans.

Treasury Stock:

Treasury stock is accounted for by the cost method. Subsequent reissuances are accounted for at average cost. It is the current practice of the Company to retire shares as they are repurchased. See Note 14 for further discussion.

Earnings per Share:

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed in a manner similar to that of basic earnings per share except that the weighted-average number of common shares outstanding is increased to include the number of incremental commons shares (computed using the treasury method) that would have been outstanding if all potentially dilutive common stock equivalents were issued during the period. Unallocated employee stock ownership plan shares are not deemed outstanding for earnings per share calculations.

Emerging Growth Company Status:

The Company qualifies as an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). For as long as the Company is an emerging growth company, it may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to emerging growth companies. An emerging growth company may elect to use the extended transition period to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies, but must make such election when the company is first required to file a registration statement. The Company elected to use the extended transition period described above and intends to maintain its emerging growth company status as allowed under the JOBS Act.

Reclassifications:

Certain prior period amounts have been reclassified to conform to the current period presentation.

Subsequent Events:

We have evaluated subsequent events through the time of filing on the date we have issued this Annual Report on Form 10-K. As of the time of filing, there were no material, reportable subsequent events.

Recent Issued Not Yet Effective Accounting Pronouncements:

In June 2022, the FASB issued ASU 2022-03, Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions, which clarifies that a contractual sale restriction should not be considered in measuring fair value. It also requires entities with investments in equity securities subject to contractual sale restrictions to disclose certain qualitative and quantitative information about such securities. The guidance is effective for public companies for fiscal years beginning after December 15, 2023. All other entities have an extra year to adopt; early adoption is permitted. The Company is assessing ASU 2022-03 and its impact on its accounting and disclosures.

NOTE 2 - INVESTMENT SECURITIES

Investment securities available-for-sale at December 31, 2023 and 2022 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Fair Value as % of Total
December 31, 2023-					
US treasuries	$ 10,089,682	$ —	$ 555,847	$ 9,533,835	22 %
Mortgage-backed securities	10,157,271	43,157	787,592	9,412,836	22 %
Collateralized mortgage obligations	14,676,623	—	722,772	13,953,851	33 %
Municipal bonds	8,758,636	—	1,292,743	7,465,893	17 %
Corporate obligations	3,125,000	—	526,920	2,598,080	6 %
	$ 46,807,212	$ 43,157	$ 3,885,874	$ 42,964,495	100 %
December 31, 2022-					
US treasuries	$ 10,115,310	$ —	$ 790,778	$ 9,324,532	22 %
Mortgage-backed securities	9,618,355	—	886,322	8,732,033	20 %
Collateralized mortgage obligations	15,713,313	—	869,283	14,844,030	35 %
Municipal bonds	8,762,417	—	1,733,506	7,028,911	16 %
Corporate obligations	3,625,000	—	457,954	3,167,046	7 %
	$ 47,834,395	$ —	$ 4,737,843	$ 43,096,552	100 %

The following outlines the unrealized losses and estimated fair value by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2023 and 2022:

	December 31, 2023		December 31, 2022	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
Unrealized loss for less than 12 months:				
US treasuries	$ —	$ —	$ 4,863,478	$ 142,541
Mortgage-backed securities	—	—	3,004,339	304,844
Collateralized mortgage obligations	—	—	5,558,664	329,329
Municipal bonds	—	—	—	—
Corporate obligations	—	—	651,464	98,536
Total less than 12 months	$ —	$ —	$ 14,077,945	$ 875,250
Unrealized loss for more than 12 months:				
US treasuries	9,533,835	555,847	4,461,054	648,237
Mortgage-backed securities	8,406,330	787,592	5,727,694	581,478
Collateralized mortgage obligations	13,953,851	722,772	9,285,366	539,954
Municipal bonds	7,465,893	1,292,743	7,028,911	1,733,506
Corporate obligations	2,598,080	526,920	2,515,582	359,418
Total more than 12 months	41,957,989	3,885,874	29,018,607	3,862,593
Total	$ 41,957,989	$ 3,885,874	$ 43,096,552	$ 4,737,843

At December 31, 2023 and 2022, unrealized losses in the investment portfolio related to debt securities. The unrealized losses on the debt securities arose due to changing interest rates and market conditions and are considered to be temporary because of acceptable investment grades or the repayment sources of principal and interest are backed by government entities. At December 31, 2023, five of five US treasuries, 14 of 16 mortgage-backed securities, 13 of 13 collateralized mortgage obligations, nine of nine municipals and six of six corporate obligations contained unrealized losses. At December 31, 2022, all 48 securities contained unrealized losses. The Bank does not intend to sell the investments and it is not likely that the Bank will be required to sell the investments before recovery of their amortized cost basis, which may be at maturity.

As of December 31, 2023, no ACL has been recognized on AFS securities in an unrealized loss position as management does not believe any of the securities are impaired due to reasons of credit quality. This is based upon our analysis of the underlying risk characteristics, including credit ratings, and other qualitative factors related to our AFS securities and in consideration of our historical credit loss experience and internal forecasts. The issuers of these securities continue to make timely principal and interest payments under the contractual terms of the securities. Furthermore, management does not have the intent to sell any of the securities classified as AFS in the table above and believes that it is more likely than not that we will not have to sell any such securities before a recovery of cost. The unrealized losses are due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the securities approach their maturity date or repricing date or if market yields for such investments decline.

As of December 31, 2023 and 2022, accrued interest on investment securities was approximately $214,000 and $211,000, respectively.

The amortized cost and estimated fair value of investment securities available-for-sale at December 31, 2023, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Investment securities with maturities -		
Within 1 year	$ 5,000,845	$ 4,970,749
1 to 5 years	6,094,486	5,446,465
5 to 10 years	10,877,987	9,180,594
Over 10 years		
Mortgage-backed securities and collateralized mortgage obligations	24,833,894	23,366,687
Total	$ 46,807,212	$ 42,964,495

The Bank did not sell any investment securities available-for-sale during 2023 or 2022. Securities with market values of approximately $2.0 million and $197,000 at December 31, 2023 and 2022, respectively, were pledged to secure public deposits.

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES

Major classifications of loans, by purpose code, at December 31, 2023 and 2022, are summarized as follows:

	December 31, 2023	Percent	December 31, 2022	Percent
Real estate loans:				
Residential	$ 148,533,603	39.29%	$ 138,275,923	40.72%
Home equity	11,099,027	2.94%	12,410,820	3.65%
Multi-family	19,137,789	5.06%	19,649,491	5.79%
Commercial	123,572,774	32.69%	116,109,590	34.19%
Construction and land development	55,461,430	14.67%	28,660,635	8.44%
Total real estate loans	357,804,623		315,106,459	
Consumer loans	3,345,453	0.88%	846,717	0.25%
Commercial and industrial loans	16,918,558	4.47%	23,644,426	6.96%
Total loans	378,068,634	100.00%	339,597,602	100.00%
Less: Allowance for credit losses	4,836,878		4,362,178	
Deferred loan fees	1,168,666		1,096,553	
Loans, net	$ 372,063,090		$ 334,138,871	

The Company grants loans and extensions of credit to individuals, as well as a variety of firms and corporations throughout its footprint. Although the Company has a diversified loan portfolio, a substantial portion of the loan portfolio is collateralized by improved and unimproved real estate and is dependent on the real estate market.

The Company has divided the loan portfolio into seven portfolio segments, each with different risk characteristics and methodologies for assessing risk. The portfolio segments identified by the Company are real estate - residential, real estate - home equity, real estate - multi-family, real estate - commercial, real estate - construction and land development, consumer loans and commercial and industrial loans.

Real Estate - Residential: The Company originates residential real estate loans for the purchase or refinancing of a mortgage. These loans are primarily collateralized by owner-occupied properties and rental properties located primarily in the Company's market areas.

Real Estate - Home Equity: The Company originates home equity real estate loans to provide home equity lines of credit and closed-end home equity loans. These loans are primarily collateralized by owner-occupied properties located primarily in the Company's market areas.

Real Estate - Multi-family: Multi-family loans consist of loans to finance real estate purchases, refinancings, expansions and improvements to multifamily properties. These loans may be secured by, but are not limited to, first liens on apartments, mobile home parks or other multi-family properties primarily located within the Company's market areas. The Company's underwriting analysis includes credit verification, independent appraisals, a review of the borrower’s and borrower’s related entities’ financial condition, and a detailed analysis of the borrower’s underlying cash flows. Multi-family loans are larger than residential or home equity loans and involve greater credit risk. The repayment of these loans largely depends on the results of operations and management of these properties. Adverse economic conditions also affect the repayment ability to a greater extent than residential or home equity real estate loans.

Real Estate - Commercial: Commercial real estate loans consist of loans to finance real estate purchases, refinancings, expansions and improvements to commercial properties. These loans may be secured by first liens on office buildings, farms, retail and mixed-use properties, churches, warehouses and restaurants primarily located within the Company's market areas. The Company's underwriting analysis includes credit verification, independent appraisals, a review of the borrower’s and borrower’s related entities’ financial condition, and a detailed analysis of the borrower’s underlying cash flows. Commercial real estate loans are larger than residential loans and involve greater credit risk. The repayment of these loans largely depends on the results of operations and management of these properties. Adverse economic conditions also affect the repayment ability to a greater extent than residential real estate loans.

Real Estate - Construction and land development: These loans are made to borrowers to build commercial structures, a primary or secondary residence and, in some cases, to real estate investors to acquire and develop land. These loans are more difficult to evaluate since they are significantly more vulnerable to changes in economic conditions. In addition, these loans possess a higher degree of credit risk since they are made based on estimates of the future worth of a project and the estimated costs required for completion. The Company limits its overall investment in this portfolio segment due both to management’s assessment of risk and certain percentage guidance set by the regulatory agencies.

Consumer: Consumer loans mainly consist of personal loans, revolving credit plans and other loans. The Company's consumer loans may be uncollateralized and rely on the borrower’s income for repayment.

