

RBC, Inc. & Subsidiary

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

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January 19, 2024

Dear Fellow Shareholders,

I am pleased to share with you the results achieved by Robertson Banking Company in the past year and to share with you some of the economic forecasts for 2024.

Financial Performance

Our bank had a remarkable year in 2023, with earnings reaching \$7.0 million, a favorable increase compared to \$6.4 million in the previous year. This translates to an increase in earnings per share from \$12.18 in 2022 to \$13.51 in 2023. This was largely driven by strong loan closings and a significant improvement in the net interest margin. Our Return on Average Assets and Return on Average Equity were both excellent at 1.5% and 17.9%, respectively.

Balance Sheet Strength

Our total assets also reached a record high, closing the year at \$473 million, compared to \$444 million in 2022. Net loans increased to \$308 million from \$285 million in the previous year, an 8.4% increase. We are happy to report that our loan quality remains strong with low charge offs of 0.05%. Because of the long-expected recession, our previously mentioned loan growth, and the Fed's monetary policy and its possible effect on the loan portfolio, the bank took the cautionary step of significantly adding to the allowance for loan and lease reserve. The allowance equaled 1.6% of total loans at year end 2023.

The bank remains committed to maintaining capital well above levels required by regulation. The capital ratio declined in 2023 to 8.6%. This is the result of asset growth outpacing earnings retention. The capital ratio remains strong and above the 5.0% regulatory well capitalized level. Additionally, the bank's liquidity is excellent with \$45 million in cash and cash equivalents at year end 2023, an increase of \$11 million from the prior year.

Outlook for 2024

As we enter the new year, it's important to consider the economic landscape. According to J.P. Morgan Chase, the outlook is for "economic growth to decelerate in 2024 as the effects of monetary policy take a broader toll." They believe the rate hiking cycle is over, with the Fed holding rates at current levels until the middle of 2024. Other economic risks mentioned include a possible commercial real estate crisis and emerging geopolitical conflicts.

President's Letter (Continued)

Robertson Banking Company Events

Our program of exclusive events is crafted with our customers' interest in mind. In past years we invited customers to join us for talks presented by industry experts on such topics as stock market trends and investments presented by UBS. A speaker from the Federal Reserve Bank led a talk on interest rate forecast which was well attended by real estate investors. Another event hosted a Research Associate with the University of Georgia who spoke to area landowners on how to develop wildlife habitat for wild turkeys. A speaker with the Georgia-Alabama Land Trust shared information regarding conservation easements and land preservation.

This year the bank is organizing a series of quarterly events or educational talks tailored for improved use of everyday technology. Our staff members will conduct four events. The topics will focus on solving problems using technology such as Apple watches, health wearables for fitness, streaming services, fraud protection and mobile banking. Contact Samantha Collins in Administration if you are interested in an invitation to upcoming events sponsored by the bank.

In conclusion, I would like to express my gratitude to our dedicated Board of Directors for their unwavering support and contributions, to our exceptional staff, and to our loyal customers that have led Robertson Banking Company to success. Thank you to our Shareholders for choosing to invest in us.

Sincerely yours,

A handwritten signature in blue ink that reads "William Gary Holemon". The signature is fluid and cursive, with a long horizontal flourish at the end.

William Gary Holemon
Director, President, and Chief Executive Officer

RBC, Inc. and Subsidiary

Financial Highlights

<i>December 31,</i>	2023	2022	Percent Increase (Decrease)
Consolidated Balance Sheets			
Total assets	\$ 472,980,287	\$ 444,384,210	6.43%
Loans, net	308,490,716	284,569,427	8.41%
Total deposits	417,166,087	402,176,531	3.73%
Shareholders' equity	42,158,142	37,040,241	13.82%
Consolidated Statements of Income			
Net income	\$ 7,075,748	\$ 6,373,094	11.03%
Earnings per share	13.51	12.18	10.96%
Selected Ratios			
Net income to average total assets	1.54%	1.49%	
Net income to average shareholders' equity	17.87%	16.37%	
Allowance for loan losses to loans	1.63%	1.43%	
Average shareholders' equity to average total assets	8.63%	9.09%	
Common Stock			
Book value per share	\$ 80.47	\$ 70.77	
Cash dividend paid per share	8.00	7.25	
Weighted average shares outstanding	523,670	523,375	



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INDEPENDENT AUDITOR'S REPORT

To the Audit Committee of the Board of Directors
of RBC, Inc. and Subsidiary

Opinion

We have audited the accompanying consolidated financial statements of RBC, Inc. (a Delaware corporation) and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income (loss), changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RBC, Inc. and Subsidiary as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting

from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC
Enterprise, Alabama
February 9, 2024

RBC, Inc. & Subsidiary
Consolidated Balance Sheets

<i>December 31,</i>	2023	2022
Assets		
Cash and due from financial institutions	\$ 40,042,221	\$ 28,684,969
Federal funds sold	5,000,000	5,090,000
Cash and cash equivalents	45,042,221	33,774,969
Interest-bearing deposits in other financial institutions	751,516	1,001,718
Debt securities available for sale, at fair value	99,344,707	106,357,048
Loans, net of allowance for credit losses of \$4,751,463 and \$4,136,047 as of December 31, 2023 and 2022, respectively	308,490,716	284,569,427
Other restricted stock, at cost	1,391,400	992,000
Accrued interest receivable	1,703,575	1,442,241
Premises and equipment, net	6,340,469	6,377,788
Operating lease right-of-use assets, net	479,806	576,633
Bank owned life insurance	8,528,866	8,332,354
Other assets	907,011	960,032
Total assets	\$ 472,980,287	\$ 444,384,210
Liabilities and Shareholders' Equity		
Deposits		
Non-interest bearing	\$ 123,137,161	\$ 120,534,759
Interest bearing	294,028,926	281,641,772
Total deposits	417,166,087	402,176,531
Operating lease liabilities	540,211	643,929
Federal Home Loan Bank advances	8,000,000	-
Accrued interest payable and other liabilities	5,115,847	4,523,509
Total liabilities	430,822,145	407,343,969
Shareholders' equity		
Common stock, \$0.20 par value; 1,000,000 shares authorized; 734,137 shares issued at December 31, 2023 and 2022	146,827	146,827
Additional paid-in capital	3,058,726	3,014,669
Retained earnings	52,448,290	49,563,717
Accumulated other comprehensive income (loss)	(4,554,072)	(6,724,117)
Treasury stock, at cost (2023 - 210,241 shares; 2022 - 210,693 shares)	(8,941,629)	(8,960,855)
Total shareholders' equity	42,158,142	37,040,241
Total liabilities and shareholders' equity	\$ 472,980,287	\$ 444,384,210

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

RBC, Inc. & Subsidiary Consolidated Statements of Income

<i>For the years ended December 31,</i>	2023	2022
Interest and Dividend Income		
Loans, including fees	\$ 17,374,371	\$ 12,918,122
Interest and dividend income on securities	2,228,792	1,484,436
Federal funds sold and other	898,853	366,456
Total interest and dividend income	20,502,016	14,769,014
Interest Expense		
Deposits	3,798,965	770,797
Financing lease	63,512	60,302
Federal Home Loan Bank advances	148,376	-
Total interest expense	4,010,853	831,099
Net interest income	16,491,163	13,937,915
Credit loss expense - loans	785,000	150,000
Credit loss expense - off-balance sheet exposures	350,000	-
Total credit loss expense	1,135,000	150,000
Net interest income after credit loss expense	15,356,163	13,787,915
Non-Interest Income		
Service charges on deposits	812,276	873,112
Other service charges	1,368,057	1,431,972
Trust fees	162,706	167,918
Other	716,463	398,010
Total non-interest income	3,059,502	2,871,012
Non-Interest Expense		
Salaries and employee benefits	6,375,684	5,981,121
Occupancy and equipment	1,761,452	1,505,806
Director fees	300,000	255,725
ATM expenses	430,481	397,226
Administrative fees	222,880	237,353
Business Manager	1,354	6,184
Professional fees	248,474	192,316
Postage and shipping	125,650	119,546
Regulatory fees	264,625	173,375
Other	1,129,324	992,181
Total non-interest expense	10,859,924	9,860,833
Income before income taxes	7,555,741	6,798,094
Income tax expense	480,000	425,000
Net income	\$ 7,075,741	\$ 6,373,094
Earnings per Share	\$ 13.51	\$ 12.18

