UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

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

For the fiscal year ended **December 31, 2024**

OR

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

For the transition period from_______ to _______

Commission File No. **000-16435**

Community Bancorp./VT

(Exact name of Registrant as Specified in its Charter)

Vermont	**03-0284070**
(State of Incorporation)	(IRS Employer Identification Number)

Address of Principal Executive Offices: 4811 US Route 5, Derby, Vermont 05829

Registrant's telephone number, including area code: **(802) 334-7915**

Securities registered pursuant to Section 12(b) of the Act: NONE

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
	(Not Applicable)	

Securities registered pursuant to Section 12(g) of the Act:
Common Stock - $2.50 par value per share

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

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

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

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

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

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

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

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

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

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.I0D-I(b). ☐

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

As of June 30, 2024, the aggregate market value of the voting stock held by non-affiliates of the registrant was $78,296,514, based on a per share trade price on June 30, 2024 of $15.25, as reported on the OTC Link ATS® system maintained by the OTC Markets Group Inc. For purposes of the calculation, all directors and executive officers were deemed to be affiliates of the registrant. However, such assumption is not intended as an admission of affiliate status as to any such individual.

There were 5,596,981 shares outstanding of the issuer's common stock as of the close of business on March 19, 2025.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Shareholders for the year ended December 31, 2024 (2024 Annual Report) are incorporated by reference to Part I and Part II of this Report.

Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held on May 20, 2025 (2025 Annual Meeting) are incorporated by reference to Part III of this Report.

FORM 10-K ANNUAL REPORT

Table of Contents

PART I		Page
Item 1	Business	3
Item 1A	Risk Factors	13
Item 1B	Unresolved Staff Comments	20
Item 1C	Cybersecurity Risk	20
Item 2	Properties	20
Item 3	Legal Proceedings	21
Item 4	Mine Safety Disclosures	21
PART II		
Item 5	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	22
Item 6	[Reserved]	22
Item 7	Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 7A	Quantitative and Qualitative Disclosures About Market Risk	22
Item 8	Financial Statements and Supplementary Data	22
Item 9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	23
Item 9A	Controls and Procedures	23
Item 9B	Other Information	23
Item 9C	Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	23
PART III		
Item 10	Directors, Executive Officers and Corporate Governance	24
Item 11	Executive Compensation	24
Item 12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	24
Item 13	Certain Relationships and Related Transactions, and Director Independence	24
Item 14	Principal Accountant Fees and Services	24
PART IV		
Item 15	Exhibits and Financial Statement Schedules	25
Item 16	Form 10-K Summary	26
	Signatures	27
	Exhibit Index	28

PART I

Note Regarding Definitions and Acronyms: Capitalized terms and acronyms used in the discussion below and not otherwise defined have the meaning ascribed to them in Note 1 of the Company's audited consolidated financial statements filed pursuant to Part II, Item 8 of this report and contained in Exhibit 13 to this report.

Item 1. The Business

Organization and Operation

The Company. The Company ("we", "us", "our") was organized under the laws of the State of Vermont in 1982 and became a registered bank holding company under the Bank Holding Company Act of 1956, as amended, in October 1983 when Community National Bank, headquartered in Derby, Vermont, reorganized into a holding company structure. The Bank is the Company's only subsidiary and principally all of our business operations are presently conducted through it. Therefore, the following narrative and the other information about the Company contained in this report are based primarily on the Bank's operations.

The Bank; Banking Services. Community National Bank was organized in 1851 as the Peoples Bank, and was subsequently reorganized as the National Bank of Derby Line in 1865. In 1975, after 110 continuous years of operation as the National Bank of Derby Line, the Bank acquired the Island Pond National Bank and changed its name to "Community National Bank." On December 31, 2007, the Company completed its acquisition of LyndonBank, a Vermont bank headquartered in Lyndonville, Vermont, in a cash merger transaction. As a result of the merger, we expanded our existing branch network in Caledonia and Orleans Counties and extended it into Lamoille and Franklin Counties. In addition to our main office in Derby, we currently maintain eleven branch offices in northeastern and central Vermont and loan production offices in Chittenden County, in northwestern Vermont, and Grafton County, in western New Hampshire.

The opportunities for growth continue to be primarily in the Central Vermont and Chittenden County markets where economic activity is more robust than in our Orleans and Caledonia County markets, and where we are increasing our presence and market share. We are also focusing on expanding our presence in the neighboring state of New Hampshire, as reflected in the opening of our loan production office in Lebanon, New Hampshire in 2019.

Through the Bank, we provide a broad range of loan and deposit services to individuals, businesses, nonprofit organizations and municipalities in our northern and central Vermont markets. The significant services we offer include:

- *Business Banking* – We offer a range of credit products for a variety of general business purposes, including financing for commercial business properties, equipment, inventories and accounts receivable, as well as standby letters of credit. We also offer business checking and other deposit accounts, cash management services, repurchase agreements, ACH and wire transfer services, card processing and remote deposit capture.

- *Commercial Real Estate Lending* – We provide a range of products to meet the financing needs of commercial developers and investors, residential builders and developers and community development entities. Credit products are available to facilitate the purchase of land and/or build structures for business use and for investors who are developing residential or commercial property, as well as for real estate secured financing of existing businesses. The Bank has previously been recognized by the SBA as Vermont's top Section 7(a) program lender, providing financing to startups and other small businesses not eligible for more traditional financing, and as one of Vermont's top third party small business lenders under the SBA's Section 504 loan program.

- *Residential Real Estate Lending* – We provide products to help meet the home financing needs of consumers, including conventional permanent and construction/permanent (fixed, adjustable, or variable rate) financing arrangements, and FHA/VA loan products. We offer both fixed-rate and adjustable rate residential mortgage (ARM) loans and home equity loans. A portion of the first lien residential mortgage loans that we originate are sold into the secondary market. We offer these products through our network of banking and loan production offices. We do not originate subprime residential real estate loans.

- *Retail Credit* – We provide a full-range of loan products to meet the needs of consumers, including personal loans, automobile loans and boat/recreational vehicle loans. In addition, through a marketing alliance with a third party, we offer credit cards.

- *Municipal and Institutional Banking* - We provide banking services to meet the needs of state and local governments, schools, charities, membership and not-for-profit associations including deposit account services, tax-exempt loans, lines of credit and term loans. In addition, through an arrangement with the FHLBB, we offer a secured deposit product to our municipal customers, collateralized by FHLBB letters of credit.

- *Retail Banking* – We provide a full-range of consumer banking services, including checking accounts, savings programs, ATMs, debit/credit cards, night deposit facilities and online, mobile and telephone banking.

We focus on establishing and maintaining long-term relationships with our customers and are committed to providing for the financial services needs of the communities we serve. In particular, we place particular emphasis on our relationships with individual customers and small-to-medium-sized businesses. We actively evaluate the banking needs of our markets, including low- and moderate-income areas, and offer products that are responsive to the needs of our customer base. Our markets provide a mix of real estate, commercial and industrial, municipal and consumer lending opportunities, as well as a stable core deposit base. Additional information about our business, including our deposit-taking activities, lending activities and credit and risk management policies, is contained under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contained in our 2024 Annual Report filed as Exhibit 13 to this report and is incorporated by reference in Part II, Item 7. of this report.

Related Trust Company. We offer trust and wealth management services through CFSG, our affiliated non-depository trust company based in Newport, Vermont. Our ownership interest in CFSG is held indirectly, through CFS Partners, a Vermont limited liability company, which owns 100% of the limited liability company equity interests of CFSG. We own a one third interest in CFS Partners, with the remaining two-thirds interest owned in equal shares by the National Bank of Middlebury, headquartered in Middlebury, Vermont and Guaranty Bancorp Inc., the bank holding company parent of Woodsville Guaranty Savings Bank, headquartered in Woodsville, New Hampshire. CFSG offers fiduciary services throughout the market areas of the three owner financial institutions and leases space from them in some of their branch offices, including our facilities in Derby, Barre and Lyndonville, Vermont.

Statutory Business Trust. In 2007, we formed CMTV Statutory Trust I (the Trust), a Delaware statutory business trust, for the purpose of issuing $12.5 million of trust preferred securities. This funding provided a portion of the cash consideration we paid in our 2007 acquisition of LyndonBank and provided additional regulatory capital. The Trust is a VIE for which the Company is not the primary beneficiary, within the meaning of applicable accounting standards. Accordingly, the Trust is not consolidated with the Company for financial reporting purposes.

Tax Credit Entity. The Company has established a LLC to facilitate its purchase of federal NMTCs under an investment structure designed by a local community development entity. The LLC is a VIE for which, in the context of the overall NMTC structure, the Company is not the primary beneficiary, within the meaning of applicable accounting standards. Accordingly, the LLC is not consolidated with the Company for financial reporting purposes.

Competition

All of our full-service banking offices are located in northern and central Vermont. Our main office is located in Derby, in Orleans County and we maintain four other banking offices in Orleans County, one office in Essex County, two offices in Caledonia County, two offices in Washington County and one office each in Franklin and Lamoille Counties. We also maintain loan production offices in Chittenden County, Vermont and Grafton County, New Hampshire. (See Part I, Item 2 (Properties) of this report.)

We compete in all aspects of our business with other banks and credit unions in northern and central Vermont, including three of the largest banks operating in the state, which maintain branch offices throughout our service area. We also compete with bank and non-bank lenders in Chittenden County, Vermont and Grafton County, New Hampshire where we maintain loan production offices. Changes in the regulatory framework of the financial services industry in recent decades have broadened the competition for commercial bank products, such as deposits and loans, to include not only traditional rivals such as banks, savings banks and credit unions, but also many non-traditional competitors such as insurance companies, brokerage firms, mutual funds and consumer and commercial finance and leasing companies. In addition, many out-of-market nationwide banks, nonbank lenders and other financial service firms operate in our market areas through mass marketing solicitations by mail, radio, television, the internet and email. At the same time, technological changes have facilitated remote delivery of financial services by bank and nonbank competitors outside the context of a traditional branch bank network, thereby intensifying competition from out-of-market firms.

Competition from the tax-exempt credit union industry has also intensified in recent years. A number of our credit union competitors, including the largest state-chartered Vermont credit union, have converted from an employment based common bond to a community common bond, thereby significantly increasing their fields of membership. Because federal law subsidizes credit unions by giving them a general exemption from federal income taxes, they have a significant pricing advantage over commercial banks for their deposit and loan products. This pricing advantage, coupled with relaxation of membership criteria and regulatory restrictions on product offerings, has resulted in increased competition for us from this tax-exempt sector of the financial services industry, which has a strong market presence in Vermont.

In order to compete with other bank and non-bank service providers, we stress the community orientation of our banking operations and rely to a large extent on personal relationships established by our officers, directors and employees with our customers and on strong ties to the local community. In addition, management's knowledge of the local community assists us in tailoring our products and services to meet the needs of our customer base. Although competition is strong throughout our market area, management believes that we can continue to compete effectively, in view of our local market knowledge and community ties and our understanding and responsiveness to evolving customer needs.

Employees

As of December 31, 2024, the Company did not have any employees at the holding company level. However, as of that date, the Bank employed 128 full-time employees and 11 part-time employees. The Bank provides our full-time and part-time employees with a comprehensive employee benefit package, including medical benefits, life insurance and a 401K retirement savings plan. Additionally, full-time employees also have disability insurance as part of their benefit package. The Bank is not a party to any collective bargaining agreement and management of the Bank considers our employee relations to be good.

Regulation and Supervision

The following discussion describes elements of an extensive regulatory framework applicable to bank holding companies and commercial banks, to which we and the Bank are subject. Regulation of banks and bank holding companies is intended primarily for the protection of depositors and the Deposit Insurance Fund of the FDIC, rather than for the protection of shareholders and creditors.

Our earnings are affected by general economic conditions, management policies, changes in federal and state laws and regulations and actions of various regulatory authorities, including those referred to below. Banking is a highly regulated business and proposals to change the laws and regulations to which we are subject are frequently introduced at both the federal and state levels. The nature, likelihood and timing of any such changes and the impact such changes may have on the Company and the Bank is impossible to predict with any certainty.

The following summary does not purport to be complete and is qualified by reference to the particular statutes and regulations.

Bank Holding Company Regulation. *Permitted Acquisitions and Activities*. As a registered bank holding company, the Company is subject to on-going regulation, supervision and examination by the FRB, under the Bank Holding Company Act of 1956, as amended (the Act). A bank holding company for example, must generally obtain the prior approval of the FRB before it acquires all or substantially all of the assets of any bank, or acquires ownership or control of more than 5% of the voting shares of a bank. FRB approval is also generally required before a bank holding company may acquire more than 5% of any outstanding class of voting securities of a company other than a bank or a more than 5% interest in its property.

The Act generally limits the activity in which we and our subsidiary may engage to certain specified activities, including those activities which the FRB may find, by order or regulation, to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Some of the activities that the FRB has determined to be closely related to banking are: (1) making and servicing loans that could be made by mortgage, finance, credit card or factoring companies; (2) performing the functions of a trust company; (3) certain leasing of real or personal property; (4) providing certain financial, banking or economic data processing services; (5) except as otherwise prohibited by law, acting as an insurance agent or broker with respect to insurance that is directly related to the extension of credit or the provision of other financial services or, under certain circumstances, with respect to insurance that is sold in certain small communities in which the bank holding company system maintains banking offices; (6) acting as an underwriter for credit life insurance and credit health and accident insurance directly related to extensions of credit by the holding company system; (7) providing certain kinds of management consulting advice to unaffiliated banks and non-bank depository institutions; (8) performing real estate appraisals; (9) issuing and selling money order and similar instruments and travelers checks and selling U.S. Savings Bonds; (10) providing certain securities brokerage and related services for the account of bank customers; (11) underwriting and dealing in certain government obligations and other obligations such as bankers' acceptances and certificates of deposit; (12) providing consumer financial counseling; (13) providing tax planning and preparation services; (14) providing check guarantee services to merchants; (15) operating a collection agency; and (16) operating a credit bureau. Trust and investment management activities conducted through a non-depository trust company such as our affiliate, CFSG, are also considered by the FRB to be permissible nonbanking activities that are closely related to banking.

Except for CFSG’s trust and wealth management operations, we do not presently engage, directly or indirectly through any affiliate, in any other permissible non-banking activities.

A bank holding company must obtain prior FRB approval in order to purchase or redeem its own stock if the gross consideration to be paid, when added to the net consideration paid by the company for all purchases or redemptions by the company of its equity securities within the preceding 12 months, will equal 10% or more of the company's consolidated net worth.

We are subject to examination and supervision by the FRB and are required to file annual and quarterly reports and such additional information as the FRB may require pursuant to the Act.

Affiliate Transactions. The Company, the Bank, CFS Partners and CFSG are all considered "affiliates" of each other for the purposes of Section 18(j) of the FDIA, as amended, and Sections 23A and 23B of the Federal Reserve Act, as amended. In particular, section 23A limits loans or other extensions of credit to, asset purchases with and investments in affiliates of the Bank to 10% of the Bank's capital and surplus. In addition, such loans and extensions of credit and certain other transactions must be collateralized in specified amounts. Section 23B requires, among other things, that certain transactions between the Bank and its affiliates must be on terms substantially the same, or at least as favorable to the Bank, as those prevailing at the time for comparable transactions with or involving non-affiliated persons. Further, we are prohibited from engaging in certain tie-in arrangements in connection with any extension of credit or lease or sale of any property or the furnishing of services.

Source of Strength Doctrine. Under the Dodd-Frank Act, as a bank holding company we are required to serve as a source of financial strength to our subsidiary bank and may not conduct our operations in an unsafe or unsound manner. We must stand ready to use our available resources to provide adequate capital funds to our subsidiary bank during periods of financial stress or adversity and should maintain the financial flexibility and capital-raising capacity to obtain additional resources for assisting our subsidiary bank if needed. The FRB may consider a bank holding company's failure to meet its obligations to serve as a source of strength to its subsidiary banks to be an unsafe and unsound banking practice, a violation of FRB regulations, or both.

Capital Adequacy Requirements. Under the Basel III regulatory capital rules adopted in 2013 by the federal banking regulators, as modified by certain provisions of the Dodd-Frank Act, the following minimum capital requirements apply to the Company and the Bank:

- a common equity Tier 1 risk-based capital ratio of 4.5%;
- a Tier 1 risk-based capital ratio of 6%;
- a total risk-based capital ratio of 8%; and
- a leverage ratio of 4%.

Under the rules, Tier 1 capital is redefined to include two components: Common Equity Tier 1 capital and additional Tier 1 capital. Common Equity Tier 1 capital consists solely of common stock (plus related surplus), retained earnings, accumulated other comprehensive income, and limited amounts of minority interests that are in the form of common stock. Additional Tier 1 capital includes other perpetual instruments historically included in Tier 1 capital, such as noncumulative perpetual preferred stock. Tier 2 capital consists of instruments that currently qualify in Tier 2 capital plus instruments that the rule has disqualified from Tier 1 capital treatment. Cumulative perpetual preferred stock, formerly includable in Tier 1 capital, is now included only in Tier 2 capital. Although AOCI is presumptively included in Common Equity Tier 1 capital, the rule provided a one-time opportunity at the end of the first quarter of 2015 for covered banking organizations to opt out of much of this treatment of AOCI. The Company and Bank made this opt-out election and, as a result, have retained the pre-existing regulatory capital treatment for AOCI.

In addition, in order to avoid restrictions on capital distributions or discretionary bonus payments to executives, a covered banking organization must maintain a "capital conservation buffer" on top of its minimum risk-based capital requirements. This buffer must consist solely of Tier 1 Common Equity, but the buffer applies to all three measurements (Common Equity Tier 1, Tier 1 capital and total capital). The capital conservation buffer consists of an additional amount of common equity equal to 2.5% of risk-weighted assets. The Company and the Bank met this capital conservation buffer requirement at December 31, 2024, with a capital conservation buffer of 6.85% for the Company and 6.76% for the Bank as of that date. Failure to maintain the required buffer would result in limitations on permissible shareholder distributions and discretionary bonus payments.

In general, the Basel III capital rules have had the effect of increasing capital requirements by increasing the risk weights on certain assets, including high volatility commercial real estate, certain loans past due 90 days or more or in nonaccrual status, mortgage servicing rights not includable in Common Equity Tier 1 capital, equity exposures, and claims on securities firms, that are used in the denominator of the three risk-based capital ratios.

The capital ratios of the Company and the Bank exceeded all applicable regulatory requirements at December 31, 2024. (See Note 22 to the Company's audited consolidated financial statements included in Part II, Item 8 of this report for additional information about the Company's and the Bank's regulatory capital ratios.)

Under the 2018 Regulatory Relief Act, the above capital requirements were simplified for qualifying community banks and bank holding companies. A joint rule of the federal banking regulators permits a qualifying community banking organization to opt in to a simplified regulatory capital framework. A qualifying institution that elects to utilize the simplified framework must maintain a CBLR in excess of 9%, and will thereby be deemed to have satisfied the generally applicable risk-based and other leverage capital requirements and (if applicable) the FDIC's prompt corrective action framework. In order to utilize the CBLR framework, in addition to maintaining a CBLR of over 9%, a community banking organization must have less than $10 billion in total consolidated assets and must meet certain other criteria such as limitations on the amount of off-balance sheet exposures and on trading assets and liabilities. The CBLR is calculated by dividing tangible equity capital by average total consolidated assets. The Company and Bank do not utilize the CBLR framework.

The Basel III capital standards also revised the FDIC's "prompt corrective action" requirements (see "Prompt Corrective Action" below).

Sarbanes-Oxley Act. SOX was enacted to increase corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws. SOX and the SEC's implementing regulations include provisions addressing, among other matters, the duties, functions and qualifications of audit committees for all public companies; certification of financial statements by the chief executive officer and the chief financial officer; the forfeiture of bonuses or other incentive-based compensation and profits from the sale of an issuer's securities by directors and senior officers in the twelve month period following initial publication of any financial statements that later require restatement; disclosure of off-balance sheet transactions; a prohibition on personal loans to directors and officers, except (in the case of banking companies) loans in the normal course of business; expedited filing requirements for reports of beneficial ownership of company stock by insiders; disclosure of a code of ethics for senior officers, and of any change or waiver of such code; the formation of a public accounting oversight board; auditor independence; disclosure of fees paid to the company's auditors for non-audit services and limitations on the provision of such services; attestation requirements for company management and external auditors, relating to internal controls and procedures; and various increased criminal penalties for violations of federal securities laws.

Since 2007 Section 404 of SOX has required management of the Company to undertake a periodic assessment of the adequacy and effectiveness of the Company's internal control over financial reporting. Management's report on internal control over financial reporting as of December 31, 2024, is contained in Part II, Item 9A of this report. Effective December 31, 2020, as a non-accelerated filer for SEC reporting purposes, we are no longer required to obtain from our external auditors an attestation on the Company's internal control over financial reporting and the operating effectiveness of these controls under Section 404(b) of SOX. Nevertheless, we have incurred, and expect to continue to incur, costs in connection with our on-going compliance with Section 404.

Information on the Company's corporate governance practices, including committee charters, is available on the Company's website at www.communitybancorpvt.com.

SEC Reporting and Disclosure Requirements. Under current SEC reporting and disclosure rules, as amended in 2018, and 2020, the Company is considered to be a non-accelerated filer and a smaller reporting company. As noted above, due to this filing status, we are not subject to the requirements in SOX section 404(b) to obtain an external auditor attestation of management's assessment of the Company's internal controls over financial reporting and their effectiveness. In addition, we are not required to file our periodic reports with the SEC on the accelerated timetable applicable to accelerated filers. Further, as a smaller reporting company, we are permitted to make certain reduced (or scaled) financial and other disclosures in our periodic reports and proxy statements filed with the SEC.

Dividends. The Company derives funds for payment of dividends to shareholders primarily from dividends received from our subsidiary, Community National Bank. Under the National Bank Act, prior approval from the OCC is required if the total of all dividends declared by a national bank in any calendar year will exceed the sum of such bank's net profits for that last year and its retained net profits for the preceding two calendar years, less any required transfers to surplus. Federal law also prohibits national banks from paying dividends greater than the bank's undivided profits after deducting statutory bad debt in excess of the bank's ACL.

The Company and the Bank are also subject to various general regulatory policies and requirements relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. The appropriate federal or state banking agency is authorized to determine under certain circumstances relating to the financial condition of a bank or bank holding company that the payment of dividends would be an unsafe or unsound practice and to prohibit such payment. In addition, under the Basel III capital requirements, failure to maintain the required capital conservation buffer would result in additional limitations on permissible shareholder distributions.

The FRB has issued supervisory guidance on the payment of dividends and redemption and repurchases of stock by bank holding companies reflecting the expectation that a bank holding company will inform and consult with FRB supervisory staff in advance of declaring and paying any dividend that could raise safety and soundness concerns. Examples of actions that might raise such concerns include declaration of a dividend exceeding current period earnings; redeeming or repurchasing regulatory capital instruments when the bank holding company is experiencing financial weakness; or redeeming or repurchasing common stock or perpetual preferred stock that would result in a net reduction in the amount of such equity instruments outstanding compared with the beginning of the quarter in which the redemption or repurchase occurred. The guidance provides that a bank holding company should eliminate, defer or severely limit dividends if net income for the past four quarters is not sufficient to fully fund dividends; the prospective rate of earnings retention is not consistent with the holding company's capital needs and overall current and prospective financial condition; or the holding company will not meet, or is in danger of not meeting, its minimum regulatory capital ratios.

Dodd–Frank Act. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act) comprehensively revised and restructured many aspects of the financial services industry. Many of the provisions of the Dodd-Frank Act were designed to reduce systemic risk from large, complex "systemically significant" financial institutions, and thus do not apply to a smaller banking organization such as the Company. Nevertheless, certain of its provisions do directly apply to us and others indirectly impact our operations, as the Dodd-Frank Act continues to reshape the financial services environment. Among other things, the Act:

- Established a new independent agency, the CFPB, with centralized responsibility for implementing and (with respect to large organizations) enforcing and examining compliance with federal consumer financial laws. Although the CFPB does not have enforcement or examination authority over smaller banking organizations such as the Company, many of its regulatory standards and mandates apply to them, with enforcement authority vested in other regulatory agencies such as (with respect to the Bank) the OCC;

- Applies the same leverage and risk-based capital requirements that apply to insured depository institutions to most bank holding companies, savings and loan holding companies and systemically important non-bank financial companies on a consolidated basis. These changes prohibit the use of additional trust preferred securities as Tier 1 capital, but our existing trust preferred securities are grandfathered;

- Requires debit card interchange transaction fees charged by large financial institutions to be reasonable and proportional to the cost incurred by the issuer for the transaction. The FRB adopted regulations in 2011 establishing such fee standards, eliminating exclusivity arrangements between issuers and networks for debit card transactions and limiting restrictions on merchant discounting for use of certain payment forms and minimum or maximum amount thresholds as a condition for acceptance of credit cards. Although smaller institutions such as the Company are not subject to the interchange fee restrictions, it is possible that, over time, competitive pricing pressures in the marketplace may operate to make the restrictions applicable to them by default;

- Requires public companies to periodically seek "say on executive pay" and "say on frequency" votes of shareholders, and in some circumstances, a "say on golden parachute" vote of shareholders. These vote requirements first became applicable for the Company's 2013 annual meeting of shareholders, with the next "say on pay" and "say on frequency" votes scheduled to take place at our 2025 Annual Meeting of shareholders;

- Allowed depository institutions to pay interest on demand deposits effective July 21, 2011;

- Established by statute the FRB's "source of strength" doctrine mandating holding company financial support of subsidiary insured depository institutions;

- Eliminated state restrictions on de novo interstate branching;

- Established new requirements related to residential mortgage lending, including prohibitions against payment of steering incentives and provisions relating to underwriting standards, disclosures, appraisals and escrows. Many of these provisions have been implemented through CFPB rulemakings;

- Weakened federal preemption standards for national banks and federal savings associations and their operating subsidiaries by granting states greater authority to enforce consumer protection laws against them;

- Provided permanent relief for non-accelerated filers, from the requirements of Section 404(b) of the Sarbanes-Oxley Act for auditor attestation of management's assessment of internal controls over financial reporting and their effectiveness;

- Requires a bank holding company to be well capitalized and well managed to receive regulatory approval of an interstate bank acquisition; and

- Permanently increased the FDIC's standard maximum deposit insurance amount to $250,000, changed the FDIC insurance assessment base to assets rather than deposits and increased the reserve ratio for the DIF to ensure the future strength of the fund.

OCC Supervision. As a national banking association, the Bank is subject to the provisions of the National Bank Act and federal and state statutes and rules and regulations applicable to national banks. The primary supervisory authority for the Bank is the OCC. The Bank is subject to periodic examination by the OCC and must file periodic reports with the OCC containing a complete statement of its financial condition and results of operations. The OCC's examinations are designed for the protection of the Bank's depositors and not the Company's shareholders.

In 2011, the CFPB, created by the Dodd-Frank Act, took over responsibility for implementing the principal federal consumer protection laws, such as the Truth in Lending Act, the Equal Credit Opportunity Act, the Real Estate Settlement Procedures Act and the Truth in Saving Act, among others. However, financial institutions that have assets of $10 billion or less, such as our Bank subsidiary, will continue to be supervised and examined in this area by their primary federal regulators (in the case of our Bank subsidiary, the OCC). The Dodd-Frank Act also gives the CFPB expanded data collecting powers for fair lending purposes for both small business and mortgage loans, as well as expanded authority to prevent unfair, deceptive and abusive practices.

Prompt Corrective Action. The Bank is subject to regulatory capital requirements established under FDICIA. Among other things, FDICIA identifies five capital categories for insured depository institutions (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized) and requires the respective U.S. federal bank regulatory agencies to implement systems for "prompt corrective action" for insured depository institutions that do not meet minimum capital requirements within such categories. FDICIA imposes progressively more restrictive constraints on operations, management and capital distributions, depending on the category in which an institution is classified. Failure to meet the capital guidelines could also subject a banking institution to capital raising requirements. An "undercapitalized" bank must develop a capital restoration plan and its parent holding company must guarantee that bank's compliance with the plan. The liability of the parent holding company under any such guarantee is limited to the lessor of 5% of the bank's assets at the time it became undercapitalized or the amount needed to comply with the plan. Furthermore, in the event of the bankruptcy of the parent holding company, such guarantee would take priority over the parent's general unsecured creditors. In addition, FDICIA requires the various regulatory agencies to prescribe certain non-capital standards for safety and soundness related generally to operations and management, asset quality and executive compensation and permits regulatory action against a financial institution that does not meet such standards.

The Prompt Corrective Action Capital regulations establish various degrees of corrective action to be taken when an FDIC-insured depository institution is considered undercapitalized. In 2015, the FDIC's Prompt Corrective Action regulations were revised in accordance with the Basel III capital standards. The enhanced requirements (i) introduced a Common Equity Tier 1 ratio requirement at each capital category (other than critically undercapitalized), and set the required Common Equity Tier 1 ratio at 6.5% for well-capitalized status; (ii) increased the minimum Tier 1 capital ratio requirement for each category (other than critically undercapitalized), and set the minimum Tier 1 capital ratio for well-capitalized status at 8.0% (as compared to 6.0% under the prior rule); and (iii) eliminated the provision that permitted a bank with a composite supervisory rating of 1 to have a 3% leverage ratio and still be considered adequately capitalized. The Basel III capital standards do not change the total risk-based capital requirement for any prompt corrective action category.

As of December 31, 2024, the Bank was considered "well capitalized" under FDICIA's Prompt Corrective Action capital requirements. Those capital requirements do not apply to the Company. (See Note 22 to the Company's audited consolidated financial statements included in Part II, Item 8 of this report for additional information about the Bank's regulatory capital ratios.)

Safety and Soundness Regulations. Pursuant to the FDIA, the federal bank regulatory agencies have adopted safety and soundness guidelines establishing general standards relating to internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, asset quality, earnings, compensation, fees and benefits. In general, the guidelines require, among other things, appropriate systems and practices to identify, monitor, and manage the risks and exposures specified in the guidelines. The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder. In addition, the safety and soundness regulations include enforcement provisions, including authority for the bank regulatory agencies to require a financial institution in some circumstances to create and implement a compliance plan.

Deposit Insurance. The deposits of the Bank are insured by the Deposit Insurance Fund (DIF) of the FDIC up to applicable legal limits and are subject to the deposit insurance premium assessments of the DIF. The assessment rates for an insured depository institution vary according to the level of risk incurred in its activities. To arrive at an assessment rate for a banking institution, the FDIC places it in one of four risk categories determined by reference to its capital levels and supervisory ratings. In addition, in the case of those institutions in the lowest risk category, the FDIC further determines its assessment rate based on certain specified financial ratios or, if applicable, its long-term debt ratings. The assessment rate schedule can change from time to time, at the discretion of the FDIC, subject to certain limits.

The Dodd-Frank Act changed the assessment formula for determining deposit insurance premiums and modified certain insurance coverage provisions of the FDIA. The FDIC's implementing rules, which became effective in 2011, redefined the base for FDIC insurance assessments from the amount of insured deposits to average consolidated total assets less average tangible equity. The Bank's total FDIC insurance assessment for 2024 was $614,823.