Commercial and industrial: Commercial and industrial loans consist generally of business loans and lines of credit to companies in the Company's market area. Commercial and industrial loans are generally used for working capital purposes or for acquiring equipment, inventory or furniture. Such loans are usually collateralized by the financed assets, although a portion may be made on an unsecured basis and contain the guarantee of the business principals. The Company's underwriting analysis consists of a review of the financial statements of the borrower, the lending history of the borrower, the debt service capabilities of the borrower, the projected cash flows of the business, the value of the collateral, if any, and whether the loan is guaranteed by the principals of the borrower. Commercial and industrial loans are typically made on the basis of the borrower’s ability to make repayment from the cash flow of the borrower’s business, which makes them of higher risk than residential loans and the collateral securing loans may be difficult to appraise and may fluctuate in value based on the success of the business.

As of December 31, 2023 and 2022, accrued interest on loans was approximately $1.4 million and $1.1 million, respectively.

Allowance for Credit Losses:

The Company's estimate of the ACL reflects losses expected over the remaining contractual life of the assets. The following tables present the activity in the ACL by class of loans for year ended December 31, 2023, and the activity in the allowance for loan losses by portfolio segment for the year ended December 31, 2022.

	Real Estate Loans								
	Residential	Home Equity	Multi-family	Commercial	Construction and Land Development	Consumer loans	Commercial and Industrial loans	Unallocated	Total
	Year Ended December 31, 2023								
Allowance for credit losses:									
Beginning balance	$ 1,960,955	$ 186,733	$ 225,869	$ 1,632,241	$ 264,589	$ 615	$ 81,182	$ 9,994	$ 4,362,178
ASC 326 adoption	1,028,700	(27,875)	(68,217)	(694,135)	(102,349)	48,540	80,330	(9,994)	255,000
Charge-offs	—	—	—	—	—	(33,879)	(77,940)	—	(111,819)
Recoveries	36,000	—	—	—	22,690	2,897	94,932	—	156,519
Provision	52,197	(41,142)	(75,359)	154,031	121,219	9,757	(45,703)	—	175,000
Balance at December 31, 2023	$ 3,077,852	$ 117,716	$ 82,293	$ 1,092,137	$ 306,149	$ 27,930	$ 132,801	$ —	$ 4,836,878
	Year Ended December 31, 2022								
Allowance for loan losses:									
Beginning balance	$ 1,468,649	$ 174,579	$ 288,455	$ 1,757,794	$ 350,586	$ 1,798	$ 109,724	$ 32,014	$ 4,183,599
Charge-offs	(2,842)	—	—	—	—	(64,612)	—	—	(67,454)
Recoveries	53,026	—	—	—	11,345	6,884	63,873	—	135,128
Provision	442,122	12,154	(62,586)	(125,553)	(97,342)	56,545	(92,415)	(22,020)	110,905
Balance at December 31, 2022	$ 1,960,955	$ 186,733	$ 225,869	$ 1,632,241	$ 264,589	$ 615	$ 81,182	$ 9,994	$ 4,362,178

As described in Note 1 General: Basis of Presentation, the Company adopted ASU 2016-13 on January 1, 2023, which introduced the CECL methodology for estimating all expected losses over the life of a financial asset. The primary reason for the increase in required ACL was to capture the expected lifetime losses of the portfolio, which was previously measured under an incurred loss model.

The Company uses the weighted-average remaining maturity (WARM) method as the basis for the estimation of expected credit losses. The WARM method uses a historical average annual charge-off rate containing loss content over a historical lookback period and is used as a foundation for estimating the credit loss reserve for the remaining outstanding balances of loans in a segment at the balance sheet date. The average annual charge-off rate is applied to the contractual term, further adjusted for estimated prepayments, to determine the unadjusted historical charge-off rate. The calculation of the unadjusted historical charge-off rate is then adjusted, using qualitative factors described in Note 1, for current conditions and for reasonable and supportable forecast periods. Qualitative loss factors are based on the Company's judgment of the Company, market, industry or business specific data, differences in loan-specific risk characteristics such as underwriting standards, portfolio mix, risk grades, delinquency level or term. These qualitative factors serve to compensate for additional areas of uncertainty inherent in the portfolio that are not reflected in the Company's historical loss factors. Additionally, the Company has adjusted for changes in expected environmental and economic conditions, such as changes in unemployment rates, property values and other relevant factors over the next 12 to 24 months. Management adjusted the historical loss experience for these expectations. No reversion adjustments were necessary, as the starting point for the Company's estimate was a cumulative loss rate covering the expected contractual term of the portfolio.

The ACL is measured on a collective segment basis when similar risk characteristics exist. Our loan portfolio is segmented first by the seven portfolio segments described above, and second, by internally identified risk grades (see description below). Consistent forecasts of the loan drivers are used across the loan segments. For loans that do not share general risk characteristics with segments, we estimate a specific reserve on an individual basis. A reserve is recorded when the carrying amount of the loan exceeds the discounted estimated cash flows using the loan's initial effective interest rate or the fair value of collateral for collateral-dependent loans.

The Company closely monitors economic conditions and loan performance trends to manage and evaluate the exposure to credit risk. Key factors tracked by the Company and utilized in evaluating the credit quality of the loan portfolio include trends in delinquency ratios, the level of nonperforming assets, borrower's repayment capacity and collateral coverage.

The following tables present information relative to individually and collectively evaluated loans by portfolio segment as of December 31, 2023 and 2022:

	Loans		Allowance for credit losses	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
December 31, 2023 -				
Real estate loans:				
Residential	$ 512,611	$ 148,020,992	$ —	$ 3,077,852
Home equity	47,078	11,051,949	4,986	112,730
Multi-family	—	19,137,789	—	82,293
Commercial	—	123,572,774	—	1,092,137
Construction and development	—	55,461,430	—	306,149
Total real estate loans	559,689	357,244,934	4,986	4,671,161
Consumer loans	—	3,345,453	—	27,930
Commercial and industrial loans	728,483	16,190,075	69,660	63,141
Total	$ 1,288,172	$ 376,780,462	$ 74,646	$ 4,762,232
December 31, 2022 -				
Real estate loans:				
Residential	$ 1,037,428	$ 137,238,495	$ —	$ 1,960,955
Home equity	—	12,410,820	—	186,733
Multi-family	—	19,649,491	—	225,869
Commercial	57,000	116,052,590	—	1,632,241
Construction and development	43,388	28,617,247	—	264,589
Total real estate loans	1,137,816	313,968,643	—	4,270,387
Consumer loans	—	846,717	—	615
Commercial and industrial loans	—	23,644,426	—	81,182
Unallocated	—	—	—	9,994
Total	$ 1,137,816	$ 338,459,786	$ —	$ 4,362,178

Collateral-Dependent Loans:

A loan is considered collateral dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The following table presents collateral dependent loans by portfolio segment and collateral type, including those loans with and without a related allowance allocation as of December 31, 2023.

	Collateral Type					
	Real Estate	Other Business Assets	Total	Without an Allowance	With an Allowance	Allowance Allocation
December 31, 2023 -						
Real estate loans:						
Residential	$ 512,611	$ —	$ 512,611	$ 512,611	$ —	$ —
Home equity	47,078	—	47,078	29,078	18,000	4,986
Multi-family	—	—	—	—	—	—
Commercial	—	—	—	—	—	—
Construction and land development	—	—	—	—	—	—
Total real estate loans	559,689	—	559,689	541,689	18,000	4,986
Consumer loans	—	—	—	—	—	—
Commercial and industrial loans	—	728,483	728,483	48,536	679,947	69,660
Total	$ 559,689	$ 728,483	$ 1,288,172	$ 590,225	$ 697,947	$ 74,646

Impaired Loans:

The following table presents impaired loans by class of loans as of December 31, 2022:

	Recorded Investment	Principal Balance	Related Allowance
December 31, 2022 -			
Impaired loans with related allowance:			
Real estate loans:			
Residential	$ —	$ —	$ —
Home equity	—	—	—
Multi-family	—	—	—
Commercial	—	—	—
Construction and land development	—	—	—
Total real estate loans	—	—	—
Consumer loans	—	—	—
Commercial and industrial loans	—	—	—
Total	$ —	$ —	$ —
Impaired loans without related allowance:			
Real estate loans:			
Residential	$ 1,037,428	$ 1,037,428	$ —
Home equity	—	—	—
Multi-family	—	—	—
Commercial	57,000	57,000	—
Construction and land development	43,388	43,388	—
Total real estate loans	1,137,816	1,137,816	—
Consumer loans	—	—	—
Commercial and industrial loans	—	—	—
Total	$ 1,137,816	$ 1,137,816	$ —

Past Due and Nonaccrual Loans:

The following tables present the aging of the recorded investment in past due loans and nonaccrual loans as of December 31, 2023 and 2022, by class of loans:

	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total	Non-accrual
December 31, 2023 -							
Real estate loans:							
Residential	$ 153,793	$ 89,089	$ 11,951	$ 254,833	$ 148,278,770	$ 148,533,603	$ 512,611
Home equity	—	—	47,078	47,078	11,051,949	11,099,027	47,078
Multi-family	—	—	—	—	19,137,789	19,137,789	—
Commercial	—	—	—	—	123,572,774	123,572,774	—
Construction and land development	—	—	—	—	55,461,430	55,461,430	—
Total real estate loans	153,793	89,089	59,029	301,911	357,502,712	357,804,623	559,689
Consumer loans	—	993	—	993	3,344,460	3,345,453	—
Commercial and industrial loans	—	—	—	—	16,918,558	16,918,558	728,483
	$ 153,793	$ 90,082	$ 59,029	$ 302,904	$ 377,765,730	$ 378,068,634	$ 1,288,172
December 31, 2022 -							
Real estate loans:							
Residential	$ 221,100	$ —	$ 31,541	$ 252,641	$ 138,023,282	$ 138,275,923	$ 453,749
Home equity	24,968	57,266	—	82,234	12,328,586	12,410,820	—
Multi-family	—	—	—	—	19,649,491	19,649,491	—
Commercial	—	—	57,000	57,000	116,052,590	116,109,590	57,000
Construction and land development	—	—	—	—	28,660,635	28,660,635	43,388
Total real estate loans	246,068	57,266	88,541	391,875	314,714,584	315,106,459	554,137
Consumer loans	5,718	—	—	5,718	840,999	846,717	—
Commercial and industrial loans	—	—	—	—	23,644,426	23,644,426	—
	$ 251,786	$ 57,266	$ 88,541	$ 397,593	$ 339,200,009	$ 339,597,602	$ 554,137

As of December 31, 2023 and 2022, there were no loans greater than 90 days past due and still accruing.