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

RBC, Inc. & Subsidiary
Consolidated Statements of Comprehensive Income (Loss)

<i>For the years ended December 31,</i>	2023	2022
Net income	\$ 7,075,741	\$ 6,373,094
Other comprehensive income (loss):		
Unrealized gain (loss) on securities:		
Unrealized holding gain(loss) arising during the period	2,320,902	(6,851,831)
Tax effect	(150,857)	445,371
Net of tax	2,170,045	(6,406,460)
Comprehensive income (loss)	\$ 9,245,786	\$ (33,366)

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

RBC, Inc. & Subsidiary
Consolidated Statements of Changes in Shareholders' Equity

	Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at December 31, 2021	734,137	146,827	2,989,557	46,969,474	(317,657)	(8,975,027)	40,813,174
Net income	-	-	-	6,373,094	-	-	6,373,094
Other comprehensive loss	-	-	-	-	(6,406,460)	-	(6,406,460)
Restricted treasury stock awarded (332 shares)	-	-	25,112	-	-	14,172	39,284
Cash dividends paid (\$7.25 per share)	-	-	-	(3,778,851)	-	-	(3,778,851)
Balance at December 31, 2022	734,137	146,827	3,014,669	49,563,717	(6,724,117)	(8,960,855)	\$37,040,241
Net income	-	-	-	7,075,741	-	-	7,075,741
Other comprehensive income	-	-	-	-	2,170,045	-	2,170,045
Restricted treasury stock awarded (452 shares)	-	-	44,057	-	-	19,226	63,283
Cash dividends paid (\$8.00 per share)	-	-	-	(4,191,168)	-	-	(4,191,168)
Balance at December 31, 2023	734,137	146,827	3,058,726	52,448,290	(4,554,072)	(8,941,629)	42,158,142

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

RBC, Inc. & Subsidiary Consolidated Statements of Cash Flows

<i>For the years ended December 31,</i>	2023	2022
Operating Activities		
Net income	\$ 7,075,741	\$ 6,373,094
Adjustments to reconcile net income to net cash		
from operating activities		
Credit loss expense	1,135,000	150,000
Net amortization (accretion) of debt securities	(151,982)	57,200
Depreciation and amortization of premises and equipment	405,452	371,054
Amortization of right-of-use assets	96,827	92,337
Net (gain) loss on sales of foreclosed real estate	(18,613)	-
(Gain) loss on disposal of fixed assets	(35,108)	95,801
(Earnings) losses on bank owned life insurance	(196,512)	(191,184)
Net change in operating assets and liabilities		
Right-of-use operating lease assets	-	(576,633)
Accrued interest receivable	(261,334)	(343,810)
Other assets	(97,836)	(37,936)
Accrued interest payable and other liabilities	318,958	185,211
Operating lease liabilities	(103,718)	551,592
Net cash provided by (used in) operating activities	8,166,875	6,726,726
Investing Activities		
Net change in interest-bearing deposits in		
other financial institutions	250,202	6,028
Available-for-sale securities:		
Maturities, prepayments and calls	20,081,507	7,680,000
Purchases	(10,596,282)	(41,742,923)
Sales (purchases) of other securities, at cost	(399,400)	(20,300)
Loan originations and payments, net	(24,766,289)	(21,747,704)
Additions to premises and equipment	(351,275)	(2,450,993)
Proceeds from the sale of premise and equipment	18,250	-
Proceeds from the sale of foreclosed assets	78,613	-
Net cash provided by (used in) investing activities	(15,684,674)	(58,275,892)
Financing Activities		
Net change in deposits	14,989,556	33,190,309
Proceeds from Federal Home Loan Bank advances	8,000,000	-
Proceeds from issuance of financing lease liabilities	-	2,053,911
Repayment of financing lease liabilities	(76,620)	(65,909)
Proceeds from issuance of treasury stock	63,283	39,284
Cash dividends paid	(4,191,168)	(3,778,851)
Net cash provided by (used in) financing activities	18,785,051	31,438,744
Net change in cash and cash equivalents	11,267,252	(20,110,422)
Beginning cash and cash equivalents	33,774,969	53,885,391
Ending cash and cash equivalents	\$ 45,042,221	\$ 33,774,969

-Continued-

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

RBC, Inc. & Subsidiary
Consolidated Statements of Cash Flows (Continued)

<i>For the years ended December 31,</i>	2023	2022
Supplemental cash flow information:		
Interest paid	\$ 3,665,556	\$ 717,399
Income taxes paid	413,475	209,390
Supplemental non cash disclosures:		
Lease liabilities arising from right-of-use operating lease assets	\$ -	\$ 740,185
Lease liabilities arising from right-of-use financing lease assets	-	2,053,911
Right-of-use assets purchased via operating lease	-	668,970
Right-of-use assets purchased via financing lease	-	2,065,385
Transfers from loans to real estate owned	60,000	-

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

RBC, Inc. & Subsidiary

Notes to the Consolidated Financial Statements

Note 1: DESCRIPTION OF THE BUSINESS

RBC, Inc. (Holding Company) and its wholly-owned subsidiary, Robertson Banking Company (the “Bank”), provide commercial banking services to customers through its offices in Marengo County, and the cities of Tuscaloosa and Birmingham, Alabama. Its primary deposit products are checking, savings, and term certificate accounts, and its primary lending products are real estate, residential and nonresidential, and commercial loans. Substantially all loans are secured by specific items of collateral including business assets, consumer assets, and commercial and residential real estate.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Holding Company and the Bank (collectively, the “Company”). The Company consolidates an entity if the Company has a controlling financial interest in the entity. All significant intercompany balances and transactions have been eliminated.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP consolidated financial statements requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to the allowance for credit losses.

Cash and Cash Equivalents

Cash and cash equivalents include cash and deposits with other financial institutions with original maturities fewer than 90 days, and federal funds sold. Net cash flows are reported for customer loan and deposit transactions, interest-bearing deposits in other financial institutions, and federal funds purchased and repurchase agreements.

Restrictions on Cash

Cash on hand or on deposit with the Federal Reserve Bank (FRB) was required to meet regulatory reserve and clearing requirements.

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest-Bearing Deposits in Other Financial Institutions

Interest-bearing deposits in other financial institutions mature within five years and are carried at cost.

Debt Securities

Debt securities not classified as held to maturity or trading are classified as available for sale. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method. A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on non-accrual is reversed against interest income.

Allowance for Credit Losses – Available for Sale Securities

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

Accrued interest receivable on available-for-sale debt securities totaled \$539,913 at December 31, 2023, and is excluded from the estimate of credit losses.

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their principal balance outstanding, net of deferred loan fees and costs, selling costs, and an allowance for credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Interest income on mortgage and commercial loans is discontinued and placed on a non-accrual status at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Mortgage loans are charged off at 180 days past due, and commercial loans are charged off to the extent principal or interest is deemed uncollectible. Consumer and credit card loans continue to accrue interest until they are charged off no later than 120 days past due unless the loan is in the process of collection. Past-due status is based on the contractual terms of the loan.