Brokered Deposits. Under FDICIA, an FDIC-insured bank is prohibited from accepting brokered deposits without prior approval of the FDIC unless it is well capitalized under the FDICIA's prompt corrective actions guidelines. Purchased deposits, including one-way CDARS and ICS money market and demand deposits acquired through the IntraFi Network, are considered to be brokered deposits, as is wholesale funding purchased from deposit brokers. The Company is well capitalized and utilizes purchased deposits from time to time when deemed appropriate by management as an additional source of funding to meet loan demand and other liquidity needs. The Company also utilizes reciprocal, that is, two-way, CDARS and ICS money market and demand deposits acquired through the IntraFi Network, which allows the Company to exchange deposits with other financial institutions on a dollar-for-dollar basis in order to provide deposit insurance in excess of FDIC limits and thereby enhance customer attraction and retention, build deposits and improve net interest margins. Reciprocal deposits are not considered to be brokered deposits, in accordance with a provision of the 2018 Regulatory Relief Act. As of December 31, 2024, we had $235,500 in purchased deposits through CDARS and $13.6 million through another source. Also as of such date, we had reciprocal deposits representing exchanged funds outstanding in the amount of $2.5 million of CDARS, $44.4 million of ICS money market deposits and $109.5 million of ICS demand deposits.

USA Patriot Act. The USA PATRIOT Act is intended to strengthen the ability of U.S. law enforcement and the intelligence community to work cooperatively to combat terrorism on a variety of fronts. The Act contains extensive anti-money laundering and financial transparency provisions and imposes various requirements, including standards for verifying client identification at account opening, and rules to promote cooperation among financial institutions, regulators and law enforcement entities in identifying parties that may be involved in terrorism or money laundering. The Secretary of the Treasury and federal banking regulators have adopted several regulations to implement these provisions. The Act also amended the federal Bank Holding Company Act and the Bank Merger Act to require the federal banking regulatory authorities to consider the effectiveness of a bank holding company or a financial institution's anti-money laundering activities when reviewing an application to expand operations. As required by law, the Bank has in place a Bank Secrecy Act and Anti-Money Laundering compliance program, as well as a customer identification program. (See "BSA/AML Requirements" below.)

BSA/AML and OFAC Requirements. *BSA/AML*. We are subject to a number of AML requirements, which are primarily derived from the BSA, as amended by the USA Patriot Act and subsequent legislation. These laws and regulations are designed to prevent the financial system from being used by criminals to hide illicit proceeds and to impede terrorists' ability to access and move funds used in support of terrorist activities. Among other things, BSA/AML laws and regulations require financial institutions to establish AML programs that meet certain standards, including, in some instances, expanded reporting, particularly in the area of suspicious transactions, and enhanced information gathering and recordkeeping requirements. We maintain an AML program designed to ensure that we are in compliance with all applicable laws, rules and regulations related to AML and anti-terrorist financing initiatives. The AML program provides for a system of internal controls to ensure that appropriate due diligence and, when necessary, enhanced due diligence, including obtaining and maintaining appropriate documentation, is conducted at account opening and updated, as necessary, through the course of the client relationship. The AML program is also designed to ensure there are appropriate methods of monitoring transactions and account relationships to identify potentially suspicious activity and report suspicious activity to governmental authorities in accordance with applicable laws, rules and regulations. In addition, the AML program requires the training of appropriate personnel with regard to AML and anti-terrorist financing issues and provides for independent testing to ensure that the AML program is in compliance with all applicable laws and regulations. Non-compliance with BSA/AML laws or failure to maintain adequate policies and procedures can lead to significant monetary penalties and reputational damage, and federal regulators evaluate the effectiveness of an applicant in combating money laundering when determining whether to approve a bank merger, bank holding company acquisition or certain other activities.

The Financial Crimes Enforcement Network ("FinCEN"), a bureau of the U.S. Department of the Treasury, administers BSA/AML requirements and determines the policy priorities for anti-money laundering and countering the financing of terrorism. These priorities include: financial corruption, cybercrime, terrorist financing, fraud, transnational crime, drug trafficking and human trafficking. FinCEN is also responsible for implementing the access and safeguard provisions of the federal Corporate Transparency Act. FinCEN's final rule implementing the reporting requirements under the Corporate Transparency Act requires certain business entities created in or registered to do business in the United States to report to FinCEN information about the business entity and its beneficial owners, among other types of information. The Reporting Rule has been subject to a number of legal challenges, and most recently the Treasury Department has delayed its implementation and is considering limiting its application to foreign entities.

OFAC. The U.S. Treasury's OFAC rules prohibit U.S. persons from engaging in financial transactions with certain individuals, entities, or countries, identified as "Specially Designated Nationals," such as terrorists and narcotics traffickers. These rules require the blocking of assets held by, and prohibit transfers of property to such individuals, entities or countries. Blocked assets, such as property or bank deposits, cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. We maintain an OFAC program designed to ensure compliance with OFAC requirements.

Cybersecurity. Federal regulators have issued various guidance relating to cybersecurity, including a statement indicating that banks should design multiple layers of security controls to establish lines of defense and to ensure that their risk management processes also address the risk posed by compromised customer credentials, including security measures to reliably authenticate customers accessing a bank's internet-based services. Regulators have also issued guidance indicating that they expect a bank's management to maintain a sufficient business continuity planning process to ensure rapid recovery, resumption, and maintenance of the bank's operations after a cyber-attack involving destructive malware. A bank is also required to develop appropriate processes to enable recovery of data and business operations, address rebuilding network capabilities, and restore data if the bank or any of its critical service providers fall victim to this type of cyber-attack. If we do not comply with this regulatory guidance, we could be subject to various regulatory sanctions, as well as financial penalties.

In 2021, the federal bank regulatory agencies issued a final rule requiring banks that experience a computer-security incident to notify certain entities. A computer-security incident occurs when actual or potential harm to the confidentiality, integrity or availability of information or the information system occurs, or there is a violation or imminent threat of a violation to banking security policies and procedures. The affected bank must notify its respective federal regulator of the computer-security incident that has occurred. These notifications are intended to promote early awareness of threats to banks and to help contain them in a timely fashion. This rule also requires bank service providers to notify their customers of a computer-security incident.

Additional information regarding cybersecurity matters is contained in Part I, Section 1C of this report.

Financial Privacy. Under the federal Gramm-Leach-Bliley Financial Modernization Act of 1999 all financial institutions, including the Company, are required to adopt privacy policies, restrict the sharing of nonpublic consumer customer data with nonaffiliated parties, and establish procedures and practices to protect customer data from unauthorized access. The Company is also subject to similar, but more stringent, requirements under state law, including the Vermont Financial Privacy Act. In addition, we are subject to the federal Fair Credit Reporting Act, including the amendments adopted in the federal Fair and Accurate Credit Transactions Act of 2003 (FACT Act). The FACT Act includes many provisions concerning national credit reporting standards and permits consumers to opt out of information sharing among affiliated companies for marketing purposes. It also requires financial institutions to notify their customers if they report negative information about them to a credit bureau or if they are granted credit terms less favorable than those generally available. The CFPB has extensive rulemaking authority under the FACT Act and has promulgated rules implementing the Act, including rules limiting information sharing for affiliate marketing and rules requiring programs to identify, detect and mitigate certain identity theft red flags. We are also subject to the requirements of the Vermont Fair Credit Reporting Act, which generally requires an individual's consent in order to obtain a credit report. In addition, the federal Right to Financial Privacy Act imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with federal administrative subpoenas of financial records.

Consumer Protection and Certain Other Banking Laws. State usury and other credit laws limit the amount of interest and various other charges collected or contracted by a bank on loans. The Bank is also subject to lending limits on loans to one borrower and regulatory guidance on concentrations of credit. The Bank's loans, deposits and other products and services are also subject to numerous federal and state consumer financial protection laws, including, but not limited to, the following:

- Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;
- Home Mortgage Disclosure Act, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- Fair Credit Reporting Act, governing the use and provision of information to credit reporting agencies;
- Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies;
- Truth-in-Savings Act, prescribing disclosure and advertising requirements with respect to deposit accounts; and
- Electronic Funds Transfer Act and its implementing Regulation E, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of ATMs and other electronic banking services

Community Reinvestment Act. The federal CRA requires banks to define the communities they serve, identify the credit needs of those communities, collect and maintain data for each small business or small farm loan originated or purchased, and maintain a public file at each banking location. The federal banking regulators examine the institutions they regulate to assess their record of meeting the credit needs of the communities they serve, including low and moderate income neighborhoods, and assign one of the following four ratings: "outstanding," "satisfactory," "needs to improve" or "substantial noncompliance". On October 24, 2023, the federal banking agencies issued a final rule amending the regulations implementing the CRA. The amendments, which took effect on April 1, 2024, and have a mandatory compliance date of January 1, 2026, retain the existing CRA rating categories, but modify the evaluation framework for banks with more than $2 billion in assets. Smaller institutions, such as Community National Bank, will continue to be evaluated under existing criteria, but may elect to be evaluated under the modified criteria. As of the Bank's last CRA examination, completed by the OCC during 2023, it received a rating of "Outstanding".

Federal Home Loan Bank System. The Bank is a member of the FHLB System, which consists of 12 regional Federal Home Loan Banks. The FHLB provides a central credit facility primarily for member institutions. Member institutions are required to purchase and hold shares of capital stock in the applicable regional FHLB (the FHLBB, in the case of the Bank), in an amount at least equal to the sum of 0.35% of the aggregate principal amount of its unpaid residential mortgage loans and similar obligations at the beginning of each year and 4.5% of its advances (borrowings) from the FHLBB. The Bank was in compliance with this requirement with an investment in FHLBB stock at December 31, 2024 of $1,951,200. As a member, the Bank is subject to future capital calls by the FHLBB in order to maintain compliance with its capital plan.

FRB Executive Compensation Guidelines. The FRB has issued comprehensive guidance on executive compensation policies, intended to ensure that the incentive compensation practices of banking organizations do not undermine their safety and soundness by encouraging excessive risk-taking. The guidance covers all employees that have the ability to affect materially an institution's risk profile, either individually or as part of a group, and establishes that incentive compensation arrangements should (1) provide incentives that do not encourage risk-taking beyond the institution's ability to identify and manage effectively; (2) be compatible with effective internal controls and risk management; and (3) be supported by strong a corporate governance structure, including active and effective oversight by the board of directors. For institutions such as the Company that are not "large, complex banking organizations" as defined in the guidance, the FRB reviews the incentive compensation arrangements as part of its regular, risk-focused examination process and not in a separate examination. These examinations are tailored to the scope and complexity of the institution's activity and compensation arrangements. The findings are included in the FRB's examination report and deficiencies incorporated into the institution's supervisory ratings. Enforcement actions may be taken against an institution if its incentive compensation arrangements, or related risk management control or governance processes, pose a risk to the institution's safety and soundness and the institution fails to take prompt and effective measures to correct the deficiencies.

Other Legislative and Regulatory Initiatives. In addition to the statutes, regulations and regulatory initiatives described above, new legislation and regulations affecting financial institutions are frequently proposed. If enacted or adopted, these measures could change banking statutes and our operating environment in substantial and unpredictable ways and could further increase our reporting and compliance requirements, governance structures and costs of doing business. We cannot predict whether any such additional legislation or other regulatory initiatives will be adopted or the effect they may have on our business, results of operations or financial condition.

Effects of Government Monetary Policy

The earnings of the Company are affected by general and local economic conditions and by the policies of various governmental regulatory authorities. In particular, the FRB regulates money supply, credit conditions and interest rates in order to influence general economic conditions, primarily through open market operations in United States Government Securities, varying the discount rate on member bank borrowings, setting reserve requirements against member and nonmember bank deposits, regulating interest rates payable by member banks on time and savings deposits and expanding or contracting the money supply. FRB monetary policies have had a significant effect on the operating results of commercial banks, including the Company, in the past and are expected to continue to do so in the future.

Effects of Inflation and Changing Prices

Our consolidated financial statements have been prepared in accordance with GAAP and practices within the banking industry, which require the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. Unlike many other types of businesses, virtually all the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates have a more significant impact on our performance than the effects of general levels of inflation. However, inflation also affects us by increasing the cost of goods and services purchased, as well as the cost of salaries and benefits, occupancy expense, and similar items and similarly impacts our customers. Inflation and related increases in interest rates generally decrease the market value of investments and loans held and may adversely affect liquidity, earnings, and shareholders' equity. Loan originations and re-financings also tend to slow as interest rates increase, and higher interest rates may reduce earnings from such origination activities. Similarly, lower inflation and rate decreases increase the fair value of securities and loan origination and refinancing tend to accelerate.

Other Available Information

This annual report on Form 10-K is on file with SEC. We also file with the SEC quarterly reports on Form 10-Q and current reports on Form 8-K, as well as proxy materials for our meetings of shareholders. These reports and proxy materials are available without charge on the SEC's website at http://www.sec.gov. Our SEC-filed reports and proxy statements are also available without charge through a link on our website at www.communitybancorpvt.com. We have also posted on our website our Code of Ethics for Senior Financial Officers and the Principal Executive Officer, our Insider Trading Policy and the charters of the Audit, Compensation, Nominating and Governance Committees of our Board of Directors. The information and documents contained on our website do not constitute part of this report. Copies of the reports we file with the SEC (other than exhibits) and proxy materials can also be obtained by contacting Jennifer Desroches, Executive Assistant, at our principal offices, which are located at 4811 U.S. Route 5, Derby, Vermont 05829 or by calling (802) 334-7915.

Item 1A. Risk Factors

Before deciding to invest in the Company or to maintain or increase an investment, investors should carefully consider the material risks and uncertainties described below that could negatively affect our business, financial condition or results of operations. The risks and uncertainties described below and in the Company's other filings with the SEC are not the only ones the Company faces. Additional risks and uncertainties not presently known to management or that are currently deemed immaterial may emerge or evolve and also affect the Company's business and prospects. If any of these known or unknown risks or uncertainties actually occurs, the Company's business, financial condition and results of operations could be adversely affected, which in turn could result in a decline in the value of the Company's capital stock.

OPERATIONAL RISKS

Changes in interest rates could adversely affect our business, results of operations and financial condition.

Our results of operations depend substantially on our net interest income, which is the difference between the interest earned on loans, securities and other interest-earning assets and the interest paid on deposits and borrowings. These rates are highly sensitive to many factors beyond our control, including general economic conditions, inflation, recession, unemployment, money supply and the monetary policies of the FRB. If the interest rate we pay on deposits and other borrowings increases at a faster rate than the interest rate we earn on loans and other investments, our net interest income and therefore earnings, could be adversely affected. Conversely, our earnings could be adversely affected if the interest rate we earn on loans and other investments falls more quickly than the interest rate we pay on deposits and borrowings. While we have taken measures intended to manage the risks of operating in a changing interest rate environment, we cannot provide assurance that these measures will be effective in avoiding undue interest rate risk, particularly in an environment of rapidly changing rates.

Pandemics, epidemics, disease outbreaks and other public health crises, such as the recent COVID-19 pandemic, have disrupted our business and operations, and future outbreaks could materially adversely impact our business, financial condition, liquidity and results of operations.

Pandemics, epidemics or disease outbreaks in the U.S. or globally, such as the recent COVID-19 pandemic, have disrupted, and may in the future disrupt, our business, which could materially affect our results of operations, financial condition, liquidity and future expectations. Any new pandemic or other public health crisis, as well as ongoing or new governmental, regulatory and private sector responses to a pandemic, could materially disrupt banking and other economic activity generally and in the areas in which we operate. This could result in further decline in demand for our banking products and services, and could negatively impact, among other things, our asset quality, liquidity, regulatory capital, net income and growth prospects.

We are subject to liquidity risk because we rely primarily on deposit-gathering to satisfy our funding needs.

Our primary source of liquidity is through the growth of deposits, which provide low cost funding for our operations. If we are unable to attract enough deposits in our market area to fund loan growth and our other funding needs, then we may need to rely for funding on purchased deposits or on borrowings from the FHLBB, the FRB's discount window, correspondent banks or the capital markets. Purchased deposits and borrowings would tend to be more expensive than funding through core deposits and therefore could have a negative impact on our results of operations, cash flow, liquidity and regulatory capital levels.

We are subject to credit risk and if our ACL is not adequate to cover actual losses, our earnings could decrease.

We are exposed to the risk that our borrowers may default on their obligations. A borrower's default on its obligations under one or more loans may result in lost principal and interest income and increased operating expenses as a result of the allocation of management time and resources to the collection and work-out of the credit. In certain situations, where collection efforts are unsuccessful or acceptable work-out arrangements cannot be reached, we may have to write off the loan in whole or in part. In loan default situations, we may acquire real estate or other assets, if any, that secure the loan, through foreclosure or other similar available remedies, and the amount owed under the defaulted loan could exceed the value of the collateral acquired.

We periodically make a determination of the adequacy of our ACL based on available information, including, but not limited to, the quality of the loan portfolio as indicated by loan risk ratings, economic conditions, the value of the underlying collateral and the level of non-accruing and criticized loans. Management relies on its loan officers and credit quality reviews, its experience and its evaluation of economic conditions, among other factors, in determining the amount of the provision required for the allowance. Additions to this allowance result in a provision expense for the period. If, as a result of general economic conditions, previously incorrect assumptions, an increase in defaulted loans, or other pertinent factors, we determine that additional increases in the ACL are necessary, additional expenses may be incurred.

Determining the amount of the ACL inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks and trends, all of which may undergo material changes. At any time, we are likely to have loans in our portfolio that will result in losses but that have not been identified as nonperforming or potential problem credits. We cannot be certain that we will be able to identify deteriorating credits before they become nonperforming assets or that we will be able to limit or correctly estimate losses on those loans that are identified. The OCC, our subsidiary Bank's primary federal regulator, reviews the loan portfolio from time to time as part of its regulatory examination and may request that we increase the ACL. Changes in economic conditions or individual business or personal circumstances affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may require an increase in the allowance. In addition, if charge-offs in future periods exceed the ACL, we will need to make additional provisions to restore the allowance. Any provisions to increase or restore the ACL would decrease our net income and, possibly, our capital, and could have an adverse effect on our results of operations and financial condition.

Prepayments of loans may negatively impact our business.

Generally, our customers may prepay the principal amount of their outstanding loans at any time. The speeds at which such prepayments occur, as well as the size of such prepayments, are within our customers' discretion and may be affected by many factors beyond our control, including changes in prevailing interest rates. If customers prepay the principal amount of their loans, and we are unable to lend those funds to other borrowers or invest the funds at the same or higher interest rates, our interest income will be reduced. A prevailing low-interest rate environment increases our prepayment risk. A significant reduction in interest income could have a negative impact on our results of operations and financial condition.

Our loans and deposits are geographically concentrated and adverse local economic conditions could negatively affect our business.

Unlike many larger banking institutions, our banking operations are not geographically diversified. Substantially all of our loans, deposits and fee income are generated in northeastern and central Vermont. As a result, poor economic conditions in northeastern and central Vermont could adversely and significantly impact the demand for loans and our other financial products and services and may cause us to incur losses associated with higher default rates and decreased collateral values in our loan portfolio. Much of our market area is located in the poorest region of the state. Economic conditions in northeastern and central Vermont are subject to various uncertainties, to a greater degree than certain other regions of the state. If economic conditions in our market area decline, we expect that our level of problem assets would increase and our prospects for growth would be impaired.

We have a high concentration of loans secured by real estate, so a deterioration in the real estate markets could require material increases in our ACL and adversely affect our business, financial condition, and results of operations.

We have a high degree of concentration in loans secured by real estate. Any future deterioration in the local real estate market could adversely impact our borrowers' ability to repay loans secured by real estate and the value of our real estate collateral, thereby increasing the credit risk associated with the loan portfolio. Our ability to recover on these loans by selling or disposing of the underlying real estate collateral would be adversely impacted by any decline in real estate values, which increases the likelihood that we will suffer losses on defaulted real estate-secured loans beyond the amounts provided for in the ACL. This, in turn, could require material increases in the ACL which would adversely affect our business, financial condition, and results of operations.

Systems failures, interruptions, cyberattacks or other breaches of information security, including those affecting our vendors, could disrupt our business and have an adverse effect on our reputation, business, results of operations and financial condition.

We depend upon data processing, software, communication, and information access and exchange on a variety of computing platforms and networks and over the internet, and we rely on the services of a variety of third party vendors to meet our data processing and communication needs. Consequently, we are subject to certain related operational risks, both in our operations and through those of our service providers. These risks include, but are not limited to, data processing system failures and errors, inadequate or failed internal processes, customer or employee fraud, cyberattacks and catastrophic failures resulting from civil unrest, terrorist acts or natural disasters. Despite the safeguards we maintain, we cannot be certain that all of our systems are entirely free from vulnerability to attack or other technological difficulties or failures. Information security risks have increased significantly due to the use of online, telephone and mobile banking channels by customers, evolving technologies that can be used to facilitate financial fraud, and the increased sophistication and activities of organized crime, hackers, terrorists and other external parties. Our technologies, systems and networks and those of certain of our service providers as well as our customers' devices, may be the target of cyberattacks, computer viruses, malicious code, phishing attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our or our customers' confidential, proprietary and other information, the theft of customer assets through fraudulent transactions or disruption of our or our customers' or other third parties' business operations. If information security is breached or other technology difficulties or failures occur, information may be lost or misappropriated, services and operations may be interrupted and we could be exposed to claims from customers, any or all of which could adversely affect our reputation, business, results of operations or financial condition. While we have instituted safeguards and controls, we cannot provide assurance that they will be effective in all cases, and their failure in some circumstances could have a material adverse effect on our business, financial condition or results of operations.

We depend on the accuracy and completeness of information about customers and counterparties.

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished by or on behalf of customers and counterparties, including financial statements and other financial information. We also may rely on representations of clients and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors if made available. If this information is inaccurate or incomplete, we may suffer financial or reputational harm or other adverse effects with respect to the operation of our business, our financial condition and our results of operations.

Environmental liability associated with our lending activities could result in losses.

In the course of business, we may acquire, through foreclosure, properties securing loans originated or purchased that are in default. Particularly in commercial real estate lending, there is a risk that material environmental violations could be discovered on these properties. In this event, we might be required to remedy these violations at the affected properties at our sole cost and expense. The cost of remedial action could substantially exceed the value of affected properties. We may not have adequate remedies against the prior owner or other responsible parties and could find it difficult or impossible to sell the affected properties. These events could have an adverse effect on our results of operations and financial condition.

REGULATORY, LEGAL AND ACCOUNTING RISKS

Our ability to pay dividends on our capital stock and to service our debt depends primarily on dividends from our subsidiary and may be subject to regulatory and contractual limitations.

As a holding company, our cash flow typically comes from dividends that our bank subsidiary, Community National Bank, pays to us. Therefore, our ability to pay dividends on our common and preferred stock and to service our subordinated debentures, depends on the dividends we receive from the Bank. Dividend payments from the Bank are subject to federal statutory and regulatory limitations, generally based on net profits and retained earnings and may be subject to additional prudential considerations, such as capital planning needs. In addition, FRB policy, which applies to us as a registered bank holding company, provides that dividends by bank holding companies should generally be paid out of current earnings looking back over a one-year period and should not be paid if regulatory capital levels are deemed insufficient. Further, regulatory capital requirements could curtail our ability to pay dividends in some cases if we do not maintain a required capital conservation buffer. Our failure to pay dividends on our common or preferred stock or our failure to service our debt could have a material adverse effect on the market price of our common stock. Moreover, if sufficient dividend funding from the Bank is not available to cover all our requirements, we would be obligated first to pay interest and, if applicable, principal on our debentures and then to pay dividends on our preferred stock before making any dividend payments on our common stock.

Although we have generally paid quarterly cash dividends on our common stock, we cannot provide any assurance that dividends will continue to be paid in the future or that the dividend rate will not be reduced in future periods.

Our banking business is highly regulated, and we may be adversely affected by changes in law and regulation.

We are subject to regulation and supervision by the FRB, and the Bank is subject to regulation and supervision by the OCC. Federal laws and regulations govern numerous matters affecting us, including changes in the ownership or control of banks and bank holding companies, maintenance of adequate capital, the permissible types, amounts and terms of loans and investments, permissible nonbanking activities, the level of reserves against deposits and restrictions on dividend payments. The OCC possesses the power to issue cease and desist orders to prevent or remedy unsafe or unsound practices or violations of law by banks subject to its supervision, and the FRB possesses similar powers with respect to bank holding companies. We are also subject to certain state laws, including certain Vermont laws designed to protect consumers of banking products and services. These and other federal and state laws and restrictions limit the manner in which we may conduct business and obtain financing.

Our business is highly regulated and the various federal and state laws, rules, regulations, and supervisory guidance, policies and interpretations applicable to us are subject to regular modification and change. It is impossible to predict the nature of such changes or their competitive impact on the banking and financial services industry in general or on our banking operations in particular. Such changes may, among other things, increase our cost of doing business, limit our permissible activities, or affect the competitive balance between banks and other financial institutions. In addition, failure to comply with applicable laws, regulations, policies or supervisory guidance could result in enforcement and other legal actions by federal or state authorities, including criminal and civil penalties, the loss of FDIC insurance, revocation of a banking charter, other sanctions by regulatory agencies, civil money penalties, litigation by private parties, and/or reputational damage, which could have a material adverse effect on our reputation, business, results of operations and financial condition.

A decline in the fair value of our investment portfolio could adversely affect our financial results and capital.

We report certain assets, including investment securities, at fair value. Generally, for assets that are reported at fair value we use quoted market prices or valuation models that utilize market data inputs to estimate fair value. The fair value of the debt securities in our investment portfolio could decline as a result of various factors outside our control, including changes in market interest rates, tax reform, decreases in credit quality and related credit ratings, lack of market liquidity and other economic conditions. For debt securities in an unrealized loss position, we may be required to record an allowance for credit losses or write down the security depending on the type of security and the circumstances. Any such impairment charge would have an adverse effect, which could be material, on our business, results of operations and financial condition, including capital and shareholders' equity.

Changes in accounting standards could materially affect our financial statements.

From time to time FASB and the SEC change the financial accounting and reporting standards that govern the preparation of our financial statements and applicable disclosures in our SEC filings. These changes can be very difficult to predict and can materially affect how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in our restating prior period financial statements. Implementation of accounting changes, with associated professional consultation and advice, can be costly, even if the change will not have any material effect on our financial statements.

Our internal controls and procedures may fail or be circumvented.

Management has designed and implemented, and periodically reviews and updates, our internal controls, disclosure controls and procedures, and corporate governance policies and procedures. However, any system of controls, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the system are met. Any failure or circumvention of our controls and procedures, or failure to comply with regulations related to controls and procedures, could have a material adverse effect on our business, results of operations and financial condition.

We are subject to detailed capital requirements that could limit our ability to pay dividends and to take certain other actions.

As of January 1, 2015, we were required to comply with the Basel III capital rules issued by the federal banking agencies that implemented the Basel III capital standards and established the minimum capital levels required under the Dodd-Frank Act. These capital rules require banks and bank holding companies to maintain a minimum common equity Tier I capital ratio of 4.5% of risk-weighted assets, a minimum Tier I capital ratio of 6.0% of risk-weighted assets, a minimum total capital ratio of 8.0% of risk-weighted assets, and a minimum leverage ratio of 4.0%. The capital rules require the Bank and the Company to maintain a 2.5% common equity Tier I capital conservation buffer above the minimum risk-based capital requirements for adequately capitalized institutions in order to avoid restrictions on the ability to pay dividends, discretionary bonuses, and to engage in share repurchases. The Company and the Bank met these requirements as of December 31, 2024. The Basel III capital rules permanently grandfathered trust preferred securities issued before May 19, 2010 for institutions with less than $15.0 billion in total assets as of December 31, 2009, subject to a limit of 25% of Tier I capital. Our trust preferred securities qualify for this grandfather treatment. The Basel III capital rules also increased the required capital for certain categories of assets, including high volatility construction real estate loans and certain exposures related to securitizations, but retained the previous capital treatment of residential mortgages. These standards could adversely affect our ability to pay dividends, or require us to reduce business levels or raise capital, including in ways that may adversely affect our results of operations or financial condition. Under the rules, we were permitted to make, and did make, a one-time, permanent election to continue to exclude accumulated other comprehensive income from regulatory capital calculations.

We may be required to write down goodwill.

When we acquire a business, a portion of the purchase price of the acquisition may be allocated to goodwill and other identifiable intangible assets. The excess of the purchase price over the fair value of the net identifiable tangible and intangible assets acquired determines the amount of the purchase price that is allocated to goodwill acquired. At December 31, 2024, our goodwill totaled approximately $11.6 million, created in connection with the LyndonBank acquisition in 2007. Under current accounting standards, if we determine goodwill is impaired, we would be required to write down the value of this asset to fair value. We conduct a review each year, or more frequently if events or circumstances warrant such, to determine whether goodwill is impaired. We last completed a goodwill impairment analysis as of December 31, 2024, and concluded goodwill was not impaired. We cannot provide assurance that we will not be required to take an impairment charge in the future. Any impairment charge would have a negative effect on our shareholders' equity and financial results and may cause a decline in our stock price.

Our investment in tax credit partnerships may not generate expected or anticipated returns, which could have an adverse impact on our results of operations and financial condition.

We periodically invest in tax credit partnerships that generate federal income tax credits. The tax benefit of these investments is expected to exceed the amortization expense associated with them, resulting in a positive impact on net income. Such credits are subject to recapture by taxing authorities based on compliance requirements that must be met at the project level. Changes in applicable tax laws, or the inability of the projects to be completed or properly managed, depend on factors that are out of our control and could impact our ability to realize expected or anticipated returns. Should we not be able to realize the tax credits and other benefits associated with such investments, our results of operations and financial condition could be negatively affected

RISKS RELATING TO OUR COMMON STOCK

Our common stock is not exchange-listed and our trading volume is less than that of larger public companies, which can contribute to volatility in our stock price and adversely affect the price and liquidity of an investment in our common stock.

Our common stock is included in the OTC QX market tier maintained by the OTC Markets Group, Inc. under the trading symbol CMTV, but is not traded on any securities exchange. Bid and ask quotations and trades in our stock made by certain brokerage firms are reported through the OTC Link® Alternative Trading System (ATS) maintained by a subsidiary of the OTC Markets Group, Inc. However, trading in our stock is sporadic. A public trading market for a particular class of stock having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of numerous buyers and sellers of that stock at any given time, which in turn depends on the individual decisions of investors and general economic and market conditions over which issuers have no control. The trading market in our stock does not exhibit these characteristics. The trading history of our common stock has been characterized by relatively low trading volume. This lack of an active public market means that the value of a shareholder's investment in our common stock may be subject to sudden and exaggerated fluctuations, as individual trades have a greater effect on our reported trading price than would be the case in a broad public market with significant daily trading volume.

The market price of our common stock may also be subject to fluctuations in response to numerous other factors, including the other factors discussed in this report, regardless of our actual operating performance. The possibility of such fluctuations occurring is increased due to the illiquid nature of the trading market in our common stock. Therefore, a shareholder may be unable to sell our common stock at or above the price at which it was purchased, or at or above the current market price or at the time of his or her choosing. This illiquid trading market also makes it particularly difficult for a shareholder to dispose of a large number of shares of our stock at desired pricing or on a desired timetable.

Our common stock is subordinate to our existing and future indebtedness and preferred stock.

Shares of our common stock are equity interests and do not constitute indebtedness. As such, our common stock ranks junior to all our customer deposits and other indebtedness, whether now existing or hereafter incurred, and to our subordinated debentures, and other non-equity claims on us, with respect to assets available to satisfy claims. In addition, our common stock is junior in priority, including with respect to dividend and liquidation rights, to our outstanding shares of Series A Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock. Further, the common stock will be subject to the prior liquidation rights of the holders of any debt we may issue in the future and may be subject to the prior dividend and liquidation rights of any series of preferred stock we may issue in the future.

Securities issued by us, including our common stock, are not FDIC insured.

Securities issued by us, including our common stock, are not savings or other deposit accounts or obligations of any bank and are not insured by the FDIC, the DIF or any other governmental agency or instrumentality, or any private insurer, and are subject to investment risk, including the possible loss of principal.