As of December 31, 2023, there was one nonaccrual commercial and industrial loan with a balance of $680,000 that had a related specific allowance of $70,000. In addition, there was one nonaccrual home equity loan with a balance of $18,000 that had a related specific allowance of $5,000. As of December 31, 2022, there were no nonaccrual loans with a related allowance.

Loan Restructurings:

As of January 1, 2023, the Company adopted the accounting guidance in ASU 2022-02 which eliminates the recognition and measurement of trouble debt restructurings ("TDRs"). Due to the removal of the TDR designation, the Company evaluates all loan restructurings according to the accounting guidance for loan modifications to determine if the restructuring results in a new loan or a continuation of the existing loan. Loan modifications to borrowers experiencing financial difficulty that result in a direct change in the timing or amount of contractual cash flows include situations where there is a principal forgiveness, interest rate reduction, other-than-insignificant payment delay, term extension, or combinations of the listed modifications. Therefore, the disclosures related to loan restructurings are only for modifications that directly affect cash flows.

A loan that is considered a restructured loan may be subject to the individually evaluated loan analysis; otherwise, the restructured loan remains in the appropriate segment in the ACL model and associated reserves are adjusted based on changes in the discounted cash flows resulting from the modification of the restructured loan. For a discussion with respect to reserve calculations regarding individually evaluated loans refer to the Assets Recorded at Fair Value on a Nonrecurring Basis section of Note 13, Fair Value Measurement, in the Notes to Consolidated Financial Statements.

Since the adoption of ASU 2022-02 and during year ended December 31, 2023, the Company has modified one loan for a borrower experiencing financial difficulty. This modification involved a payment deferral, which was considered to be in the best interest of all parties involved, as we believe this will allow the customer to fulfill their financial obligation. As of December 31, 2023, this loan had an outstanding balance of $680,000 and a specific reserve of $70,000. This loan was less than 30 days past due as of December 31, 2023. No loans that were modified since the adoption of ASU 2022-02 subsequently defaulted during the year ended December 31, 2023.

Prior to our adoption of ASU 2022-02, the Company accounted for a modification to the contractual terms of a loan that resulted in granting a concession to a borrower experiencing financial difficulties as TDRs. The Company had identified six loans as TDRs prior to the adoption of ASU 2022-02. These loans had a total outstanding principal balance of $341,000 at the end of 2023. Two of these loans, totaling $50,000, were included in individually analyzed loans and were nonaccruing at December 31, 2023. During the year ended December 31, 2022, the Company did not modify any loans as a TDR prior to the adoption of ASU 2022-02. No loans that were modified as a TDR prior to the adoption of ASU 2022-02 subsequently defaulted during the years ended December 31, 2023 and 2022.

The Company may offer various types of concessions when modifying a loan. Concessions made to the original contractual term of the loan typically consisted of the deferral of interest and/or principal payments due to deterioration in the borrowers' financial condition. In these cases, the principal balance on the TDR had matured and/or was in default at the time of the restructure, and there were no commitments to lend additional funds to the borrower during the years ended December 31, 2023 and 2022.

Credit Quality:

The Company categorized loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on a continuous basis. The Company uses the following definitions for its risk ratings:

Special Mention. Evidence of financial deterioration exists, or file documentation is inadequate or not available to determine the borrower’s financial status or ability to repay. The loan possesses potential weakness which may, if not reversed or corrected, weaken the credit or inadequately protect the Company's position.

Substandard. A well-defined weakness or weaknesses exists that jeopardizes the liquidation of the debt. The loan is characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful. All of the weaknesses of a substandard loan exist, with the added characteristic that the weaknesses jeopardize the collection and/or liquidation of the debt. Loss exposure, while evident, is not clearly determinable. Special workout negotiations and/or litigation should be initiated.

Loss. Considered uncollectible in full and of such little value that its continuance as a bankable asset 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 achieved in the future.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be Pass rated loans. As of December 31, 2023 and 2022, and based on the most recent analysis performed, the risk category of loans by class of loans and origination year is as follows:

	Amortized cost basis by origination year							
	2023	2022	2021	2020	2019	Prior	Revolving Loans	Total
December 31, 2023 -								
Real estate loans:								
Residential								
Pass	$ 14,694,776	$ 57,063,833	$ 23,699,662	$ 12,943,574	$ 5,972,902	$ 31,534,700	$ 1,162,823	$ 147,072,270
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	595,374	—	103,571	103,813	358,575	300,000	1,461,333
Total residential	14,694,776	57,659,207	23,699,662	13,047,145	6,076,715	31,893,275	1,462,823	148,533,603
YTD Gross Charge-offs	—	—	—	—	—	—	—	—
Home equity								
Pass	—	—	—	—	—	—	11,051,949	11,051,949
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	47,078	47,078
Total home equity	—	—	—	—	—	—	11,099,027	11,099,027
YTD Gross Charge-offs	—	—	—	—	—	—	—	—
Multi-family								
Pass	700,663	954,603	3,763,531	6,310,552	879,044	6,529,396	—	19,137,789
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Total multi-family	700,663	954,603	3,763,531	6,310,552	879,044	6,529,396	—	19,137,789
YTD Gross Charge-offs	—	—	—	—	—	—	—	—
Commercial								
Pass	21,791,642	15,233,118	24,305,955	13,608,050	19,709,850	20,421,922	74,946	115,145,483
Special Mention	—	—	—	—	—	3,605,149	—	3,605,149
Substandard	—	—	491,804	2,742,136	—	—	1,588,202	4,822,142
Total commercial	21,791,642	15,233,118	24,797,759	16,350,186	19,709,850	24,027,071	1,663,148	123,572,774
YTD Gross Charge-offs	—	—	—	—	—	—	—	—
Construction and land development								
Pass	25,084,297	9,150,217	8,140,282	53,356	31,944	2,118,212	10,821,270	55,399,578
Special Mention	—	—	—	—	—	10,416	—	10,416
Substandard	—	—	—	—	—	51,436	—	51,436
Total construction and land development	25,084,297	9,150,217	8,140,282	53,356	31,944	2,180,064	10,821,270	55,461,430
YTD Gross Charge-offs	—	—	—	—	—	—	—	—
Total real estate loans	62,271,378	82,997,145	60,401,234	35,761,239	26,697,553	64,629,806	25,046,268	357,804,623
Consumer loans								
Pass	2,813,398	313,560	68,213	42,768	43,689	23,673	40,152	3,345,453
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Total consumer loans	2,813,398	313,560	68,213	42,768	43,689	23,673	40,152	3,345,453
YTD Gross Charge-offs	28,198	5,681	—	—	—	—	—	33,879
Commercial and industrial loans								
Pass	2,168,653	2,730,858	1,272,875	1,546,208	334,685	881,462	3,589,607	12,524,348

Special Mention	288,188	—	2,596,029	—	—	—	—	2,884,217
Substandard	105,369	1,356,088	—	—	—	—	48,536	1,509,993
Total commercial and industrial loans	2,562,210	4,086,946	3,868,904	1,546,208	334,685	881,462	3,638,143	16,918,558
YTD Gross Charge-offs	—	77,940	—	—	—	—	—	77,940
	$ 67,646,986	$ 87,397,651	$ 64,338,351	$ 37,350,215	$ 27,075,927	$ 65,534,941	$ 28,724,563	$ 378,068,634
YTD Gross Charge-offs	$ 28,198	$ 83,621	$ —	$ —	$ —	$ —	$ —	$ 111,819

	Amortized cost basis by origination year							
	2022	2021	2020	2019	2018	Prior	Revolving Loans	Total
December 31, 2022 -								
Real estate loans:								
Residential								
Pass	$ 55,675,718	$ 23,257,720	$ 15,631,663	$ 6,621,692	$ 10,117,299	$ 24,476,586	$ 808,788	$ 136,589,466
Special Mention	—	—	—	—	—	447,915	—	447,915
Substandard	—	—	35,877	148,167	—	1,054,498	—	1,238,542
Total residential	55,675,718	23,257,720	15,667,540	6,769,859	10,117,299	25,978,999	808,788	138,275,923
YTD Gross Charge-offs	—	—	—	—	—	2,842	—	2,842
Home equity								
Pass	—	—	—	—	—	—	12,410,820	12,410,820
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Total home equity	—	—	—	—	—	—	12,410,820	12,410,820
YTD Gross Charge-offs	—	—	—	—	—	—	—	—
Multi-family								
Pass	981,012	3,980,555	6,502,688	1,144,252	824,352	6,216,632	—	19,649,491
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Total multi-family	981,012	3,980,555	6,502,688	1,144,252	824,352	6,216,632	—	19,649,491
YTD Gross Charge-offs	—	—	—	—	—	—	—	—
Commercial								
Pass	17,015,862	24,161,625	16,280,144	20,633,262	15,229,764	10,029,237	2,558,280	105,908,174
Special Mention	—	675,000	—	2,713,589	—	3,947,084	—	7,335,673
Substandard	—	57,000	2,808,743	—	—	—	—	2,865,743
Total commercial	17,015,862	24,893,625	19,088,887	23,346,851	15,229,764	13,976,321	2,558,280	116,109,590
YTD Gross Charge-offs	—	—	—	—	—	—	—	—
Construction and land development								
Pass	8,154,115	10,736,254	58,143	37,012	208,365	1,152,037	8,187,617	28,533,543
Special Mention	—	—	—	—	—	20,263	—	20,263
Substandard	43,388	—	—	—	—	63,441	—	106,829
Total construction and land development	8,197,503	10,736,254	58,143	37,012	208,365	1,235,741	8,187,617	28,660,635
YTD Gross Charge-offs	—	—	—	—	—	—	—	—
Total real estate loans	81,870,095	62,868,154	41,317,258	31,297,974	26,379,780	47,407,693	23,965,505	315,106,459
Consumer loans								
Pass	483,151	93,947	92,795	98,284	13,238	28,939	36,363	846,717
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Total consumer loans	483,151	93,947	92,795	98,284	13,238	28,939	36,363	846,717
YTD Gross Charge-offs	55,979	8,633	—	—	—	—	—	64,612
Commercial and industrial loans								
Pass	5,392,327	4,836,577	1,846,412	587,718	879,754	566,733	9,534,905	23,644,426
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Total commercial and industrial loans	5,392,327	4,836,577	1,846,412	587,718	879,754	566,733	9,534,905	23,644,426

YTD Gross Charge-offs	—	—	—	—	—	—	—	—
	$ 87,745,573	$ 67,798,678	$ 43,256,465	$ 31,983,976	$ 27,272,772	$ 48,003,365	$ 33,536,773	$ 339,597,602
YTD Gross Charge-offs	$ 55,979	$ 8,633	$ —	$ —	$ —	$ 2,842	$ —	$ 67,454

There were no loans classified in the "doubtful" or "loss" risk rating categories as of the periods ended December 31, 2023 and 2022.