In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Non-accrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

All interest accrued but not received for loans placed on non-accrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Under the cover-recovery method, interest income is not recognized until the loan balance is reduced to zero. Under the cash-basis method, interest income is recorded when the payment is received. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Credit Losses - Loans

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

The current expected credit loss approach requires an estimate of the credit losses expected over the life of an exposure (or pool of exposures). It replaces the incurred loss approach's threshold that delayed the recognition of a credit loss until it was probable a loss event was incurred.

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Allowance for Credit Losses - Loans (continued)

The estimate of expected credit losses is based on relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. Historical loss experience is generally the starting point for estimating expected credit losses. The Company then considers whether the historical loss experience should be adjusted for asset-specific risk characteristics or current conditions at the reporting date that did not exist over the historical period used. The Company also considers future economic conditions and portfolio performance as part of a reasonable and supportable forecast period.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

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

Prior to January 1, 2023, when a loan was modified and a concession was made to a borrower experiencing financial difficulty, the modification was considered a troubled debt restructuring. An allowance for credit losses for loans that have been modified in a TDR is measured based on the present value of the expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the estimated fair value of the collateral, less any selling costs, if the loan is collateral dependent. Effective January 1, 2023, the Company adopted ASU 2022-02, *Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, which eliminated the accounting guidance for TDRs by creditors.

Modifications to borrowers experiencing financial difficulty may include interest rate reductions, principal or interest forgiveness, forbearances, term extensions, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of collateral. The most common loan modifications for all sectors involves modification of the loan term and the use of balloon payments.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist.

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Allowance for Credit Losses - Loans (continued)

The Company groups its loans into nine portfolio segments (pools): Real estate secured by 1-4 family residential; real estate secured by nonfarm – nonresidential; real estate secured by multi-family residential; real estate – farmland; real estate – construction, land development, and other land; commercial and industrial; consumer; tax free municipal; and other. The loss experience is determined by portfolio segment and is based on the actual losses experienced by the Company over the last twenty years. This actual loss experience is supplemented with other qualitative factors based on the risk present for each portfolio segment. The qualitative factors include consideration of the following:

- Levels of and trends in delinquencies and collateral-dependent loans and loan modifications made to borrowers experiencing financial difficulty
- Levels of and trends in charge-offs and recoveries
- Migration of loans to the classification of special mention, substandard, or doubtful
- Trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards
- Other changes in lending policies, procedures, and practices; experience, ability and depth of lending management and other relevant staff
- National and local economic trends and conditions; industry conditions; and effects of changes in credit concentration.

The following portfolio segments have been identified:

Real Estate – Residential

The Company originates residential mortgage real estate loans for the closed-end purchase or refinancing of mortgages for individual homeowners or rental properties. These loans are secured by 1-4 family residential properties primarily located in the Company's market area. The financial strength of the borrowers and collateral values of the properties are assessed as part of the underwriting criteria of these loans. Risks associated with these loans include reductions in cash flow of borrowers due to job loss or sickness and declines in collateral values of properties securing the loans.

Real Estate – Nonfarm, Nonresidential

Nonresidential loans are owner occupied loans where the primary sources of repayment are cash flows from the ongoing operations and activities conducted by the owners. Underwriting criteria for these loans require initial and on-going reviews of borrower cash flows. Economic conditions impacting cash flows of the borrowers or declines in collateral values are risks to this loan type.

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Allowance for Credit Losses - Loans (continued)

Real Estate – Multi-Family

The Company originates multi-family mortgage real estate loans for the closed-end purchase or refinancing of mortgages for apartment complexes and condominiums. These loans are secured by multi-family properties primarily located in the Company's market area. The financial strength of the borrowers, income from the properties, and collateral values of the properties are assessed as part of the underwriting criteria of these loans. Risks associated with these loans include reductions in cash flow of the property due to market conditions and vacancy rates and declines in collateral values of properties securing the loans.

Real Estate – Farmland

Farmland loans are loans secured by farm and timberland where the primary sources of repayment are cash flows from the farm and timber products originating from the operations and activities conducted by the owners. Underwriting criteria for these loans require initial and on-going reviews of borrower cash flows. Economic conditions impacting cash flows of the borrowers or declines in collateral values are risks to this loan type.

Real Estate – Construction, Land Development and Other Land

The Company originates construction loans to builders and commercial borrowers and, to a limited extent, loans to individuals for the construction of primary residences. These loans are secured by real estate. To the extent construction loans are not made to owner occupants of single-family homes, they are more vulnerable to changes in economic conditions.

Further, the nature of these loans is such that they are difficult to evaluate and monitor. The risk of loss on construction loans is dependent on the accuracy of initial estimates of property value upon completion of the projects, and the estimated costs (including interest) of the projects.

Commercial and Industrial

Commercial and industrial loans are made to small and medium sized companies in the Company's market area. Commercial loans are generally used for working capital purposes or for acquiring equipment, inventory or furniture. Primarily all of the Company's commercial loans are secured loans, along with a small amount of unsecured loans. 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. These loans are generally secured by accounts receivable, inventory and equipment.

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses - Loans (continued)

Commercial and Industrial (continued)

Commercial 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. The Company seeks to minimize these risks through its underwriting standards.

Sections 1102 and 1106 of the Coronavirus Aid, Relief and Economic Security (CARES) Act added a new loan program administered by the Small Business Administration ("SBA") entitled the Paycheck Protection Program ("PPP"). The PPP is intended to provide economic relief to small businesses through the United States that have been adversely impacted by COVID-19. PPP loans originated by the Company and outstanding as of December 31, 2022 and 2021 are included within this category. See Note 4 for further disclosures.

Consumer

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

Tax Free Municipal

These are obligations supported by the full, faith and credit of the obligor which is a type of city, state, or other political subdivision. Collateral for these loans generally consists of a promise to pay from monies allocated to a special fund established to service the debt or an otherwise unconditional promise to cover all required payments on the obligation.

Other Loans

Other loans are generally made to farmers for various purposes related to crops, livestock, related equipment/machinery, and other farm operations. Repayment is primarily dependent on the personal income of the borrower(s) and income from farming operations, which can be impacted by economic and other market conditions. As a general practice, the Company takes as collateral a security interest in the underlying crops, livestock, equipment, etc. Such loans are monitored via inspections and/or evaluations, as applicable.

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses (Prior to January 1, 2023)

The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance upon receipt. Management estimates the allowance balance required using loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposure

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet credit exposures is adjusted through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The Company considers such factors as current and projected general economic conditions, the interest rate environment, the rate of growth of the economy, and inflation when determining the expected credit losses.

The following categories of off-balance sheet credit exposures have been identified: Unused commitments to fund construction and land development loans, unfunded commitments for commercial and industrial loans, unfunded commitments for 1 – 4 family residential construction loans. The same risks characteristics exist for unfunded and unused commitments as those for loans in the same category.

Other Restricted Stock, at cost

Federal Home Loan Bank (FHLB) Stock

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

First National Bankers Bank (FNBB) Stock

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

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Premises and Equipment, net

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Buildings and related components generally are depreciated using the straight-line method with useful lives ranging from 5 to 50 years. Furniture, fixtures and equipment generally depreciate using the straight-line (or accelerated) method with useful lives ranging from 3 to 50 years.

Leases

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

At lease inception, the Company determines the lease term by considering the minimum lease term and all optional renewal periods that the Company is reasonably certain to renew. The lease term is also used to calculate straight-line rent expense. The depreciable life of leasehold improvements is limited by the estimated lease term, including renewals if they are reasonably certain to be renewed. The Company's leases do not contain residual value guarantees or material variable lease payments that will impact the Company's ability to pay dividends or cause the Company to incur additional expenses.