Our organizational documents may have the effect of discouraging a third party from acquiring us.

Our Amended and Restated Articles of Association and By-Laws contain provisions, including a staggered board of directors and a supermajority vote requirement for certain acquisition transactions and other matters, that make it more difficult for a third party to gain control or acquire us without the consent of the board of directors. These provisions could also discourage proxy contests and may make it more difficult for dissident shareholders to elect representatives as directors and take other corporate actions. To the extent that these provisions make these actions more difficult and make us a less attractive takeover candidate, they may not always be in our best interests or in the best interests of our shareholders, and in some circumstances may prevent holders of our common stock from receiving a takeover premium.

GENERAL RISKS

Market changes in delivery of financial services may adversely affect demand for our services.

Channels for delivering financial products and services to our customers are evolving rapidly, with less reliance on traditional branch facilities and more use of online and mobile banking. We compete with larger providers that have significant resources to dedicate to improved technology and delivery channels. We periodically evaluate the profitability of our branch system and other office and operational facilities to improve efficiencies. However, identification and closure of unprofitable operations and facilities can lead to restructuring charges and introduce the risk of disruptions to revenues and customer relationships.

Substantial competition and disintermediation of payment services could adversely affect us.

Banking is a highly competitive business. We compete actively for loan, deposit, and other financial services business in northeastern and central Vermont. Our competitors include a number of state and national banks and tax-advantaged credit unions, as well as financial and nonfinancial firms that offer services similar to those that we offer. Some of our competitors are community or regional banks that have strong local market positions. Our large bank competitors, in particular, have substantial capital, technology and marketing resources that are well in excess of ours. These larger financial institutions may have greater access to capital at a lower cost and have a higher per-borrower lending limit than our Company, which may adversely affect our ability to compete with them effectively.

In addition, technology and other changes increasingly allow parties to complete financial transactions electronically, without the need for a physical presence in a market area. We are therefore likely to face increasing competition from out-of-market competitors, including national firms. Moreover, in many cases transactions may now be completed without the involvement of banks. For example, consumers can pay bills and transfer funds over the Internet and by telephone without banks. Many non-bank financial service providers have lower overhead costs and are subject to fewer regulatory constraints. If consumers do not use banks to complete their financial transactions, we could potentially lose fee income, deposits and income generated from those deposits.

New products and services are essential to remain competitive but may subject us to additional risks.

We consistently attempt to offer new products and services to our customers to remain competitive. There can be risks and uncertainties associated with these new products and services, especially if they are dependent on new technologies. We may spend significant time and resources in development of new products and services to market to customers. Through our development and implementation process we may incur risks associated with delivery timetables, pricing and profitability, compliance with regulations, technology failures and shifting customer preferences. Failure to successfully manage these risks could have a material effect on our financial condition, result of operations and business.

Changes in our tax rates could affect our future results.

Our future effective tax rates and tax liabilities could be unfavorably affected by increases in applicable tax rates, such as from the expiration of the 2017 Tax Act rate reductions in 2025 if not reauthorized by Congress, and by other changes in federal or state tax laws, regulations and agency interpretations. Our effective tax rates could also be affected by changes in the valuation of our deferred tax assets and liabilities or by the outcomes of any examinations of our income tax returns by the IRS or our state income, franchise, sales and use or other tax returns by the Vermont Department of Taxes. Our results of operations and financial condition could also be adversely affected in the short-term by decreases in applicable tax rates that require us to revalue our deferred tax asset, as occurred in 2017 as a result of passage of the 2017 Tax Act.

Our business could suffer if we fail to attract and retain skilled personnel.

Our success depends, in large part, on our ability to attract and retain key personnel, including executives. Any of our current employees, including our senior management, may terminate their employment with us at any time. Competition for qualified personnel in our industry can be intense and our geographic market area might not be favorably perceived by potential executive management candidates. We may not be successful in attracting and retaining sufficient qualified personnel. We may also incur increased expenses and be required to divert the attention of other senior executives to recruit replacements for the loss of any key personnel.

We are not able to offer all of the financial services and products of a financial holding company.

Banks, securities firms, and insurance companies can now combine under a "financial holding company" umbrella. Financial holding companies can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting), and merchant banking. Some of our competitors have elected to become financial holding companies. We offer only traditional banking products and trust and wealth management services indirectly through our affiliate, CFSG.

Our risk management framework may not be effective in mitigating risk and loss.

We maintain an enterprise risk management program that is designed to identify, quantify, monitor, report, and control the risks that the Company faces. These risks include, but are not limited to: strategic, interest-rate, credit, liquidity, operations, pricing, reputation, compliance, litigation, and cybersecurity. While management assesses and improves this program periodically, there can be no assurance that our approach and framework for risk management and related controls will effectively mitigate all risk and limit losses in our business. If conditions or circumstances arise that expose flaws or gaps in our risk-management program, or if our risk management systems or controls break down, our results of operations and financial condition may be adversely affected.

Item 1B. Unresolved Staff Comments

Not Applicable

Item 1C. Cybersecurity Risk

The banking industry is increasingly reliant on information technology systems and digital platforms to conduct business operations, process transactions, and interact with customers. As a result, we are exposed to various cybersecurity risks, including but not limited to:

- Cyber-attacks: We are vulnerable to cyber-attacks including malware, phishing, ransomware, and denial-of-service attacks, could disrupt operations, compromise sensitive information, and result in financial losses.
- Data Breaches: Despite implementing robust security measures, systems and networks may be breached, leading to unauthorized access to customer data, proprietary information, or intellectual property.
- Third-Party Risks: We rely on third-party service providers and vendors which exposes the Company to cybersecurity risks associated with systems and processes. A breach or failure in critical systems could impact operations and reputation.
- Regulatory Compliance: The Company is subject to various regulatory requirements related to cybersecurity, data protection, and privacy. Non-compliance with these regulations could result in financial penalties, legal liabilities, and reputational damage.
- Reputation Risk: A significant cybersecurity incident could damage the Company's reputation and erode customer trust, leading to customer attrition, negative publicity, and loss of business opportunities.
- Operational Disruption: Cybersecurity incidents may disrupt operations, including online banking services, payment processing, and customer support, resulting in financial losses and operational inefficiencies.
- Financial Impact: Cybersecurity incidents may result in direct financial losses, such as fraud-related expenses, remediation costs, and legal fees, as well as indirect costs associated with business interruption and reputational damage.

We have implemented a comprehensive Information Security Program to mitigate these risks, which includes:

- Regular risk assessments and vulnerability testing of systems and networks.
- Deployment of advanced cybersecurity technologies, including firewalls, intrusion detection systems, and encryption protocols.
- Employee training and awareness programs to enhance cybersecurity awareness and promote best practices.
- Incident response and business continuity plans to ensure a timely and effective response to cybersecurity incidents.

The Information Security Program is led by the Company's Information Security Officer (ISO) who works with the Privacy Officer, Security Officer, and IT Manager to review and identify security risks and controls within each functional area of the Bank. Risk assessments are updated at least annually or more frequently if circumstances warrant. Status and compliance with the program is reported by the ISO to the Information Technology Steering Committee and the Board annually or more frequently if circumstances warrant. The report discusses material matters relating to the program including the risk assessment; risk management and control decisions; service provider arrangements; results of monitoring and testing; security breaches and management's responses; gaps; and recommendations for changes to the program.

However, despite these efforts, we cannot guarantee that these cybersecurity measures will prevent all cyber threats or mitigate all potential impacts. Cybersecurity threats are constantly evolving, and the Company may be susceptible to new and unforeseen risks in the future.

In conclusion, cybersecurity risks pose significant challenges to business operations and financial stability. The Company continuously monitors and evaluates its cybersecurity posture to adapt to emerging threats and safeguard customers' information and assets.

Item 2. Properties

Although the Company does not itself own or lease real property, the Bank owns and leases various properties for its banking operations. All of the Bank's offices are located in Vermont, other than its loan production office in Grafton County, New Hampshire.

The Company's administrative offices are located at the main offices of the Bank on U.S. Route 5 in Derby, Vermont, with total office space of approximately 34,000 square feet, including retail banking offices, an operations center as well as a community room used by the Bank for meetings and various functions. This community room has a secure outside access making it possible for the Bank to offer it to non-profit organizations after banking hours free of charge. This office is equipped with a remote drive-up facility and a drive-up ATM as well as an inside lobby ATM. The Company leases space at this office to its affiliated trust and wealth management affiliate, CFSG, on arms' length terms.

In addition to its main office, the Company currently owns or leases the following premises in six Vermont counties and one New Hampshire County:

Office Location[1]	**Owned**	**Leased**	**CFSG Office**[2]
Caledonia County, VT			
St. Johnsbury (Route 5)		X	
Lyndon (Memorial Drive)		X	X
Chittenden County, VT			
Burlington (Shelburne Road)[3]		X	
Franklin County, VT			
Enosburg Falls (Sampsonville Road)	X		
Grafton County, NH			
Lebanon, NH (367 Route 120)[3]		X	
Lamoille County, VT			
Morrisville (Route 15 West)		X	
Orleans County, VT			
Barton (Church Street)	X		
Derby Line (Main Street)	X		
Island Pond (Route 105)		X	
Newport (Main Street)	X		
Troy (Route 101)	X		
Washington County, VT			
Barre (North Main Street)	X		X
Montpelier (State Street)		X	

[1] *All listed locations are operating bank branch offices, except as otherwise noted in footnote 3.*

[2] *The Bank leases space at two of its branch locations to its affiliated trust and investment management affiliate, CFSG, on arms' length terms.*

[3] *Loan production offices (LPO), in Chittenden County, in northwestern Vermont and Grafton County, in western New Hampshire.*

The Company maintains ATMs at the main office and all branch locations.

All of the Company's owned premises are free and clear of any mortgage or encumbrances and, in management's view, all locations are suitable for conducting the Bank's business.

Item 3. Legal Proceedings

There are no pending legal proceedings to which the Company or the Bank is a party or of which any of its property is the subject, other than routine litigation incidental to its banking business, none of which, in the opinion of management, is material to the Company's consolidated operations or financial condition.

Item 4. Mine Safety Disclosures

Not Applicable

PART II.

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

Information on the trading market in, market price of, and dividends paid on, the Company's common stock is incorporated by reference to the section of the 2024 Annual Report under the caption “Common Stock Performance by Quarter” immediately following the “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, filed as Exhibit 13 to this report. The balance of the information required by item 201 of Regulation S-K is omitted in accordance with the regulatory relief available to smaller reporting companies under applicable SEC disclosure rules, as amended in 2018 Release Nos. 33-10513 and 34-83550.

The following table provides information as to purchases of the Company’s common stock during the fourth quarter ended December 31, 2024, by the Company and by any affiliated purchaser (as defined in SEC Rule 10b-18):

For the month ended:	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan (1)	Maximum Number of Shares That May Yet Be Purchased Under the Plan at the End of the Period (1)
October 1 - October 31	0	$ 0	0	275,000
November 1 - November 30	0	$ 0	0	275,000
December 1 - December 31	0	$ 0	0	275,000
Total	0	$ 0	0	275,000

(1) The Company's Board of Directors in July 2024, authorized the repurchase from time to time of up to 5% or 275,000 shares of the Company's common stock in open market and privately negotiated transactions, in management's discretion and as market conditions may warrant. The approval did not specify a termination date.

There were no shares purchased by CFSG, which may be deemed to be an affiliate of the Company under Rule 10b-18, for the account of participants invested in the Company Stock Fund under the Company’s Retirement Savings Plan.

Item 6. [Reserved]

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

Incorporated by reference to the section of the 2024 Annual Report under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," immediately following the “Notes to Consolidated Financial Statements”, filed as Exhibit 13 to this report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Omitted, in accordance with the regulatory relief available to smaller reporting companies in SEC Release Nos. 33-10513 and 34-83550.

Item 8. Financial Statements and Supplementary Data

The audited consolidated financial statements and related notes of Community Bancorp. and Subsidiary and the report thereon of the independent registered accounting firm of Berry Dunn McNeil & Parker, LLC are incorporated herein by reference from the 2024 Annual Report, filed as Exhibit 13 to this report.

In accordance with the regulatory relief available to smaller reporting companies in SEC Release Nos. 33-10513 and 34-83550, the Company has elected to present audited statements of income, comprehensive income, cash flows and changes in shareholders’ equity for each of the preceding two, rather than three, fiscal years.

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

None

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Management is responsible for establishing and maintaining effective disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the Exchange Act). As of December 31, 2024, an evaluation was performed under the supervision and with the participation of management, including the principal executive officer and principal financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, management concluded that its disclosure controls and procedures as of December 31, 2024 were effective in ensuring that material information required to be disclosed in the reports it files with the Commission under the Exchange Act was recorded, processed, summarized, and reported on a timely basis.

For this purpose, the term "disclosure controls and procedures" means controls and other procedures of the Company that are designed to ensure that information required to be disclosed by it in the reports that it files or submits under the Exchange Act (15 U.S.C. 78a et seq.) is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

The Management of the Company is responsible for the preparation and fair presentation of the consolidated financial statements and other financial information contained in this Form 10-K. Management is also responsible for establishing and maintaining adequate internal control over financial reporting and for identifying the framework used to evaluate its effectiveness. Management has designed processes, internal control and a business culture that foster financial integrity and accurate reporting. The Company's comprehensive system of internal control over financial reporting was designed to provide reasonable assurances regarding the reliability of financial reporting and the preparation of the consolidated financial statements of the Company in accordance with generally accepted accounting principles. The Company's accounting policies and internal control over financial reporting, established and maintained by Management, are under the general oversight of the Company's Board of Directors, including the Audit Committee of the Board.

Management has made a comprehensive review, evaluation, and assessment of the Company's internal control over financial reporting as of December 31, 2024. The standard measures adopted by Management in making its evaluation are the measures in the 2013 *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon its review and evaluation, Management concluded that the Company maintained effective internal control over financial reporting as of December 31, 2024.

In accordance with relief granted to non-accelerated filers as defined in SEC Release No. 34-88365, this Annual Report does not contain an attestation report of the Company's independent registered public accounting firm regarding management's internal control over financial reporting.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not Applicable

PART III.

Item 10. Directors, Executive Officers and Corporate Governance

The following is incorporated by reference to the Company's Proxy Statement for the 2025 Annual Meeting.

Listing of the names, ages, principal occupations, business experience and specific qualifications of the incumbent directors and nominees under the caption "PROPOSAL I - ELECTION OF DIRECTORS."
Listing of the names, ages, titles and business experience of the executive officers under the caption EXECUTIVE OFFICERS."
Information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934 under the caption "SHARE OWNERSHIP INFORMATION –Delinquent Section 16(a) Reports."
Information regarding changes in the Company’s procedures for submission of director nominations by shareholders under the caption “SHAREHOLDER NOMINATIONS AND OTHER PROPOSALS.”
Information regarding whether a member of the Audit Committee qualifies as an audit committee financial expert under applicable SEC rules, under the caption "CORPORATE GOVERNANCE - Board Committees."
Information regarding the Company’s Insider Trading Policy under the caption “CORPORATE GOVERNANCE - Insider Trading Policy”.

The Code of Ethics for Senior Financial Officers and the Principal Executive Officer is available on the Company's website at www.communitybancorpvt.com. The Code is also listed as Exhibit 14 to this report and incorporated by reference to a prior filing with the SEC. There were no waivers of any provision of the Code during 2024.

Item 11. Executive Compensation

The following is incorporated by reference to the Company's Proxy Statement for the 2025 Annual Meeting:

Information regarding compensation of directors under the captions "PROPOSAL I - ELECTION OF DIRECTORS - Directors' Fees and Other Compensation" and "-Directors' Deferred Compensation Plan."
Information regarding executive compensation and benefit plans under the caption "EXECUTIVE COMPENSATION."
The information required under paragraphs (e)(4) and (e)(5) of Item 407 of Regulation S-K is omitted in accordance with the regulatory relief available to smaller reporting companies in SEC Release Nos. 33-10513 and 34-83550.

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

The following is incorporated by reference to the Company's Proxy Statement for the 2025 Annual Meeting:

Information regarding the share ownership of management and principal shareholders under the caption "SHARE OWNERSHIP INFORMATION."

The Company does not maintain any equity compensation plans for which disclosure is required under Item 201(d) of SEC Regulation S-K.

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

The following is incorporated by reference to the Company's Proxy Statement for the 2025 Annual Meeting:

Information regarding transactions with management under the caption "CORPORATE GOVERNANCE -Transactions with Management."
Information regarding the independence of directors under the caption “CORPORATE GOVERNANCE – Director Independence.”

Item 14. Principal Accountant Fees and Services

The following is incorporated by reference to the Company's Proxy Statement for the 2025 Annual Meeting under the caption "PROPOSAL 4 - RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS - Fees Paid to Independent Auditors":

Fees paid to the principal accountant for various audit functions including, but not limited to, the audit of the annual financial statements in the Company's Form 10-K Report and review of the financial statements in the Company's Form 10-Q Reports.
Description of the audit committee's pre-approval policies and procedures required by paragraph (c) (7)(I) of rule 2-01 of Regulation S-X.

PART IV.

Item 15. Exhibits and Financial Statement Schedules

(b) Financial Statements

The following are included in this report and are incorporated by reference to the 2024 Annual Report, filed as Exhibit 13 to this report:

Consolidated Balance Sheets at December 31, 2024 and 2023
Consolidated Statements of Income for the years ended December 31, 2024 and 2023
Consolidated Statements of Comprehensive Income for the years ended December 31, 2024 and 2023
Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2024 and 2023
Consolidated Statements of Cash Flows for the years ended December 31, 2024 and 2023
Notes to Consolidated Financial Statements
Report of Berry Dunn McNeil & Parker, LLC, independent registered public accountants (PC AOB Reg. No. – 136)

(b) Exhibits

The following exhibits, previously filed with the Commission, are incorporated by reference:

Exhibit 3(i)	Amended and Restated Articles of Association, filed as Exhibit 3.1 to the Company's Form 10-Q Report filed on August 12, 2014.
Exhibit 3(ii)	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of the Series A Fixed-to-Floating Non-Cumulative Perpetual Preferred Stock, filed as Exhibit 3(i) to the Company's Form 8-K Report filed on December 31, 2007.
Exhibit 3(iii)	Amended and Restated By-laws of Community Bancorp. as amended and restated through July 15, 2020, filed as Exhibit 3.1 in the Company's Form 8-K Report filed on July 20, 2020.
Exhibit 4(i)	Indenture dated as of October 31, 2007 between Community Bancorp., as issuer and Wilmington Trust Company, as indenture trustee, filed as Exhibit 4.1 to the Company's Form 8-K Report filed on November 2, 2007.
Exhibit 4(ii)	Amended and Restated Declaration of Trust dated as of October 31, 2007 among Community Bancorp., as sponsor, Wilmington Trust Company, as Delaware and institutional Trustee, and the administrators named therein, filed as Exhibit 4.2 to the Company's Form 8-K Report filed on November 2, 2007.
Exhibit 4(iii)	Description of Common Stock, filed as Exhibit 4(iii) to the Company's Form 10-K Report filed on March 16, 2020.
Exhibit 10(i)	Guarantee Agreement dated as of October 31, 2007 between Community Bancorp., as guarantor and Wilmington Trust Company, as guarantee trustee, filed as Exhibit 10.1 to the Company's Form 8-K Report filed on November 2, 2007.
Exhibit 10(ii)*	Amended and Restated Deferred Compensation Plan for Directors, filed as Exhibit 10.2 to the Company's Form 8-K Report filed on December 15, 2008.
Exhibit 10(iii)*	Amended and Restated Officer Incentive Plan, filed as Exhibit 10.1 to the Company's Form 8-K Report filed on March 13, 2015.
Exhibit 10(iv)*	Description of the Directors Retirement Plan, filed as Exhibit 10(iv) to the Company's Form 10-K Report filed on March 30, 2005; as such description was amended in the Company's Form 8-K Report filed on December 19, 2005.
Exhibit 10(v)*	Amended and Restated Change in Control Agreement for Secretary and Treasurer (Company), Executive Vice President and Chief Financial Officer (Bank), filed as Exhibit 10.2 to the Company's Form 8-K Report filed on September 7, 2021.
Exhibit 10(vi)*	Change in Control Agreement for Vice President (Company), Executive Vice President and Chief Lending Officer (Bank), filed as Exhibit 10.3 to the Company's Form 8-K Report filed on September 7, 2021.
Exhibit 14	Amended Code of Ethics for Senior Financial Officers and the Principal Executive Officer, filed as Exhibit 14 to the Company's Form 8-K Report on July 12, 2010.
Exhibit 19	Community Bancorp. and Subsidiary Insider Trading Compliance Policy, filed as Exhibit 19 to the Company's Form 10-K Report filed on March 29, 2024.

The following exhibits are filed as part of this report:

Exhibit 13	Portions of the 2024 Annual Report, specifically incorporated by reference into this report.
Exhibit 21	Subsidiaries of Community Bancorp.
Exhibit 23	Consent of Berry Dunn McNeil & Parker, LLC
Exhibit 31.1	Certification from the President and Chief Executive Officer (Principal Executive Officer) of the Company pursuant to section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification from the Treasurer (Principal Financial Officer) of the Company pursuant to section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	Certification from the President and Chief Executive Officer (Principal Executive Officer) of the Company pursuant to 18 U.S.C., Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002**
Exhibit 32.2	Certification from the Treasurer (Principal Financial Officer) of the Company pursuant to 18 U.S.C., Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002**
Exhibit 101	The following materials from the Company’s Annual Report on Form 10-K for the year ended December 31, 2024 formatted in Inline eXtensible Business Reporting Language (iXBRL): (i) the audited consolidated balance sheets, (ii) the audited consolidated statements of income, (iii) the audited consolidated statements of comprehensive income, (iv) the audited consolidated statements of changes in shareholders’ equity, (v) the audited consolidated statements of cash flows and (vi) related notes, for the years ended December 31, 2024 and 2023.

* Denotes compensatory plan or arrangement.

Item 16. Form 10-K Summary

Not Applicable

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMMUNITY BANCORP.

/s/Christopher L. Caldwell — Date: March 28, 2025
Christopher L. Caldwell, President and Chief Executive Officer (Principal Executive Officer)

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

/s/Christopher L. Caldwell — Date: March 28, 2025
Christopher L. Caldwell, President and Chief Executive Officer (Principal Executive Officer)

/s/Louise M. Bonvechio — Date: March 28, 2025
Louise M. Bonvechio, Corporate Secretary and Treasurer (Principal Financial Officer)

/s/Nikole B. Brainard — Date: March 28, 2025
Nikole B. Brainard
(Principal Accounting Officer)

COMMUNITY BANCORP. DIRECTORS

/s/Thomas E. Adams — Date: March 28, 2025
Thomas E. Adams

/s/Kathryn M. Austin — Date: March 28, 2025
Kathryn M. Austin

/s/Bruce Baker — Date: March 28, 2025
Bruce Baker

/s/David M. Bouffard — Date: March 28, 2025
David M. Bouffard

/s/Christopher L. Caldwell — Date: March 28, 2025
Christopher L. Caldwell

/s/Aminta K. Conant — Date: March 28, 2025
Aminta K. Conant

/s/Jacques R. Couture — Date: March 28, 2025
Jacques R. Couture

/s/ David P. Laforce — Date: March 28, 2025
David P. Laforce

/s/ Wayne Lamberton — Date: March 28, 2025
Wayne Lamberton

/s/Stephen P. Marsh — Date: March 28, 2025
Stephen P. Marsh, Board Chair

/s/Carol Martin — Date: March 28, 2025
Carol Martin

/s/Emma Marvin — Date: March 28, 2025
Emma Marvin

/s/Jeffrey L. Moore — Date: March 28, 2025
Jeffrey L. Moore

/s/Frederic Oeschger — Date: March 28, 2025

Fredric Oeschger

/s/James G. Wheeler, Jr.   Date: March 28, 2025
James G. Wheeler, Jr.

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

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

For the fiscal year ended December 31, 2024

COMMUNITY BANCORP.

EXHIBITS

EXHIBIT INDEX*

Exhibit 13	Portions of the 2024 Annual Report, specifically incorporated by reference into this report.
Exhibit 21	Subsidiaries of Community Bancorp.
Exhibit 23	Consent of Berry Dunn McNeil & Parker, LLC
Exhibit 31.1	Certification from the President and Chief Executive Officer (Principal Executive Officer) of the Company pursuant to section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification from the Treasurer (Principal Financial Officer) of the Company pursuant to section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	Certification from the President and Chief Executive Officer (Principal Executive Officer) of the Company pursuant to 18 U.S.C., Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002**
Exhibit 32.2	Certification from the Treasurer (Principal Financial Officer) of the Company pursuant to 18 U.S.C., Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002**
Exhibit 101	The following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2024 formatted in Inline eXtensible Business Reporting Language (iXBRL): (i) the audited consolidated balance sheets, (ii) the audited consolidated statements of income, (iii) the audited consolidated statements of comprehensive income (loss), (iv) the audited consolidated statements of changes in shareholders' equity, (v) the audited consolidated statements of cash flows and (vi) related notes, for the years ended December 31, 2024 and 2023.

* Other than exhibits incorporated by reference to prior filings.

** This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Community Bancorp. and Subsidiary

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Community Bancorp. and Subsidiary (the Company) as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2024 and 2023, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with U.S. generally accepted auditing standards, the Company’s internal control over financial reporting as of December 31, 2024, based on criteria established in the *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 28, 2025, expressed an unmodified opinion.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

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

Critical Audit Matter

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

Allowance for Credit Losses on Loans and Off-Balance Sheet Credit Exposures

As described in Note 1, 4 and 17 to the Company's consolidated financial statements, the Company has a gross loan portfolio of $928 million, related allowance for credit losses on loans of $9.8 million, off-balance sheet credit exposures of $188 million, and related allowance for credit losses on off-balance sheet credit exposures of $704 thousand as of December 31, 2024. The Company's allowance for credit losses on loans and off-balance sheet credit exposures are material and complex estimates requiring significant management judgment in the evaluation of the credit quality and the estimation of inherent losses within the loan portfolio and off-balance sheet credit exposures.

The allowance for credit losses on loans represents the Company’s estimate of expected credit losses over the expected life of the loans at the balance sheet date. The allowance for credit losses on loans is comprised of reserves measured on a collective (pool) basis based on a lifetime loss-rate model when similar risk characteristics exist. Loans that do not share risk characteristics are evaluated on an individual basis.

For reserves measured on a collective (pool) basis, the Company uses the discounted cash flow method to estimate expected credit losses. For each of the loan segments, the Company generates cash flow projections at the instrument level wherein payment expectations are adjusted for estimated prepayment speed, curtailments, time to recovery, and loss rates. The modeling of expected prepayment speeds, curtailment rates, and time to recovery are based on historical benchmark data. The Company uses regression analysis of historical internal and peer data to determine suitable loss drivers to utilize when modeling lifetime loss rates. The Company also incorporates a reasonable and supportable forecast period, which reverts back to a historical loss rate. The combination of adjustments for credit expectations (default and loss) and timing expectations (prepayment, curtailment, and time to recovery) produces an expected cash flow stream at the instrument level that represents the sum of expected losses to determine the estimated allowance for credit losses on loans. The allowance for credit losses on loans evaluation also considers various qualitative factors, including changes in policy and/or underwriting standards, actual or expected changes in economic trends and conditions, changes in the nature and volume of the portfolio, changes in credit and lending staff/administration, problem loan trends, credit risk concentrations, loan review results, changes in the value of underlying collateral for loans, and changes in the regulatory and business environment.

The allowance for credit losses on off-balance sheet credit exposures represents the estimate of probable credit losses inherent in unfunded commitments to extend credit as of the balance sheet date. Unfunded commitments to extend credit include unused portions of lines of credit, commitments to originate loans and standby and commercial letters of credit. The process used to determine the allowance for credit losses for these exposures is consistent with the process for determining the allowance for credit losses on loans, as adjusted for estimated funding probabilities.

Changes in these judgments and assumptions could have a material effect on the Company's financial results. Auditing these complex judgments and assumptions involves especially challenging auditor judgment due to the nature and extent of audit evidence and effort required to address these matters, including the extent of specialized skill or knowledge needed. The primary procedures we performed to address this critical audit matter included:

- Testing the design of controls relating to management's review of loans, assignment of risk ratings, and consistency of application of accounting policies.
- Evaluating the reasonableness of judgments, assumptions, and sources of data used by management in forming its expected cash flow streams by analyzing data used in developing the judgments and assumptions, including assessment of whether there were additional sources of data relevant to the loan portfolio not used by management.
- Comparing the judgments and assumptions documented by management to the allowance for credit loss model for consistency.
- Evaluating the appropriateness of inputs and factors that the Company used in forming the qualitative loss factors and assessing whether such inputs and factors were relevant, reliable, and reasonable for the purpose used.
- Evaluating the appropriateness of estimated funding probabilities used in the calculation of the allowance for credit losses on off-balance sheet credit exposures.
- Evaluating the appropriateness of the Company's loan risk rating policy and testing the consistency of its application.
- Evaluating the appropriateness of specific reserves for individually evaluated loans.
- Verifying the mathematical accuracy and computation of the allowance for credit losses on loans and off-balance sheet credit exposures by re-performing or independently calculating significant elements of the allowance for credit losses on loans and off-balance sheet credit exposures based on relevant source documents.

We have served as the Company's auditor since 2003.