NOTE 4 - PREMISES AND EQUIPMENT

Major classifications of premises and equipment at December 31, 2023 and 2022 are summarized as follows:

	December 31, 2023	December 31, 2022
Land	$ 181,212	$ 181,212
Buildings and improvements	4,875,553	4,842,489
Furniture and equipment	2,827,215	1,988,527
Leasehold improvements	1,214,628	16,675
Automobiles	92,956	56,845
	9,191,564	7,085,748
Less: Accumulated depreciation and amortization	4,408,804	3,953,466
Premises and equipment, net	$ 4,782,760	$ 3,132,282

Depreciation expense was approximately $468,000 and $348,000 for the years ended December 31, 2023 and 2022, respectively.

NOTE 5 - LEASES

The Company leases four locations with obligations which expire from 2024 to 2033. As of December 31, 2023, right-of-use assets and the related lease liabilities related to operating leases totaled $1.9 million and $2.1 million, respectively, with total operating lease expense of $236,000 for 2023.

The following table presents supplemental information pertaining to operating leases as of and for the year ended December 31, 2023:

Operating cash flows from operating leases	$ 73,777
ROU assets obtained in exchange for new operating lease liabilities	$ 2,096,531
Weighted-average remaining lease term in years for operating leases	9.06
Weighted-average discount rate for operating leases	4.41 %

The following table presents the maturities of the Company's lease liabilities and the present value discount at December 31, 2023:

2024	$ 273,788
2025	295,557
2026	281,405
2027	248,400
2028	255,330
Thereafter	1,206,671
Total undiscounted cash flows	2,561,151
Less: present value discount	(458,725)
Total lease liabilities	$ 2,102,426

NOTE 6 - CERTIFICATES OF DEPOSIT

The aggregate amount of certificates of deposit, that exceed the FDIC insurance limit of $250,000, were approximately $23.6 million at December 31, 2023 and $11.5 million at December 31, 2022.

At December 31, 2023, the scheduled maturities of certificates of deposit were as follows:

2024	$ 100,612,079
2025	8,862,525
2026	802,047
2027	404,604
2028	250,943
Thereafter	20,654
	$ 110,952,852

Certificates of deposit that are scheduled to mature in less than one year from December 31, 2023 totaled $100.6 million.

NOTE 7 - FEDERAL HOME LOAN BANK ADVANCES AND OTHER BORROWINGS

The following advances from the Federal Home Loan Bank ("FHLB:) were outstanding as of December 31, 2023 and 2022:

Advance Date	Amount	Rate	Interest Rate	Maturity	Call Feature
December 31, 2023 -					
May 16, 2023	$ 5,000,000	Fixed	4.00 %	May 15, 2026	N/A
November 16, 2023	3,000,000	Fixed	4.77 %	November 16, 2026	N/A
November 16, 2023	3,000,000	Fixed	4.68 %	November 16, 2027	N/A
	$ 11,000,000				
December 31, 2022 -					
November 18, 2022	$ 11,000,000	Fixed	4.57 %	November 20, 2023	N/A

The FHLB advances are collateralized by the Company's FHLB stock and a blanket lien on certain loans with a lendable collateral value of $80.8 million and $56.4 million at December 31, 2023 and 2022, respectively. Given its pledged collateral position, the Company had approximately $69.8 million and $45.4 million in borrowing capacity with the FHLB at December 31, 2023 and 2022, respectively.

Unsecured federal funds lines of credit totaling $28.5 million were available to the Company for overnight borrowing through correspondent banks at December 31, 2023 and 2022. The Company also had approximately $24.8 million and $5.8 million in available borrowing capacity through the Federal Reserve Bank of Atlanta at December 31, 2023 and 2022, respectively. There were no borrowings against either of these facilities at December 31, 2023 or 2022. The available borrowing capacity with the Federal Reserve Bank is collateralized by a blanket lien on certain loans with a carrying value of approximately $35.2 million and $8.4 million at December 31, 2023 and 2022, respectively.

NOTE 8 - INCOME TAXES

The components of income tax expense (benefit) for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Current - Alternative minimum tax	$ (4,856)	$ (7,651)
Deferred	(128,075)	98,260
Utilization of operating loss carryforward	264,776	614,475
Change in valuation allowance	(23,615)	(29,612)
	$ 108,230	$ 675,472

The difference between the actual income tax expense and the amount computed by applying the statutory federal income tax rate to income before income taxes for the years ended December 31, 2023 and 2022, is as follows:

	2023	2022
Pretax income at statutory rate	$ 78,552	$ 511,536
Add (deduct):		
State income tax expense, net of federal benefit	10,465	99,166
Tax-exempt income	(60,137)	(57,977)
Stock based compensation	36,537	74,747
Change in valuation allowance	(23,615)	(29,612)
Other	66,428	77,612
	$ 108,230	$ 675,472

The following summarizes the sources and expected tax consequences of future taxable deductions or income, which comprise the net deferred tax asset, which is included as a component of other assets at December 31, 2023 and 2022:

	2023	2022
Deferred income tax assets:		
Deferred compensation	$ 418,877	$ 363,195
Net operating loss carryforward	454,302	719,078
Other real estate owned	—	36,452
State tax credits	144,994	168,609
Defined benefit obligations (non-qualified)	114,854	279,483
Accrued bonuses	74,274	—
Non-accrual loans	78,240	64,818
Frozen pension accrual (tax qualified)	275,052	265,252
Unrealized loss on investment securities available-for-sale	976,819	1,191,567
Right of use asset/lease liability	40,052	—
Allowance for credit losses	15,655	—
Unfunded loan commitments	35,536	—
Other	25,314	4,836
Total gross deferred tax assets	2,653,969	3,093,290
Less: Valuation allowance	(144,994)	(168,609)
Net deferred tax asset	2,508,975	2,924,681
Deferred income tax liabilities:		
Premises and equipment	12,331	6,832
Allowance for loan losses	—	92,649
Director fee plan	27,708	24,535
Other	24,389	—
Total gross deferred tax liabilities	64,428	124,016
Net deferred tax asset	$ 2,444,547	$ 2,800,665

The future tax consequences of the differences between the financial reporting and tax basis of the Company's assets and liabilities resulted in a net deferred tax asset. A valuation allowance in the amount of $145,000 and $169,000 as of December 31, 2023 and 2022, respectively, was established as these deferred tax assets relate to state tax credit carryforwards that will likely expire prior to realization. As of December 31, 2023, the Company had federal net operating loss carryforwards of approximately $1.5 million and state net operating loss carryforwards of approximately $3.2 million, which will begin to expire in 2031 unless previously utilized.

NOTE 9 - COMMITMENTS

Credit Related Financial Instruments:

In the normal course of business the Company is party to off-balance financial instruments to help meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. The contractual amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. In most cases, the Company requires collateral or other security to support financial instruments with credit risk.

	December 31, 2023	December 31, 2022
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 47,871,000	$ 49,189,000
Stand-by letters of credit	$ 719,000	$ 819,000

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 of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer’s creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company, upon extension of credit is based on management’s credit evaluation. Collateral held varies, but may include unimproved and improved real estate, certificates of deposit, or personal property.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to businesses within the Company’s trade area.

The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company holds real estate and assignments of deposit accounts as collateral supporting those commitments for which collateral is deemed necessary. The extent of collateral held for these commitments at December 31, 2023 and 2022 varies.

The Company maintain an ACL on unfunded lending commitments and letters of credit to provide for the risk of loss inherent in these arrangements. The allowance is computed using a methodology similar to that used to determine the ACL for loans, modified to take into account the probability of a drawdown on the commitment. The ACL on unfunded loan commitments is classified as a liability account on the balance sheet within other liabilities, while the corresponding provision for these credit losses is recorded as a component of other expense. The allowance for credit losses on unfunded commitments was $140,000 at December 31, 2023. Prior to January 1, 2023, the Company calculated allowance for losses on unfunded loan commitments using an incurred loss methodology.

NOTE 10 - RELATED PARTY TRANSACTIONS

In the normal course of business, officers and directors of the Company and the Bank, and certain business organizations and individuals associated with them, maintain a variety of relationships with the Bank. Transactions with officers and directors are made on terms comparable to those available to other Bank customers. At December 31, 2023 and 2022, deposits from directors, executive officers, and their related interests aggregated approximately $2.4 million and $753,000, respectively. The following summary reflects related party loan activity during 2023 and 2022.

	2023	**2022**
Beginning balance	$ 493,989	$ 364,810
New loans and advancements	—	319,453
Repayments	(43,712)	(190,274)
Ending Balance	$ 450,277	$ 493,989

NOTE 11 - REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under certain adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

In July 2013, the Federal bank regulatory agencies issued a final rule that revised their risk-based capital requirements and the method for calculating components of capital and of computing risk-weighted assets to make them consistent with agreements that were reached by the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Act. The final rule applies to all depository institutions and, pursuant to the Federal Reserve Board's policy statements, to top-tier bank and savings and loan holding companies with total consolidated assets of $3.0 billion or more. The rule established a new common equity Tier 1 minimum capital requirement, increased the minimum capital ratios and assigned a higher risk weight to certain assets based on the risk associated with these assets. The final rule includes a transition period that implements the new regulations over a five-year period. These changes were fully phased in on January 1, 2019.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total common equity Tier 1, total and Tier 1 capital to risk-weighted assets and of Tier 1 capital to average assets. Management believes, as of December 31, 2023 and 2022, that the Bank met all capital adequacy requirements to which it is subject.