Operating lease expense consists of a single lease cost allocated over the remaining lease term on a straight-line basis, variable lease payments not included in the lease liability, and any impairment of the right-of-use asset. Rent expense and variable lease expense are included in occupancy and equipment expense on the Company's consolidated statements of income. The amortization of the right-of-use asset arising from finance leases is expensed through occupancy and equipment expense and the interest on the related lease liability is expenses through other expense on the Company's consolidated statements of income.

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

Bank Owned Life Insurance

The Bank has purchased life insurance policies on certain key employees. 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 charges or other amounts due that are probable at settlement.

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loan Commitments and Related Financial Instruments

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded. Instruments, such as standby letters of credit, that are considered financial guarantees are recorded at fair value at inception.

Stock-Based Compensation

Compensation cost is recognized for restricted stock awards issued to employees, based on the fair value of these awards at the grant date. The market price of the Company's common stock at the date of grant is used for restricted stock awards.

Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. The Company's accounting policy is to recognize forfeitures as they occur.

Income Taxes

The Company and its shareholders have elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. The Company's subsidiary corporation is a Qualified Subchapter S subsidiary (QSUB). Accordingly, the consolidated financial statements do not include a provision for federal income taxes because the Company does not incur federal income taxes. Instead, its earnings and losses are included in the shareholders' personal income tax returns and are taxed based on their personal tax strategies. The State of Alabama currently does not recognize S Corporations tax status for banks. The Company will continue to include a provision for the state tax effect of transactions reported in the consolidated financial statements.

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and the tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

Tax positions are recognized only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax position is recorded. The Company is subjected to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

The Company recognizes interest and/or penalties related to income tax matters in income tax expense.

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Earnings Per Share

Basic earnings per share represent income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. The weighted average number of common shares outstanding used to calculate earnings per share was 523,670 and 523,375 for the years ended December 31, 2023 and 2022, respectively.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on debt securities available for sale, which are also recognized as separate components of equity.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are such matters that will have a material effect on the consolidated financial statements.

Treasury Stock

Treasury stock is carried at cost.

Concentrations of Credit Risk

Most of the Company's business activity is with customers located in the Marengo County, Tuscaloosa, and Birmingham, Alabama region. Therefore, the Company's exposure to credit risk is significantly affected by changes in the economy of the area. The Company grants commercial, real estate and installment loans to its customers. Although the Company has a diversified loan portfolio, 89% and 87% of the portfolio is concentrated in loans secured by real estate as of December 31, 2023 and 2022, respectively.

Fair Value of Financial Instruments

Fair value of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

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

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 9, 2024, and determined there were no events that occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

Recent Accounting Standards

On January 1, 2023, the Company adopted ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which 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 costs, 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 method for all financial assets measured at amortized cost and off-balance-sheet credit exposures. Results for reporting 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.

Upon implementing ASC 326, the Company recorded an allowance for credit losses on off-balance-sheet credit exposures in the amount of \$350,000. While there was no impact on the total allowance for credit losses on loans, the amount of reserves required for each of the loan pools evaluated using the ASC 326 methodology shifted as a result of increasing the historical loss factor from five years to twenty years and adjusting that factor for projected future losses based on historical losses for each pool. The Company did not have any changes to the recorded amounts or allowances for credit losses related to securities.

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Standards (Continued)

On January 1, 2023, the Company adopted ASU 2022-02, *Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, which eliminated the accounting guidance for troubled debt restructurings (TDRs) by creditors while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. This ASU eliminates TDR recognition and measurement guidance and instead requires that an entity evaluate (consistent with the accounting for other loan modifications) whether the modification represents a new loan or a continuation of an existing loan. Beginning in the year of adoption, this ASU enhances disclosure requirements and introduces new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty.

On January 1, 2022, the Company adopted ASU 2016-02, *Leases (Topic 842)*, and subsequent amendments thereto, which requires the Company to recognize most leases on the balance sheet. The standard was adopted under a modified retrospective approach as of the date of the adoption and elected to apply several of the available practical expedients, including:

- Carryover of historical lease determination and lease classification conclusions
- Carryover of historical initial direct cost balances for existing leases
- Accounting for lease and non-lease components in contracts in which the Company is a lessee as a single lease component.

Adoption of the leasing standard resulted in the recognition of an operating right-of-use asset of \$668,970 and an operating lease liability of \$740,185 as of January 1, 2022. These amounts were determined based on the present value of remaining lease payments, discounted using the Company's incremental borrowing rate as of the date of adoption. Prior periods were not restated and continue to be presented under legacy GAAP. Disclosures about the Company's leasing activities are presented in Note 8 – Leases.

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 3: DEBT SECURITIES

The following table summarizes the amortized cost and fair value of securities available for sale at December 31, 2023 and 2022 and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2023				
Available-for-sale				
Municipal securities	\$ 41,400,079	\$ 49,306	\$ (2,035,094)	\$ 39,414,291
U.S. Government securities	53,197,286	13,534	(2,115,037)	51,095,783
Mortgage-backed securities - residential	5,014,485	-	(448,608)	4,565,877
Mortgage-backed securities - commercial	1,948,984	-	(249,517)	1,699,467
Corporate securities	2,654,539	2,867	(88,117)	2,569,289
Total available-for-sale	\$ 104,215,373	\$ 65,707	\$ (4,936,373)	\$ 99,344,707

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2022				
Available-for-sale				
Municipal securities	\$ 38,775,198	\$ 7,019	\$ (2,803,373)	\$ 35,978,844
U.S. Government securities	64,340,491	2,031	(3,577,606)	60,764,916
Mortgage-backed securities - residential	5,558,598	-	(446,452)	5,112,146
Mortgage-backed securities - commercial	1,974,912	6,371	(267,984)	1,713,299
Corporate securities	2,899,417	1,402	(112,976)	2,787,843
Total available-for-sale	\$ 113,548,616	\$ 16,823	\$ (7,208,391)	\$ 106,357,048

There were no sales or calls of securities during the years ended December 31, 2023 or 2022. There was no allowance for credit losses for securities-available-for-sale at December 31, 2023.

The amortized cost and fair values of debt securities are shown by contractual maturity. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 3: DEBT SECURITIES (Continued)

The amortized and fair value of debt securities at December 31, 2023 are as follows:

	Amortized Cost	Fair Value
Available-for-sale		
Within one year	\$ 24,803,599	\$ 24,349,296
One to five years	52,458,598	49,701,995
Five to ten years	16,358,489	15,405,344
Beyond ten years	3,631,218	3,622,728
Mortgage-backed securities - residential	5,014,485	4,565,877
Mortgage-backed securities - commercial	1,948,984	1,699,467
Total	\$ 104,215,373	\$ 99,344,707

Securities pledged at year-end 2023 and 2022 had a carrying amount of \$39,261,860 and \$35,932,718 and were pledged to secure public deposits and repurchase agreements.

At year-end 2023 and 2022, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholders' equity.

The following table summarizes debt securities available for sale in an unrealized loss position for which an allowance for credit losses has not been recorded at December 31, 2023, aggregated by major security type and length of time in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2023						
Available-for-sale						
Municipal securities	\$ 4,834,695	\$ (49,782)	\$ 29,595,184	\$ (1,985,312)	\$ 34,429,879	\$ (2,035,094)
U.S. Government securities	3,224,411	(9,945)	46,373,242	(2,105,092)	49,597,653	(2,115,037)
Mortgage backed securities	301,282	(2,500)	5,964,062	(695,625)	6,265,344	(698,125)
Corporate securities	-	-	2,106,258	(88,117)	2,106,258	(88,117)
Total available-for-sale	\$ 8,360,388	\$ (62,227)	\$ 84,038,746	\$ (4,874,146)	\$ 92,399,134	\$ (4,936,373)

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 3: DEBT SECURITIES (Continued)

Unrealized losses on securities available-for sale have not been recognized into income because the issuers are of high credit quality (rated AA or higher), management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions.