Berry Dunn McNeil & Parker, LLC

Berry Dunn McNeil & Parker, LLC
Manchester, New Hampshire
March 28, 2025
Vermont Registration No. 92-0000278
PCAOB Registration No. 136

Community Bancorp. and Subsidiary
Consolidated Balance Sheets

	December 31, 2024	December 31, 2023
Assets		
Cash and due from banks	$ 9,875,427	$ 15,001,122
Federal funds sold and overnight deposits	101,064,775	5,433,391
Total cash and cash equivalents	110,940,202	20,434,513
Securities available-for-sale	159,697,420	190,706,019
Restricted equity securities, at cost	2,629,350	1,642,350
Loans	927,940,805	845,429,854
Allowance for credit losses	(9,810,212)	(9,842,725)
Deferred net loan costs	648,695	573,169
Net loans	918,779,288	836,160,298
Bank premises and equipment, net	12,072,985	12,371,371
Accrued interest receivable	4,472,474	4,246,798
Bank owned life insurance	5,318,354	5,232,703
Goodwill	11,574,269	11,574,269
Other assets	23,445,787	16,976,613
Total assets	$ 1,248,930,129	$ 1,099,344,934
Liabilities and Shareholders' Equity		
Liabilities		
Deposits:		
Demand, non-interest bearing	$ 197,697,470	$ 202,969,957
Interest-bearing transaction accounts	304,212,085	297,030,893
Money market funds	169,533,067	121,375,419
Savings	142,925,828	151,570,686
Time deposits, $250,000 and over	42,637,716	24,676,853
Other time deposits	144,638,592	99,343,974
Total deposits	1,001,644,758	896,967,782
Repurchase agreements	48,943,996	36,255,920
Borrowed funds	72,600,000	54,600,000
Junior subordinated debentures	12,887,000	12,887,000
Accrued interest and other liabilities	14,806,170	9,605,418
Total liabilities	1,150,881,924	1,010,316,120
Shareholders' Equity		
Preferred stock, 1,000,000 shares authorized, 15 shares issued and outstanding at December 31, 2024 and 2023 ($100,000 liquidation value, per share)	1,500,000	1,500,000
Common stock - $2.50 par value; 15,000,000 shares authorized, 5,809,035 and 5,724,151 shares issued at December 31, 2024 and 2023, respectively (including 21,187 and 20,774 shares issued February 1, 2025 and 2024, respectively)	14,522,588	14,310,378
Additional paid-in capital	38,801,755	37,574,578
Retained earnings	61,623,460	54,198,230
Accumulated other comprehensive loss	(15,776,821)	(15,931,595)
Less: treasury stock, at cost; 210,101 shares at December 31, 2024 and 2023	(2,622,777)	(2,622,777)
Total shareholders' equity	98,048,205	89,028,814
Total liabilities and shareholders' equity	$ 1,248,930,129	$ 1,099,344,934
Book value per common share outstanding	$ 17.24	$ 15.87

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

Community Bancorp. and Subsidiary
Consolidated Statements of Income

	Years Ended December 31, 2024	2023
Interest income		
Interest and fees on loans	$ 49,624,046	$ 41,824,692
Interest on taxable debt securities	3,633,292	3,807,650
Interest on tax-exempt debt securities	321,645	361,268
Dividends	228,169	138,682
Interest on federal funds sold and overnight deposits	1,193,788	769,849
Total interest income	55,000,940	46,902,141
Interest expense		
Interest on deposits	14,115,544	9,341,928
Interest on borrowed funds	4,358,437	1,550,048
Interest on repurchase agreements	797,002	747,091
Interest on junior subordinated debentures	1,098,590	1,053,873
Total interest expense	20,369,573	12,692,940
Net interest income	34,631,367	34,209,201
Credit loss expense	1,133,411	1,480,549
Net interest income after credit loss expense	33,497,956	32,728,652
Non-interest income		
Service fees	3,811,141	3,689,047
Income from sold loans	370,360	463,444
Other income from loans	1,228,555	1,405,435
Net realized gain on sale of securities AFS	0	36,707
Other income	1,772,160	1,580,443
Total non-interest income	7,182,216	7,175,076
Non-interest expense		
Salaries and wages	9,352,000	8,988,040
Employee benefits	3,875,597	3,238,939
Occupancy expenses, net	2,739,657	2,813,523
Other expenses	9,509,838	8,536,280
Total non-interest expense	25,477,092	23,576,782
Income before income taxes	15,203,080	16,326,946
Income tax expense	2,438,630	2,895,091
Net income	$ 12,764,450	$ 13,431,855
Earnings per common share	$ 2.28	$ 2.43
Weighted average number of common shares used in computing earnings per share	5,553,052	5,471,457
Dividends declared per common share	$ 0.94	$ 0.92

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

Community Bancorp. and Subsidiary
Consolidated Statements of Comprehensive Income

	Years Ended December 31,	
	2024	**2023**
Net income	$ 12,764,450	$ 13,431,855
Other comprehensive income, net of tax:		
Unrealized holding gain on securities AFS arising during the period	195,918	6,031,923
Reclassification adjustment for gain realized in income	0	(36,707)
Unrealized gain during the period	195,918	5,995,216
Tax effect	(41,144)	(1,258,994)
Other comprehensive income, net of tax	154,774	4,736,222
Total comprehensive income	$ 12,919,224	$ 18,168,077

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

Community Bancorp. and Subsidiary
Consolidated Statements of Changes in Shareholders' Equity
Years Ended December 31, 2024 and 2023

	Common stock		Preferred stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total shareholders' equity
	Shares	Amount	Shares	Amount					
Balances, December 31, 2022	5,647,710	$ 14,119,275	15	$ 1,500,000	$ 36,383,235	$ 46,464,447	$ (20,667,817)	$ (2,622,777)	$ 75,176,363
Cumulative change in accounting principle						(549,113)			(549,113)
Balance at January 1, 2023 (as adjusted for change in accounting principle)						45,915,334			74,627,250
Comprehensive income									
Net income						13,431,855			13,431,855
Other comprehensive income							4,736,222		4,736,222
Total comprehensive income									18,168,077
Cash dividends declared - common stock						(5,028,021)			(5,028,021)
Cash dividends declared - preferred stock						(120,938)			(120,938)
Issuance of common stock	76,441	191,103			1,191,343				1,382,446
Balances, December 31, 2023	5,724,151	14,310,378	15	1,500,000	37,574,578	54,198,230	(15,931,595)	(2,622,777)	89,028,814
Comprehensive income									
Net income						12,764,450			12,764,450
Other comprehensive income							154,774		154,774
Total comprehensive income									12,919,224
Cash dividends declared - common stock						(5,213,595)			(5,213,595)
Cash dividends declared - preferred stock						(125,625)			(125,625)
Issuance of common stock	84,884	212,210			1,227,177				1,439,387

Balances, December 31, 2024	5,809,035	$ 14,522,588	15	$ 1,500,000	$ 38,801,755	$ 61,623,460	$ (15,776,821)	$ (2,622,777)	$ 98,048,205

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

Community Bancorp. and Subsidiary
Consolidated Statements of Cash Flows

	Years Ended December 31,	
	2024	2023
Cash Flows from Operating Activities:		
Net income	$ 12,764,450	$ 13,431,855
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, bank premises and equipment	1,029,971	1,070,035
Credit loss expense	1,133,411	1,480,549
Deferred income tax	351,928	(373,105)
Net realized gain on sale of securities AFS	0	(36,707)
Gain on sale of loans	(88,087)	(153,491)
Loss on sale of bank premises and equipment	3,374	33,228
Gain on sale of OREO	(30,061)	0
Income from CFS Partners	(1,220,909)	(1,033,499)
Amortization of bond premium, net	208,521	256,999
Proceeds from sales of loans held for sale	5,075,326	8,034,329
Originations of loans held for sale	(4,987,239)	(7,880,838)
Increase (decrease) in taxes payable	17,177	(339,199)
Increase in interest receivable	(225,676)	(1,032,466)
Decrease in mortgage servicing rights	82,525	75,580
Decrease in right-of-use assets	65,489	201,296
Decrease in operating lease liabilities	(80,770)	(215,031)
Increase in other assets	(100,564)	(377,001)
Increase in cash surrender value of BOLI	(85,651)	(79,316)
Amortization of limited partnerships	748,525	596,429
Change in net deferred loan fees and costs	(75,526)	(79,894)
Increase in interest payable	1,326,473	1,008,140
(Decrease) increase in accrued expenses	(144,567)	14,230
Increase in other liabilities	1,033	328,394
Net cash provided by operating activities	15,769,153	14,930,517
Cash Flows from Investing Activities:		
Investments - AFS		
Maturities, calls, pay downs and sales	30,995,996	16,705,912
Purchases	0	(8,718,898)
Proceeds from redemption of restricted equity securities	4,418,100	3,985,100
Purchases of restricted equity securities	(5,405,100)	(4,215,700)
Increase (decrease) in limited partnership contributions payable	4,356,000	(2,601,000)
Investments in limited liability entities	(6,389,000)	(394,000)
Proceeds from distribution from CFS Partners	0	1,000,000
Increase in loans, net	(84,267,625)	(97,400,781)
Capital expenditures net of proceeds from sales of bank premises and equipment	(791,790)	(633,462)
Proceeds from sales of OREO	305,061	0
Recoveries of loans charged off	213,554	178,780
Net cash used in investing activities	(56,564,804)	(92,094,049)

	2024	2023
Cash Flows from Financing Activities:		
Net increase (decrease) in demand and interest-bearing transaction accounts	1,908,705	(10,142,763)
Net increase (decrease) in money market and savings accounts	39,512,790	(38,243,902)
Net increase in time deposits	63,255,481	22,382,168
Net increase in repurchase agreements	12,688,076	3,178,091
Net (decrease) increase in short-term borrowings	(12,000,000)	53,500,000
Proceeds from long-term borrowings	30,000,000	0
Repayments on long-term borrowings	0	(200,000)
Decrease in finance lease obligations	(226,863)	(219,857)
Dividends paid on preferred stock	(125,625)	(120,938)
Dividends paid on common stock	(3,711,224)	(3,675,082)
Net cash provided by financing activities	131,301,340	26,457,717
Net increase (decrease) in cash and cash equivalents	90,505,689	(50,705,815)
Cash and cash equivalents:		
Beginning	20,434,513	71,140,328
Ending	$ 110,940,202	$ 20,434,513
Supplemental Schedule of Cash Paid During the Period:		
Interest	$ 19,043,100	$ 11,684,800
Income taxes, net of refunds	$ 1,321,000	$ 2,865,000
Supplemental Schedule of Noncash Investing and Financing Activities:		
Change in unrealized gain on securities AFS	$ 195,918	$ 5,995,216
Loans transferred to OREO	$ 275,000	$ 0
Additions to operating lease liabilities	$ 138,058	$ 0
Investment in limited partnerships, not yet paid	$ 4,356,000	$ 0
Common Shares Dividends Paid:		
Dividends declared	$ 5,213,595	$ 5,028,021
(Increase) decrease in dividends payable attributable to dividends declared	(62,984)	29,507
Dividends reinvested	(1,439,387)	(1,382,446)
Total dividends paid	$ 3,711,224	$ 3,675,082

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

COMMUNITY BANCORP. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

The accounting policies of Community Bancorp. and Subsidiary (the Company) are in conformity, in all material respects, with U.S. generally accepted accounting principles (U.S. GAAP) and general practices within the banking industry. The following is a description of the Company's significant accounting policies.

Basis of presentation and consolidation

In addition to the definitions provided elsewhere in this Annual Report, the definitions, acronyms and abbreviations identified below are used throughout this Annual Report, including these "Notes to Consolidated Financial Statements" and the section labeled "Management's Discussion and Analysis of Financial Condition and Results of Operations" immediately following. These definitions are intended to aid the reader and provide a reference page when reviewing this Annual Report.

ABS:	Asset backed security	FDICIA:	Federal Deposit Insurance Corporation
ACBB:	Atlantic Community Bankers Bank		Improvement Act of 1991
ACBI:	Atlantic Community Bancshares, Inc.	FHA:	Federal Housing Administration
ACH:	Automated Clearing House	FHLBB:	Federal Home Loan Bank of Boston
ACL:	Allowance for credit losses	FHLMC:	Federal Home Loan Mortgage Corporation
AFS:	Available-for-sale	FLA:	First Loss Account
Agency MBS:	MBS issued by a US government agency	FOMC:	Federal Open Market Committee
	or GSE	FRB:	Federal Reserve Board
ALCO:	Asset Liability Committee	FRBB:	Federal Reserve Bank of Boston
AML:	Anti-money laundering laws	GAAP:	Generally Accepted Accounting Principles
AOCI:	Accumulated other comprehensive income		in the United States
ASC:	Accounting Standards Codification	GSE:	Government sponsored enterprise
ASU:	Accounting Standards Update	HMDA:	Home Mortgage Disclosure Act
ATMs:	Automatic teller machines	HTM:	Held-to-maturity
ATS:	Automatic transfer service	ICS:	Insured Cash Sweeps of the IntraFi Network
Bancorp:	Community Bancorp.	IRS:	Internal Revenue Service
Bank:	Community National Bank	JNE:	Jobs for New England
BHG:	Bankers Healthcare Group	Jr:	Junior
BIC:	Borrower-in-Custody	LIBOR:	London Interbank Offered Rate
Board:	Board of Directors	LLC:	Limited liability corporation
BOLI:	Bank owned life insurance	MBS:	Mortgage-backed security
bp or bps:	Basis point(s)	MPF:	Mortgage Partnership Finance
BSA:	Bank Secrecy Act	MSAs	Metropolitan Statistical Areas
BTFP:	Bank Term Funding Program	MSRs:	Mortgage servicing rights
CBLR:	Community Bank Leverage Ratio	NII:	Net interest income
CDARS:	Certificate of Deposit Accounts Registry	NMTC:	New Markets Tax Credits
	Service of the IntraFi Network	OAS:	Other amortizing security
CDs:	Certificates of deposit	OBS:	Off-balance sheet
CECL:	Current Expected Credit Loss	OCI:	Other comprehensive income (loss)
CEO:	Credit Enhancement Obligation	OFAC:	Office of Foreign Asset Control
CFPB:	Consumer Financial Protection Bureau	OREO:	Other real estate owned
CFSG:	Community Financial Services Group, LLC	OTTI:	Other-than-temporary impairment
CFS Partners:	Community Financial Services Partners, LLC	PMI:	Private mortgage insurance
CME:	CME Group Benchmark Administration Ltd.	PPP:	Paycheck Protection Program
CMO:	Collateralized Mortgage Obligations	QM(s):	Qualified Mortgage(s)
Company:	Community Bancorp. and Subsidiary	RD:	USDA Rural Development
COVID-19:	Coronavirus Disease 2019	RESPA:	Real Estate Settlement Procedures Act
CRA:	Community Reinvestment Act	SBA:	U.S. Small Business Administration
CRE:	Commercial Real Estate	SEC:	U.S. Securities and Exchange Commission
DCF:	Discounted cash flow	SOFR:	Secured Overnight Financing Rate
DDA or DDAs:	Demand Deposit Account(s)	SOX:	Sarbanes-Oxley Act of 2002
DIF:	Deposit Insurance Fund	TILA:	Truth in Lending Act
DTC:	Depository Trust Company	USDA:	U.S. Department of Agriculture
DRIP:	Dividend Reinvestment Plan	VA:	U.S. Veterans Administration
Exchange Act:	Securities Exchange Act of 1934	VIE:	Variable interest entities
FASB:	Financial Accounting Standards Board	2017 Tax Act:	Tax Cut and Jobs Act of 2017
FDIA:	Federal Deposit Insurance Act	2018 Regulatory	Economic Growth, Regulatory Relief and
FDIC:	Federal Deposit Insurance Corporation	Relief Act:	Consumer Protection Act of 2018

The consolidated financial statements include the accounts of the Bancorp. and its wholly-owned subsidiary, the Bank. All significant intercompany accounts and transactions have been eliminated. The Company is considered a "smaller reporting company" and a "non-accelerated filer" under the disclosure rules of the SEC. Accordingly, the Company has elected to provide smaller reporting company scaled disclosures where management deems it appropriate, and to provide its audited consolidated statements of income, comprehensive income, cash flows and changes in shareholders' equity for a two year, rather than a three year, period.

FASB ASC Topic 810, "Consolidation," in part, addresses limited purpose trusts formed to issue trust preferred securities. It also establishes the criteria used to identify VIE, and to determine whether to consolidate a VIE. In general, ASC Topic 810 provides that the enterprise with the controlling financial interest, known as the primary beneficiary, consolidates the VIE. In 2007, the Company formed CMTV Statutory Trust I for the purposes of issuing trust preferred securities to unaffiliated parties and investing the proceeds from the issuance thereof and the common securities of the trust in junior subordinated debentures issued by the Company. The Company is not the primary beneficiary of CMTV Statutory Trust I; accordingly, the trust is not consolidated with the Company for financial reporting purposes. CMTV Statutory Trust I is considered an affiliate of the Company (see Note 12).

The Company has established an LLC to facilitate its purchase of federal NMTC under an investment structure designed by a local community development entity. Management has evaluated the Company's interest in the LLC under the ASC guidance relating to VIEs in light of the overall structure and purpose of the NMTC financing transaction and has concluded that the LLC should not be consolidated in the Company's financial statements for financial reporting purposes, as the Company is not the primary beneficiary of the NMTC structure, does not exercise control within the overall structure and is not obligated to absorb a majority of any losses of the NMTC structure (see Note 9).

Nature of operations

The Company provides a variety of deposit and lending services to individuals, municipalities, and business customers through its branches, ATMs and telephone, mobile and internet banking capabilities in northern and central Vermont, which is primarily a small business and agricultural area. The Company also engages in lending activity outside the area of its branch network, through loan production offices in Burlington, Vermont and Lebanon, New Hampshire. The Company's primary deposit products are checking and savings accounts and certificates of deposit. Its primary lending products are commercial, real estate, municipal and consumer loans.

Concentration of risk

The Company's operations are affected by various risk factors, including interest rate risk, credit risk, and risk from geographic concentration of its deposit taking and lending activities. Management seeks to manage interest rate risk through various asset/liability management techniques designed to match maturities and repricing of assets and liabilities. Loan policies and administration are designed to provide assurance that loans will only be granted to creditworthy borrowers, although credit losses are expected to occur because of subjective factors inherent in management's estimate of credit risk and factors beyond the control of the Company. While the Company has a diversified loan portfolio by loan type, most of its lending activities are conducted within the geographic area where its banking offices are located. As a result, the Company and its borrowers may be especially vulnerable to the consequences of changes in the local economy in northern and central Vermont or northern New England more generally. In addition, a substantial portion of the Company's loans are secured by real estate, which is susceptible to a decline in value, especially during times of adverse economic conditions and rising interest rates.

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions involve inherent uncertainties. Accordingly, actual results could differ from those estimates and those differences could be material.

Material estimates that are particularly susceptible to significant change include those relating to the determination of the ACL and the valuation of OREO. In connection with evaluating loans for impairment or assigning the carrying value of OREO, management generally obtains independent evaluations or appraisals for significant properties. While the ACL and the carrying value of OREO were determined using management's best estimate of probable loan and OREO losses, respectively, as of the balance sheet date, the ultimate collection of a substantial portion of the Company's loan portfolio and the recovery of a substantial portion of the fair value of OREO are susceptible to uncertainties and changes in several factors, especially local real estate market conditions. The amount of change that is reasonably possible cannot be estimated.

While management uses available information to recognize losses on loans and OREO, future additions to the allowance or write-downs of OREO may be necessary based on changes in local economic conditions or other relevant factors. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for losses on loans and the carrying value of OREO. Such agencies may require the Company to recognize additions to the allowance or write-downs of OREO based on their judgment about information available to them at the time of their examination.

MSRs associated with loans originated and sold in the secondary market, where servicing is retained, are capitalized and included in Other assets in the consolidated balance sheets. MSRs are amortized against non-interest income in proportion to, and over the period of, estimated future net servicing income of the underlying loans. The value of capitalized servicing rights represents the present estimated value of the future servicing fees arising from the right to service loans for third parties. The carrying value of the MSRs is periodically reviewed for impairment based on management's estimate of fair value as compared to amortized cost, and impairment, if any, is recognized through a valuation allowance and is recorded as a write down. Critical accounting policies for MSRs relate to the initial valuation and subsequent impairment tests. The methodology used to determine the valuation of MSRs requires the development and use of estimates, including anticipated principal amortization and prepayments. Events that may significantly affect the estimates used are changes in interest rates and the payment performance of the underlying loans. On a quarterly basis, management uses a third-party consultant to assist in estimating the fair value of the Company's MSRs.

Accounting for a business combination that was completed prior to 2009 requires the application of the purchase method of accounting. Under the purchase method, the Company was required to record the assets and liabilities acquired through the LyndonBank merger in 2007 at fair market value, with the excess of the purchase price over the fair value of the net assets recorded as goodwill and evaluated annually for impairment. Management uses various assumptions in evaluating goodwill for impairment.

Management utilizes numerous techniques to estimate the carrying value of various other assets held by the Company, including, but not limited to, bank premises and equipment and deferred taxes. The assumptions considered in making these estimates are based on historical experience and on various other factors that are believed by management to be reasonable under the circumstances. Management acknowledges that the use of different estimates or assumptions could produce different estimates of carrying values.

Presentation of cash flows

For purposes of presentation in the consolidated statements of cash flows, cash and cash equivalents include cash on hand, amounts due from banks (including cash items in process of clearing), federal funds sold (generally purchased and sold for one day periods) and overnight deposits.

Investment securities

Debt securities the Company has purchased with the possible intent to sell before maturity are classified as AFS, and are carried at fair value, with unrealized gains and losses, net of tax and reclassification adjustments, reflected as a net amount in the shareholders' equity section of the consolidated balance sheets and in the statements of changes in shareholders' equity. Investment securities transactions are accounted for on a trade date basis. The specific identification method is used to determine realized gains and losses on sales of debt securities AFS. Premiums and discounts are recognized in interest income using the interest method over the period to maturity or call date. As of the balance sheet dates, the Company did not hold any securities purchased for the purpose of selling in the near term and classified as trading or any securities purchased with the positive intent and ability to hold to maturity and classified as HTM.

ACL – AFS Debt Securities: For AFS 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 AFS debt securities 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 ACL is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an ACL is recognized in other comprehensive income.

Changes in the ACL on AFS debt securities are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the uncollectibility of an AFS security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on AFS debt securities which totaled $509,429 and $606,237 on December 31, 2024 and 2023, respectively, was reported in accrued interest receivable on the consolidated balance sheets and is excluded from the estimate of credit losses.

Other investments

In December 2024, the Company made an equity investment in a NMTC financing structure (see Note 9). The Company’s investment in the NMTC is amortized using the proportional amortization method.

From time to time, the Company acquires partnership interests in limited partnerships for low-income housing projects. New investments in limited partnerships are amortized using the proportional amortization method. All investments made before January 1, 2015 are amortized using the effective yield method.

The Company has a one-third ownership interest in CFS Partners, which in turn owns 100% of CFSG, a non-depository trust company (see Note 9). The Company's investment in CFS Partners is accounted for under the equity method of accounting.

Restricted equity securities

The Company holds certain restricted equity securities acquired for non-investment purposes and required as a matter of law or as a condition to the receipt of certain financial products and services. These securities are carried at cost. As a member of the FRBB, the Company is required to invest in FRBB stock in an amount equal to 6% of the Bank's capital stock and surplus.

As a member of the FHLBB, the Company is required to invest in $100 par value stock of the FHLBB in an amount that approximates 1% of unpaid principal balances on qualifying loans, plus an additional amount to satisfy an activity-based requirement. The stock is nonmarketable and redeemable at par value, subject to the FHLBB’s right to temporarily suspend such redemptions. Members are subject to capital calls in some circumstances to ensure compliance with the FHLBB’s capital plan.

To access correspondent banking services from ACBB, the Company is required to invest in a minimum of 20 shares of the common stock of ACBB’s parent company, ACBI.

Loans held-for-sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income.

Loans

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal balance, adjusted for any charge-offs, the ACL, loan premiums or discounts for acquired loans and any unearned fees or costs on originated loans.

Loan interest income is accrued daily on the outstanding balances. For all loan segments, the accrual of interest is discontinued when a loan is delinquent 90 days and management believes, after considering collection efforts and other factors, that the borrower's financial condition is such that collection of interest is doubtful. Any unpaid interest previously accrued on those loans is reversed from income. Interest income is generally not recognized unless the likelihood of further loss is considered by management to be remote. Interest payments received on non-accrual loans are generally applied as a reduction of the loan principal balance. Loans are returned to accrual status when principal and interest payments are brought current, and the customer has demonstrated the intent and ability to make future payments on a timely basis. Loans are written down or charged off when collection of principal is considered doubtful.

Loan origination and commitment fees and certain direct loan origination costs are deferred, and the net amount is amortized as an adjustment of the related loan's yield. The Company generally amortizes these amounts over the contractual life of the loans.

Allowance for credit losses under CECL

Effective January 1, 2023, with the adoption of CECL, the Company established the ACL through a provision for credit losses charged to earnings. Credit losses are charged against the allowance when management believes that future payments of a loan balance are unlikely. Subsequent recoveries, if any, are credited to the allowance.

Unsecured loans are charged off when they become uncollectible and no later than 120 days past due. Unsecured loans to customers who subsequently file bankruptcy, are charged off within 30 days of receipt of the notification of filing or by the end of the month in which the loans become 120 days past due, whichever occurs first. For secured loans, both residential and commercial, the potential loss on these loans is carried as a loan loss reserve specific allocation; the loss portion is charged off when collection of the full loan appears unlikely. The unsecured portion of a real estate loan is that portion of the loan exceeding the "fair value" of the collateral less the estimated cost to sell. The value of the collateral is determined in accordance with the Company’s appraisal policy. The unsecured portion of a real estate secured loan is charged off by the end of the month in which the loan becomes 180 days past due.

As described below, the allowance consists of general and specific components. However, the entire allowance is available to absorb losses in the loan portfolio, regardless of general or specific components considered in determining the amount of the allowance.

General component

The general component of the ACL is based on methodologies, inputs, and assumptions utilized to estimate lifetime credit losses when applied to the following loan segments: commercial and industrial, purchased loans, CRE, municipal, residential real estate 1st lien, residential real estate Jr lien and consumer loans. The Company does not disaggregate its portfolio segments further into classes.

The Company utilizes a DCF approach to calculate the expected loss for each portfolio segment. Within the DCF model, probability of default (PD) and loss given default (LGD) assumptions are applied to calculate the expected loss for each segment. PD is management’s estimate of the probability the asset will default within a given timeframe and LGD is management’s estimate of the percentage of assets not expected to be collected due to default. The Company's PD and LGD assumptions may be derived from internal historical default and loss experience or from external data where there are not statistically meaningful loss events for a loan segment, or it does not have default and loss data that covers a full economic cycle.

As of December 31, 2024 and 2023, the primary macroeconomic drivers used within the DCF model included forecasts of civilian unemployment and changes in national gross domestic product (GDP). Management monitors and assesses its macroeconomic drivers at least annually (generally in the fourth quarter, or more frequently as circumstances warrant) to determine whether they continue to be the most predictive indicator of losses within the Company's loan portfolio, and these macroeconomic drivers may change from time to time.

To determine its reasonable and supportable forecast, management may leverage macroeconomic forecasts obtained from various reputable sources, which may include, but are not limited to, the FOMC forecast and other publicly available forecasts from well recognized, leading economists or firms. The Company's reasonable and supportable forecast period generally ranges from one to three years, depending on the facts and circumstances of the current state of the economy, portfolio segment, and management's judgment of what can be reasonably supported. The model reversion period generally ranges from one to six years, and it also depends on the current state of the economy and management's judgments of such. Management monitors and assesses the forecast and reversion period at least annually, or more frequently as circumstances warrant. The Company used a one-year forecast and reversion period to calculate the ACL on loans as of December 31, 2024 and 2023.

When the DCF method is used to determine the ACL, management does not adjust the effective interest rate used to discount expected cash flows to incorporate expected prepayments.

Expected credit losses are estimated over the contractual term of the loans. For term loans, the contractual life is calculated based on the maturity date. For commercial revolving loans with no stated maturity date, the contractual life is calculated based on the internal review date. For all other revolving loans, the contractual life is based on either the estimated maturity date or a default date. The contractual term excludes expected extensions, renewals, and modifications.

In calculating the ACL on loans, the contractual life of a loan must be adjusted for prepayments to arrive at expected cash flows. The Company models term loans using an annualized prepayment. When the Company has a specific expectation of differing payment behavior for a given loan, the loan may be evaluated individually. For revolving loans that do not have a principal payment schedule, a curtailment rate is factored into the expected cash flow.

Management has elected to use loss rate methodologies appropriate for each loan segment. The DCF method was chosen for the commercial and industrial, CRE, residential real estate 1st lien, residential real estate Jr Lien and consumer loans. The DCF model, being periodic in nature, allows for effective incorporation of a reasonable and supportable forecast in a directionally consistent and objective manner. For the purchased loans segment, a long-term average loss rate is calculated and applied on a quarterly basis for the remaining life of the pool. Due to the lack of any historical loss data, a manual entry methodology was chosen for the municipal loans given the immaterial nature of the pool when considering prior loss history as well as the inability to reasonably forecast a PD or LGD for the pool.

Qualitative factors are also applied to include the levels of and trends in delinquencies and non-performing loans, levels of and trends in loan risk groups, trends in volumes and terms of loans, effects of any changes in loan related policies, experience, ability and the depth of management, documentation and credit data exception levels, national and local economic trends, external factors such as competition and regulation and lastly, concentrations of credit risk in a variety of areas, including portfolio product mix, the level of loans to individual borrowers and their related interests, loans to industry segments, and the geographic distribution of CRE loans. This evaluation is inherently subjective as it requires estimates that are susceptible to revision as more information becomes available. During the fourth quarter of 2024, after review and analysis, management adjusted the qualitative factors for credit management oversight in all loan segments, reflecting certain personnel changes at the Company, including the retirement of the current Chief Executive Officer and the former Chief Lending Officer (CLO) taking on the combined role of President & Chief Executive Officer, with the senior team overseeing credit and lending being new in their roles. The qualitative factors for criticized and classified loans in the commercial and industrial and CRE portfolios were adjusted to reflect recent trends. The qualitative factors for external factors, exceptions, and delinquency and non-performing loans in the consumer portfolio were adjusted to improve a low coverage ratio discovered during backtesting.

The qualitative factors are determined based on the various risk characteristics of each loan segment. The Company has policies, procedures and internal controls that management believes are commensurate with the risk profile of each of these segments. Major risk characteristics relevant to each portfolio segment are as follows:

Commercial & Industrial – Loans in this segment include commercial and industrial loans and to a lesser extent loans to finance agricultural production. Commercial loans are made to businesses and are generally secured by assets of the business, including trade assets and equipment. While not the primary collateral, in many cases these loans may also be secured by the real estate of the business. Repayment is expected from the cash flows of the business. A weakened economy, soft consumer spending, unfavorable foreign trade conditions and the rising cost of labor or raw materials are examples of issues that can impact credit quality in this segment.

Purchased –Loans in this segment are loans purchased through a loan purchasing program with BHG. BHG originates commercial loans to medical professionals and consumer loans to other professionals nationwide and sells them individually to a secondary market, primarily banks, through a bid process. The Bank has established conservative credit parameters and expects a low risk of default in this portfolio.

Commercial Real Estate – Loans in this segment are principally made to businesses and are generally secured by either owner-occupied, or non-owner occupied CRE. A relatively small portion of this segment includes farm loans secured by farmland and buildings. As with commercial and industrial loans, repayment of owner-occupied CRE loans is expected from the cash flows of the business and the segment would be impacted by the same risk factors as commercial and industrial loans. The non-owner occupied CRE portion includes both residential and commercial construction loans, vacant land and real estate development loans, multi-family dwelling loans and commercial rental property loans. Repayment of construction loans is expected from permanent financing takeout; the Company generally requires a commitment or eligibility for the take-out financing prior to construction loan origination. Real estate development loans are generally repaid from the sale of the subject real property as the project progresses. Construction and development lending entail additional risks, including the project exceeding budget, not being constructed according to plans, not receiving permits, or the pre-leasing or occupancy rate not meeting expectations. Repayment of multi-family loans and commercial rental property loans is expected from the cash flow generated by rental payments received from the individuals or businesses occupying the real estate. CRE loans are impacted by factors such as competitive market forces, vacancy rates, cap rates, net operating incomes, lease renewals and overall economic demand. In addition, loans in the recreational and tourism sector can be affected by weather conditions, such as unseasonably low winter snowfalls. CRE lending also carries a higher degree of environmental risk than other real estate lending.

Municipal –Loans in this segment are made to local municipalities, attributable to municipal financing transactions and backed by the full faith and credit of town governments or dedicated governmental revenue sources, with no historical losses recognized by the Company. Qualitative factors are not utilized in the manual entry method for municipal loans.

Residential Real Estate - 1st Lien – Loans in this segment are collateralized by first mortgages on 1 – 4 family owner-occupied residential real estate and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, has an impact on the credit quality of this segment.

Residential Real Estate – Jr Lien – Loans in this segment are collateralized by junior lien mortgages on 1 – 4 family residential real estate and repayment is primarily dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, has an impact on the credit quality of this segment.

Consumer – Loans in this segment are made to individuals for consumer and household purposes. This segment includes both loans secured by automobiles and other consumer goods, as well as loans that are unsecured. This segment also includes overdrafts, which are extensions of credit made to both individuals and businesses to cover temporary shortages in their deposit accounts and are generally unsecured. The Company maintains policies restricting the size and term of these extensions of credit. The overall health of the economy, including unemployment rates, has an impact on the credit quality of this segment.