As of December 31, 2023 and 2022, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum common equity Tier 1 risk-based, total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth below. There are no conditions or events since that notification that management believes have changed the institution's category.

The Bank's actual capital amounts and ratios, and minimum amounts under current regulatory standards, as of December 31, 2023 and 2022, are presented in the following table:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)					
December 31, 2023:						
Common Equity Tier 1 Capital to Risk-Weighted Assets	$ 68,463	19.71%	$ 15,631	4.50%	$ 22,578	6.50%
Total Capital to Risk- Weighted Assets	$ 72,812	20.96%	$ 27,788	8.00%	$ 34,735	10.00%
Tier 1 Capital to Risk- Weighted Assets	$ 68,463	19.71%	$ 20,841	6.00%	$ 27,788	8.00%
Tier I Capital to Average Assets	$ 68,463	15.16%	$ 18,068	4.00%	$ 22,585	5.00%
December 31, 2022:						
Common Equity Tier 1 Capital to Risk-Weighted Assets	$ 67,153	21.32%	$ 14,172	4.50%	$ 20,470	6.50%
Total Capital to Risk- Weighted Assets	$ 71,094	22.57%	$ 25,194	8.00%	$ 31,492	10.00%
Tier 1 Capital to Risk- Weighted Assets	$ 67,153	21.32%	$ 18,895	6.00%	$ 25,194	8.00%
Tier I Capital to Average Assets	$ 67,153	16.22%	$ 16,558	4.00%	$ 20,697	5.00%

NOTE 12 - EMPLOYEE BENEFIT PLANS

401(k):

The Bank sponsors a 401(k) plan. The 401(k) plan covers substantially all employees and provides for an employer matching contribution based on a percentage of salary contributed to the plan. The Bank contributed approximately $169,000 and $193,000 to the 401(k) plan during 2023 and 2022, respectively.

Supplemental Executive Retirement Plans:

During 2019, the Bank entered into supplemental executive retirement agreements (each, a "SERP") with certain of its officers whereby a specified monthly benefit is payable upon a normal retirement for a period of 10 years. Each SERP is a nonqualified deferred compensation arrangement that conditions payment of the full normal retirement benefit upon an officer's attaining normal retirement age while in the service of the Bank. Otherwise, the retirement benefit is earned over time and, with the exception of the SERPs for a former and a current executive officer, is subject to a ten-year vesting schedule. Moreover, the amount and timing of payment of the retirement benefit may vary depending upon the circumstances of an officer's earlier termination of employment, including death, disability, or in connection with a change in control. The retirement benefit is forfeited in the event of a termination of employment for cause or if grounds exist for such a termination. The earnings on life insurance policies owned by the Bank partially offset the expenses associated with the offering of the SERPs and other employee benefits. The cash surrender value on these insurance policies was approximately $11.7 million and $11.4 million as of December 31, 2023 and 2022, respectively. Additionally, at December 31, 2023 and 2022, the Bank has recorded a liability for the present value of the future retirement benefits of approximately $876,000 and $913,000, respectively, to be paid under the SERPs. Expense for the SERPs was approximately $183,000 and $272,000 for the years ended December 31, 2023 and 2022, respectively. In determining the SERPs obligation for 2023 and 2022, the discount rate used was 4.00% and 4.74%, respectively.

Director Deferred Fee Practice:

The Bank has maintained a discretionary practice of paying a retirement benefit to eligible non-employee directors who attain at least age 70 in the service of the Bank with at least 15 years of service to their credit. Under this practice, each eligible retired director received a monthly benefit in the amount of $825. In anticipation of the Reorganization, the Bank decided to formalize and revise this practice in 2020. The Bank has relinquished its discretion over the practice with respect to eligible retired directors and current non-employee directors who satisfied the eligibility criteria for the benefit as of December 31, 2019. The normal retirement benefit for this group will be a monthly benefit in the amount of $825 a month for the remaining life of the director. With respect to all other non-employee directors serving as of December 31, 2019, the amount of the normal monthly benefit will remain unchanged, but will be paid over a period of 10 years following retirement or, if less, the director's remaining lifetime. The eligibility criteria for this group has been changed to the attainment of at least age 65 with at least 10 years of service. No future non-employee director will be eligible for a benefit under this formalized plan. The Bank has recorded and will continue to record a liability for these payments as post-retirement defined benefit obligations. The Bank recognized current year expense of $30,000 and $42,000 during the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, the Bank had a projected defined benefit obligation of approximately $415,000 and $433,000, respectively, assuming the continuation of its then existing practice. The discount rate used in determining the accumulated post-retirement defined benefit obligation was 4.54% in 2023, and 4.74% in 2022. As of December 31, 2023, the Company had $82,000 included in other comprehensive income associated with this plan,

Tax-Qualified Frozen Defined Benefit Pension Plan:

The Bank also sponsors a tax-qualified defined benefit retirement plan. Effective March 31, 2019, eligibility for the plan was frozen so that no employee who was not then a participant in the plan could later become a participant and to freeze benefit accruals for all existing participants. For existing participants, the plan provides for retirement payments based on a formula using a participant's years of creditable service and highest three years of annual compensation. Retirees age 66 and older are also eligible for an annual supplemental payment equal to one percent of their monthly benefit multiplied by the number of their retirement years beyond age 65. Participants who entered the plan prior to July 1, 1983, are also eligible for a one-time lump sum payment upon retirement after reaching age 55 equal to three times their monthly retirement benefit. A participant is also required to vest in any benefit earned under the plan formula by completing a minimum number of years of vesting service. The plan also provides for disability benefits and surviving spouse benefits in circumstances where the normal retirement benefit would not otherwise be payable.

The following is a summary of the components of the net periodic post-retirement benefit cost (benefit) during 2023 and 2022:

	2023	2022
Interest cost	$ 424,632	$ 318,035
Expected return on assets	(422,738)	(648,348)
Amortization of unrecognized loss	25,224	83,081
Periodic post-retirement cost (benefit)	$ 27,118	$ (247,232)

The discount rate used in determining the accumulated post-retirement benefit obligation was 4.77% and 4.96% in 2023 and 2022, respectively. The expected long-term rate of return on assets was 7.00% and 6.00% during 2023 and 2022, respectively. There was no assumed rate of salary increase used in measuring the accumulated post-retirement benefit obligation during 2023 or 2022.

Tax-Qualified Frozen Defined Benefit Pension Plan (Continued):

The Bank expects the plan to generate approximately $140,000 of periodic pension income during 2024. The following table presents the estimated benefit payments for each of the next five years and in the aggregate for the five years thereafter as of December 31, 2023:

2024	$	566,086
2025		566,849
2026		569,420
2027		566,028
2028		564,210
2029-2033		2,710,611
	$	5,543,204

The following is a reconciliation of the accumulated post-retirement benefit obligation as of December 31, 2023 and 2022:

		2023		2022
Projected benefit obligation at beginning of year	$	8,855,122	$	12,159,755
Interest cost		424,632		318,035
Actuarial loss (gain)		86,414		(3,034,835)
Benefits paid		(580,483)		(587,833)
Projected benefit obligation at end of year	$	8,785,685	$	8,855,122

The following is a summary of the change in plan assets during 2023 and 2022:

		2023		2022
Fair value of plan assets at beginning of year	$	7,369,637	$	9,587,893
Actual return (loss) on assets		1,196,133		(1,570,382)
Employer contributions		172,752		—
Administrative expenses		(57,615)		(60,041)
Benefits paid, net		(580,483)		(587,833)
Fair value of plan assets at end of year	$	8,100,424	$	7,369,637

The fair values of the Bank's pension plan assets at December 31, 2023 and 2022, by asset category, are as follows:

			Fair Value Measurements					
		Assets Measured at Fair Value		Level 1		Level 2		Level 3
December 31, 2023:								
Cash and cash equivalents	$	80,325	$	80,325	$	—	$	—
Debt securities mutual funds		2,556,666		2,556,666		—		—
Equity securities mutual funds		5,463,433		5,463,433		—		—
	$	8,100,424	$	8,100,424	$	—	$	—
December 31, 2022:								
Cash and cash equivalents	$	13,488	$	13,488	$	—	$	—
Debt securities mutual funds		2,410,250		2,410,250		—		—
Equity securities mutual funds		4,945,899		4,945,899		—		—
	$	7,369,637	$	7,369,637	$	—	$	—

The fair value of all pension assets are determined from quoted market prices and are considered Level 1 fair value measurements.

The plan's investment policy includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. Central to the policy are target allocation ranges by major asset categories. The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plan's actuarial assumptions and achieve asset returns that are competitive with like institutions employing similar investment strategies.

Tax-Qualified Frozen Defined Benefit Pension Plan (Continued):

The following is a summary of the amount recognized in other liabilities as of December 31, 2023 and 2022:

	2023	2022
Projected benefit obligation at end of year	$ 8,785,685	$ 8,855,122
Fair value of plan assets at end of year	(8,100,424)	(7,369,637)
Net pension liability	$ 685,261	$ 1,485,485

Amounts recognized in accumulated other comprehensive loss, net of tax, as of December 31, 2023 and 2022 were:

	2023	2022
Net loss	$ (456,673)	$ (1,111,263)
Total accumulated other comprehensive loss	$ (456,673)	$ (1,111,263)

Amounts recognized in the accumulated post-retirement benefit obligation and other comprehensive income (loss) for the years ended December 31, 2023 and 2022 were:

	2023	2022
Net gain	$ (629,366)	$ (756,064)
Amortization of net unrecognized loss	(25,224)	(83,081)
Total recognized in other comprehensive income	$ (654,590)	$ (839,145)

Employee Stock Ownership Plan:

As part of the Company's initial stock offering, the Company established the TC Federal Bank Employee Stock Ownership Plan ("ESOP") to provide eligible employees of the Company the opportunity to own Company stock. The ESOP is a tax-qualified retirement plan for the benefit of Company employees. Contributions are allocated to eligible participants on the basis of compensation, subject to federal limits. The Company uses the principal and interest method to determine the release of shares amounts. The number of shares committed to be released per year through 2040 is 19,593.