The following table summarizes securities with unrealized losses at December 31, 2022, aggregated by major security type and length of time in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<i>December 31, 2022</i>						
Available-for-sale						
Municipal securities	\$ 17,497,606	\$ (736,518)	\$ 16,923,422	\$ (2,066,852)	\$ 34,421,028	\$ (2,803,370)
U.S. Government securities	22,169,310	(671,385)	38,094,437	(2,906,222)	60,263,747	(3,577,607)
Mortgage backed securities	2,724,808	(160,538)	3,795,020	(553,899)	6,519,828	(714,437)
Corporate securities	1,884,134	(60,248)	446,189	(52,729)	2,330,323	(112,977)
Total available-for-sale	\$ 44,275,858	\$ (1,628,689)	\$ 59,259,068	\$ (5,579,702)	\$ 103,534,926	\$ (7,208,391)

As of December 31, 2023, the Company's security portfolio consisted of 273 securities, 254 of which were in an unrealized loss position. The majority of unrealized losses are related to the Company's Municipal securities, U.S. Government securities, and Mortgage backed securities, as discussed below:

Municipal Securities

The unrealized loss on 122 investments in Municipal securities resulted from interest rate changes and other temporary market influences. The contractual terms of the investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments.

Because the Company does not intend to sell the investments and it likely that the Company will not be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company has not recognized any unrealized losses on these securities for the year ending December 31, 2023.

Note 3: DEBT SECURITIES (Continued)

U.S. Government Securities

The unrealized loss on 103 investments in U.S. Government obligations and direct obligations of U.S. Government agencies was caused by market interest rate and repayment speed changes since the time these investments were acquired. The contractual terms of the investment does not permit the issuer to settle the security at a price less than the amortized cost bases of the investment. Because the Company does not intend to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company has not recognized unrealized losses into income as of December 31, 2023.

Mortgage-Backed Securities

The decline in fair value of 24 mortgage-backed securities was a result of change in interest rate and illiquidity, not a decline in credit quality. The Company purchased the investment at a discount relative to its face amount, and the contractual cash flows of the investment are guaranteed by an agency of the U.S. government. Accordingly, it is expected that the security would not be settled at a price less than the amortized cost basis of the Company's investment.

Because the decline in market value is attributable to the current interest rate environment and not credit quality, and because the Company does not intend to sell the investments and it is not likely that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company has not recognized unrealized losses at December 31, 2023.

Corporate Securities

The unrealized loss on 5 investments in corporate securities resulted from interest rate changes and other temporary market influences. The contractual terms of this investment do not permit the issuer to settle the security at a price less than the amortized cost basis of the investment. Because the Company does not intend to sell the investment and it is not likely that the Company will be required to sell the investment before recovery of its amortized cost basis, which may be maturity, the Company has not recognized losses at December 31, 2023.

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 4: LOANS

Loans at year-end were as follows:

	2023	2022
Real estate:		
Secured by 1-4 family residential properties	\$ 74,195,359	\$ 73,958,638
Secured by nonfarm, nonresidential properties	136,306,494	139,123,723
Secured by multi-family residential properties	16,249,335	19,318,216
Farmland	14,688,038	12,176,801
Construction, land development and other land	36,871,007	6,524,237
Commercial and industrial	18,609,491	21,913,514
Consumer	4,278,747	3,642,891
Tax free municipal	11,614,048	11,811,724
Other	1,035,997	836,664
Subtotal	313,848,516	289,306,408
Less: Net deferred loan fees and costs	(606,337)	(600,934)
Allowance for credit losses	(4,751,463)	(4,136,047)
Loans, net	\$ 308,490,716	\$ 284,569,427

Outstanding PPP loans originated as prescribed in the CARES Act represent \$1.3M as of December 31, 2022, and are included in the commercial and industrial category above. PPP loans are 100% guaranteed by the SBA and are forgivable in whole, or in part, if the proceeds are used by the borrower for payroll and other permitted purposes in accordance with the requirements of the PPP. If not forgiven in whole or in part, the loans carry a fixed interest rate of 1.00% per annum with payments deferred for 24 weeks from the date of the loan, plus another 10 months after the 24-week period. There were no PPP loans outstanding as of December 31, 2023.

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

	Real Estate	Commercial and Industrial	Consumer	Tax Free Municipal	Other	Total
December 31, 2023						
Allowance for credit losses:						
Beginning balance, prior to adoption of ASC 326	\$ 3,525,069	\$ 378,878	\$ 82,052	\$ 116,624	\$ 33,424	\$ 4,136,047
Credit loss expense	554,848	(53,102)	174,876	111,015	(2,637)	785,000
Loans charged-off	(56,751)	(102,467)	(48,885)	-	-	(208,103)
Recoveries	9,246	16,494	12,779	-	-	38,519
Total ending allowance balance	\$ 4,032,412	\$ 239,803	\$ 220,822	\$ 227,639	\$ 30,787	\$ 4,751,463

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 4: LOANS (Continued)

The following table presents the activity in the allowance for loan losses by portfolio segment for the year ended December 31, 2022:

	Real Estate	Commercial and Industrial	Consumer	Tax Free Municipal	Other	Total
<i>December 31, 2022</i>						
Allowance for loan losses:						
Beginning balance	\$ 3,596,598	\$ 480,916	\$ 72,155	\$ 43,240	\$ 13,795	\$ 4,206,704
Provision for loan losses	(34,766)	63,272	28,527	73,384	19,583	150,000
Loans charged-off	(164,168)	(205,011)	(27,318)	-	-	(396,497)
Recoveries	127,405	39,701	8,688	-	46	175,840
Total ending allowance balance	\$ 3,525,069	\$ 378,878	\$ 82,052	\$ 116,624	\$ 33,424	\$ 4,136,047

The following table represents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of December 31, 2022:

	Real Estate	Commercial and Industrial	Consumer	Tax Free Municipal	Other	Total
<i>December 31, 2022</i>						
Allowance for loan losses:						
Ending allowance balance attributable to loans:						
Individually evaluated for impairment	\$ -	\$ -	\$ 8,079	\$ -	\$ 22,028	\$ 30,107
Collectively evaluated for impairment	3,525,069	378,878	73,973	116,624	11,396	4,105,940
Total ending allowance balance	\$ 3,525,069	\$ 378,878	\$ 82,052	\$ 116,624	\$ 33,424	\$ 4,136,047
Loans:						
Loans individually evaluated for impairment	\$ 1,015,995	\$ 61,172	\$ 8,079	\$ -	\$ 51,435	\$ 1,136,681
Loans collectively evaluated for impairment	250,085,620	21,852,342	3,634,812	11,811,724	785,229	288,169,727
Total ending loans balance	\$ 251,101,615	\$ 21,913,514	\$ 3,642,891	\$ 11,811,724	\$ 836,664	\$ 289,306,408

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 4: LOANS (Continued)

The following table presents information related to impaired loans by class of loans as of and for the year ended December 31, 2022:

	Unpaid Principal Balance	Recorded Investment	for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
<i>December 31, 2022</i>						
With no related allowance recorded:						
Real estate	\$ 1,015,995	\$ 1,015,995	\$ -	\$ 1,034,452	\$ 38,372	\$ 37,580
Commercial and industrial	61,172	61,172	-	98,172	12,276	10,470
Subtotal	1,077,167	1,077,167	-	1,132,624	50,648	48,050
With an allowance recorded:						
Consumer	8,079	8,079	8,079	4,040	633	534
Other	51,435	51,435	22,028	52,700	-	-
Total	\$ 1,136,681	\$ 1,136,681	\$ 30,107	\$ 1,189,364	\$ 51,281	\$ 48,584

The recorded investment in loans excludes accrued interest receivable and loan origination fees, net due to immateriality. For purposes of this disclosure, the unpaid principal balance is not reduced for partial charge-offs.