Specific component

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are also not included in the collective evaluation. In general, loans individually evaluated for estimated credit losses include those (i) greater than $100,000 with a nonaccrual status or (ii) have other unique characteristics differing from the portfolio segment. Specific reserves are established when appropriate for such loans based on the present value of expected future cash flows of the loan. However, when management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

Bank premises and equipment

Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed principally by the straight-line method over the estimated useful lives of the assets. The cost of assets sold or otherwise disposed of, and the related accumulated depreciation, are eliminated from the accounts and the resulting gains or losses are reflected in the consolidated statements of income. Maintenance and repairs are charged to current expense as incurred and the cost of major renewals and betterments is capitalized.

Other real estate owned

Real estate properties acquired through or in lieu of loan foreclosure or properties no longer used for bank operations are initially recorded at fair value less estimated selling cost at the date of acquisition, foreclosure or transfer. Fair value is determined, as appropriate, either by obtaining a current appraisal or evaluation prepared by an independent, qualified appraiser, by obtaining a broker’s market value analysis, and finally, if the Company has limited exposure and limited risk of loss, by the opinion of management as supported by an inspection of the property and its most recent tax valuation. During periods of declining market values, the Company will generally obtain a new appraisal or evaluation. Any write-down based on the asset's fair value at the date of acquisition or institution of foreclosure is charged to the ACL. After acquisition through or in lieu of foreclosure, these assets are carried at the lower of their new cost basis or fair value. Costs of significant property improvements are capitalized, whereas costs relating to holding the property are expensed as incurred. Appraisals by an independent, qualified appraiser are performed periodically on properties that management deems significant, or evaluations may be performed by management or a qualified third party on OREO properties in the portfolio that are deemed less significant or less vulnerable to market conditions. Subsequent write-downs are recorded as a charge to other expense. Gains or losses on the sale of such properties are included in income when the properties are sold.

Intangible assets

Intangible assets include the excess of the purchase price over the fair value of net assets acquired (goodwill) in the Company’s 2007 acquisition of LyndonBank. Goodwill is not amortizable and is reviewed for impairment annually, or more frequently as events or circumstances warrant.

Income taxes

The Company recognizes income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are established for the temporary differences between the accounting bases and the tax bases of the Company's assets and liabilities at enacted tax rates expected to be in effect when the amounts related to such temporary differences are realized or settled. Adjustments to the Company's deferred tax assets are recognized as deferred income tax expense or benefit based on management's judgments relating to the outcome of such asset.

Mortgage servicing

Servicing assets are recognized as separate assets when rights are acquired through purchase or retained upon the sale of loans. Capitalized servicing rights are reported in Other assets and initially recorded at fair value, and are amortized against non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans. Servicing rights are periodically evaluated for impairment, based upon the estimated fair value of the rights as compared to amortized cost. Impairment is determined by stratifying the rights by predominant characteristics, such as interest rates and terms. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. Impairment is recognized through a valuation allowance and is recorded as amortization of Other assets, to the extent that estimated fair value is less than the capitalized amount at the valuation date. Subsequent improvement, if any, in the estimated fair value of impaired MSRs is reflected in a positive valuation adjustment and is recognized in other income up to (but not more than) the amount of the prior impairment.

Pension costs

Pension costs are charged to salaries and employee benefits expense and accrued over the active service period.

Advertising costs

The Company expenses advertising costs as incurred.

Comprehensive income or loss

U.S. GAAP generally requires recognized revenue, expenses, gains and losses to be included in net income. Certain changes in assets and liabilities, such as the after-tax effect of unrealized gains and losses on available-for-sale securities, are not reflected in the consolidated statement of income, but the cumulative effect of such items from period-to-period is reflected as a separate component of the shareholders' equity section of the consolidated balance sheet (accumulated other comprehensive income or loss). Other comprehensive income or loss, along with net income, comprises the Company's total comprehensive income or loss.

Preferred stock

In December 2007, the Company issued 25 shares of fixed-to-floating rate non-cumulative perpetual preferred stock, without par value and having a liquidation preference of $100,000 per share. There were 15 shares of preferred stock outstanding as of December 31, 2024 and 2023. Under the terms of the preferred stock, the Company pays non-cumulative cash dividends quarterly, when, as and if declared by the Board. Dividends are payable at a variable dividend rate equal to the Wall Street Journal Prime Rate in effect on the first business day of each quarterly dividend period. A variable rate of 7.50% was in effect for the first quarter dividend payment in 2023, followed by several increases during 2023 with a rate of 8.50% in effect for the last quarter of 2023, which remained in effect for the first three quarters of 2024, followed by a decrease to end 2024 at 7.50%. Partial redemptions of the Company's preferred stock began in 2018 and are at the discretion of management and voted on by the Board. Prior to 2020, the Company had redeemed 10 shares of preferred stock at an aggregate redemption price of $1,000,000 plus accrued dividends. The Company chose to not redeem any additional preferred shares during 2023 and 2024 but may consider further redemptions in future periods.

Earnings per common share

Earnings per common share amounts are computed based on net income, net of dividends to preferred shareholders, and on the weighted average number of shares of common stock issued during the period, including DRIP shares issuable upon reinvestment of dividends (retroactively adjusted for stock splits and stock dividends, if any) and reduced for shares held in treasury.

The following table illustrates the calculation of earnings per common share for the periods presented, as adjusted for the cash dividends declared on the preferred stock:

Years Ended December 31,	2024	2023
Net income, as reported	$ 12,764,450	$ 13,431,855
Less: dividends to preferred shareholders	125,625	120,938
Net income available to common shareholders	$ 12,638,825	$ 13,310,917
Weighted average number of common shares used in calculating earnings per share	5,553,052	5,471,457
Earnings per common share	$ 2.28	$ 2.43

Off-balance-sheet financial instruments

In the ordinary course of business, the Company is a party to off-balance-sheet financial instruments consisting of commitments to extend credit, commercial and municipal letters of credit, standby letters of credit, and risk-sharing commitments on residential mortgage loans sold through the FHLBB's MPF program. Such financial instruments are recorded in the consolidated financial statements when they are funded (see Note 17).

Transfers of financial assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Segment Information

The Company's reportable segment is determined by the Treasurer, who is the designated chief operating decision maker, based upon information provided about the Company's products and services offered, primarily banking operations. The segment is also distinguished by the level of information provided by the chief operating decision maker, who uses such information to review the performance of various components of the business, which are then aggregated if operating performance, products/services, and customers are similar. The chief operating decision maker will evaluate the financial performance of the Company's business components such as by evaluating revenue streams, significant expenses, and budget to actual results in assessing the Company's segment and in the determination of allocating resources. The chief operating decision maker uses revenue streams to evaluate product pricing and significant expenses to assess performance and evaluate return on assets. The chief operating decision maker uses consolidated net income to benchmark the Company against its competitors. The benchmarking analysis coupled with monitoring of budget to actual results are used in assessing performance and in establishing compensation. Loans, investments, and deposit product service fees provide the revenues in the banking operation. Interest expense, credit loss expense, and salaries and employee benefits, as reported on the consolidated statements of income, provide the significant expenses in the banking operation. All operations are domestic.

Accounting policies for segments are the same as those described herein. Segment performance is evaluated using consolidated net income. The measure of segment assets is reported on the consolidated balance sheets as total consolidated assets. Noncash items, such as depreciation and amortization, as well as expenditures for premises and equipment, are reported on the consolidated statements of cash flows.

Note 2. Recent Accounting Developments

In November 2023, the FASB issued ASU No. 2023-09, *Improvements to Income Tax Disclosures.*The ASU provides more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information, such as requiring the disclosure of specific categories in the rate reconciliation and the disaggregation of income tax expense and income taxes paid by federal, state, and foreign taxes. The ASU is effective for annual periods beginning after December 15, 2024 with early adoption permitted. The Company adopted this ASU in 2024 as permitted, and it did not have a material impact on the Company's consolidated financial statements.

In December 2024, the FASB issued ASU No. 2024-03, Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): *Disaggregation of Income Statement Expenses.* This ASU requires disclosure in the notes to financial statements of specified information about certain costs and expenses. Public business entities must disclose the amount of employee compensation, depreciation, and intangible asset amortization. A qualitative description of the amounts remaining in relevant expense captions must be disclosed if not disaggregated quantitatively. The ASU is effective for annual periods beginning after December 15, 2026. Management is reviewing the ASU but does not expect that it will have a material effect on the Company's consolidated financial statements.

Note 3. Investment Securities

Debt securities AFS as of the balance sheet dates consisted of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2024				
U.S. GSE debt securities	$ 12,000,000	$ 0	$ 1,036,485	$ 10,963,515
U.S. Government securities	27,579,709	0	824,566	26,755,143
Taxable Municipal securities	300,000	0	52,255	247,745
Tax-exempt Municipal securities	10,772,633	79,789	614,169	10,238,253
Agency MBS	119,522,274	130,900	17,396,937	102,256,237
ABS and OAS	2,098,461	0	140,696	1,957,765
CMO	6,899,002	0	93,467	6,805,535
Other investments	496,000	0	22,773	473,227
Total	$ 179,668,079	$ 210,689	$ 20,181,348	$ 159,697,420
December 31, 2023				
U.S. GSE debt securities	$ 12,000,000	$ 0	$ 1,172,426	$ 10,827,574
U.S. Government securities	41,207,049	0	1,943,800	39,263,249
Taxable Municipal securities	300,000	0	53,035	246,965
Tax-exempt Municipal securities	10,832,494	158,982	517,691	10,473,785
Agency MBS	132,043,238	321,880	16,502,319	115,862,799
ABS and OAS	2,533,872	0	186,251	2,347,621
CMO	10,963,942	0	226,346	10,737,596
Other investments	992,000	0	45,570	946,430
Total	$ 210,872,595	$ 480,862	$ 20,647,438	$ 190,706,019

The Company had investments in Agency MBS exceeding 10% of shareholders' equity with a book value of $119.5 million and $132.0 million, respectively, and a fair value of $102.3 million and $115.9 million, respectively, as of December 31, 2024 and 2023.

There were no sales of investment securities during 2024. Proceeds from sales of investment securities amounted to $1,183,078, with realized gains of $36,707 for 2023.

Investment securities pledged as collateral for larger dollar repurchase agreement accounts and for other purposes as required or permitted by law consisted of U.S. GSE debt securities, Agency MBS, and ABS and OAS. These repurchase agreements mature daily. These pledged securities as of the balance sheet dates were as follows:

	Amortized Cost	Fair Value
December 31, 2024	$ 61,463,021	$ 52,603,659
December 31, 2023	59,300,089	52,107,148

Investment securities pledged as collateral for BTFP borrowings consisted of U.S. Government securities and U.S. GSE debt securities with an aggregate amortized cost and fair value of these pledged investments as of the balance sheet dates as follows:

	Amortized Cost	Fair Value
December 31, 2024	$ 58,548,143	$ 52,695,867
December 31, 2023	49,232,069	43,795,542

The carrying amount and estimated fair value of securities by contractual maturity are shown below. Expected maturities will differ from contractual maturities because issuers may call or prepay obligations with or without call or prepayment penalties, pursuant to contractual terms. Because the actual maturities of Agency MBS usually differ from their contractual maturities due to the right of borrowers to prepay the underlying mortgage loans, usually without penalty, those securities are not presented in the following table by contractual maturity date.

The scheduled maturities of debt securities AFS at December 31, 2024 were as follows:

	Amortized Cost	Fair Value
December 31, 2024		
Due in one year or less	$ 20,265,651	$ 20,002,880
Due from one to five years	26,774,356	25,165,820
Due from five to ten years	1,300,000	1,070,473
Due after ten years	11,805,798	11,202,010
Agency MBS	119,522,274	102,256,237
Total	$ 179,668,079	$ 159,697,420

Debt securities with unrealized losses for which an ACL has not been recorded as of the balance sheet dates are presented in the tables below.

	Less than 12 months		12 months or more		Totals		
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Number of Securities	Fair Value	Unrealized Loss
December 31, 2024							
U.S. GSE debt securities	$ 0	$ 0	$ 10,963,515	$ 1,036,485	11	$ 10,963,515	$ 1,036,485
U.S. Government securities	0	0	26,755,143	824,566	41	26,755,143	824,566
Taxable Municipal securities	0	0	247,745	52,255	1	247,745	52,255
Tax-exempt Municipal securities	3,043,981	37,705	3,945,428	576,464	15	6,989,409	614,169
Agency MBS	2,480,313	27,200	91,208,171	17,369,737	118	93,688,484	17,396,937
ABS and OAS	0	0	1,957,765	140,696	4	1,957,765	140,696
CMO	0	0	6,805,535	93,467	7	6,805,535	93,467
Other investments	0	0	473,227	22,773	2	473,227	22,773
Total	$ 5,524,294	$ 64,905	$ 142,356,529	$ 20,116,443	199	$ 147,880,823	$ 20,181,348
December 31, 2023							
U.S. GSE debt securities	$ 0	$ 0	$ 10,827,574	$ 1,172,426	11	$ 10,827,574	$ 1,172,426
U.S. Government securities	0	0	39,263,249	1,943,800	54	39,263,249	1,943,800
Taxable Municipal securities	0	0	246,965	53,035	1	246,965	53,035
Tax-exempt Municipal securities	529,571	9,468	4,058,155	508,223	10	4,587,726	517,691
Agency MBS	1,328,433	9,218	103,000,706	16,493,101	119	104,329,139	16,502,319
ABS and OAS	0	0	2,347,621	186,251	4	2,347,621	186,251
CMO	3,309,165	18,554	7,428,431	207,792	10	10,737,596	226,346
Other investments	0	0	946,430	45,570	4	946,430	45,570
Total	$ 5,167,169	$ 37,240	$ 168,119,131	$ 20,610,198	213	$ 173,286,300	$ 20,647,438

The Company adopted ASU No. 2016-13 effective January 1, 2023, which requires credit losses on debt securities AFS to be recorded in an allowance for credit losses and eliminates the concept of OTTI for debt securities AFS. Under the ASU, if the Company 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, then the credit loss is recorded through an allowance rather than as a write-down of the security. As of December 31, 2024 and 2023, the Company did not have the intent to sell, nor was it more likely than not that we would be required to sell any of the debt securities AFS in an unrealized loss position prior to recovery; accordingly, the Company determined that no individual debt securities in an unrealized loss position as of such date represented credit losses that would require an ACL. The Company concluded that the unrealized losses were primarily attributed to increases in market interest rates since these securities were purchased under other market conditions.

There was no ACL on AFS debt securities as of December 31, 2024 or 2023.

The Bank is a member of the FHLBB. The FHLBB is a cooperatively owned wholesale bank for housing and finance in the six New England States. Its mission is to support the residential mortgage and community-development lending activities of its members, which include over 450 financial institutions across New England. The Company obtains much of its wholesale funding from the FHLBB. As a requirement of membership in the FHLBB, the Bank must own a minimum required amount of FHLBB stock, calculated periodically based primarily on the Bank's level of borrowings from the FHLBB. As a result of the Bank's level of borrowings during 2024 and 2023, the Bank was required to purchase additional FHLBB stock in aggregate totaling $5.4 million and $4.2 million, respectively. As a member of the FHLBB, the Company is also subject to future capital calls by the FHLBB to maintain compliance with its capital plan. During 2024 and 2023, FHLBB exercised capital call options with redemptions totaling $4.4 million and $4.0 million, respectively, on the Company's portfolio of FHLBB stock. As of December 31, 2024 and 2023, the Company's investment in FHLBB stock was $1.9 million and $964 thousand, respectively.

The Company periodically evaluates its investment in FHLBB stock for impairment based on, among other factors, the capital adequacy of the FHLBB and its overall financial condition. No impairment losses have been recorded through December 31, 2024.

The Company's investment in FRBB Stock was $588,150 at December 31, 2024 and 2023.

In 2018, the Company purchased 20 shares of common stock in ACBI at a purchase price of $90,000, for the purpose of obtaining access to correspondent banking services from ACBI subsidiary, ACBB. These shares are subject to contractual resale restrictions and considered by management to be restricted and are recorded in the balance sheet at cost, amounting to $90,000 at December 31, 2024 and 2023.

Note 4. Loans, Allowance for Credit Losses, Credit Quality and Off-Balance Sheet Credit Exposures

The composition of net loans as of the balance sheet dates was as follows:

December 31,	**2024**		**2023**	
Commercial & industrial	$ 124,055,652	13.37%	$ 121,705,707	14.40%
Purchased (1)	7,808,877	0.84%	10,568,922	1.25%
Commercial real estate	472,152,857	50.88%	414,880,621	49.07%
Municipal	67,087,399	7.23%	54,466,988	6.44%
Residential real estate - 1st lien	218,090,893	23.50%	208,824,888	24.70%
Residential real estate - Jr lien	35,691,181	3.85%	31,668,811	3.75%
Consumer	3,053,946	0.33%	3,313,917	0.39%
Total loans	927,940,805	100.00%	845,429,854	100.00%
ACL	(9,810,212)		(9,842,725)	
Deferred net loan costs	648,695		573,169	
Net loans	$ 918,779,288		$ 836,160,298	

(1) At December 31, 2024, Purchased loans consisted of $4.0 million in commercial loans and $3.8 million in consumer loans, compared to $5.7 million and $4.9 million, respectively, at December 31, 2023.

The Company did not purchase any loans during 2024.

Accrued interest receivable on loans totaled $3.8 million and $3.6 million on December 31, 2024 and 2023, respectively, and was reported in accrued interest receivable on the consolidated balance sheets and is excluded from the estimate of credit losses.

Credit loss expense

Years Ended December 31,	**2024**	**2023**
Credit loss expense - loans	$ 1,235,607	$ 1,230,879
Credit loss (reversal) expense - OBS credit exposure	(102,196)	249,670
Credit loss expense	$ 1,133,411	$ 1,480,549

The following tables present the activity in the ACL on loans by portfolio segment for the periods presented.

As of or for the year ended December 31, 2024

	Balance December 31, 2023	**Charge-offs**	**Recoveries**	**Credit Loss Expense (Reversal)**	**Balance December 31, 2024**
Commercial & Industrial	$ 1,100,688	$ (1,263,015)	$ 163,743	$ 726,072	$ 727,488
Purchased	37,065	0	0	(14,650)	22,415
Commercial Real Estate	5,522,082	(126,393)	13,718	1,078,293	6,487,700
Municipal	136,167	0	0	31,552	167,719
Residential Real Estate - 1st Lien	2,590,926	0	1,386	(505,278)	2,087,034
Residential Real Estate - Jr Lien	431,007	0	15,538	(155,306)	291,239
Consumer	24,790	(92,266)	19,169	74,924	26,617
Totals	$ 9,842,725	$ (1,481,674)	$ 213,554	$ 1,235,607	$ 9,810,212

As of or for the year ended December 31, 2023

	Balance December 31, 2022	**Impact of Adoption of ASU No. 2016-13**	**Charge-offs**	**Recoveries**	**Credit Loss Expense (Reversal)**	**Balance December 31, 2023**
Commercial & Industrial	$ 1,116,322	$ (164,115)	$ (386,578)	$ 10,237	$ 524,822	$ 1,100,688
Purchased	53,090	(29,196)	0	0	13,171	37,065
Commercial Real Estate	5,061,813	(22,467)	0	22,058	460,678	5,522,082
Municipal	62,339	24,243	0	0	49,585	136,167
Residential Real Estate - 1st Lien	2,001,836	273,167	(1,625)	72,588	244,960	2,590,926
Residential Real Estate - Jr Lien	241,950	297,746	0	29,240	(137,929)	431,007
Consumer	69,686	(33,813)	(131,332)	44,657	75,592	24,790
Unallocated	102,189	(102,189)	0	0	0	0
Totals	$ 8,709,225	$ 243,376	$ (519,535)	$ 178,780	$ 1,230,879	$ 9,842,725

Credit Quality Grouping

In developing the ACL, management uses credit quality groupings to help evaluate trends in credit quality. The Company groups credit risk into Groups A, B and C. The manner the Company utilizes to assign risk grouping is driven by loan purpose. Commercial purpose loans are individually risk graded while the retail portion of the portfolio is generally grouped by delinquency pool.

Group A loans - Pass – are loans that are expected to perform as agreed under their respective terms. Such loans carry a normal level of risk that does not require management attention beyond that warranted by the loan or loan relationship characteristics, such as loan size or relationship size. Group A loans include commercial purpose loans that are individually risk rated and retail loans that are rated by pool. Group A retail loans include performing consumer and residential real estate loans. Residential real estate loans are loans to individuals secured by 1-4 family homes, including first mortgages, home equity and home improvement loans. Loan balances fully secured by deposit accounts or that are fully guaranteed by the federal government are considered acceptable risk.

Group B loans – Special Mention - are loans that require greater attention than the acceptable risk loans in Group A. Characteristics of such loans may include, but are not limited to, borrowers that are experiencing negative operating trends such as reduced sales or margins, borrowers that have exposure to adverse market conditions such as increased competition or regulatory burden, or borrowers that have had unexpected or adverse changes in management. These loans have a greater likelihood of migrating to an unacceptable risk level if these characteristics are left unchecked. Group B is limited to commercial purpose loans that are individually risk rated.

Group C loans – Substandard/Doubtful – are loans that have distinct shortcomings that require a greater degree of management attention. Examples of these shortcomings include a borrower's inadequate capacity to service debt, poor operating performance, or insolvency. These loans are more likely to result in repayment through collateral liquidation. Group C loans range from those that are likely to sustain some loss if the shortcomings are not corrected, to those for which loss is imminent and non-accrual treatment is warranted. Group C loans include individually rated commercial purpose loans and retail loans adversely rated in accordance with the Federal Financial Institutions Examination Council’s Uniform Retail Credit Classification Policy. Group C retail loans include 1-4 family residential real estate loans and home equity loans past due 90 days or more with loan-to-value ratios greater than 60%, home equity loans 90 days or more past due where the Bank does not hold first mortgage, irrespective of loan-to-value, loans in bankruptcy where repayment is likely but not yet established, and lastly consumer loans that are 90 days or more past due.

Commercial purpose loan ratings are assigned by the commercial account officer; for larger and more complex commercial loans, the credit rating is a collaborative assignment by the lender and the credit analyst. The credit risk rating is based on the borrower's expected performance, i.e., the likelihood that the borrower will be able to service its obligations in accordance with the loan terms. Credit risk ratings are meant to measure risk versus simply record history. Assessment of expected future payment performance requires consideration of numerous factors. While past performance is part of the overall evaluation, expected performance is based on an analysis of the borrower's financial strength, and historical and projected factors such as size and financing alternatives, capacity and cash flow, balance sheet and income statement trends, the quality and timeliness of financial reporting, and the quality of the borrower’s management. Other factors influencing the credit risk rating to a lesser degree include collateral coverage and control, guarantor strength and commitment, documentation, structure and covenants and industry conditions. There are uncertainties inherent in this process.

Credit risk ratings are dynamic and require updating whenever relevant information is received. Risk ratings are assessed on an ongoing basis and at various points, including at delinquency or at the time of other adverse events. For larger, more complex or adversely rated loans, risk ratings are also assessed at the time of annual or periodic review. Lenders are required to make immediate disclosure to the Senior Lender of any known increase in loan risk, even if considered temporary in nature.

The risk ratings within the loan portfolio and current period gross charge-offs, by loan segment and origination year were as follows:

As of December 31, 2024

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2024	2023	2022	2021	2020	Prior			
	(Dollars in Thousands)								
Commercial & Industrial:									
Pass	$ 24,900	$ 12,876	$ 14,797	$ 9,402	$ 1,696	$ 6,016	$ 44,079	$ 0	$ 113,766
Special mention	0	50	34	148	0	0	1,302	0	1,534
Substandard/Doubtful	0	298	1,275	563	294	1,613	4,713	0	8,756
Total	$ 24,900	$ 13,224	$ 16,106	$ 10,113	$ 1,990	$ 7,629	$ 50,094	$ 0	$ 124,056
Purchased:									
Pass	$ 0	$ 4,100	$ 81	$ 900	$ 1,012	$ 1,716	$ 0	$ 0	$ 7,809
Total	$ 0	$ 4,100	$ 81	$ 900	$ 1,012	$ 1,716	$ 0	$ 0	$ 7,809
Commercial real estate:									
Pass	$ 54,938	$ 69,509	$ 90,849	$ 33,881	$ 36,087	$ 104,272	$ 70,076	$ 0	$ 459,612
Special mention	0	0	0	1,536	4,741	786	0	0	7,063
Substandard/Doubtful	0	0	0	603	2,896	1,979	0	0	5,478
Total	$ 54,938	$ 69,509	$ 90,849	$ 36,020	$ 43,724	$ 107,037	$ 70,076	$ 0	$ 472,153
Municipal:									
Pass	$ 34,769	$ 180	$ 458	$ 2,858	$ 3,696	$ 9,137	$ 15,989	$ 0	$ 67,087
Total	$ 34,769	$ 180	$ 458	$ 2,858	$ 3,696	$ 9,137	$ 15,989	$ 0	$ 67,087
Residential real estate - 1st lien:									
Pass	$ 28,738	$ 29,761	$ 35,389	$ 37,294	$ 29,691	$ 51,876	$ 2,593	$ 0	$ 215,342
Special mention	0	161	0	0	0	212	0	0	373
Substandard/Doubtful	0	0	299	123	1,774	180	0	0	2,376
Total	$ 28,738	$ 29,922	$ 35,688	$ 37,417	$ 31,465	$ 52,268	$ 2,593	$ 0	$ 218,091
Residential real estate - Jr lien:									
Pass	$ 3,990	$ 1,765	$ 1,845	$ 301	$ 526	$ 1,173	$ 24,556	$ 1,512	$ 35,668
Substandard/Doubtful	0	0	0	0	0	23	0	0	23
Total	$ 3,990	$ 1,765	$ 1,845	$ 301	$ 526	$ 1,196	$ 24,556	$ 1,512	$ 35,691
Consumer									
Pass	$ 1,466	$ 764	$ 442	$ 188	$ 75	$ 119	$ 0	$ 0	$ 3,054
Total	$ 1,466	$ 764	$ 442	$ 188	$ 75	$ 119	$ 0	$ 0	$ 3,054
Total Loans	$ 148,801	$ 119,464	$ 145,469	$ 87,797	$ 82,488	$ 179,102	$ 163,308	$ 1,512	$ 927,941

As of December 31, 2024, there were no Special mention loans within the Residential real estate Jr lien loan segment and no Special mention or Substandard/Doubtful loans within the Purchased, Municipal and Consumer loan segments.

For the year ended December 31, 2024

	Term Loans Amortized Cost Basis by Origination Year						
	2024	2023	2022	2021	2020	Prior	Total
	(Dollars in Thousands)						
Current period gross charge-offs							
Commercial & Industrial	$ 0	$ 14	$ 0	$ 5	$ 0	$ 1,244	$ 1,263
Commercial real estate	0	0	0	0	45	81	126
Consumer	1	30	3	3	0	56	93
Total current period gross charge-offs	$ 1	$ 44	$ 3	$ 8	$ 45	$ 1,381	$ 1,482

For the year ended, December 31, 2024, there were no current period gross charge-offs within the Purchased, Municipal, Residential real estate 1st lien and Residential real estate Jr lien loan segments.

As of December 31, 2023

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2023	2022	2021	2020	2019	Prior			
	(Dollars in Thousands								
Commercial & Industrial:									
Pass	$ 15,876	$ 18,645	$ 12,964	$ 2,776	$ 3,744	$ 3,957	$ 46,645	$ 0	$ 104,607
Special mention	310	887	750	0	10	560	9,285	0	11,802
Substandard/Doubtful	0	419	167	453	258	1,548	2,451	0	5,296
Total commercial	$ 16,186	$ 19,951	$ 13,881	$ 3,229	$ 4,012	$ 6,065	$ 58,381	$ 0	$ 121,705
Purchased:									
Pass	$ 5,186	$ 94	$ 1,581	$ 1,464	$ 2,244	$ 0	$ 0	$ 0	$ 10,569
Total purchased	$ 5,186	$ 94	$ 1,581	$ 1,464	$ 2,244	$ 0	$ 0	$ 0	$ 10,569
Commercial real estate:									
Pass	$ 70,549	$ 83,453	$ 38,942	$ 43,405	$ 34,725	$ 85,688	$ 49,721	$ 0	$ 406,483
Special mention	0	373	1,471	0	0	0	0	0	1,844
Substandard/Doubtful	356	0	0	3,318	1,361	1,519	0	0	6,554
Total commercial real estate	$ 70,905	$ 83,826	$ 40,413	$ 46,723	$ 36,086	$ 87,207	$ 49,721	$ 0	$ 414,881
Municipal:									
Pass	$ 29,055	$ 695	$ 3,263	$ 4,571	$ 527	$ 10,180	$ 6,176	$ 0	$ 54,467
Total municipal	$ 29,055	$ 695	$ 3,263	$ 4,571	$ 527	$ 10,180	$ 6,176	$ 0	$ 54,467
Residential real estate - 1st lien:									
Pass	$ 30,378	$ 39,540	$ 41,214	$ 32,966	$ 10,018	$ 50,585	$ 1,440	$ 0	$ 206,141
Special mention	164	299	129	0	0	0	0	0	592
Substandard/Doubtful	0	0	0	1,831	36	225	0	0	2,092
Total residential real estate - 1st lien	$ 30,542	$ 39,839	$ 41,343	$ 34,797	$ 10,054	$ 50,810	$ 1,440	$ 0	$ 208,825
Residential real estate - Jr lien:									
Pass	$ 2,239	$ 1,940	$ 350	$ 596	$ 489	$ 1,069	$ 23,298	$ 1,659	$ 31,640
Substandard/Doubtful	0	0	0	0	0	29	0	0	29
Total residential real estate - Jr lien	$ 2,239	$ 1,940	$ 350	$ 596	$ 489	$ 1,098	$ 23,298	$ 1,659	$ 31,669
Consumer									
Pass	$ 1,685	$ 829	$ 405	$ 211	$ 97	$ 87	$ 0	$ 0	$ 3,314
Total consumer	$ 1,685	$ 829	$ 405	$ 211	$ 97	$ 87	$ 0	$ 0	$ 3,314
Total Loans	$ 155,798	$ 147,174	$ 101,236	$ 91,591	$ 53,509	$ 155,447	$ 139,016	$ 1,659	$ 845,430

As of December 31, 2023, there were no Special mention loans within the Residential real estate Jr lien loan segment and no Special mention or Substandard/Doubtful loans within the Purchased, Municipal and Consumer loan segments.

For the year ended December 31, 2023

	Term Loans Amortized Cost Basis by Origination Year						
	2023	2022	2021	2020	2019	Prior	Total
	(Dollars in Thousands)						
Current period gross charge-offs							
Commercial & Industrial	$ 0	$ 150	$ 25	$ 0	$ 0	$ 212	$ 387
Residential real estate – 1st lien	0	0	0	0	0	2	2
Consumer	33	32	1	0	4	61	131
Total current period gross charge-offs	$ 33	$ 182	$ 26	$ 0	$ 4	$ 275	$ 520

For the year ended, December 31, 2023, there were no current period gross charge-offs within the Purchased, CRE, Municipal and Residential real estate Jr lien loan segments,

The following tables present the amortized cost basis of loans on nonaccrual status and loans past due 90 days or more and still accruing as of the dates presented. There were no nonaccrual loans with an ACL at December 31, 2024 or 2023.