The ESOP funded its purchase of 391,868 shares through a loan from the Company equal to 100% of the aggregate purchase price of the common stock. The ESOP trustee will repay the loan principally through the Bank's contributions to the ESOP over the remaining loan term of 17 years. At December 31, 2023 and 2022, the remaining principal balance on the ESOP debt was $3.4 million and $3.6 million, respectively. Dividends and other earnings on shares are used for debt service.

Under applicable accounting requirements, the Company records compensation expense for the ESOP equal to the fair market value of shares when they are committed to be released from the suspense account to participants' accounts under the plan. Total compensation expense recognized in connection with the ESOP for the year ended December 31, 2023 and 2022 was approximately $233,000 and $221,000, respectively.

	2023	2022
Shares held by the ESOP include the following:		
Allocated	58,592	39,186
Committed to be allocated	—	—
Unallocated	333,088	352,682
Total	391,680	391,868

The fair value of unallocated shares was approximately $4.6 million and $5.3 million at December 31, 2023 and 2022, respectively.

Equity Plan:

On September 21, 2022, the Company's stockholders approved the TC Bancshares, Inc. 2022 Equity Incentive Plan ("Equity Plan"), which authorizes the issuance of up to 700,000 shares of the Company's common stock. This plan allows for the grant of stock options, restricted stock awards and other equity awards to its officers, employees, directors, advisors and consultants.

Stock options time-vest over a four year period and have been fair valued as of the date of the grant. A summary of stock option activity for the years ended December 31, 2023 and 2022 is presented below:

	2023			2022		
	Number of Options	Weighted Average Grant Date Fair Value		Number of Options	Weighted Average Grant Date Fair Value	
Stock Options						
Outstanding at beginning of year	357,510	$	4.08	—		—
Granted	—		—	357,510	$	4.08
Exercised	—		—	—		—
Forfeited	—		—	—		—
Outstanding at end of year	357,510	$	4.08	357,510	$	4.08

For the years ended December 31, 2023 and 2022, the Company recognized $226,000 and $361,000, respectively, in compensation cost related to stock options, which is included in salaries and employee benefits expense for our associates and in other noninterest expense for our directors in the accompanying consolidated statements of income. At December 31, 2023, there was $872,000 of unrecognized compensation cost related to stock options, which is expected to be recognized over a period of three years.

The estimated fair value of stock options granted during the year ended December 31, 2022, was determined as of the date of the grant, using the Black-Scholes options pricing model, under the following assumptions:

	2022
Average-risk-free interest rate	3.78 %
Expected life in years	6.00
Expected dividend yield	0.67 %
Expected stock volatility	21.60 %

Restricted stock awards time-vest over a four year period and have been fair valued as of the date of the grant. A summary of restricted stock activity for the years ended December 31, 2023 and 2022 is presented below:

	2023			2022		
	Number of shares	Weighted Average Grant Date Fair Value		Number of shares	Weighted Average Grant Date Fair Value	
Restricted Stock Awards						
Outstanding at beginning of year	123,992	$	14.85	—		—
Granted	—		—	156,590	$	14.85
Vested	(30,998)		14.85	(32,598)		14.85
Forfeited	—		—	—		—
Outstanding at end of year	92,994	$	14.85	123,992	$	14.85

For the years ended December 31, 2023 and 2022, the Company recognized $485,000 and $465,000, respectively, in compensation cost related to restricted stock awards, which is included in salaries and employee benefits expense for our associates and in other noninterest expense for our directors in the accompanying consolidated statements of income. At December 31, 2023, there was $1.4 million of unrecognized compensation cost related to restricted stock awards, which is expected to be recognized over a period of three years. For our associates, the terms of the restricted stock agreements permit the surrender of shares to the Company upon vesting in order to satisfy applicable tax withholding burdens, and accordingly 6,175 and 5,568 shares were surrendered during 2023 and 2022, respectively.

NOTE 13 - FAIR VALUE MEASUREMENT

The Company utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. From time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as impaired loans and other real estate owned. These nonrecurring fair value adjustments typically involve application of the lower of cost or market accounting or write-downs of individual assets. Additionally, the Company is required to disclose, but not record, the fair value of other financial instruments.

Fair Value Hierarchy

The Company groups assets at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 - Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 - Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 - Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Assets Recorded at Fair Value on a Recurring Basis. The table below presents the recorded amount of assets measured at fair value on a recurring basis as of December 31, 2023 and 2022, all of which consisted of investment securities available-for-sale:

	Level 1	Level 2	Level 3	Total
December 31, 2023:				
US treasuries	$ —	$ 9,533,835	$ —	$ 9,533,835
Mortgage-backed securities	—	9,412,836	—	9,412,836
Collateralized mortgage obligations	—	13,953,851	—	13,953,851
Municipal bonds	—	7,465,893		7,465,893
Corporate obligations	—	2,598,080	—	2,598,080
Investment securities available-for-sale	$ —	$ 42,964,495	$ —	$ 42,964,495
December 31, 2022:				
US treasuries	$ —	$ 9,324,532	$ —	$ 9,324,532
Mortgage-backed securities	—	8,732,033	—	8,732,033
Collateralized mortgage obligations	—	14,844,030	—	14,844,030
Municipal bonds		7,028,911	—	7,028,911
Corporate obligations	—	3,167,046	—	3,167,046
Investment securities available-for-sale	$ —	$ 43,096,552	$ —	$ 43,096,552

Assets Recorded at Fair Value on a Nonrecurring Basis. The Bank may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. Assets measured at fair value on a nonrecurring basis are included in the table below as of December 31, 2023 and 2022:

	Level 1	Level 2	Level 3	Total
December 31, 2023:				
Other real estate owned	$ —	$ —	$ —	$ —
Individually evaluated loans	—	—	623,301	623,301
	$ —	$ —	$ 623,301	$ 623,301
December 31, 2022:				
Other real estate owned	$ —	$ —	$ 683,800	$ 683,800
Impaired loans	—	—	—	—
	$ —	$ —	$ 683,800	$ 683,800

The following tables show significant unobservable inputs used in the fair value measurement of Level 3 assets:

	Fair Value	Valuation Technique	Unobservable Inputs	Weighted Average Discount
December 31, 2023:				
Other real estate owned	$ —	Third party appraisals and sales contracts	Collateral values, market discounts and estimated costs to sell	—
Individually evaluated loans	$ 623,301	Third party appraisals and discounted cash flows	Collateral values, market discounts and estimated costs to sell	11 %
December 31, 2022:				
Other real estate owned	$ 683,800	Third party appraisals and sales contracts	Collateral values, market discounts and estimated costs to sell	52 %
Impaired loans	$ —	Third party appraisals and discounted cash flows	Collateral values, market discounts and estimated costs to sell	—

The following methods and assumptions were used to estimate the fair value of each class of assets and liabilities either recorded or disclosed at fair value.

Cash and Cash Equivalents. The carrying value of cash and cash equivalents is a reasonable estimate of fair value.

Certificates of deposit with other banks. The carrying value of certificates of deposit with other banks is a reasonable estimate of fair value.

Investment Securities Available-for-Sale. Investment securities available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange and U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter market funds. Level 2 securities include mortgage-backed securities and collateralized mortgage obligations issued by government sponsored enterprises and state, county and municipal bonds. Securities classified as Level 3 include asset-backed securities in less liquid markets.

Other Investments. Other investments consist of FHLB and FRB stock whose carrying value approximates its fair value.

Mortgage Loans Held for Sale. The estimated fair value of mortgage loans held for sale, classified within Level 2, is approximated by the carrying value, given the short-term nature of the loans and similarly to what secondary markets are currently offering for portfolios of loans with similar characteristics.

Loans. The Company does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and a specific allocation is established within the allowance for credit losses. Loans for which it is probable that payment of interest and/or principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment using one of three methods, including collateral value, market value of similar debt, and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. Impaired loans in which an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price, the Bank records the impaired loan as nonrecurring Level 2. When an appraised value is utilized or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Bank records the impaired loan as nonrecurring Level 3.

Other Real Estate Owned. Other real estate owned properties are adjusted to fair value less estimated selling costs upon transfer of the loans to other real estate owned. Subsequently, other real estate owned assets are carried at the lower of carrying value or fair value. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value is based on an observable market price, the Bank records the other real estate owned as nonrecurring Level 2. When the fair value is based on an appraised value, or when an appraised value is not available, the Bank records the other real estate owned asset as nonrecurring Level 3.

Bank Owned Life Insurance. The carrying value of Bank Owned Life Insurance approximates fair value.

Commitments to Extend Credit. Commitments to extend credit are short-term and, therefore, the carrying value and the fair value are considered immaterial for disclosure.

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

Federal Home Loan Bank Advances. Federal Home Loan Bank advances are carried at cost and the fair value is obtained from the Federal Home Loan Bank of Atlanta.