Non-accrual loans and loans past due over 89 days still on accrual include both smaller balance homogenous loans that are collectively evaluated for impairment and individually classified impaired loans. Impaired loans include commercial loans that are individually evaluated for impairment and deemed impaired (i.e., individually classified impaired loans) as well as TDRs for all loan portfolio segments. The sum of non-accrual loans and loans past due over 89 days still on accrual will differ from the total impaired loan amount.

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 4: LOANS (Continued)

The following table presents the amortized cost basis of loans on nonaccrual status and loans past due over 89 days still accruing as of December 31, 2023:

<i>December 31, 2023</i>	Non-accrual With No Allowance For Credit Loss	Non-accrual	Loans Past Due Over 89 Days Still Accruing
Real estate:			
Secured by 1-4 family residential	\$ 399,181	\$ 399,181	\$ 121,479
Secured by nonfarm, nonresidential	1,067,880	1,067,880	67,031
Commercial and industrial	-	-	11,033
Consumer	83,084	83,084	-
Other	-	42,435	-
Total	\$ 1,550,145	\$ 1,592,580	\$ 199,543

The following tables present the recorded investment in non-accrual and loans past due over 89 days still on accrual by class of loans as of December 31, 2022:

<i>December 31, 2022</i>	Non-accrual	Loans Past Due Over 89 Days Still Accruing
Real estate:		
Secured by 1-4 family residential	\$ 331,498	\$ -
Secured by nonfarm, nonresidential	108,040	-
Secured by multi-family residential	-	-
Farmland	-	-
Construction, land development and other land	-	-
Commercial and industrial	160,200	-
Consumer	-	2,785
Tax free municipal	-	-
Other	51,435	-
Total	\$ 651,173	\$ 2,785

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 4: LOANS (Continued)

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

<i>December 31, 2023</i>	Secured by Real Estate	Other
Real estate:		
Secured by 1-4 family residential	\$ 1,228,929	\$ -
Secured by nonfarm, nonresidential	1,067,880	-
Farmland	529,948	-
Other	-	42,435
Total	\$ 2,826,757	\$ 42,435

The following table presents the aging of the amortized cost basis in past-due loans as of December 31, 2023 and 2022 by class of loans:

	30-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Loans Not Past Due	Total
<i>December 31, 2023</i>					
Real estate					
Secured by 1-4 family residential	\$ 1,455,716	\$ 121,479	\$ 1,577,195	\$ 72,618,164	\$ 74,195,359
Secured by nonfarm, nonresidential	26,906	67,031	93,937	136,212,557	136,306,494
Secured by multi-family residential	-	-	-	16,249,335	16,249,335
Farmland	-	-	-	14,688,038	14,688,038
Construction, land development and other land	-	-	-	36,871,007	36,871,007
Commercial and industrial	102,523	11,033	113,556	18,495,935	18,609,491
Consumer	2,528	-	2,528	4,276,219	4,278,747
Tax free municipal	-	-	-	11,614,048	11,614,048
Other	-	-	-	1,035,997	1,035,997
Total	\$ 1,587,673	\$ 199,543	\$ 1,787,216	\$ 312,061,300	\$ 313,848,516

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 4: LOANS (Continued)

	30-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Loans Not Past Due	Total
<i>December 31, 2022</i>					
Real estate					
Secured by 1-4 family residential	\$ 358,474	\$ -	\$ 358,474	\$ 73,600,164	\$ 73,958,638
Secured by nonfarm, nonresidential	1,199,306	108,040	1,307,346	137,816,377	139,123,723
Secured by multi-family residential	-	-	-	19,318,216	19,318,216
Farmland	-	-	-	12,176,801	12,176,801
Construction, land development and other land	-	-	-	6,524,237	6,524,237
Commercial and industrial	139,719	-	139,719	21,773,795	21,913,514
Consumer	63,338	2,785	66,123	3,576,768	3,642,891
Tax free municipal	-	-	-	11,811,724	11,811,724
Other	613	-	613	836,051	836,664
Total	\$ 1,761,450	\$ 110,825	\$ 1,872,275	\$ 287,434,133	\$ 289,306,408

Loan Modifications Made to Borrowers Experiencing Financial Difficulty

Modifications to borrowers experiencing financial difficulty may include interest rate reductions, principal or interest forgiveness, forbearances, term extensions, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of collateral. In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the Company's internal underwriting policy.

As of December 31, 2023 and 2022, the Company has no significant modifications in place with borrowers experiencing financial difficulty.

Note 4: LOANS (Continued)

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, 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 includes loans with an outstanding balance greater than \$50,000 and non-homogeneous loans, such as commercial and commercial real estate loans. This analysis is performed on at least an annual basis. The Company uses the following definitions for risk ratings:

Special Mention. Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

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

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

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass-rated loans. Loans excluded from the review process above are generally classified as pass credits until: (a) they become past due; (b) management becomes aware of deterioration in the credit worthiness of the borrower; or (c) the customer contacts the Company for a modification. In these circumstances, the loan is specifically evaluated for potential classification as to special mention, substandard, doubtful or even charge off.

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 4: LOANS (Continued)

Credit Quality Indicators (continued)

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

	Pass	Special Mention	Substandard	Total
<i>December 31, 2023</i>				
Real estate:				
Secured by 1-4 family residential properties	\$ 72,394,653	\$ 889,101	\$ 911,605	\$ 74,195,359
Secured by nonfarm, nonresidential properties	132,923,307	2,355,432	1,027,755	136,306,494
Secured by multi-family residential properties	16,249,335	-	-	16,249,335
Farmland	13,817,962	870,076	-	14,688,038
Construction, land development and other land	36,871,007	-	-	36,871,007
Commercial and industrial	18,411,859	84,993	112,639	18,609,491
Consumer	4,038,700	123,642	116,405	4,278,747
Tax free municipal	11,614,048	-	-	11,614,048
Other	993,562	-	42,435	1,035,997
Total	\$ 307,314,433	\$ 4,323,244	\$ 2,210,839	\$ 313,848,516

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 4: LOANS (Continued)

Credit Quality Indicators (continued)

	Pass	Special Mention	Substandard	Total
<i>December 31, 2022</i>				
Real estate:				
Secured by 1-4 family				
residential properties	\$ 72,537,287	\$ 567,099	\$ 854,252	\$ 73,958,638
Secured by nonfarm,				
nonresidential properties	135,136,792	3,878,891	108,040	139,123,723
Secured by multi-family				
residential properties	19,097,543	-	220,673	19,318,216
Farmland	11,658,632	518,169	-	12,176,801
Construction, land develop-				
ment and other land	6,524,237	-	-	6,524,237
Commercial and industrial	21,453,212	350,643	109,659	21,913,514
Consumer	3,396,843	137,979	108,069	3,642,891
Tax free municipal	11,811,724	-	-	11,811,724
Other	785,229	-	51,435	836,664
Total	\$ 282,401,499	\$ 5,452,781	\$ 1,452,128	\$ 289,306,408

Note 5: FAIR VALUE

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of input that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 5: FAIR VALUE (Continued)

The Company used the following methods and significant assumptions to estimate fair value:

Investment Securities

The fair value for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2), using matrix pricing. Matrix pricing is a mathematical technique commonly used to price debt securities that are not actively traded, values debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

Impaired Loans

The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination or approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available for similar loans and collateral underlying such loans. Such adjustments were a 20% distressed sale discount, a discount for cost of liquidation (including commissions, property taxes, and insurance premium), and legal fees and resulted in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Impaired loans are evaluated on at least an annual basis for additional impairment and adjusted in accordance with the allowance policy.