December 31, 2024	Nonaccrual	90 Days or More and Accruing
Commercial & industrial	$ 6,365,276	$ 0
Commercial real estate	1,196,838	0
Residential real estate - 1st lien	752,850	806,325
Residential real estate - Jr lien	23,202	0
Totals	$ 8,338,166	$ 806,325
December 31, 2023		
Commercial & industrial	$ 3,632,659	$ 0
Commercial real estate	2,818,283	38,779
Residential real estate - 1st lien	415,074	446,395
Residential real estate - Jr lien	89,030	0
Totals	$ 6,955,046	$ 485,174

The following is an age analysis of loans (including non-accrual), as of the balance sheet dates, by portfolio segment:

December 31, 2024	30-89 Days	90 Days or More	Total Past Due	Current	Total Loans
Commercial & industrial	$ 249,577	$ 1,286,921	$ 1,536,498	$ 122,519,154	$ 124,055,652
Purchased	0	0	0	7,808,877	7,808,877
Commercial real estate	711,925	25,050	736,975	471,415,882	472,152,857
Municipal	0	0	0	67,087,399	67,087,399
Residential real estate - 1st lien	2,471,244	1,306,019	3,777,263	214,313,630	218,090,893
Residential real estate - Jr lien	88,514	0	88,514	35,602,667	35,691,181
Consumer	13,151	0	13,151	3,040,795	3,053,946
Totals	$ 3,534,411	$ 2,617,990	$ 6,152,401	$ 921,788,404	$ 927,940,805

December 31, 2023	30-89 Days	90 Days or More	Total Past Due	Current	Total Loans
Commercial & industrial	$ 253,974	$ 3,068,578	$ 3,322,552	$ 118,383,155	$ 121,705,707
Purchased	0	0	0	10,568,922	10,568,922
Commercial real estate	178,083	944,669	1,122,752	413,757,869	414,880,621
Municipal	0	0	0	54,466,988	54,466,988
Residential real estate - 1st lien	1,856,944	646,980	2,503,924	206,320,964	208,824,888
Residential real estate - Jr lien	245,856	25,007	270,863	31,397,948	31,668,811
Consumer	14,728	0	14,728	3,299,189	3,313,917
Totals	$ 2,549,585	$ 4,685,234	$ 7,234,819	$ 838,195,035	$ 845,429,854

For all loan segments, loans over 30 days past due are considered delinquent.

The following tables present the amortized cost basis of collateral-dependent loans as of the balance sheet dates, by collateral type:

December 31, 2024	Real Estate
Residential real estate - 1st lien	$ 593,678

December 31, 2023	Business Assets (1)	Real Estate	Total
Commercial	$ 1,298,717	$ 0	$ 1,298,717
Commercial real estate	0	1,263,495	1,263,495
Residential real estate - 1st lien	0	167,363	167,363
	$ 1,298,717	$ 1,430,858	$ 2,729,575

(1) Including, but not limited to, inventory, equipment, and accounts receivable, but excluding real estate.

Residential real estate loans in process of foreclosure as of the balance sheet dates comprised of the following:

	Number of loans	Balance
December 31, 2024	1	$ 88,780
December 31, 2023	0	$ 0

Modifications of Loans

A loan is considered modified if, for economic or legal reasons related to a borrower's financial difficulties, the Company grants a concession to the borrower that it would not otherwise consider.

The Company is deemed to have granted such a concession if it has modified a loan in any of the following ways:

- Reduced accrued interest;
- Reduced the original contractual interest rate to a rate that is below the current market rate for the borrower;
- Converted a variable-rate loan to a fixed-rate loan;
- Extended the term of the loan beyond an insignificant delay;
- Deferred or forgiven principal in an amount greater than three months of payments;
- Performed a refinancing and deferred or forgiven principal on the original loan;
- Capitalized protective advance to pay delinquent real estate taxes; or
- Capitalized delinquent accrued interest.

An insignificant delay or insignificant shortfall in the number of payments typically would not require the loan to be accounted for as modified. However, pursuant to regulatory guidance, any payment delays longer than three months is generally not considered insignificant. Management's assessment of whether a concession has been granted also takes into consideration payments expected to be received from third parties, including third-party guarantors, provided the third party can perform on the guarantee.

The Company's modified loans are principally a result of extending loan repayment terms to relieve cash flow difficulties. The Company has only, on a limited basis, reduced accrued interest or reduced interest rates for borrowers below the current market rate for the borrower. The Company has not generally forgiven principal within the terms of original restructurings, nor converted variable rate terms to fixed rate terms. However, the Company evaluates each potential loan modification on its own merits and does not foreclose the granting of any concession. In connection with modifications, the Company considers applicable regulatory guidance, including a 2023 Interagency Policy Statement on Prudent Commercial Real Estate Loan Accommodations and Workouts.

The following table presents the amortized cost basis of loans as of December 31, 2024, that were both experiencing financial difficulty and modified during the twelve months ended December 31, 2024, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below.

	Payment Delay	Term Extension	Combination Payment Delay and Term Extension	Total Class of Financing Receivable
Commercial & Industrial	$ 1,628,466	$ 10,695	$ 107,135	1.41%

As of December 31, 2024, the Company was not committed to lend additional amounts to the borrowers whose loans are included in the table above.

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty for the year ended December 31, 2024.

	Weighted-Average Term Extension (months/years)
Commercial & Industrial	10 months

There were no loan modifications that were past due as of December 31, 2024, or that had a payment default since modification.

There were no loan modifications during 2023.

Note 5. Loan Servicing

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage loans serviced for others were $127.9 million and $136.7 million at December 31, 2024 and 2023, respectively. Proceeds on loan sales of $5.1 million and $8.0 million were realized for December 31, 2024 and 2023, with net gains of $88,087 and $153,491 for the respective periods. Most loan sales are with servicing rights retained.

The following table summarizes changes in the carrying amount of MSRs, included in other assets in the consolidated balance sheets, for the years ended December 31,

	2024	2023
Balance at beginning of year	$ 787,013	$ 862,593
MSRs capitalized	42,551	68,297
MSRs amortized	(125,076)	(143,877)
Balance at end of year	$ 704,488	$ 787,013

Note 6. Bank Premises and Equipment

The major classes of bank premises and equipment and accumulated depreciation and amortization at December 31 were as follows:

	2024	2023
Buildings and improvements	$ 10,848,724	$ 10,712,053
Land and land improvements	3,096,142	3,026,281
Furniture and equipment	6,983,199	6,360,991
Leasehold improvements	869,474	869,473
Finance lease	4,018,377	4,018,377
Operating leases	1,426,517	1,417,859
Other prepaid assets	27,500	160,881
Total bank premises and equipment	27,269,933	26,565,915
Less accumulated depreciation and amortization	(15,196,948)	(14,194,544)
Net bank premises and equipment	$ 12,072,985	$ 12,371,371

Note 7. Leases

The Company has operating and finance leases for some of its bank premises, with remaining lease terms of one year to 16 years. Some of the operating leases have options to renew, which are reflected in the years disclosed. The Company's operating lease right-of-use assets and finance lease assets are included in "Bank premises and equipment, net" in the consolidated balance sheets and operating lease liabilities and finance lease liabilities are included in Accrued interest and other liabilities in the consolidated balance sheets.

The components of lease expense for the periods presented were as follows:

Years Ended December 31,	2024	2023
Operating lease cost	$ 206,647	$ 209,697
Finance lease cost:		
Amortization of right-of-use assets	$ 227,279	$ 227,279
Interest on lease liabilities	75,956	81,072
Total finance lease cost	$ 303,235	$ 308,351

Total rental expense not associated with operating lease costs above amounted to $21,665 and $13,691 for the years ended December 31, 2024 and 2023, respectively.

Supplemental information related to leases as of the balance sheet dates was as follows:

December 31,	2024	2023
Operating Leases		
Operating lease right-of-use assets	$ 395,705	$ 452,536
Operating lease liabilities	$ 371,258	$ 443,370
Finance Leases		
Finance lease right-of-use assets	$ 3,170,768	$ 3,398,047
Finance lease liabilities	$ 3,198,108	$ 3,424,971

December 31,	2024	2023
Weighted Average Remaining Lease Term (in Years)		
Operating Leases	1.8	1.7
Finance Leases	13.7	14.7
Weighted Average Discount Rate		
Operating Leases	2.38%	1.28%
Finance Leases	2.29%	2.29%

Operating lease obligations

The Company is obligated under non-cancelable operating leases for bank premises expiring in various years through 2029, with options to renew. Minimum future rental payments for these leases with original terms in excess of one year as of December 31, 2024 for each of the next three years and in aggregate are:

2025	$ 185,265
2026	130,764
2027	32,546
2028	33,523
2029	8,442
Total	$ 390,540

Finance lease obligations

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of December 31, 2024:

2025	$ 304,758
2026	311,451
2027	320,076
2028	322,163
2029	324,303
Subsequent to 2029	2,114,847
Total minimum lease payments	3,697,598
Less amount representing interest	(499,490)
Present value of net minimum lease payments	$ 3,198,108

A reconciliation of the undiscounted cash flows in the maturity analysis above and the lease liability recognized in the consolidated balance sheets as of December 31, 2024, is shown below:

	Operating Leases	Finance Leases
Undiscounted cash flows	$ 390,540	$ 3,697,598
Discount effect of cash flows	(19,282)	(499,490)
Lease liabilities	$ 371,258	$ 3,198,108

Note 8. Goodwill

As a result of the acquisition of LyndonBank on December 31, 2007, the Company recorded goodwill amounting to $11,574,269. The goodwill is not amortizable and is not deductible for tax purposes. Management evaluated goodwill for impairment at December 31, 2024 and 2023 and concluded that no impairment existed as of such dates.

Note 9. Other Investments

The Company has established a single-member LLC to facilitate the purchase of federal NMTC through an investment structure designed by a local community development entity. The LLC does not conduct any business apart from its role in the NMTC financing structure. The Company’s investment involves a project with a local industrial firm for the purpose of modernizing and expanding its current facilities and increasing the workforce. The NMTC equity investment generated tax credits of $300,000 for 2024, with an amortization expense of $251,934. The carrying value of the NMTC equity investment was $1.7 million at December 31, 2024, and is included in Other assets in the consolidated balance sheets.

The Company purchases, from time to time, interests in various limited partnerships established to acquire, own, and rent residential housing for low- and moderate-income residents of northeastern and central Vermont. The tax credits from these investments were $998,450 and $698,450 for the years ended December 31, 2024 and 2023, respectively. Expenses related to amortization of the investments in the limited partnerships are recognized as a component of income tax expense, and were $496,591 and $596,429 for 2024 and 2023, respectively. The carrying values of the limited partnership investments were $9,833,005 and $4,192,530 at December 31, 2024 and 2023, respectively, and are included in Other assets.

The Bank has a one-third ownership interest in a non-depository trust company, CFSG, based in Newport, Vermont, which is held indirectly through CFS Partners, a Vermont LLC that owns 100% of the LLC equity interests of CFSG. The Bank accounts for its investment in CFS Partners under the equity method of accounting. The Company's investment in CFS Partners, included in Other assets, amounted to $5,011,402 and $3,790,493 as of December 31, 2024 and 2023, respectively. The Company recognized income of $1,220,909 and $1,033,499 for 2024 and 2023, respectively, through CFS Partners from the operations of CFSG.

Note 10. Deposits

The following is a maturity distribution of time deposits at December 31, 2024:

2025	$ 170,554,124
2026	10,849,048
2027	2,913,990
2028	1,688,793
2029	1,270,353
Total time deposits	$ 187,276,308

Total deposits in excess of the FDIC insurance level amounted to $325,985,307 as of December 31, 2024.

Note 11. Borrowed Funds

The following table reflects the Company's outstanding advances with FHLBB as of the balance sheet dates presented:

	2024	2023
FHLBB Long-Term Advances		
FHLBB term advance, 0.00%, due November 12, 2025 (1)	$ 300,000	$ 300,000
FHLBB term advance, 0.00%, due November 13, 2028 (1)	800,000	800,000
FHLBB option advance, 4.54%, due May 15, 2026	10,000,000	0
FHLBB option advance, 4.74%, due May 26, 2026	5,000,000	0
FHLBB option advance, 3.89%, due February 01, 2027	5,000,000	0
FHLBB option advance, 4.27%, due June 07, 2027	10,000,000	0
Total Long-Term Advances	31,100,000	1,100,000
Overnight Borrowings		
Correspondent Banks, 5.56%	0	9,000,000
Total FHLBB Advances and Overnight Borrowings	$ 31,100,000	$ 10,100,000

(1) The FHLBB is providing a subsidy, funded by the FHLBB's earnings, to write down interest rates to 0% on JNE advances that finance qualifying loans to small businesses. JNE advances must support small business in New England that create and/or retain jobs or otherwise contribute to overall economic development activities.

Borrowings from the FHLBB are secured by a blanket lien on qualified collateral consisting primarily of loans with first mortgages secured by 1-4 family residential properties, as well as certain qualifying CRE loans. Qualified collateral for these borrowings totaled $151,113,385 and $156,633,552 as of December 31, 2024 and 2023, respectively, and the Company's gross potential borrowing capacity under this arrangement was $108,736,377 and $109,444,670, respectively, before reduction for outstanding advances and collateral pledges.

Under a separate agreement with the FHLBB, the Company has the authority to collateralize public unit deposits, up to its available borrowing capacity, with letters of credit issued by the FHLBB. At December 31, 2024 and 2023, $0 and $45,250,000 in FHLBB letters of credit was utilized as collateral for these deposits. Total fees paid by the Company in connection with issuance of these letters of credit were $82,255 for 2024 and $61,029 for 2023.

The Company also maintained a $500,000 IDEAL Way Line of Credit with the FHLBB at December 31, 2024 and 2023, with no outstanding advances under this line at either year-end date. Interest on these borrowings is at a rate determined daily by the FHLBB and payable monthly.

The Company also has a BIC arrangement with the FRBB, which is intended to be used as a contingency funding source and is secured by eligible commercial & industrial loans and CRE loans not pledged to FHLBB and home equity loans, with an available line of $60,776,993 and $42,181,375 as of December 31, 2024 and 2023, respectively. Credit advances in the FRBB lending program are overnight advances with interest chargeable at the primary credit rate (generally referred to as the discount rate), which was 450 basis points as of December 31, 2024. As of December 31, 2024 and 2023, the Company had no outstanding advances against this line.

The Company utilized borrowing capacity during 2023 and the first quarter of 2024 under the BTFP, a temporary loan facility established by the FRB in March 2023 to provide additional liquidity to financial institutions in the wake of several high-profile bank failures. The Company's BTFP borrowings are collateralized by U.S. Agency and U.S. Government Securities, valued at par. The BTFP ceased extending new loans on March 11, 2024.

The Company's advances under the BTFP as of the balance sheet dates were as follows:

	2024	2023
FRB BTFP Advances		
FRB BTFP term advance, 4.92%, due April 26, 2024	$ 0	$ 10,000,000
FRB BTFP term advance, 4.71%, due May 13, 2024	0	10,000,000
FRB BTFP term advance, 4.91%, due May 17, 2024	0	6,500,000
FRB BTFP term advance, 4.93%, due December 16, 2024	0	18,000,000
FRB BTFP term advance, 4.83%, due January 17, 2025	41,500,000	0
Total BTFP Advances	$ 41,500,000	$ 44,500,000

At December 31, 2024 and 2023, the Company had an unsecured lines of credit with one correspondent bank totaling $12.5 million. The Company had no outstanding advances against this line as of the balance sheet dates presented.

Note 12. Junior Subordinated Debentures

As of December 31, 2024 and 2023, the Company had outstanding $12,887,000 principal amount of floating rate Junior Subordinated Debentures due in 2037 (the Debentures). During 2024, the floating rate averaged 8.36% per quarter compared to an average rate of 8.06% per quarter for 2023. The Debentures mature on December 15, 2037 and are subordinated and junior in right of payment to all senior indebtedness of the Company, as defined in the Indenture dated as of October 31, 2007 between the Company and Wilmington Trust Company, as Trustee. The Debentures first became redeemable, in whole or in part, by the Company on December 15, 2012. Interest paid on the Debentures for 2024 and 2023 was $1,098,590 and $1,053,873, respectively, and is deductible for tax purposes.

In accordance with the federal Adjustable Interest Rate (LIBOR) Act enacted in March 2022 (the "LIBOR Act"), the interest rate provisions under the Company's debenture documents were replaced as a matter of law, as of the first London banking day after June 30, 2023 (the "LIBOR Replacement Date") with a benchmark interest rate identified in regulations promulgated by the FRB. Prior to the change, interest accrued at a floating rate equal to the 3 month LIBOR plus 2.85%, adjusted quarterly. As required under the LIBOR Act, the Federal Reserve-identified benchmark rates specified in the final regulations for various tenors of LIBOR are based on the Secured Overnight Financing Rate (SOFR) published by the Federal Reserve Bank of New York and each includes an appropriate "tenor spread adjustment" to reflect historical spreads between LIBOR and SOFR. In accordance with the LIBOR Act and its implementing regulations, as of the LIBOR Replacement Date, the Company's Junior Subordinated Debentures bear interest at a quarterly floating rate equal to 3-month CME SOFR, as adjusted by a spread adjustment factor of 0.26161, plus 2.85%.

The Debentures were issued and sold to CMTV Statutory Trust I (the Trust). The Trust is a special purpose trust funded by a capital contribution of $387,000 from the Company, in exchange for 100% of the Trust's common equity. The Trust was formed for the purpose of issuing corporation-obligated mandatorily redeemable Capital Securities (Capital Securities) in the principal amount of $12.5 million to third-party investors and using the proceeds from the sale of such Capital Securities and the Company's initial capital contribution to purchase the Debentures. The Debentures are the sole asset of the Trust. Distributions on the Capital Securities issued by the Trust are payable quarterly at a rate per annum equal to the interest rate being earned by the Trust on the Debentures. The Capital Securities are subject to mandatory redemption, in whole or in part, upon repayment of the Debentures. The Company has entered into an agreement which, collectively, fully and unconditionally guarantees the payments on the Capital Securities, subject to the terms of the guarantee.

The Debentures are currently includable in the Company's Tier 1 capital up to 25% of core capital elements (see Note 22).

Note 13. Repurchase Agreements

Securities sold under agreements to repurchase mature daily and consisted of the following:

As of or for the year ended December 31,

	2024	2023
Current balance	$ 48,943,996	$ 36,255,920
Average balance	32,532,862	35,419,450
Highest month-end balance	48,943,996	38,058,036
Weighted average interest rate	2.45%	2.11%
Pledged investment (1)		
Amortized cost	61,463,021	59,300,089
Fair value	52,603,659	52,107,148

(1) U.S. GSE debt securities, Agency MBS, ABS and OAS, were pledged as collateral for the periods presented.

Note 14. Income Taxes

The Company prepares its income tax return on a consolidated basis. Income taxes are allocated to members of the consolidated group based on taxable income.

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

	2024	2023
Currently paid or payable	$ 2,086,702	$ 3,268,196
Deferred expense (benefit)	351,928	(373,105)
Total income tax expense	$ 2,438,630	$ 2,895,091

Total income tax expense differed from the amounts computed at the statutory federal income tax rate of 21% for both periods presented primarily due to the following for the years ended December 31:

	2024		2023	
	Dollars	Percentage	Dollars	Percentage
Computed expense at statutory rates	$ 3,192,647	21.00%	$ 3,428,659	21.00%
Tax exempt interest	(578,350)	-3.80%	(364,295)	-2.23%
BOLI	(17,987)	-0.12%	(16,657)	-0.10%
Disallowed interest	80,946	0.53%	37,416	0.23%
Tax credits				
Low-incoming housing	(611,090)	-4.02%	(611,090)	-3.74%
Rehab	(87,360)	-0.57%	(87,360)	-0.54%
New markets	(300,000)	-1.97%	0	0.00%
Low-income housing investment amortization expense	650,940	4.28%	498,896	3.06%
Other	108,884	0.72%	9,522	0.06%
Total income tax expense	$ 2,438,630	16.04%	$ 2,895,091	17.73%

The deferred income tax expense (benefit) consisted of the following items for the years ended December 31:

	2024	2023
Depreciation	$ 75,625	$ (16,267)
Bad debts	6,827	(238,035)
Limited partnership amortization	75,454	177,184
Investment in CFS Partners	45,299	(127,863)
Deferred SBA PPP fees	1,492	2,761
Prepaid expenses	(1,606)	17,652
Deferred origination costs	167,448	0
Other	(3,591)	(172,665)
Change in deferred tax expense (benefit)	$ 351,928	$ (373,105)
Securities valuation (OCI)	41,142	1,258,996
Total change in deferred taxes	$ 393,070	$ 885,891

Listed below are the significant components of the net deferred tax asset as of December 31:

	2024	2023
Components of the deferred tax asset:		
Bad debts	$ 2,060,145	$ 2,066,972
Deferred compensation	4,620	6,930
Investment in CFS Partners	52,978	98,277
Contingent liability - MPF program	17,838	17,838
Finance lease	103,827	75,566
Deferred SBA PPP fees	1,713	3,205
Unrealized loss on debt securities AFS	4,193,839	4,234,981
Other	147,835	169,296
Total deferred tax asset	$ 6,582,795	$ 6,673,065
Components of the deferred tax liability:		
Depreciation	$ 542,842	$ 467,217
Limited partnerships	409,032	333,578
Mortgage servicing rights	147,942	165,272
Operating lease	5,134	1,925
Prepaid expenses	124,939	126,545
Deferred Origination Costs	167,448	0
Total deferred tax liability	1,397,337	1,094,537
Net deferred tax asset	$ 5,185,458	$ 5,578,528

U.S. GAAP provides for the recognition and measurement of deductible temporary differences (including general valuation allowances) to the extent that it is more likely than not that the deferred tax asset will be realized.

The net deferred tax asset is included in Other assets in the consolidated balance sheets.

ASC Topic 740, *Income Taxes*, defines the criteria that an individual tax position must satisfy some or all the benefits of that position to be recognized in a company's financial statements. Topic 740 prescribes a recognition threshold of more-likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, for those tax positions to be recognized in the consolidated financial statements. The Company has adopted these provisions and there was no material effect on the consolidated financial statements. The Company is currently open to audit under the statute of limitations by the IRS for the years ended December 31, 2021 through 2023. The 2024 tax return has not yet been filed.

Note 15. 401(k) and Profit-Sharing Plan

The Company has a defined contribution plan covering all employees who meet certain age and service requirements. The pension expense was $787,704 and $764,796 for 2024 and 2023, respectively. These amounts represent discretionary matching contributions of a portion of the voluntary employee salary deferrals under the 401(k) plan and discretionary profit-sharing contributions under the plan.

Note 16. Deferred Compensation Plan for Certain Directors

The Company maintains a directors' deferred compensation plan. Participants are general unsecured creditors of the Company with respect to these benefits. The benefits accrued under this plan were $22,000 and $33,000 at December 31, 2024 and 2023, respectively, and consist of funds for two directors for 2024 and three directors for 2023. These funds do not accrue interest and will be paid out upon retirement from the Board.

Note 17. Financial Instruments with Off-Balance-Sheet Risk

The Company is a party to financial instruments with OBS risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit, standby letters of credit and financial guarantees, commitments to sell loans and risk-sharing commitments on certain sold loans. Such instruments involve, to varying degrees, elements of credit and interest rate risk more than the amount recognized in the balance sheet. The contract or notional amounts of those instruments reflect the maximum extent of involvement the Company has in particular classes of financial instruments.

Effective January 1, 2023, with the adoption of ASU 2016-13 (CECL), the Company was required to establish an allowance for expected credit losses on OBS credit exposures. Expected credit losses are estimated by management over the contractual period during which the Company is exposed to credit risk under a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Company. 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 the estimated lives of such commitments. Upon adoption of ASU 2016-13, the Company recorded an adjustment to retained earnings of $451,704 to reflect an allowance for credit losses for unfunded commitments. The allowance for credit losses for OBS credit exposures is presented in the "Accrued interest and other liabilities" line of the consolidated balance sheets. The allowance for credit losses for OBS credit exposures at December 31, 2024 and 2023 was $703,975 and $806,172, respectively.

The Company's maximum exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit and financial guarantees written is represented by the contractual notional amount of those instruments. The Company applies the same credit policies and underwriting criteria in making commitments and conditional obligations as it does for on-balance-sheet instruments.

The Company generally requires collateral or other security to support financial instruments with credit risk. At December 31, the following off-balance-sheet financial instruments representing credit risk were outstanding:

	Contract or Notional Amount	
	2024	2023
Unused portions of home equity lines of credit	$ 40,013,611	$ 37,922,748
Residential and commercial construction lines of credit	25,019,431	42,437,837
Commercial real estate commitments	22,027,158	26,616,600
Commercial and industrial commitments	71,835,542	62,607,413
Other commitments to extend credit	55,238,256	49,931,055
Standby letters of credit and commercial letters of credit	1,735,247	1,683,050
Recourse on sale of credit card portfolio	183,700	192,500
MPF credit enhancement obligation, net (See Note 18)	240,858	241,799

Commitments to extend credit are agreements to lend to a customer if there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment balances do not necessarily represent future funding requirements. At December 31, 2024 and 2023, the Company had binding loan commitments to sell residential mortgages at fixed rates totaling $0 and $280,000, respectively. The recourse provision under the terms of the sale of the Company's credit card portfolio in 2007 is based on total lines, not balances outstanding. Based on historical losses, the Company does not expect any significant losses from this commitment.

The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Company upon extension of credit, or a commitment to extend credit, is based on management's credit evaluation of the counterparty. Collateral or other security held varies but may include real estate, accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties.

Standby letters of credit and financial guarantees written are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support private borrowing arrangements. The credit risk involved in issuing letters of credit or providing reimbursement guarantees for the benefit of the Company's commercial customers is essentially the same as that involved in extending loans to customers. The fair value of standby letters of credit and reimbursement guarantees on letters of credit has not been included in the balance sheets as the fair value is immaterial.

In connection with its 2007 trust preferred securities financing, the Company guaranteed the payment obligations under the $12,500,000 of capital securities of its affiliate, the CMTV Statutory Trust I (the Trust). The source of funds for payments by the Trust on its capital trust securities is payments made by the Company on its debentures issued to the Trust. The Company's obligation under those debentures is fully reflected in the Company's consolidated balance sheet, in the gross amount of $12,887,000 as of the dates presented, of which $12,500,000 represents external financing through the issuance to investors of capital securities by the Trust (see Note 12).

Note 18. Contingent Liability

The Company sells first lien 1-4 family residential mortgage loans under the MPF program with the FHLBB. Under this program the Company shares in the credit risk of each mortgage loan, while receiving fee income in return. The Company is responsible for a CEO based on the credit quality of these loans. FHLBB funds a FLA based on the Company's outstanding MPF mortgage balances. This creates a laddered approach to sharing in any losses. In the event of default, homeowner's equity, and private mortgage insurance, if any, are the first sources of repayment; the FHLBB's FLA funds are then utilized, followed by the participant's CEO, with the balance of losses absorbed by FHLBB. These loans must meet specific underwriting standards of the FHLBB. As of December 31, 2024 and 2023, the Company had $15,992,124 and $18,149,174, respectively, in outstanding loans sold through the MPF program and on which the Company had a CEO. As of December 31, 2024 and 2023, the notional amount of the maximum CEO related to this program was $325,802 and $326,743, respectively, and the accrued contingent liability for this CEO was $84,944 for both periods. The contingent liability is calculated by management based on the methodology used in calculating the ACL, adjusted to reflect the risk sharing arrangements with the FHLBB.

Note 19. Legal Proceedings

In the normal course of business, the Company is involved in various claims and legal proceedings. In the opinion of the Company's management, any liabilities resulting from such proceedings are not expected to be material to the Company's consolidated financial condition or results of operations.

Note 20. Transactions with Related Parties

Aggregate loan transactions of the Company with directors, principal officers, their immediate families and affiliated companies in which they are principal owners (commonly referred to as related parties) as of December 31 were as follows:

	2024	2023
Balance, beginning of year	$ 17,249,528	$ 15,717,582
New loans to existing Principal Officers/Directors	13,016,113	3,218,327
Retirement of Director	(12)	0
Repayment*	(2,077,879)	(1,686,381)
Balance, end of year	$ 28,187,750	$ 17,249,528

*Includes loans sold to the secondary market

Total funds of related parties on deposit with the Company were $16,363,334 and $13,914,079, respectively, at December 31, 2024 and 2023.

The Company utilizes the services of CFSG as an investment advisor for the Company's 401(k) plan. The Human Resources committee of the Board of Directors is the Trustee of the plan, and CFSG provides investment advice for the plan. CFSG also acts as custodian of the retirement funds and makes investments on behalf of the plan and its participants. The Company pays monthly management fees to CFSG for its services to the 401(k) plan amounting to $62,036 and $62,436, respectively, for the years ended December 31, 2024 and 2023.

Note 21. Restrictions on Cash and Due From Banks

In the ordinary course of business, the Company may, from time to time, maintain amounts due from correspondent banks that exceed federally insured limits. However, no losses have occurred in these accounts and the Company believes it is not exposed to any significant risk with respect to such accounts. The Company was required to maintain a targeted balance with a correspondent bank of $100,000 at December 31, 2024 and 2023.

Note 22. Regulatory Capital Requirements

The Company (on a consolidated basis) and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory – and possibly additional discretionary – actions by regulators that, if undertaken, could have a direct material effect on the Company's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance-sheet items, as calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Additional prompt corrective action capital requirements are applicable to banks, but not to bank holding companies.

Under current banking rules governing required regulatory capital, the Company and the Bank are required to maintain minimum amounts and ratios (set forth in the table on the following page) of Common equity tier 1, Tier 1 and Total capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). The Company's non-cumulative Series A preferred stock ($1.5 million liquidation preference in 2024 and 2023) is includable without limitation in its Common equity tier 1 and Tier 1 capital. The Company is allowed to include in Common equity tier 1 and Tier 1 capital an amount of trust preferred securities equal to no more than 25% of the sum of all core capital elements, which is generally defined as shareholders' equity, less certain intangibles, including goodwill, net of any related deferred income tax liability or asset, with the balance includable in Tier 2 capital. Management believes that, as of December 31, 2024, the Company and the Bank met all capital adequacy requirements to which they were subject.

As of December 31, 2024, the Bank was considered well capitalized under the regulatory capital framework for Prompt Corrective Action and the Company exceeded currently applicable consolidated regulatory guidelines for capital adequacy.

The following table shows the regulatory capital ratios for the Company and the Bank as of December 31:

	Actual		Minimum For Capital Adequacy Purposes		Minimum For Capital Adequacy Purposes with Conservation Buffer (1)		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions (2)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)							
December 31, 2024								
Common equity tier 1 capital (to risk-weighted assets)								
Company	$ 100,751	11.90%	$ 38,086	4.50%	$ 59,244	7.00%	N/A	N/A
Bank	$ 114,323	13.52%	$ 38,053	4.50%	$ 59,194	7.00%	$ 54,966	6.50%
Tier 1 capital (to risk-weighted assets)								
Company	$ 115,138	13.60%	$ 50,781	6.00%	$ 71,940	8.50%	N/A	N/A
Bank	$ 114,323	13.52%	$ 50,738	6.00%	$ 71,879	8.50%	$ 67,650	8.00%
Total capital (to risk-weighted assets)								
Company	$ 125,652	14.85%	$ 67,708	8.00%	$ 88,867	10.50%	N/A	N/A
Bank	$ 124,837	14.76%	$ 67,650	8.00%	$ 88,791	10.50%	$ 84,563	10.00%
Tier 1 capital (to average assets)								
Company	$ 115,138	9.46%	$ 48,690	4.00%	N/A	N/A	N/A	N/A
Bank	$ 114,323	9.40%	$ 48,665	4.00%	N/A	N/A	$ 60,831	5.00%
December 31, 2023:								
Common equity tier 1 capital (to risk-weighted assets)								
Company	$ 91,886	11.89%	$ 34,770	4.50%	$ 54,086	7.00%	N/A	N/A
Bank	$ 105,390	13.65%	$ 34,737	4.50%	$ 54,036	7.00%	$ 50,176	6.50%
Tier 1 capital (to risk-weighted assets)								
Company	$ 106,273	13.75%	$ 46,360	6.00%	$ 65,676	8.50%	N/A	N/A
Bank	$ 105,390	13.65%	$ 46,317	6.00%	$ 65,615	8.50%	$ 61,755	8.00%
Total capital (to risk-weighted assets)								
Company	$ 115,944	15.01%	$ 61,813	8.00%	$ 81,130	10.50%	N/A	N/A
Bank	$ 115,051	14.90%	$ 61,755	8.00%	$ 81,054	10.50%	$ 77,194	10.00%
Tier 1 capital (to average assets)								
Company	$ 106,273	9.57%	$ 44,401	4.00%	N/A	N/A	N/A	N/A
Bank	$ 105,390	9.50%	$ 44,376	4.00%	N/A	N/A	$ 55,470	5.00%

(1) Conservation Buffer is calculated based on risk-weighted assets and does not apply to calculations of average assets.
(2) Applicable to banks, but not bank holding companies.