The carrying amounts and estimated fair values of the Bank's financial instruments as of December 31, 2023 and 2022 are as follows:

	Carrying Amount	Fair Value Measurements at December 31, 2023			
		Total	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$ 25,039,214	$ 25,039,214	$ 25,039,214	$ —	$ —
Certificates of deposit with other banks	—	—	—	—	—
Investment securities available-for-sale	42,964,495	42,964,495	—	42,964,495	—
Other investments	1,629,150	1,629,150	—	1,629,150	—
Mortgage loans held for sale	289,111	289,111	—	289,111	—
Loans, net of deferred fees	376,899,968	366,563,968	—	—	366,563,968
Bank owned life insurance	11,729,019	11,729,019	11,729,019	—	—
Financial liabilities:					
Deposits	369,868,794	369,191,794	258,915,942	—	110,275,852
FHLB advances	11,000,000	11,068,109	—	—	11,068,109

	Carrying Amount	Fair Value Measurements at December 31, 2022			
		Total	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$ 25,545,872	$ 25,545,872	$ 25,545,872	$ —	$ —
Certificates of deposit with other banks	1,739,000	1,739,000	1,739,000	—	—
Investment securities available-for-sale	43,096,552	43,096,552	—	43,096,552	—
Other investments	1,377,500	1,377,500	—	1,377,500	—
Mortgage loans held for sale	2,085,099	2,085,099	—	2,085,099	—
Loans, net of deferred fees	338,501,049	318,195,000	—	—	318,195,000
Bank owned life insurance	11,442,653	11,442,653	11,442,653	—	—
Financial liabilities:					
Deposits	329,128,253	327,436,855	239,622,855	—	87,814,000
FHLB advances	11,000,000	10,953,000	—	—	10,953,000

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Bank's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Bank's financial instruments, fair value estimates are based on judgments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

NOTE 14 – STOCKHOLDERS' EQUITY AND EARNINGS PER SHARE

Stockholders' Equity:

On August 4, 2022, the Company announced the first of two programs to repurchase up to 250,000 shares of the Company's common stock. The second repurchase program was announced on June 27, 2023. Then on December 15, 2023, a third plan to repurchase up to 450,000 shares of the Company's outstanding shares was announced. Shares may be repurchased on the open market or through private transactions or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities and Exchange Commission. The timing and amount of repurchases depends on a number of factors including the availability of stock, general market conditions, the trading price of the stock, alternative uses for capital, and the Company's financial performance. During 2022, 75,172 shares of the Company's common stock had been repurchased at an average price of $14.44. During 2023, an additional 506,358 shares of the Company's common stock have been repurchased at an average price of $14.26 and subsequently retired prior to December 31, 2023. Additionally, during 2023, the Company retired the 75,172 shares previously repurchased during 2022 that were held in treasury stock as of December 31, 2022.

Earnings per Share:

Earnings per common share was computed based on the following:

	2023		2022	
Numerator:				
Income applicable to common shares	$	265,825	$	1,760,413
Denominator:				
Weighted average common shares outstanding		4,783,618		4,880,723
Effect of dilutive securities:				
Restricted stock		12,870		—
Stock options		—		1,200
Weighted average common shares outstanding - assuming dilution		4,796,488		4,881,923
Earnings per common share	$	0.06	$	0.36
Earnings per common share - assuming dilution	$	0.06	$	0.36

NOTE 15 – CONDENSED FINANCIAL STATEMENTS OF PARENT COMPANY

Financial information pertaining to TC Bancshares Inc. only is as follows:

CONDENSED BALANCE SHEETS

	December 31, 2023 (Dollars in thousands)		December 31, 2022	
ASSETS				
Cash and cash equivalents	$	10,611	$	18,456
Investment in TC Federal Bank		65,757		63,524
Other assets		3,490		3,642
Total assets	$	79,858	$	85,622
LIABILITIES				
Other liabilities	$	223	$	344
Total liabilities		223		344
STOCKHOLDERS' EQUITY				
Stockholders' equity		79,635		85,278
Total liabilities and stockholders' equity	$	79,858	$	85,622

CONDENSED STATEMENTS OF INCOME

	For the Year Ended			
	December 31, 2023 (Dollars in thousands)		December 31, 2022	
INCOME				
Interest income	$	120	$	121
EXPENSE				
Other expense		261		315
(Loss) Income before income tax expense and equity in undistributed net income of TC Federal Bank		(141)		(194)
Income tax (benefit) expense		(33)		(52)
Net (loss) income before equity in undistributed net income of TC Federal Bank		(108)		(142)
Equity in undistributed net income of TC Federal Bank		374		1,903
Net income	$	266	$	1,761

CONDENSED STATEMENTS OF CASH FLOW

	For the Year Ended	
	December 31, 2023	December 31, 2022
	(Dollars in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 266	$ 1,761
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Undistributed net income of TC Federal Bank	(374)	(1,903)
ESOP expense	271	240
Stock based compensation	711	827
Decrease in other assets	151	93
(Decrease) increase in other liabilities	(121)	316
Net cash provided by operating activities	904	1,334
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital contribution to TC Federal Bank	(981)	(1,067)
Net cash used in investing activities	(981)	(1,067)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends	(463)	(497)
Purchase of common stock	(6,063)	(1,085)
Repurchase of stock	(1,242)	(83)
Net cash used in financing activities	(7,768)	(1,665)
Net decrease in cash	(7,845)	(1,399)
Cash at beginning of year	18,456	19,855
Cash at end of year	$ 10,611	$ 18,456

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

Management's Annual Report on Internal Control Over Financial Reporting

The annual report does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the Company's registered public accounting firm due to a transition period established by rules of the SEC for newly public companies.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the quarter ended December 31, 2023, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Attestation Report of the Registered Public Accounting Firm

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. As an emerging growth company, management's report is not subject to attestation by the Company's registered public accounting firm pursuant to rules of the SEC that permit the Company to provide only management's report in this annual report.

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this Item 10 will be set forth in the definitive Proxy Statement for the Company's 2023, annual meeting of stockholders (the "Proxy Statement") to be filed with the SEC in advance of such meeting.

Item 11. Executive Compensation.

The information required by this Item 11 will be set forth in the Proxy Statement to be filed with the SEC.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this Item 12 will be set forth in the Proxy Statement to be filed with the SEC.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	**Weighted average exercise price of outstanding options, warrants and rights (b)**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)**
Plan Category			
Equity compensation plans approved by security holders	357,510	$14.85	185,900
Equity compensation plans not approved by security holders	--	--	--
Total at December 31, 2023	357,510	14.85	185,900

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this Item 13 will be set forth in the Proxy Statement to be filed with the SEC.

Item 14. Principal Accountant Fees and Services.

The information required by this Item 14 will be set forth in the Proxy Statement to be filed with the SEC.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a)(1) The following consolidated financial statements are located in Item 8 of this report:

(2) Exhibits.

The exhibits required to be filed with this report by Item 601 of Regulation S-K are set forth in the Exhibit Index below.

Exhibit Index

b)Exhibits:

Posted Exhibit Number	**Description**
3.1	Articles of Incorporation of TC Bancshares, Inc. (incorporated by reference to Exhibit 3.1 of the Company's Registration Statement on Form S-1 (Registration No. 333-254212) filed March 12, 2021).
3.2	Amended and Restated Bylaws of TC Bancshares, Inc. (incorporated herein by reference to Exhibit 3.1 of the Company's Form 8-K filed June 22, 2021).
4.1	Form of Common Stock Certificate of TC Bancshares, Inc. (incorporated by reference to Exhibit 4 of the Company's Registration Statement on Form S-1 (Registration No. 333-254212) filed March 12, 2021)
4.2	Description of TC Bancshares, Inc.'s Securities. (incorporated by reference to Exhibit 4.2 of the Company's Annual Report on Form 10-K for the year ended December 31, 2021)
10.1	Directors Deferred Compensation Plan. (incorporated by reference to Exhibit 10.1 of the Company's Amendment No. 1 to Registration Statement on Form S-1/A (Registration No. 333-254212) filed April 23, 2021)†
10.2	Amended and Restated Employment Agreement with G.H. Eiford. (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed January 31, 2023)†
10.3	Employment Agreement with Nat Higdon (incorporated by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 2021)†
10.4	Employment Agreement with S. McLean, (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed May 22, 2023)
10.5	Supplemental Executive Retirement Plan with G.H. Eiford (incorporated by reference to Exhibit 10.6 of the Company's Amendment No. 1 to Registration Statement on Form S-1/A (Registration No. 333-254212) filed April 23, 2021) †
10.6	Supplemental Executive Retirement Plans with N. Higdon (incorporated by reference to Exhibit 10.8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2021)†
10.7	Form of Split Dollar Agreement (Incorporated by reference to Exhibit 10.8 of the Company's Amendment No. 1 to Registration Statement on Form S-1/A (Registration No. 333-254212) filed April 23, 2021)†
10.8	TC Bancshares, Inc. 2022 Equity Incentive Plan (incorporated by reference to Appendix A of the Company's Proxy Statement in Schedule 14A filed on August 5, 2022)†
10.9	Form of Award Agreement for Stock Options (incorporated by reference to Exhibit 4.5 of the Company's Registration Statement on Form S-8 (No. 333-269024))†

10.10	Form of Award Agreement for Restricted Stock (incorporated by reference to Exhibit 4.6 of the Company's Registration Statement on Form S-8 (No. 333-269024))†
21	List of Subsidiaries (incorporated by reference to Exhibit 21 of the Company's Annual Report on Form 10-K for the year ended December 31, 2021)
23.1	Consent of Wipfli*
31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer *
31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer*
32	Section 1350 Certification of the Principal Executive Officer and Principal Financial Officer*
97	Policy relating to recovery of erroneously awarded compensation*
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) Consolidated Balance Sheets as of December 31, 2022 and December 31, 2021, (ii) Consolidated Statements of Income for the two-year period ended December 31, 2022, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Change in Equity for the two-year period ended December 31, 2022, (v) Consolidated Statements of Cash Flows for the two-year period ended December 31, 2022, and (vi) the Notes to Consolidated Financial Statements with detail tagging.*
104	The cover page from this Annual Report on Form 10-K, formatted in inline XBRL.*

* Filed herewith.

† Management contract or compensation plan or arrangement.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TC BANCSHARES, INC.

Date: March 22, 2024

By: /s/ Gregory H. Eiford
Gregory H. Eiford
Principal Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Gregory H. Eiford, or his attorneys-in-fact, for such person in any and all capacities, to sign any amendments to this report and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that either of said attorneys-in-fact, or substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Name	Title	Date
/s/ Gregory H. Eiford **Gregory H. Eiford**	President, Chief Executive Officer, Principal Executive Officer	March 22, 2024
/s/ Scott C. McLean **Scott C. McLean**	Executive Vice President, Chief Financial Officer, Principal Financial and Accounting Officer	March 22, 2024
/s/ G. Matthew Brown **G. Matthew Brown**	Director	March 22, 2024
/s/ Joshua Travis Bryant **Joshua Travis Bryant**	Director	March 22, 2024
/s/Peter A. DeSantis, III **Peter A. DeSantis, III**	Director	March 22, 2024
/s/Charles M. Dixon **Charles M. Dixon**	Director	March 22, 2024
/s/ Jefferson L. Johnson **Jefferson L. Johnson**	Director	March 22, 2024
/s/Fortson T. Rumble **Fortson T. Rumble**	Director	March 22, 2024
/s/Stephanie B. Tillman **Stephanie B. Tillman**	Chairman of the Board	March 22, 2024

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the registration statement on Form S-8 (File No. 333-269024) of our report, dated March 22, 2024, relating to the consolidated financial statements of TC Bancshares, Inc., which appear in TC Bancshares, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2023.