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 5: FAIR VALUE (Continued)

Assets measured at fair value on a recurring basis are summarized as follows:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets For Identical Asset (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Observable Inputs (Level 3)
December 31, 2023				
Municipal securities	\$ 39,414,291	\$ -	\$ 39,414,291	\$ -
U.S. Government securities	51,095,783	-	51,095,783	-
Mortgage-backed securities - residential	4,565,877	-	4,565,877	-
Mortgage-backed securities - commercial	1,699,467	-	1,699,467	-
Corporate securities	2,569,289	-	2,569,289	-
Total	\$ 99,344,707	\$ -	\$ 99,344,707	\$ -
December 31, 2022				
Municipal securities	\$ 35,978,844	\$ -	\$ 35,978,844	\$ -
U.S. Government securities	60,764,916	-	60,764,916	-
Mortgage-backed securities - residential	5,112,146	-	5,112,146	-
Mortgage-backed securities - commercial	1,713,299	-	1,713,299	-
Corporate securities	2,787,843	-	2,787,843	-
Total	\$ 106,357,048	\$ -	\$ 106,357,048	\$ -

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 5: FAIR VALUE (Continued)

Assets measured at fair value on a nonrecurring basis are summarized below:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Asset Fair Value	Significant Other Observable Inputs (Level 2)	Significant Observable Inputs (Level 3)	Significant Observable Inputs (Level 3)
December 31, 2023				
Impaired loans:				
Other	\$ 232,654	\$ -	\$ -	\$ 232,654
December 31, 2022				
Impaired loans:				
Other	\$ 29,407	\$ -	\$ -	\$ 29,407

The following table presents qualitative information about level 3 fair value measurements for assets measured at fair value on a non-recurring basis at December 31, 2023 and 2022:

	Fair Value	Valuation Technique(s)	Unobservable Input(s)	Quantitative Unobservable Inputs
				Inputs
December 31, 2023				
Impaired loans - Other	\$ 232,654	Discount to appraised value of collateral	Appraisal comparability adjustments	20%
December 31, 2022				
Impaired loans - Other	\$ 29,407	Discount to appraised value of collateral	Appraisal comparability adjustments	20%

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 6: PREMISES AND EQUIPMENT

Year-end premises and equipment were as follows:

<i>December 31,</i>	2023	2022
Bank premises	\$ 5,938,068	\$ 5,938,068
Furniture, fixtures, and equipment	3,974,041	4,035,666
Finance lease right-of-use assets	2,065,385	2,065,385
	11,977,494	12,039,119
Less: accumulated depreciation and amortization	(5,637,025)	(5,661,331)
Total	\$ 6,340,469	\$ 6,377,788

Depreciation and amortization expense was \$405,452 and \$463,391 for 2023 and 2022, respectively.

Note 7: LEASES

The Company entered into leases in the normal course of business primarily for branch locations and back-office operations locations. The Company's leases have remaining terms ranging from 5 to 18 years, some of which include renewal or termination options to extend the lease for up to 10 years.

Right-of-use assets and lease liabilities by lease type, and the associated balance sheet classifications, are as follows:

Balance Sheet Classification		2023	2022
Right-of-use assets:			
Operating leases	Right-of-use operating lease assets	\$ 479,806	\$ 576,633
Finance leases	Premises and equipment, net	1,858,847	1,962,116
Total right-of-use assets		\$ 2,338,653	\$ 2,538,749
Lease liabilities:			
Operating leases	Operating lease liabilities	\$ 540,211	\$ 643,929
Finance leases	Accrued interest payable and other liabilities	1,913,829	1,988,002
Total lease liabilities		\$ 2,454,040	\$ 2,631,931

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 7: LEASES (Continued)

Lease Expense

The components of total lease cost were as follows for the period ending:

<i>December 31,</i>	2023	2022
Finance lease cost		
Right-of-use asset amortization	\$ 103,269	\$ 103,269
Interest expense	63,512	60,302
Operating lease cost	123,695	123,695
Total lease cost, net	\$ 290,476	\$ 287,266

Lease Obligation

Future undiscounted lease payments for operating and finance leases with initial terms of one year or more as of December 31, 2023 are as follows:

<i>For the years ending December 31,</i>	Operating Leases	Finance Leases
2024	\$ 133,213	\$ 137,685
2025	135,866	137,685
2026	138,568	137,685
2027	141,343	138,639
2028	47,425	139,594
Thereafter	-	1,845,816
Total future minimum lease payments	596,415	2,537,104
Less: imputed interest	56,204	623,275
Present value of lease liabilities	\$ 540,211	\$ 1,913,829

<i>December 31,</i>	2023	2022
Weighted-average remaining lease term:		
Operating leases	4.34 years	5.34 years
Finance Leases	18.01 years	19.01 years
Weighted-average discount rate:		
Operating leases	4.50 %	4.50 %
Finance leases	3.25 %	3.25 %

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 8: DEPOSITS

Time deposits that meet or exceed the FDIC Insurance limit of \$250,000 at year-end 2023 and 2022 were \$38,356,629 and \$28,383,900, respectively.

Scheduled maturities of time deposits for the next five years were as follows:

For the years ending December 31,

2024	\$ 81,681,072
2025	5,293,212
2026	2,290,961
2027	1,250,104
2028	1,221,860
Total	\$ 91,737,209

Note 9: FEDERAL HOME LOAN BANK ADVANCES

At year-end, advances from the Federal Home Loan Bank were \$8,000,000 and \$0 for the years ending December 31, 2023 and 2022. The outstanding balance as of December 31, 2023, is comprised of a fixed rate hybrid advance of \$3,000,000, bearing interest at 3.551%, due in 2027 and a convertible advance of \$5,000,000, bearing interest at 3.692%, due in 2028.

Each advance is payable at its maturity date, with a prepayment penalty for fixed rate advances. The convertible advance is callable at the Federal Home Loan Bank's option every ninety days. As of the date of the report, the advance had not been called. The advances were collateralized by \$33,101,575 and \$35,222,251 of 1-4 family residential mortgage loans under a blanket lien arrangement at year end 2023 and 2022. The Company is eligible to borrow up to a total of \$113,226,500 at year-end 2023.

At December 31, 2023, the Company also had two unsecured federal funds lines of credit with other financial institutions enabling the Company to borrow up to \$17,000,000, with interest determined at the time of the draw. The arrangements are reviewed annually for renewal of each credit line.

Note 10: PROFIT SHARING PLAN

The Company offers the benefit of participating in a 401(k) profit sharing plan to eligible employees. A safe harbor non-elective contribution is made to the account of each eligible employee in an amount equal to 3% of the employee's compensation for the plan year. Profit sharing contributions may also be made at the Company's discretion, which will be allocated among all eligible employees. All Company contributions are subject to certain limitations set by law. Expense for 2023 and 2022 was \$404,700 and \$368,184 respectively.

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 11: INCOME TAXES

Income tax expense (benefit) was as follows:

<i>For the years ended December 31,</i>	2023	2022
Current expense (benefit)		
State	\$ 480,000	\$ 425,000
Deferred expense (benefit)	-	-
Total	\$ 480,000	\$ 425,000

The provision for state income taxes differs from that computed by applying statutory rates to income before income tax expense primarily due to tax exempt interest income and other non-deductible expenses.