The Company's ability to pay dividends to its shareholders is largely dependent on the Bank's ability to pay dividends to the Company. In general, a national bank may not pay dividends that exceed net income for the current and preceding two years. Regardless of statutory restrictions, as a matter of regulatory policy, banks and bank holding companies should pay dividends only out of current earnings and only if, after paying such dividends, they remain adequately capitalized.

Note 23. Fair Value

Certain assets and liabilities are recorded at fair value to provide additional insight into the Company's quality of earnings and comprehensive income. The fair values of some of these assets and liabilities are measured on a recurring basis while others are measured on a non-recurring basis, with the determination based upon applicable existing accounting pronouncements. For example, securities available-for-sale are recorded at fair value on a recurring basis. Other assets, such as MSRs, loans held-for-sale, impaired loans, and OREO are recorded at fair value on a non-recurring basis using the lower of cost or market methodology to determine impairment of individual assets. The Company groups assets and liabilities which are recorded at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. The level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement (with Level 1 considered highest and Level 3 considered lowest). A brief description of each level follows.

Level 1 Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as U.S. Treasury and other U.S. Government debt securities that are highly liquid and are actively traded in over-the-counter markets.

Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes MSRs, individually analyzed loans with a related allowance that are collateral-dependent and OREO.

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

The following methods and assumptions were used by the Company in estimating its fair value measurements:

Debt Securities AFS: Fair value measurement is based upon quoted prices for similar assets, if available. If quoted prices are not available, fair values are measured using matrix pricing models, or other model-based valuation techniques requiring observable inputs other than quoted prices such as yield curves, prepayment speeds and default rates, net of any related credit allowance. Level 1 securities would include U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets. Level 2 securities include federal agency securities, municipal securities and other asset-backed securities.

Individually analyzed loans: Individually analyzed loans are reported based on one of three measures: the present value of expected future cash flows discounted at the loan's effective interest rate; the loan's observable market price; or the fair value of the collateral if the loan is collateral dependent. If the fair value is less than a loan's recorded investment, a loss is recognized as part of the ACL. Accordingly, certain individually analyzed loans may be subject to measurement at fair value on a non-recurring basis. Management has estimated the fair value of collateral-dependent loans using Level 2 inputs, such as the fair value of collateral based on independent third-party appraisals.

Loans held-for-sale: The fair value of loans held-for-sale is based upon an actual purchase and sale agreement between the Company and an independent market participant. The sale is executed within a reasonable period following quarter-end at the stated fair value.

MSRs: MSRs represent the value associated with servicing residential mortgage loans. Servicing assets and servicing liabilities are reported using the amortization method and compared to fair value for impairment. In evaluating the carrying values of MSRs, the Company obtains third party valuations based on loan level data including note rate, and the type and term of the underlying loans. The Company classifies MSRs as non-recurring Level 2.

Assets Recorded at Fair Value on a Recurring Basis

Assets measured at fair value on a recurring basis and reflected in the consolidated balance sheets at December 31, segregated by fair value hierarchy, are summarized below:

Assets: (market approach)	2024	2023
Level 1		
U.S. Government securities	$ 26,755,143	$ 39,263,249
Level 2		
U.S. GSE debt securities	$ 10,963,515	$ 10,827,574
Taxable Municipal securities	247,745	246,965
Tax-exempt Municipal securities	10,238,253	10,473,785
Agency MBS	102,256,237	115,862,799
ABS and OAS	1,957,765	2,347,621
CMO	6,805,535	10,737,596
Other investments	473,227	946,430
Level 2 Total	$ 132,942,277	$ 151,442,770
Grand Total	$ 159,697,420	$ 190,706,019

There were no Level 3 assets or liabilities measured on a recurring basis as of the balance sheet dates presented, nor were there any transfers of assets between Levels during the periods presented.

Assets Recorded at Fair Value on a Non-Recurring Basis

The following table includes assets measured at fair value on a non-recurring basis that have had a fair value adjustment since their initial recognition. Individually analyzed loans measured at fair value only include those loans with a partial write-down or with a related specific ACL and are presented net of the specific allowances as disclosed in Note 4. Assets measured at fair value on a non-recurring basis and reflected in the consolidated balance sheets at the dates presented, segregated by fair value hierarchy level, are summarized below.

	2024	2023
Level 2		
Assets: (market approach)		
Individually analyzed loans, net of related allowance	$ 0	$ 709,487
MSRs (1)	704,488	787,013

(1) Represents MSRs at lower of cost or fair value, including MSRs deemed to be impaired and for which a valuation allowance was established to carry at fair value at December 31, 2024 and 2023.

There were no Level 1 or Level 3 assets or liabilities measured on a non-recurring basis as of the balance sheet dates presented, nor were there any transfers of assets between Levels during the periods presented.

FASB ASC Topic 825, "Financial Instruments", requires disclosures of fair value information about financial instruments, whether or not recognized in the balance sheet, if the fair values can be reasonably determined. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques using observable inputs when available. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. Topic 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

The carrying amounts and estimated fair values of the Company's financial instruments as of the balance sheet dates were as follows:

December 31, 2024	Carrying Amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Fair Value Total
	(Dollars in Thousands)				
Financial assets:					
Cash and cash equivalents	$ 110,940	$ 110,940	$ 0	$ 0	$ 110,940
Debt securities AFS	159,697	26,755	132,942	0	159,697
Restricted equity securities	2,629	0	2,629	0	2,629
Loans and loans held-for-sale, net of ACL					
Commercial & industrial	123,320	0	0	120,746	120,746
Purchased	7,787	0	0	7,488	7,488
Commercial real estate	465,643	0	0	442,059	442,059
Municipal	66,919	0	0	64,702	64,702
Residential real estate - 1st lien	216,683	0	0	202,531	202,531
Residential real estate - Jr lien	35,400	0	0	34,923	34,923
Consumer	3,027	0	0	3,055	3,055
MSRs (1)	704	0	1,165	0	1,165
Accrued interest receivable	4,472	0	4,472	0	4,472
Financial liabilities:					
Deposits					
Other deposits	987,832	0	986,544	0	986,544
Brokered deposits	13,813	0	13,899	0	13,899
Short-term advances	41,500	0	41,505	0	41,505
Long-term advances	31,100	0	31,104	0	31,104
Repurchase agreements	48,944	0	48,944	0	48,944
Operating lease obligations	371	0	371	0	371
Finance lease obligations	3,198	0	3,198	0	3,198
Subordinated debentures	12,887	0	12,750	0	12,750
Accrued interest payable	2,409	0	2,409	0	2,409

(1) Reported fair value represents all MSRs for loans serviced by the Company at December 31, 2024, regardless of carrying amount.

December 31, 2023	Carrying Amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Fair Value Total
	(Dollars in Thousands)				
Financial assets:					
Cash and cash equivalents	$ 20,435	$ 20,435	$ 0	$ 0	$ 20,435
Debt securities AFS	190,706	39,263	151,443	0	190,706
Restricted equity securities	1,642	0	1,642	0	1,642
Loans and loans held-for-sale, net of ACL					
Commercial & industrial	120,589	0	709	116,287	116,996
Purchased	10,532	0	0	10,055	10,055
Commercial real estate	409,332	0	0	382,045	382,045
Municipal	54,331	0	0	51,791	51,791
Residential real estate – 1st lien	206,849	0	0	188,650	188,650
Residential real estate – Jr lien	31,238	0	0	30,745	30,745
Consumer	3,289	0	0	3,295	3,295
MSRs (1)	787	0	1,262	0	1,262
Accrued interest receivable	4,247	0	4,247	0	4,247
Financial liabilities:					
Deposits					
Other deposits	896,968	0	894,823	0	894,823
Short-term borrowings	9,000	0	9,000	0	9,000
Long-term borrowings	45,600	0	45,415	0	45,415
Repurchase agreements	36,256	0	36,256	0	36,256
Operating lease obligations	443	0	443	0	443
Finance lease obligations	3,425	0	3,425	0	3,425
Subordinated debentures	12,887	0	12,719	0	12,719
Accrued interest payable	1,082	0	1,082	0	1,082

(1) Reported fair value represents all MSRs for loans serviced by the Company at December 31, 2023, regardless of carrying amount.

Note 24. Condensed Financial Information (Parent Company Only)

The following condensed financial statements are for Community Bancorp. (Parent Company Only) and should be read in conjunction with the consolidated financial statements of the Company.

Community Bancorp. (Parent Company Only) **Balance Sheets**	**December 31, 2024**	**December 31, 2023**
Assets		
Cash	$ 1,068,972	$ 1,081,158
Investment in subsidiary - Community National Bank	110,120,329	101,032,517
Investment in Capital Trust	387,000	387,000
Income taxes receivable	330,575	323,825
Total assets	$ 111,906,876	$ 102,824,500
Liabilities and Shareholders' Equity		
Liabilities		
Junior subordinated debentures	$ 12,887,000	$ 12,887,000
Dividends payable	971,671	908,686
Total liabilities	13,858,671	13,795,686
Shareholders' Equity		
Preferred stock, 1,000,000 shares authorized, 15 shares issued and outstanding at December 31, 2024 and 2023 ($100,000 liquidation value, per share)	1,500,000	1,500,000
Common stock - $2.50 par value; 15,000,000 shares authorized, 5,809,035 and 5,724,151 shares issued at December 31, 2024 and 2023, respectively (including 21,187 and 20,774 shares issued February 1, 2025 and 2024, respectively)	14,522,588	14,310,378
Additional paid-in capital	38,801,755	37,574,578
Retained earnings	61,623,460	54,198,230
Accumulated other comprehensive loss	(15,776,821)	(15,931,595)
Less: treasury stock, at cost; 210,101 shares at December 31, 2024 and 2023	(2,622,777)	(2,622,777)
Total shareholders' equity	98,048,205	89,028,814
Total liabilities and shareholders' equity	$ 111,906,876	$ 102,824,500

The investment in the subsidiary bank is carried under the equity method of accounting. The investment and cash on deposit with the Bank have been eliminated in consolidation.

Community Bancorp. (Parent Company Only) **Condensed Statements of Income**	**Years Ended December 31,** **2024**	 **2023**
Income		
Bank subsidiary distributions	$ 5,075,000	$ 4,823,000
Dividends on Capital Trust	32,991	31,648
Total income	5,107,991	4,854,648
Expense		
Interest on junior subordinated debentures	1,098,590	1,053,873
Administrative and other	508,564	519,793
Total expense	1,607,154	1,573,666
Income before applicable income tax benefit and equity in undistributed net income of subsidiary	3,500,837	3,280,982
Income tax benefit	330,575	323,825
Income before equity in undistributed net income of subsidiary	3,831,412	3,604,807
Equity in undistributed net income of subsidiary	8,933,038	9,827,048
Net income	$ 12,764,450	$ 13,431,855

Community Bancorp. (Parent Company Only) **Condensed Statements of Cash Flows**	**Years Ended December 31,** **2024**	 **2023**
Cash Flows from Operating Activities		
Net income	$ 12,764,450	$ 13,431,855
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in undistributed net income of subsidiary	(8,933,038)	(9,827,048)
Increase in income taxes receivable	(6,749)	(100,010)
Net cash provided by operating activities	3,824,663	3,504,797
Cash Flows from Financing Activities		
Dividends paid on preferred stock	(125,625)	(120,938)
Dividends paid on common stock	(3,711,224)	(3,675,082)
Net cash used in financing activities	(3,836,849)	(3,796,020)
Net decrease in cash	(12,186)	(291,223)
Cash		
Beginning	1,081,158	1,372,381
Ending	$ 1,068,972	$ 1,081,158
Cash Received for Income Taxes	$ 323,825	$ 223,816
Cash Paid for Interest	$ 1,098,590	$ 1,053,873
Dividends paid:		
Dividends declared	$ 5,213,595	$ 5,028,021
(Increase) decrease in dividends payable attributable to dividends declared	(62,984)	29,507
Dividends reinvested	(1,439,387)	(1,382,446)
	$ 3,711,224	$ 3,675,082

Note 25. Other Income and Other Expenses

The components of other income and other expenses which are more than one percent of total revenues in either of the two annual periods presented were as follows:

	2024	2023
Income		
Income from investment in CFS Partners	$ 1,220,909	$ 1,033,499
Expenses		
Outsourcing expense	$ 604,679	$ 577,260
Service contracts - administration	806,996	638,630
Marketing	475,004	472,008
State deposit tax	1,023,201	1,025,988
ATM and debit card expense	708,946	645,745

Note 26. Subsequent Events

Declaration of Cash Dividend

On December 17, 2024, the Company declared a cash dividend of $0.24 per share payable February 1, 2025, to shareholders of record as of January 15, 2025. On March 19, 2025, the Company declared a cash dividend of $0.24 per share payable May 1, 2025, to shareholders of record as of April 15, 2025. These dividends have been recorded as of each declaration date, including shares issuable under the DRIP.

For purposes of accrual or disclosure in these financial statements, the Company has evaluated subsequent events through the date of issuance of these financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Years Ended December 31, 2024 and 2023

The following discussion analyzes the consolidated financial condition of the Company and its wholly owned subsidiary, Community National Bank, as of December 31, 2024 and 2023, and its consolidated results of operations for the years then ended. The Company is considered a "smaller reporting company" under the disclosure rules of the SEC. Accordingly, we have elected to provide our audited statements of income, comprehensive income, cash flows and changes in shareholders' equity for a two year, rather than a three year, period and to provide smaller reporting company scaled disclosures where management deems it appropriate.

The following discussion should be read in conjunction with the Company's audited consolidated financial statements and related notes. Please refer to Note 1 in the accompanying audited consolidated financial statements for a listing of acronyms and defined terms used throughout the following discussion.

FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, regarding the results of operations, financial condition and business of the Company and its subsidiary. Words used in the discussion below such as "believes," "expects," "anticipates," "intends," "estimates," "projects", "plans," "assumes", "predicts," "may", "might", "will", "could", "should" and similar expressions, indicate that management of the Company is making forward-looking statements.

Forward-looking statements are not guarantees of future performance. They necessarily involve risks, uncertainties and assumptions. Examples of forward looking statements included in this discussion include, but are not limited to, statements regarding the estimated contingent liability related to assumptions made within the asset/liability management process; management's expectations as to the future interest rate environment and the Company's related liquidity level; credit risk expectations relating to the Company's loan portfolio and off-balance sheet commitments; and management's general outlook for the future performance of the Company and the local or national economy. Although forward-looking statements are based on management's expectations and estimates as of the date they are made, many of the factors that could influence or determine actual results are unpredictable and not within the Company's control.

Factors that may cause actual results to differ materially from those contemplated by these forward-looking statements include, among others, the following possibilities:

- interest rates change in such a way as to negatively affect loan demand, the local economy or the Company's net income, asset valuations or margins;
- general economic or business conditions, either nationally, regionally or locally, deteriorate, resulting in a decline in credit quality or a diminished demand for the Company's products and services;
- the impact of inflation and slowing economic growth on the Company's customers and on its financial results and performance;
- the effect of United States monetary and fiscal policies, including deficit spending and the interest rate policies of the FRB and its regulation of the money supply;
- changes in applicable accounting policies, practices and standards;
- the geographic concentration of the Company's loan portfolio and deposit base;
- reductions in deposit levels, which necessitate increased borrowings to fund loans and sale of investment securities;
- increases in the level of nonperforming assets and charge-offs;
- changes in federal or state tax laws or policy;
- changes in laws or government rules, including the rules of the federal Consumer Financial Protection Bureau, or the way in which courts or government agencies interpret or implement those laws or rules, increase our costs of doing business, causing us to limit or change our product offerings or pricing, or otherwise adversely affect the Company's business;
- regulatory responses to high profile bank failures increase our costs of operation, including through regulatory compliance changes and higher FDIC deposit insurance assessments to replenish the Bank Insurance Fund (BIF);
- competitive pressures increase among financial service providers in the Company's northern New England market area or in the financial services industry generally, including competitive pressures from non-bank lenders, payment systems and other financial service providers, from increasing consolidation and integration of financial service providers, and from changes in technology and delivery systems;
- cybersecurity risks, including risks to our vendors, could adversely affect the Company's business, financial performance or reputation and could result in financial liability for losses incurred by customers or others due to data breaches or other compromise of the Company's information security systems;
- higher-than-expected costs are incurred relating to information technology or difficulties arise in implementing technological enhancements;
- management's risk management measures may not be completely effective;
- changes in consumer and business spending, borrowing and savings habits;
- operational and internal system failures due to changes in normal business practices, including remote working for Company staff;
- increased cybercrime and payment system risk due to increased usage by customers of online, mobile and other remote banking channels;
- the ongoing challenges to find qualified workers to maintain a stable workforce;
- losses due to the fraudulent or negligent conduct of third parties, including the Company's service providers, customers and employees; and
- adverse changes in the credit rating of U.S. government debt.

Readers are cautioned not to place undue reliance on forward-looking statements as they speak only as of the date they are made. The Company does not undertake, and disclaims any obligation, to revise or update any forward-looking statements to reflect the occurrence or anticipated occurrence of events or circumstances after the date of this Report, except as required by applicable law. The Company claims the protection of the safe harbor for forward-looking statements provided in the Private Securities Litigation Reform Act of 1995.

NON-GAAP FINANCIAL MEASURES

Under SEC Regulation G, public companies making disclosures containing financial measures that are not in accordance with GAAP must also disclose, along with each non-GAAP financial measure, certain additional information, including a reconciliation of the non-GAAP financial measure to the closest comparable GAAP financial measure, as well as a statement of the company's reasons for utilizing the non-GAAP financial measure. The SEC has exempted from the definition of non-GAAP financial measures certain commonly used financial measures that are not based on GAAP. However, three non-GAAP financial measures commonly used by financial institutions, namely tax-equivalent net interest income and tax-equivalent net interest margin (as presented in the tables in the section labeled Interest Income Versus Interest Expense (NII)) and core earnings (as defined and discussed in the Results of Operations section), have not been specifically exempted by the SEC, and may therefore constitute non-GAAP financial measures under Regulation G. We are unable to state with certainty whether the SEC would regard those measures as subject to Regulation G.

Management believes that these non-GAAP financial measures are useful in evaluating the Company's financial performance and facilitate comparisons with the performance of other financial institutions. However, that information should be considered supplemental in nature and not as a substitute for related financial information prepared in accordance with GAAP.

OVERVIEW

The Company's consolidated assets at year-end 2024 were $1.25 billion compared to $1.10 billion at year-end 2023, an increase of 13.6%. Asset growth in 2024 was driven by increases in loans of $82.5 million, or 9.8%, and an increase of $90.5 million, or 443.0%, in cash on deposit at FRBB, but was partially offset by a decrease of $31.0 million, or 16.3%, in securities AFS portfolio. Loan growth was attributable to increases in the CRE portfolio of $57.3 million, or 13.8%, the commercial & industrial loan portfolio of $2.3 million, or 1.9%, the municipal loan portfolio of $12.6 million, or 23.2%, the residential real estate first lien portfolio of $9.31 million, or 4.4%, and the residential real estate Jr lien portfolio of $4.0 million, or 12.7%. These increases were partially offset by a decrease of $2.8 million, or 26.1%, in the purchased loan portfolio.

Funding for loan growth was provided by a combination of an increase of $104.7 million, or 11.7%, in deposits and an $18.0 million increase in borrowed funds, which totaled $72.6 million at December 31, 2024, compared to $54.6 million at December 31, 2023. The increase in deposits, which were $1.0 billion at December 31, 2024, compared to $897.0 million at December 31, 2023, was attributable to the combined effect of an increase in core deposits (demand deposit accounts, both interest bearing and non-interest bearing) of $1.9 million, or 0.4%, an increase of $48.2 million, or 39.7%, in money market funds, and an increase of $63.3 million, or 51.0% in time deposits. These increases were partially offset by a decrease of $8.6 million, or 5.7%, in savings accounts. The Company has been offering competitive interest rates for retail time deposits, and accessing the brokered deposit market, accounting for the increase in these funds. An increase in deposit balances is typical in the third and fourth quarters of the calendar year, with balances increasing through year end due in part to municipal accounts collecting tax payments.

Total interest income increased $8.1 million, or 17.3%, year over year due primarily to the increase in the volume of the loan portfolio.

Total interest expense increased $7.7 million, or 60.5%, for the year ended December 31, 2024 compared to 2023, driven mostly by the increase in interest-bearing deposit accounts and time deposits, together with the increased reliance on borrowed funds. Please refer to the interest rate sensitivity discussion in the Interest Rate Risk and Asset and Liability Management section for more information on the potential impact of changes in the yield curve on net interest income.

The credit loss expense for the year ended December 31, 2024 and 2023, was determined under ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments, commonly referenced as the Current Expected Credit Losses, or CECL, which the Company adopted effective January 1, 2023. The credit loss expense for the year ended 2024 was $1.1 million compared to $1.5 million for 2023, resulting in a decrease of 23.5% year over year. The current period credit loss expense considers several factors, including loan growth and changes in balances of the loan categories within the current portfolio, changes in forecasts, historical loss rate and qualitative factors. During the fourth quarter of 2024, certain qualitative factors used in the ACL calculation were adjusted to better reflect expected credit losses in the loan portfolio. Please refer to Note 1 of the audited consolidated financial statements as well as the ACL and credit loss expense discussion in the Credit Risk section of this MD&A.

Consolidated net income in 2024 decreased $667 thousand, or 5.0%, from $13.4 million for 2023 to $12.8 million for 2024. The $8.1 million increase in interest income was mostly offset by the $7.7 million increase in interest expense and coupled with a decrease of $347 thousand in the credit loss expense year over year, resulted in a moderate increase of $769 thousand in net interest income after credit loss expense. Non-interest income increased $7 thousand, or 0.1%, while non-interest expense increased $1.9 million, or 8.1% year over year. These changes, along with other significant changes in non-interest income and non-interest expense are discussed in the appropriate sections of this MD&A.

Equity capital increased to $98.0 million, with a book value per share of $17.24 as of December 31, 2024, compared to equity capital of $89.0 million and a book value of $15.87 as of December 31, 2023. This increase in equity capital reflected net income for 2024 of $12.8 million and a slight decrease of $155 thousand, net of tax, in the accumulated other comprehensive loss, which was offset in part by dividends paid totaling $3.7 million. This unrealized loss position is considered temporary and does not impact the Company’s regulatory capital ratios.

On December 17, 2024, the Company's Board of Directors declared a quarterly cash dividend of $0.24 per common share, payable on February 1, 2025 to shareholders of record on January 15, 2025.

Our business, financial condition and results of operations generally rely upon the ability of our borrowers to repay their loans, the value of collateral underlying our secured loans, and the demand for loans and other products and services we offer, which are highly dependent on the business environment in our local banking markets and in the country. Recent economic reports for the state of Vermont show employment in the hardest hit industries such as leisure and hospitality has risen but is still below pre-pandemic levels. The Vermont unemployment rate, seasonally adjusted, in December of 2024 was reported at 2.1%.

As of December 31, 2024, all the Company’s capital ratios, and those of our subsidiary Bank, were in excess of all regulatory requirements. While we believe that we have sufficient capital to withstand an economic downturn from any headwinds related to inflation or recessionary periods, should one occur, our equity capital and regulatory capital ratios could be adversely impacted, including as a result of credit losses and other adverse impacts of government monetary policy.

CRITICAL ACCOUNTING POLICIES

The Company’s consolidated financial statements are prepared according to U.S. GAAP. The preparation of such financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities in the consolidated financial statements and related notes. The SEC has defined a company’s critical accounting policies as those that are most important to the portrayal of the Company’s financial condition and results of operations, and which require the Company to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Because of the significance of these estimates and assumptions, there is a high likelihood that materially different amounts would be reported for the Company under different conditions or using different assumptions or estimates. Management evaluates on an ongoing basis its judgment as to which policies are considered to be critical.

ACL - Management believes that the calculation of the ACL is a critical accounting policy that requires the most significant judgments and estimates used in the preparation of its consolidated financial statements. In estimating the ACL, management has adopted a methodology consistent with ASU No. 2016-13 that requires that expected credit losses for financial assets held at the reporting date that are accounted for at amortized cost be measured and recognized based on historical experience and current and reasonably supportable forecasted conditions to reflect the full amount of expected credit losses over the life of the loans at the measurement date. Further consideration is given to qualitative factors, including changes in current economic indicators and their probable impact on borrowers and collateral, trends in delinquent and non-performing loans, trends in criticized and classified assets, levels of exceptions, the impact of competition in the market, concentrations of credit risk in a variety of areas, including portfolio product mix, the level of loans to individual borrowers and their related interests, loans to industry segments and the geographic distribution of CRE loans. Management's estimates used in calculating the ACL may increase or decrease based on changes in these factors, which in turn will affect the amount of the Company's credit loss expense charged against current period income. This evaluation is inherently subjective and actual results could differ significantly from these estimates under different assumptions, judgments, or conditions. The Company estimates expected credit losses on OBS credit exposures 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 ACL on OBS credit exposures is adjusted through credit loss expense.

A modified version of these requirements applies to debt securities classified as AFS, which eliminates OTTI impairment analysis and requires that if a decline in the fair value of debt securities AFS is deemed by management to be the result of credit losses rather than other factors, the credit losses on those securities is recorded through an allowance for credit losses rather than a write-down of the security. The Company's securities portfolio is evaluated for impairment on a quarterly basis.

OREO – Real estate properties acquired through or in lieu of foreclosure or properties no longer used for bank operations, are initially recorded at fair value less estimated selling cost at the date of acquisition, foreclosure or transfer. Fair value is determined, as appropriate, either by obtaining a current appraisal or evaluation prepared by an independent, qualified appraiser, by obtaining a broker's market value analysis, and finally, if the Company has limited exposure and limited risk of loss, by the opinion of management as supported by an inspection of the property and its most recent tax valuation. During periods of declining market values, the Company will generally obtain a new appraisal or evaluation. The amount, if any, by which the recorded amount of the loan exceeds the fair value, less estimated cost to sell, is a loss which is charged to the allowance for loan losses at the time of foreclosure or repossession. The recorded amount of the loan is the loan balance adjusted for any unamortized premium or discount and unamortized loan fees or costs, less any amount previously charged off, plus recorded accrued interest. After acquisition through or in lieu of foreclosure, these assets are carried at the lower of their new cost basis or fair value. Costs of significant property improvements are capitalized, whereas costs relating to holding the property are expensed as incurred. Appraisals by an independent, qualified appraiser are performed periodically on properties that management deems significant, or evaluations may be performed by management or a qualified third party on properties in the portfolio that are deemed less significant or less vulnerable to market conditions. Subsequent write-downs are recorded as a charge to other expense. Gains or losses on the sale of such properties are included in income when the properties are sold.

Investment Securities - Management performs quarterly reviews of individual debt securities in the investment portfolio to determine whether a decline in the fair value of a security is other than temporary and assesses fair value declines to determine the extent to which such changes are attributable to fundamental factors specific to the issuer, such as financial condition and business prospects, or to market-related or other external factors, such as interest rates, and in the case of debt securities, the extent to which the impairment relates to credit losses of the issuer, as compared to other factors. Declines in the fair value of debt securities below their cost that are deemed to be other than temporary and declines in fair value of debt securities below their cost that are related to credit losses, are recorded in earnings as realized losses, net of tax effect. The non-credit loss portion of an other than temporary decline in the fair value of debt securities below their cost basis (generally, the difference between the fair value and the estimated net present value of expected future cash flows from the debt security) is recognized in other comprehensive income as an unrealized loss, provided that the Company does not intend to sell the security and it is more likely than not that the Company will not have to sell the security before recovery of its reduced basis.

MSRs - MSRs associated with loans originated and sold, where servicing is retained, are required to be capitalized and initially recorded at fair value on the acquisition date and are subsequently accounted for using the "amortization method". MSRs are amortized against non-interest income in proportion to, and over the period of, estimated future net servicing income of the underlying financial assets. The value of capitalized servicing rights represents the estimated present value of the future servicing fees arising from the right to service loans for third parties. The carrying value of the MSRs is periodically reviewed for impairment based on a determination of estimated fair value compared to amortized cost, and impairment, if any, is recognized through a valuation allowance and is recorded as a reduction of non-interest income. Subsequent improvement (if any) in the estimated fair value of impaired MSRs is reflected in a positive valuation adjustment and is recognized in non-interest income up to (but not in excess of) the amount of the prior impairment. Critical accounting policies for MSRs relate to the initial valuation and subsequent impairment tests. The methodology used to determine the valuation of MSRs requires the development and use of several estimates, including anticipated principal amortization and prepayments. Factors that may significantly affect the estimates used are changes in interest rates and the payment performance of the underlying loans. The Company analyzes and accounts for the value of its MSRs with the assistance of a third-party consultant.

Goodwill - Goodwill from an acquisition accounted for under the purchase accounting method, such as the Company's 2007 acquisition of LyndonBank, is subject to ongoing periodic impairment evaluation, which includes an analysis of the ongoing assets, liabilities and revenues from the acquisition and an estimation of the impact of business conditions. This evaluation is inherently subjective.

Other - Management utilizes numerous techniques to estimate the carrying value of various assets held by the Company, including, but not limited to, bank premises and equipment and deferred taxes. The assumptions considered in making these estimates are based on historical experience and on various other factors that are believed by management to be reasonable under the circumstances. The use of different estimates or assumptions could produce different estimates of carrying values and those differences could be material in some circumstances.

RESULTS OF OPERATIONS

The Company's net income decreased $667 thousand, or 5.0%, from 2023 to 2024, resulting in earnings per common share of $2.28 for 2024 versus $2.43 for 2023. Core earnings (NII) increased $422 thousand, or 1.2%, in 2024 compared to 2023. Interest income in 2024 was supported by increases in the volume of the loan portfolio and overnight deposits at FRBB. Interest and fees on loans, which is the major component of interest income, increased $7.8 million, or 18.7% in 2024 and interest paid on deposits, which is the major component of total interest expense, increased $4.8 million, or 51.1% in 2024, reflecting the increase in interest-bearing deposits in 2024. Additionally, interest on borrowed funds increased $2.8 million, or 181.2% due to the Company's increased reliance on borrowings as a funding source.

Return on average assets, which is net income divided by average total assets, measures how effectively a corporation uses its assets to produce earnings. Return on average equity, which is net income divided by average shareholders' equity, measures how effectively a corporation uses its equity capital to produce earnings.

The following table shows these ratios, as well as other equity ratios, for each of the last two fiscal years:

December 31,	**2024**	**2023**
Return on average assets	1.12%	1.27%
Return on average equity	13.73%	16.79%
Dividend payout ratio (1)	41.23%	37.86%
Average equity to average assets ratio	8.15%	7.56%

(1) Dividends declared per common share divided by earnings per common share.