/s/ WIPFLI LLP

Atlanta, Georgia
March 22, 2024

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gregory H. Eiford, certify that:

1. I have reviewed this Report on Form 10-K for the year ended December 31, 2023 of TC Bancshares, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	By:	/s/ Gregory H. Eiford
March 22, 2024		**Gregory H. Eiford**
		Chief Executive Officer, President and Principal Executive Officer

Exhibit 31.2

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Scott C. McLean, certify that:

1. I have reviewed this Report on Form 10-K for the year ended December 31, 2023 of TC Bancshares, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:
March 22, 2024

By: /s/ Scott C. McLean
Scott C. McLean
Chief Financial Officer and Principal Financial Officer

Exhibit 32

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), the undersigned officers of TC Bancshares, Inc. (the "Company"), hereby certify that the Company's Annual Report on Form 10-K for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report") that:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 22, 2024	By:	/s/ Gregory H. Eiford **Gregory H. Eiford** **Chief Executive Officer, President and Principal Executive Officer**
Date: March 22, 2024	By:	/s/ Scott C. McLean **Scott C. McLean** **Chief Financial Officer and Principal Financial Officer**

Exhibit 97

TC BANCSHARES, INC.

Incentive Compensation Recovery Policy (the "Policy")

1. Recovery of Excess Incentive Compensation. If TC Bancshares, Inc. (the "Company") is required to prepare a Restatement, the Company's board of directors (the "Board")shall, unless the Board's Compensation Committee determines it to be Impracticable, take reasonably prompt action to recover all Recoverable Compensation from any Covered Person. The Company's obligation to recover Recoverable Compensation is not dependent on if or when the restated financial statements are filed. Subject to applicable law, the Board may seek to recover Recoverable Compensation by requiring a Covered Person to repay such amount to the Company; by adding "holdback" or deferral policies to incentive compensation; by adding post-vesting "holding" or "no transfer" policies to equity awards; by set-off of a Covered Person's other compensation; by reducing future compensation; or by such other means or combination of means as the Board, in its sole discretion, determines to be appropriate.This Policy is in addition to (and not in lieu of) any right of repayment, forfeiture or off-set against any Covered Person that may be available under applicable law or otherwise (whether implemented prior to or after adoption of this Policy). The Board may, in its sole discretion and in the exercise of its business judgment, determine whether and to what extent additional action is appropriate to address the circumstances surrounding any Restatement to minimize the likelihood of any recurrence and to impose such other discipline as it deems appropriate.

2. Administration of Policy. The Board shall have full authority to administer, amend or terminate this Policy. The Board shall, subject to the provisions of this Policy, make such determinations and interpretations and take such actions in connection with this Policy as it deems necessary, appropriate or advisable. All determinations and interpretations made by the Board shall be final, binding and conclusive. The Board may delegate any of its powers under this Policy to the Compensation Committee of the Board or any subcommittee or delegate thereof.

3. Acknowledgement by Executive Officers. The Board shall provide notice to and seek written acknowledgement of this Policy from each Executive Officer; provided that the failure to provide such notice or obtain such acknowledgement shall have no impact on the applicability or enforceability of this Policy.

4. No Indemnification. Notwithstanding the terms of any of the Company's organizational documents, any corporate policy or any contract, no Covered Person shall be indemnified against the loss of any Recoverable Compensation.

5. Disclosures. The Company shall make all disclosures and filings with respect to this Policy and maintain all documents and records that are required by the applicable rules and forms of the U.S. Securities and Exchange Commission (the "SEC") (including, without limitation, Rule 10D-1promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) and any applicable Exchange listing standard.

6. Definitions. In addition to terms otherwise defined in this Policy, the following terms, when used in this Policy, shall have the following meanings:

"Applicable Period" means the three completed fiscal years preceding the earlier to occur of: (i) the date that the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare a Restatement; or (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare a Restatement. "Applicable Period" also includes, in addition to the three fiscal year period described in the preceding sentence, any transition period (that results from a change in the Company's fiscal year) within or immediately following that completed three fiscal year period; *provided, further,* a transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months would be deemed a completed fiscal year.

"Covered Person" means any person who receives Recoverable Compensation.

"Exchange" means any national securities exchange or national securities association upon which the Company has a class of securities listed.

"Executive Officer"includes the Company's president, principal financial officer, principal accounting officer(or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person (including any executive officer of the Company's subsidiaries or affiliates) who performs similar policy-making functions for the Company. At a minimum, the term "Executive Officer" shall include all executive officers identified in SEC filings pursuant to Item 401(b) of Regulation S-K, 17 C.F.R. §229.401(b).

"Financial Reporting Measure" means a measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measure that is derived wholly or in part (including "non-GAAP" financial measures, such as those appearing in earnings releases) from such measures; provided, however, that any such measure need not be presented within the Company's financial statements or included in a filing made with the SEC. Examples of Financial Reporting Measures include measures based on: revenues, net income, operating income, financial ratios, liquidity measures, return measures (such as return on average assets or return on average tangible capital), and cost per employee. Stock price and total shareholder return ("TSR") also are Financial Reporting Measures.

"Impracticable"means,after exercising a normal due process review of all the relevant facts and circumstances and taking all steps required by Exchange Act Rule 10D-1 and any applicable Exchange listing standard, the Compensation Committee determines that recovery of the Recoverable Compensation is impracticable because: (i) it has determined that the direct expense that the Company would pay to a third party to assist in enforcing this Policy and recovering the otherwise Recoverable Compensation would exceed the amount to be recovered; (ii) it has concluded that the recovery of the Recoverable Compensation would violate home country law adopted prior to November 28, 2022; or (iii) it has determined that the recovery of the Recoverable Compensation would cause a tax-qualified retirement plan, under which benefits are broadly available to the Company's employees, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder. The Company must: (i) in the case of clause (i) of the preceding sentence, prior to making that determination, make a reasonable attempt to recover any Recoverable Compensation, document such reasonable attempt(s) to recover, and provide that documentation to the Exchange; and (ii) in the case of clause (ii) of the preceding sentence, obtain an opinion of home country counsel, acceptable to the Exchange, that recovery would result in such a violation, and provide that opinion to the Exchange.

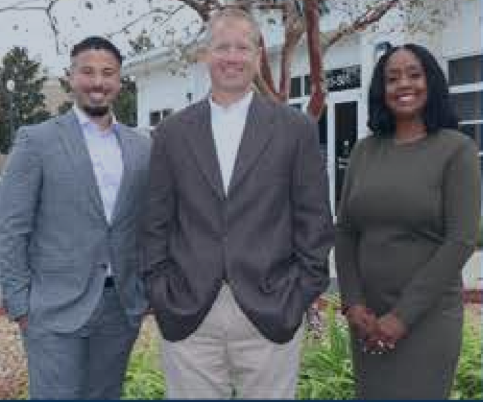
"Incentive-Based Compensation" means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure; however it does not include: (i) base salaries; (ii) discretionary cash bonuses; (iii) awards (either cash or equity) that are based upon subjective, strategic or operational standards;and (iv) equity awards that vest solely on the passage of time.

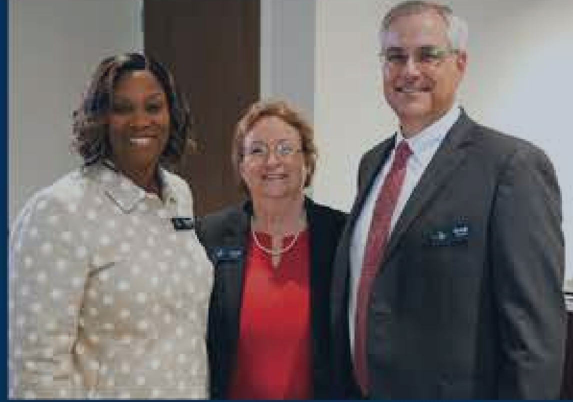
"Received" – Incentive-Based Compensation is deemed "Received" in any Company fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of the Incentive-Based Compensation occurs after the end of that period.

"Recoverable Compensation" means all Incentive-Based Compensation (calculated on a pre-tax basis) Received after August 10, 2023,by a Covered Person: (i) after beginning service as an Executive Officer; (ii) who served as an Executive Officer at any time during the performance period for that Incentive-Based Compensation; (iii) while the Company had a class of securities listed on an Exchange; and (iv) during the Applicable Period, that exceeded the amount of Incentive-Based Compensation that otherwise would have been Received had the amount been determined based on the Financial Performing Measures, as reflected in the Restatement. With respect to Incentive-Based Compensation based on stock price or TSR, when the amount of erroneously awarded compensation is not subject to mathematical recalculation directly from the information in an accounting restatement: (i) the amount must be based on a reasonable estimate of the effect of the Restatement on the stock price or TSR upon which the Incentive-Based Compensation Received by the Covered Person originally was based; and (ii) the Company must maintain documentation of the determination of the reasonable estimate and provide such documentation to the Exchange.

"Restatement"means an accounting restatement of any of the Company's financial statements due to the Company's material noncompliance with any financial reporting requirement under U.S. securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (often referred to as a "Big R" restatement), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (often referred to as a "little r" restatement). A Restatement does not include situations in which financial statement changes did not result from material non-compliance with financial reporting requirements, such as, but not limited to retrospective: (i) application of a change in accounting principles; (ii) revision to reportable segment information due to a change in the structure of the Company's internal organization; (iii) reclassification due to a discontinued operation; (iv) application of a change in reporting entity, such as from a reorganization of entities under common control; (v) adjustment to provision amounts in connection with a prior business combination; and (vi) revision for stock splits, stock dividends, reverse stock splits or other changes in capital structure.

Adopted by the Board of Directors on August 16, 2023



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TC BANCSHARES, INC.

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