Year-end deferred tax assets and liabilities were due to the following:

<i>December 31,</i>	2023	2022
Deferred tax assets:		
Provision for loan losses	\$ 259,693	\$ 259,693
Net unrealized losses on securities available for sale	316,593	467,452
Total deferred tax assets	576,286	727,145
Deferred tax liabilities:		
Depreciation	(43,341)	(43,341)
Net deferred tax assets	\$ 532,945	\$ 683,804

Note 12: RELATED-PARTY TRANSACTIONS

Loans to principal officers, directors, and their affiliates during 2023 were as follows:

Beginning balance	\$ 1,904,373
New loans	66,290
Repayments	(593,248)
Ending balance	\$ 1,377,415

Standby letters of credit granted to principal officers, directors, and their affiliates consisted of \$5,019,450 and \$5,018,000 at December 31, 2023 and 2022, respectively.

Deposits from principal officers, directors, and their affiliates at year-end 2023 and 2022 were \$3,729,234 and \$7,917,936.

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 13: STOCK INCENTIVE PLANS

The Company has a stock incentive plan for certain key employees that provides for the granting of restricted stock, incentive and performance shares. The total number of shares of stock subject to issuance under the plan may not exceed 10,000 shares. The Board of Directors determines the terms of the restricted stock granted.

Performance shares awarded annually are subject to a calculation based on amounts and ratios reflected in the call report of the Company at calendar year end and are subject to any adjustments determined by the Board of Directors. As of the year ended December 31, 2023 and 2022, performance shares of 2,206 and 1,855, respectively, have been awarded to employees since the inception of the stock incentive plan. These shares have vesting periods of 4 years held as treasury stock to satisfy share option exercises. Currently, the Company has a sufficient number of treasury shares to satisfy expected share option exercises.

A summary of the activity in the stock incentive plan for 2023 follows:

	Number of Shares	Weighted - Average Exercise Price
Outstanding at beginning of year	1,762	\$ 69.27
Granted	351	140.00
Outstanding at end of year	2,113	\$ 81.02
Fully vested and exercisable at end of year	1,402	

There was \$292,887 and \$286,634 of total unrecognized compensation expense related to the unvested shares as of December 31, 2023 and 2022, respectively.

Note 14: REGULATORY CAPITAL MATTERS

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2023, the Company and Bank meet all capital adequacy requirements to which they are subject.

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 14: REGULATORY CAPITAL MATTERS (Continued)

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are distributions required. At year-end 2023 and 2022, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

Actual and required capital amounts (in thousands) and ratios are presented below at year-end.

	Actual		Required for Capital Adequacy Purposes		To Be Well Capitalized Under Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2023						
Total Capital to risk weighted assets						
Bank	\$ 47,394	13.51%	\$ 28,055	8.00%	\$ 35,068	10.00%
Tier 1 (Core) Capital to risk weighted assets						
Bank	43,002	12.26%	21,041	6.00%	28,055	8.00%
Common Tier 1 (CET1) to risk weighted assets						
Bank	43,002	12.26%	15,781	4.50%	22,794	6.50%
Tier 1 (Core) Capital to average assets						
Bank	43,002	9.40%	18,306	4.00%	22,882	5.00%

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 14: REGULATORY CAPITAL MATTERS (Continued)

	Actual		Required for Capital Adequacy Purposes		To Be Well Capitalized Under Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<i>December 31, 2022</i>						
Total Capital to risk weighted assets						
Bank	\$ 43,530	12.85%	\$ 27,093	8.00%	\$ 33,866	10.00%
Tier 1 (Core) Capital to risk weighted assets						
Bank	39,394	11.63%	20,320	6.00%	27,093	8.00%
Common Tier 1 (CET1) to risk weighted assets						
Bank	39,394	11.63%	15,240	4.50%	22,013	6.50%
Tier 1 (Core) Capital to average assets						
Bank	39,394	9.10%	17,308	4.00%	21,635	5.00%

Dividend Restrictions

The Company and the Bank are subject to dividend restrictions set forth by the State Banking Department and federal banking agencies. Additional restrictions may be imposed by the State Banking Department and federal banking agencies under the powers granted to them by law. The Bank can pay in the form of dividends the current year earning plus the retained earnings of the two preceding years, less any required transfers to surplus. Amounts in excess of this must be approved by regulatory agencies.

Note 15: LOAN COMMITMENTS AND OTHER RELATED ACTIVITIES

The Company is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the accompanying consolidated balance sheets.

The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company uses the same credit policies in making commitments as it does for on-balance-sheet instruments.

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 15: LOAN COMMITMENTS AND OTHER RELATED ACTIVITIES (Continued)

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

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

<i>December 31,</i>	2023	2022
Unfunded home equity lines	\$ 8,524,204	\$ 9,222,632
Commitments secured by real estate:		
1 - 4 family residential construction loans	1,763,676	2,064,436
Construction, land development, and other land	15,666,835	8,001,506
Commitments to fund commercial and industrial loans	6,903,764	8,010,139
All other unfunded commitments	32,147,853	49,805,327
Standby letters of credit	5,019,450	5,018,000

Commitments to grant loans and unadvanced construction funds 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. The commitments for lines of credit may expire without being drawn upon; therefore, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's credit worthiness on a case-by-case basis. Mortgage loans, construction loans, and home equity lines of credit are collateralized by real estate. Commercial lines of credit are generally secured by real estate or business assets or may be unsecured, and cash reserve lines of credit are unsecured.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance by a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to its customers. The Company's outstanding letters of credit generally have a term of less than one year. If a letter of credit is drawn upon, the Company may seek recourse through the customer's underlying line of credit. If the customer's line of credit is also in default, the Company may take possession of the collateral, if any, securing the line of credit. Contract amounts and fair value for standby letters of credit are materially the same.

RBC, Inc. & Subsidiary
Notes to the Consolidated Financial Statements

Note 15: LOAN COMMITMENTS AND OTHER RELATED ACTIVITIES (Continued)

The Company accrues credit losses related to off-balance sheet loan commitments. Potential losses are estimated using similar risk factors used to determine the allowance for credit losses. The Company has recorded a liability of \$350,000 and \$0 at December 31, 2023 and 2022, respectively, related to these loan commitments. The Company recorded a provision for credit losses for off-balance sheet loan commitments in the amount of \$350,000 and \$0 for the years ended December 31, 2023 and 2022, respectively.

Note 16: REVENUE FROM CONTRACTS WITH CUSTOMERS

All of the Company's revenue from contracts with customers in the scope of ASC 606 is recognized within Non-Interest Income. The following table presents the Company's sources of Non-Interest Income for the twelve months ended December 31, 2023 and 2022. Items outside the scope of ASC 606 are noted as such.

<i>For the years ended December 31,</i>	2023	2022
Non-interest income		
Service charges on deposits	\$ 812,276	\$ 873,112
Other service charges	1,368,057	1,431,972
Trust fees	162,706	167,918
Other ^(a)	716,463	398,010
Total non-interest income	\$ 3,059,502	\$ 2,871,012

(a) Not within the scope of ASC 606

A description of the Company's revenue streams accounted for under ASC 606 follows:

Service Charges on Deposit Accounts and Other Service Charges

The Company earns fees from its deposit customers for transaction-based, account maintenance and overdraft services. Transaction-based fees, which include services such as automated teller machine (ATM) use fees, stop payment charges, statement rendering, and automated clearing house (ACH) fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

Trust Fees

The Company earns trust fees from its contracts with trust customers to manage assets for investment, and/or to transact on their accounts. These fees are primarily earned over time as the Company provides the contracted monthly or quarterly services.

RBC, Inc. & Subsidiary
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Note 17: CONTINGENT LIABILITIES

In December 2023, the Company entered into a settlement agreement that is pending plaintiff signature and court approval. The Company has insurance coverage for the amounts in excess of the \$50,000 deductible, and accordingly, only the deductible has been accrued in the accompanying consolidated financial statements as of December 31, 2023.



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Chairman of the Board

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