INTEREST INCOME VERSUS INTEREST EXPENSE (NII)

The largest component of the Company's operating income is net interest income, which is the difference between interest earned on loans and investments versus the interest paid on deposits and other sources of funds (i.e., other borrowings). The Company's level of net interest income can fluctuate over time due to changes in the level and mix of earning assets, and sources of funds (volume) and from changes in the yield earned and the cost of funds (rate paid). A portion of the Company's income from municipal loans is not subject to income taxes. Because the proportion of tax-exempt items in the Company's portfolio varies from year-to-year, to improve comparability of information across years, the non-taxable income shown in the tables below has been converted to a tax equivalent basis. The Company's corporate tax rate is 21%, therefore, to equalize tax-free and taxable income in the comparison, we divide the tax-free income by 79%, with the result that every tax-free dollar is equivalent to $1.27 in taxable income.

Tax-exempt income was derived from $67.1 million and $54.5 million of municipal loans, at December 31, 2024 and 2023, respectively, and from $10.2 million and $10.5 million of tax-exempt municipal securities in our investment portfolio, respectively, as of such dates.

The following table provides the reconciliation between net interest income presented in the consolidated statements of income and the non-GAAP tax equivalent net interest income presented in the table immediately following for each of the last two years.

Years Ended December 31,	**2024**	**2023**
Net interest income as presented	$ 34,631,367	$ 34,209,201
Effect of tax-exempt income	732,089	461,133
Net interest income, tax equivalent	$ 35,363,456	$ 34,670,334

The following tables present the daily average assets and the daily average liabilities, including the yields on interest-earning assets and interest-bearing liabilities for the respective comparison periods. Interest income (excluding interest on non-accrual loans) is expressed on a tax equivalent basis, both in dollars and as a yield/rate for the comparison periods presented. Net interest income, net interest spread, and net interest margin are also expressed on a tax equivalent basis.

	Year Ended December 31,					
	2024			2023		
	Average Balance	Income/ Expense	Average Yield/ Rate	Average Balance	Income/ Expense	Average Yield/ Rate
Average Assets						
Loans, net (1)	$ 876,475,122	$ 50,270,634	5.74%	$ 789,079,053	$ 42,189,792	5.35%
Taxable investment securities	164,625,831	3,633,292	2.21%	177,276,797	3,807,650	2.15%
Tax-exempt investment securities	10,337,723	407,146	3.94%	11,216,139	457,301	4.08%
Sweep and interest-earning accounts	23,871,864	1,193,788	5.00%	16,421,943	769,849	4.69%
Other investments (2)	2,945,682	228,169	7.75%	1,887,335	138,682	7.35%
Total interest-earning assets	1,078,256,222	$ 55,733,029	5.17%	$ 995,881,267	$ 47,363,274	4.76%
Cash and due from banks	10,920,508			10,917,697		
Premises and equipment	12,408,878			12,738,787		
BOLI	5,272,050			5,190,080		
Goodwill	11,574,269			11,574,269		
Other assets	22,214,876			21,098,666		
Total assets	$ 1,140,646,803			$ 1,057,400,766		
Average Liabilities and Shareholders' Equity						
Interest-bearing transaction accounts	$ 288,183,136	$ 5,503,150	1.91%	$ 278,073,787	$ 4,480,887	1.61%
Money market funds	121,153,125	2,724,283	2.25%	132,693,069	2,388,182	1.80%
Savings deposits	146,590,062	127,740	0.09%	164,588,558	130,685	0.08%
Time deposits	156,024,163	5,760,371	3.69%	109,238,242	2,342,173	2.14%
Repurchase agreements	32,532,862	797,002	2.45%	35,419,450	747,091	2.11%
Borrowed funds	89,990,738	4,282,481	4.76%	30,296,252	1,468,977	4.85%
Finance lease obligations	3,302,569	75,956	2.30%	3,526,029	81,072	2.30%
Junior subordinated debentures	12,887,000	1,098,590	8.52%	12,887,000	1,053,873	8.18%
Total interest-bearing liabilities	850,663,655	$ 20,369,573	2.39%	766,722,387	$ 12,692,940	1.66%
Noninterest bearing deposits	190,549,111			204,093,060		
Other liabilities	6,594,619			6,576,443		
Total liabilities	1,047,807,385			977,391,890		
Shareholders' equity	92,839,418			80,008,876		
Total liabilities and shareholders' equity	$ 1,140,646,803			$ 1,057,400,766		
Net interest income		$ 35,363,456			$ 34,670,334	
Net interest spread (3)			2.78%			3.10%
Net interest margin (4)			3.28%			3.48%

(1) Included in net loans are non-accrual loans with average balances of $5,883,133 and $7,873,201 for the years ended December 31, 2024 and 2023, respectively. Loans are stated net of unearned discount and ACL, and include loans held-for-sale and tax-exempt loans to local municipalities with average balances of $61,052,330 and $46,351,846 for the years ended December 31, 2024 and 2023, respectively.

(2) Included in other investments is the Company’s FHLBB Stock with average balances of $1,880,532 and $822,185, respectively, with a dividend rate of approximately 8.47% and 8.63%, respectively, for the years ended December 31, 2024 and 2023, respectively.

(3) Net interest spread is the difference between the average yield on average interest-earning assets and the average rate paid on average interest-bearing liabilities.

(4) Net interest margin is net interest income divided by average earning assets..

The average volume of interest-earning assets for the year ended December 31, 2024 increased 8.3% compared to December 31, 2023. The average yield on interest-earning assets increased 41 basis points for 2024 versus 2023.

The average volume of loans increased 11.1% for 2024 versus 2023, and the average yield on loans increased 39 basis points to 5.74% for 2024, compared to 5.35% for 2023. The increase in the yield in 2024, was attributable to the increase in the average loan volume year over year. Interest earned on the loan portfolio as a percentage of total interest income was approximately 90.2% and 89.1%, respectively for 2024 and 2023.

The average volume of the taxable investment portfolio (classified as AFS) decreased 7.1% for 2024 versus 2023, while the average yield increased six basis points for 2024 versus 2023.

The average volume of the tax-exempt municipal investment portfolio (classified as AFS) decreased $878 thousand, and the tax-equivalent yield decreased 14 basis points to 3.94% for 2024 compared to 4.08% for 2023.

The average volume of sweep and interest-earning accounts, which consists primarily of interest-bearing accounts at the FRBB and two correspondent banks, increased 45.4% during 2024 compared to 2023. This increase in volume is attributable to the increase in deposit accounts during 2024. The average yield on these funds increased 31 basis points in 2024 versus 2023, reflecting increases in the federal funds rate initiated by the FRB throughout the first three quarters of 2023, which then stabilized for the fourth quarter of 2023 and into the first three quarters of 2024 before decreasing minimally during the fourth quarter of 2024.

The average volume of interest-bearing liabilities for the year ended December 31, 2024 increased 11.0% compared to the year ended December 31, 2023. The average rate paid on interest-bearing liabilities increased 73 basis points during 2024 compared to 2023. A substantial increase in average borrowed funds and the cost of these funds, along with an increase in average CD balances and an increase in average rates paid on these accounts resulted in an increase in interest expense in these components of interest-bearing liabilities.

The average volume of interest-bearing transaction accounts increased 3.6% for 2024 versus 2023 reflecting moderate deposit growth during 2024. The average rate paid on these accounts increased 30 basis points for 2024 versus 2023. Interest paid on interest-bearing transaction accounts as a percentage of total interest expense was 27.0% and 35.3%, respectively for 2024 and 2023.

The average volume of money market accounts decreased 8.7% during 2024 compared to 2023, while the average rate paid on these deposits increased 45 basis points during 2024.

The average volume of savings accounts decreased 10.9% for 2024 versus 2023, while the average rate paid on these accounts increased one basis points during 2024.

The average volume of time deposits increased 42.8% for 2024 versus 2023, and the average rate paid increased 155 basis points during 2024. The increase in the average rate paid on time deposits between comparison periods reflects competitive pressures in a rising rate environment, which resulted in an increase in the average volume of these funds during 2024. Interest paid on time deposits as a percentage of total interest expense was 28.3% and 18.5%, respectively for 2024 and 2023.

The average volume of repurchase agreements decreased 8.2% during 2024 and the average rate paid increased 34 basis points for 2024 versus 2023.

In summary, the average yield on interest-earning assets increased 41 basis points during 2024, and the average rate paid on interest-bearing liabilities increased 73 basis points. Net interest spread decreased 32 basis points for 2024 with a net interest spread of 2.78% for 2024 compared to 3.10% for 2023. Net interest margin decreased 20 basis points during 2024 to 3.28% from 3.48% for 2023.

The following tables summarize the variances in interest income and interest expense on a fully tax-equivalent basis for the annual periods presented, resulting from volume changes in daily average assets and daily average liabilities and fluctuations in average rates earned and paid.

	Year Ended December 31, 2024 Compared to Year Ended December 31, 2023			Year Ended December 31, 2023 Compared to Year Ended December 31, 2022		
	Variance Due to Rate (1)	Variance Due to Volume (1)	Total Variance	Variance Due to Rate (1)	Variance Due to Volume (1)	Total Variance
Average Interest-Earning Assets						
Loans, net	$3,405,152	$4,675,690	$8,080,842	$5,510,472	$ 3,888,932	$9,399,404
Taxable investment securities	105,228	(279,586)	(174,358)	801,311	(105,521)	695,790
Tax-exempt investment securities	(15,545)	(34,610)	(50,155)	42,198	157,688	199,886
Sweep and interest-earning accounts	74,538	349,401	423,939	1,928,050	(2,316,645)	(388,595)
Other investments	11,698	77,789	89,487	50,774	4,919	55,693
Total	$3,581,071	$4,788,684	$8,369,755	$8,332,805	$ 1,629,373	$9,962,178
Average Interest-Bearing Liabilities						
Interest-bearing transaction accounts	$ 859,503	$ 162,761	$1,022,264	$3,027,373	$ 75,093	$3,102,466
Money market funds	595,750	(259,649)	336,101	1,627,770	(18,701)	1,609,069
Savings deposits	13,254	(16,199)	(2,945)	34,033	(10,687)	23,346
Time deposits	2,416,979	1,001,219	3,418,198	1,368,846	34,504	1,403,350
Repurchase agreements	120,632	(70,721)	49,911	1,468,951	0	1,468,951
Borrowed funds	(81,680)	2,895,183	2,813,503	558,437	21,908	580,345
Finance lease obligations	24	(5,140)	(5,116)	27	(4,983)	(4,956)
Junior subordinated debentures	44,717	0	44,717	480,270	0	480,270
Total	$3,969,179	$3,707,454	$7,676,633	$8,565,707	$ 97,134	$8,662,841
Changes in net interest income	$ (388,108)	$1,081,230	$ 693,122	$ (232,902)	$ 1,532,239	$1,299,337

(1) Items which have shown a year-to-year increase in volume have variances allocated as follows:
Variance due to rate = Change in rate x new volume
Variance due to volume = Change in volume x old rate
Items which have shown a year-to-year decrease in volume have variances allocated as follows:
Variance due to rate = Change in rate x old volume
Variances due to volume = Change in volume x new rate

NON-INTEREST INCOME AND NON-INTEREST EXPENSE

Non-interest Income

The components of non-interest income for the annual periods presented are as follows:

	Years Ended December 31,		Change	
	2024	2023	Income	Percent
Service fees	$ 3,811,141	$ 3,689,047	$ 122,094	3.31%
Income from sold loans	370,360	463,444	(93,084)	-20.09%
Other income from loans	1,228,555	1,405,435	(176,880)	-12.59%
Net realized gain on sale of securities AFS	0	36,707	(36,707)	-100.00%
Other income				
Income from CFS Partners	1,220,909	1,033,499	187,410	18.13%
Other miscellaneous income	551,251	546,944	4,307	0.79%
Total non-interest income	$ 7,182,216	$ 7,175,076	$ 7,140	0.10%

Total non-interest income increased $7,140 for the year ended December 31, 2024, compared to the same period 2023, with significant changes noted in the following:

- The volume of loans sold into the secondary market during 2024 decreased by $3.2 million compared to 2023 resulting in a decrease year over year in **income from sold loans**.
- The increased volume of commercial loan activity generated a substantial amount of documentation fees, but a complex CRE project that closed during the first three months of 2023 generated approximately $126 thousand in documentation fees, accounting for a significant portion of the decrease in **other income from loans** between periods**.**
- There were no sales of investments during 2024, but sales of investments from the Company's tax-exempt investment portfolio during the fourth quarter of 2023 resulted in a **net realized gain on sale of securities AFS** for 2023.
- **Income from CFS Partners** increased year over year due in part to an equity market rally during 2024 and successful retention of managed accounts during the same period. CFS Partners has a small portion of its equity capital invested in the stock market, and as a result is sensitive to general stock market conditions.

Non-interest Expense

The components of non-interest expense for the annual periods presented are as follows:

	Years Ended December 31,		Change	
	2024	2023	Expense	Percent
Salaries and wages	$ 9,352,000	$ 8,988,040	$ 363,960	4.05%
Employee benefits	3,875,597	3,238,939	636,658	19.66%
Occupancy expenses, net	2,739,657	2,813,523	(73,866)	-2.63%
Other expenses				
Charged-off checks	132,538	45,911	86,627	188.68%
Service contracts - administrative	806,996	638,630	168,366	26.36%
Telephone expense	73,446	148,809	(75,363)	-50.64%
Consultant services	230,210	256,310	(26,100)	-10.18%
FDIC insurance	614,823	493,654	121,169	24.55%
Collection & non-accruing loan expense	184,775	89,000	95,775	107.61%
Electronic banking expense	463,440	297,108	166,332	55.98%
ATM and debit card expense	708,946	645,745	63,201	9.79%
Other miscellaneous expenses	6,294,664	5,921,113	373,551	6.31%
Total non-interest expense	$ 25,477,092	$ 23,576,782	$ 1,900,310	8.06%

Total non-interest expense increased $1.9 million for the year ended December 31, 2024 compared to 2023, with significant changes noted in the following:

- In addition to normal salary increases, the increase in **salaries and wages** year over year is attributable to new hires and promotions in the areas of operations and commercial lending in the latter part of 2023, although the amounts and percentages of such increases were moderated by the effect of several unfilled positions that were budgeted to be hired in the first and second quarters 2024.
- The increase in **employee benefits** is attributable to an increase in health insurance claims year over year under the Company's self-funded health insurance plan.
- The decrease in **occupancy expense** year over year is due to a combination of lower building maintenance costs as more repairs are done by staff rather than relying on outside vendors, and the settlement of a flood insurance claim received in the first quarter of 2024 where the replacement value received exceeded the depreciated value of equipment, resulting in a capital gain on equipment.
- An increase in check fraud activity resulted in an increase in **charged-off checks**.
- The increase in **service contracts - administrative** is due to a combination of new contracts, an increase in transaction-based pricing for certain contracts and contractual inflationary adjustment factors that are higher than the historical increase adjustments.
- The decrease in **telephone expenses** was due to an upgrade in 2023 to the phone systems throughout the offices.
- The decrease in **consultant services** is due to a decrease in the amount of services needed during 2024.
- The assessment multiplier has increased steadily throughout 2023 and 2024 accounting for the increase in **FDIC insurance** year over year.
- The increase in **collections & non-accruing loan expense** was due primarily to an increase in legal fees and insurance expenses associated with a commercial property in the Company's non-accruing loan portfolio.
- The increase in **electronic banking expense** is attributable to an upgrade of the Company's electronic banking platform.
- **ATM and debit card expense is** transaction-based and reflects increased customer activity year over year, as well as annual contractual price adjustments.
- Included in **other miscellaneous expenses** are state deposit tax of approximately $1.0 million in 2024 and 2023 and outsourcing expenses of $605 thousand and $577 thousand, respectively. While the increases are less than 5% in both categories, the balances make up a significant portion of the $6.3 million and $5.9 million, respective totals for 2024 and 2023.

APPLICABLE INCOME TAXES

Income before income taxes decreased $1.1 million, or 6.9% for 2024 compared to 2023, accounting for the decrease in the provision for income taxes of $456 thousand or 15.8% between periods from $2.90 million in 2023 to $2.44 million in 2023. Tax credits, which consist of credits from affordable housing investments and NMTC, increased $300 thousand, or 43.0%, from $698 thousand in 2023 to $998 thousand in 2024 due to the investment in a project during 2024 that generated NMTC (see Note 9 to the accompanying audited consolidated financial statements).

Amortization expense related to limited partnership investments is included as a component of income tax expense and amounted to $497 thousand and $596 thousand for 2024 and 2023, respectively. These investments provide tax benefits, including tax credits, and are designed to provide an effective yield between 7% and 10%.

UNINSURED DEPOSITS

Estimated deposits in excess of the FDIC insurance level amounted to $258.0 million as of December 31, 2024 and $217.3 million at December 31, 2023. The estimated balance of $42.6 million of uninsured time deposits as of December 31, 2024 was made up of time CDs of $39.0 million and retirement accounts of $3.6 million. Increments of maturity of these time deposits are summarized as follows:

3 months or less	$ 14,538,589
Over 3 through 6 months	19,943,192
Over 6 through 12 months	6,535,485
Over 12 months	1,620,450
Total	$ 42,637,716

CHANGES IN FINANCIAL CONDITION

The following table provides a visual comparison of the breakdown of the daily average assets and the daily average liabilities as well as the daily average shareholders' equity for the comparison periods and should be reviewed in conjunction with the table on the following page which provides volume changes and percent of change by category.

Years Ended December 31,	**2024**		**2023**	
	Balance	**%**	**Balance**	**%**
Average Assets				
Cash and due from banks				
Non-interest bearing	$ 10,920,508	0.96%	$ 10,917,697	1.03%
Federal funds sold and overnight deposits	23,871,864	2.09%	16,421,943	1.55%
Taxable investment securities	164,625,831	14.43%	177,276,797	16.77%
Tax-exempt investment securities	10,337,723	0.91%	11,216,139	1.06%
Other securities	2,945,682	0.26%	1,887,335	0.18%
Gross loans	885,974,072	77.67%	797,943,054	75.46%
ACL	(10,103,001)	-0.89%	(9,389,900)	-0.89%
Deferred net loan cost	604,050	0.05%	525,899	0.05%
Premises and equipment	12,408,878	1.09%	12,738,787	1.20%
OREO	111,202	0.01%	0	0.00%
BOLI	5,272,050	0.46%	5,190,080	0.49%
Goodwill	11,574,269	1.02%	11,574,269	1.09%
Other assets	22,214,876	1.95%	21,098,666	2.00%
Total average assets	$ 1,140,758,004	100%	$ 1,057,400,766	100%
Average Liabilities				
Demand deposits	$ 190,549,111	16.70%	$ 204,093,060	19.30%
Interest-bearing transaction accounts	288,183,136	25.26%	278,073,787	26.30%
Money market funds	121,153,125	10.62%	132,693,069	12.55%
Savings accounts	146,590,062	12.85%	164,588,558	15.57%
Time deposits	156,024,163	13.68%	109,238,242	10.33%
Total average deposits	902,499,597	79.11%	888,686,716	84.05%
Repurchase agreements	32,532,862	2.85%	35,419,450	3.35%
Borrowed funds	89,990,738	7.89%	30,296,252	2.87%
Junior subordinated debentures	12,887,000	1.13%	12,887,000	1.22%
Other liabilities	9,897,188	0.87%	10,102,472	0.95%
Total average liabilities	1,047,807,385	91.85%	977,391,890	92.44%
Average Shareholders' Equity				
Preferred stock	1,500,000	0.13%	1,500,000	0.14%
Common stock	14,392,188	1.26%	14,193,465	1.34%
Additional paid-in capital	38,597,036	3.39%	37,371,784	3.53%
Retained earnings	57,495,407	5.04%	49,904,781	4.72%
Less: Treasury stock	(2,622,777)	-0.23%	(2,622,777)	-0.25%
Accumulated other comprehensive loss	(16,411,235)	-1.44%	(20,338,377)	-1.92%
Total average shareholders' equity	92,950,619	8.15%	80,008,876	7.56%
Total average liabilities and shareholders' equity	$ 1,140,758,004	100%	$ 1,057,400,766	100%

The following table provides a breakdown of changes in average daily volume and percent of change by category for the table on the preceding page. Please refer to the sections labeled "Interest Income and Interest Expense (Net Interest Income)" and "Liquidity and Capital Resources" for more in-depth discussion of significant changes.

Years Ended December 31,	**2024**	**2023**	**2024 vs 2023**	
Average Assets	**Average Balance**	**Average Balance**	**Volume Change**	**% of Change**
Cash and due from banks				
Non-interest bearing	$ 10,920,508	$ 10,917,697	$ 2,811	0.03%
Federal funds sold and overnight deposits	23,871,864	16,421,943	7,449,921	45.37%
Taxable investment securities	164,625,831	177,276,797	(12,650,966)	-7.14%
Tax-exempt investment securities	10,337,723	11,216,139	(878,416)	-7.83%
Other securities	2,945,682	1,887,335	1,058,347	56.08%
Gross loans	885,974,072	797,943,054	88,031,018	11.03%
ACL	(10,103,001)	(9,389,900)	(713,101)	7.59%
Deferred net loan cost	604,050	525,899	78,151	14.86%
Premises and equipment	12,408,878	12,738,787	(329,909)	-2.59%
OREO	111,202	0	111,202	0.00%
BOLI	5,272,050	5,190,080	81,970	1.58%
Goodwill	11,574,269	11,574,269	0	0.00%
Other assets	22,214,876	21,098,666	1,116,210	5.29%
Total average assets	$ 1,140,758,004	$ 1,057,400,766	$ 83,357,238	7.88%
Average Liabilities				
Demand deposits	$ 190,549,111	$ 204,093,060	$ (13,543,949)	-6.64%
Interest-bearing transaction accounts	288,183,136	278,073,787	10,109,349	3.64%
Money market funds	121,153,125	132,693,069	(11,539,944)	-8.70%
Savings accounts	146,590,062	164,588,558	(17,998,496)	-10.94%
Time deposits	156,024,163	109,238,242	46,785,921	42.83%
Total average deposits	902,499,597	888,686,716	13,812,881	1.55%
Repurchase agreements	32,532,862	35,419,450	(2,886,588)	-8.15%
Borrowed funds	89,990,738	30,296,252	59,694,486	197.04%
Junior subordinated debentures	12,887,000	12,887,000	0	0.00%
Other liabilities	9,897,188	10,102,472	(205,284)	-2.03%
Total average liabilities	1,047,807,385	977,391,890	70,415,495	7.20%
Average Shareholders' Equity				
Preferred stock	1,500,000	1,500,000	0	0.00%
Common stock	14,392,188	14,193,465	198,723	1.40%
Additional paid-in capital	38,597,036	37,371,784	1,225,252	3.28%
Retained earnings	57,495,407	49,904,781	7,590,626	15.21%
Less: Treasury stock	(2,622,777)	(2,622,777)	0	0.00%
Accumulated other comprehensive loss	(16,411,235)	(20,338,377)	3,927,142	-19.31%
Total average shareholders' equity	92,950,619	80,008,876	12,941,743	16.18%
Total average liabilities and shareholders' equity	$ 1,140,758,004	$ 1,057,400,766	$ 83,357,238	7.88%

INVESTMENT SECURITIES

The Company maintains an investment portfolio of various securities to diversify its revenue sources, as well as to provide interest rate risk and credit risk diversification and to provide for its liquidity and funding needs. The Company's portfolio of AFS debt securities decreased during 2024 primarily due to amortization within its MBS investment portfolio and use of proceeds to fund loan growth.

Accounting standards require banks to recognize all appreciation or depreciation of investments classified as either trading securities or AFS, either through the income statement or on the balance sheet even though a gain or loss has not been realized. Securities classified as trading securities are marked to market with any gain or loss net of tax effect, charged to income. The Company's investment policy does not permit the holding of trading securities. The Company did not hold any securities HTM during 2024 or 2023.

Debt securities classified as AFS are marked to market with any gain or loss after taxes charged to shareholders' equity in the consolidated balance sheets. These adjustments in the AFS portfolio resulted in an accumulated unrealized loss net of taxes of $15.8 million at December 31, 2024, compared to an accumulated unrealized loss net of taxes of $15.9 million at December 31, 2023. The fluctuations in unrealized gains and losses are due to market interest rate changes and are not based on any deterioration in credit quality of the underlying issuers. The Company's investment portfolio includes Agency MBS to realize a more favorable yield in the portfolio and diversify the holdings. Although classified as AFS, the Company anticipates holding these securities until maturity. The unrealized loss positions within the investment portfolio as of the balance sheet dates are considered by management to be temporary and do not affect the calculation of regulatory capital ratios.

The restricted equity securities comprise the Company's membership stock in the FRBB, FHLBB and ACBI. Membership in the FRBB and FHLBB requires the purchase of their stock in specified amounts. On December 31, 2024 and 2023, the Company held $588 thousand in FRBB stock, just under $2.0 million and $964 thousand, respectively, in FHLBB stock, and $90 thousand in ACBI stock. The ACBI stock is required for receipt of correspondent banking services from ACBB at more favorable pricing. These restricted securities in the FRBB, FHLBB and ACBI are typically held for an extended period and are subject to strict limitations on resales. FRBB stock may only be sold back to the issuer, while FHLBB stock may only be repurchased by the FHLBB or resold to a member institution and ACBI stock may only be resold to other depository institutions or their holding companies or subsidiaries, or to the FDIC. Restricted equity stock is generally sold and redeemed at par. Due to the unique nature of the restricted equity stock, including the non-investment purpose for owning it, the ownership structure and restrictions and the absence of a trading market for the stock, these securities are not marked to market, but carried at par. The FHLBB stock is subject to capital call provisions.

Some of the Company's debt securities have a call feature, meaning that the issuer may call in the investment before maturity, at predetermined call dates and prices. There were no call features exercised by the issuer in 2024 or 2023.

The Company had investments in Agency MBS exceeding 10% of shareholders equity with a book value of $119.5 million and $132.0 million, respectively, and a fair value of $102.3 million and $115.9 million, respectively, at December 31, 2024 and 2023.

The following is an analysis of the maturities and the daily average yields of the debt securities AFS in the Company's investment portfolio for each of the last two fiscal years:

December 31,	**2024**		**2023**	
	Fair Value	**Weighted Average Yield**	**Fair Value**	**Weighted Average Yield**
U.S. GSE debt securities				
Due from one to five years	$ 10,140,786	1.62%	$ 7,177,015	1.11%
Due from five to ten years	822,729	2.69%	2,815,649	2.98%
Due after ten years	0	0.00%	834,910	2.69%
Total	$ 10,963,515	1.70%	$ 10,827,574	1.72%
U.S. Government securities				
Due in one year or less	$ 15,788,850	1.06%	$ 13,261,446	1.22%
Due from one to five years	10,966,293	0.97%	26,001,803	1.02%
Total	$ 26,755,143	1.03%	$ 39,263,249	1.09%
Taxable Municipal securities				
Due after ten years	$ 247,745	2.17%	$ 246,965	2.17%
Tax-exempt Municipal securities				
Due after ten years	$ 10,238,253	3.75%	$ 10,473,785	3.73%
ABS/AOS				
Due from one to five years	$ 994,008	2.68%	$ 523,434	3.34%
Due from five to ten years	0	0.00%	738,836	2.24%
Due after ten years	963,757	3.18%	1,085,351	3.20%
Total	$ 1,957,765	2.93%	$ 2,347,621	2.93%
CMO				
Due in one year or less	$ 4,214,030	2.68%	$ 3,309,166	3.62%
Due from one to five years	2,591,505	3.03%	7,088,579	3.14%
Due from five to ten years	0	0.00%	339,851	0.94%
Total	$ 6,805,535	2.82%	$ 10,737,596	3.22%
Other Investments				
Due in one year or less	$ 0	0.00%	$ 491,271	2.90%
Due from one to five years	473,227	1.03%	455,159	1.03%
Total	$ 473,227	1.03%	$ 946,430	2.00%
Agency MBS (1)	$ 102,256,237	2.06%	$ 115,862,799	2.08%
FRBB Stock (2)	$ 588,150	5.98%	$ 588,150	6.02%
FHLBB Stock (2)	$ 1,951,200	8.47%	$ 964,200	8.63%
ACBI Stock (2)	$ 90,000	0.78%	$ 90,000	0.73%

(1) Agency MBS are not due at a single maturity date and have not been allocated to maturity groupings for purposes of the maturity table.
(2) Required equity purchases for membership in the FRBB and FHLBB and for access to correspondent banking services from ACBB.

RISK MANAGEMENT

Interest Rate Risk and Asset and Liability Management - Management actively monitors and manages the Company's interest rate risk exposure and attempts to structure the balance sheet to maximize net interest income while controlling its exposure to interest rate risk. The Company's ALCO is made up of the Executive Officers and certain Vice Presidents of the Bank representing major business lines. The ALCO formulates strategies to manage interest rate risk by evaluating the impact on earnings and capital of such factors as current interest rate forecasts and economic indicators, potential changes in such forecasts and indicators, liquidity and various business strategies. The ALCO meets at least quarterly to review financial statements, liquidity levels, yields and spreads to better understand, measure, monitor and control the Company's interest rate risk. In the ALCO process, the committee members apply policy limits set forth in the Asset Liability, Liquidity and Investment policies approved and periodically reviewed by the Company's Board of Directors (together the "ALCO Policy"). The ALCO's methods for evaluating interest rate risk include an analysis of the effects of interest rate changes on net interest income and an analysis of the Company's interest rate sensitivity "gap", which provides a static analysis of the maturity and repricing characteristics of the entire balance sheet. The ALCO Policy also includes a contingency funding plan to help management prepare for unforeseen liquidity restrictions, including hypothetical severe liquidity crises.

Interest rate risk represents the sensitivity of earnings to changes in market interest rates. As interest rates change, the interest income and expense streams associated with the Company's financial instruments also change, thereby impacting NII, the primary component of the Company's earnings. Fluctuations in interest rates can also have an impact on liquidity. The ALCO uses an outside consultant to perform rate shock simulations to the Company's net interest income, as well as a variety of other analyses. It is ALCO's function to provide the assumptions used in the modeling process. Assumptions used in prior period simulation models are regularly tested by comparing projected NII with actual NII. The ALCO utilizes the results of the simulation model to quantify the estimated exposure of NII and liquidity to sustained interest rate changes. The simulation model captures the impact of changing interest rates on the interest income received and interest expense paid on all interest-earning assets and interest-bearing liabilities reflected on the Company's balance sheet. The model also simulates the balance sheet's sensitivity to a prolonged flat rate environment. All rate scenarios are simulated assuming a parallel shift of the yield curve; however further simulations are performed utilizing non-parallel changes in the yield curve, including an inverted yield curve. The results of this sensitivity analysis are compared to the ALCO policy limits which specify a maximum tolerance level for NII exposure over a 1-year horizon, assuming no balance sheet growth, given a 200 bp shift upward and a 100 bp shift downward in interest rates.

Under the Company's interest rate sensitivity modeling, in a rising rate environment NII initially trends upward as the short-term asset base (cash and adjustable-rate loans) quickly cycles upward while the retail funding base (deposits) lags the market. If rates paid on deposits must be increased more and/or more quickly than projected due to competitive pressures, the expected benefit of rising rates would be reduced. In a falling rate environment, NII is expected to trend slightly downward compared with the current rate environment scenario for the first year of the simulation as asset yield erosion is not fully offset by decreasing funding costs. Thereafter, net interest income is projected to experience sustained downward pressure as funding costs reach their assumed floors and asset yields continue to reprice into the lower rate environment. The prolonged inverted yield curve and an increased reliance on higher cost funding has resulted in a more liability sensitive balance sheet because in the rising rate environment there may be an initial delay in relief from deposit pricing.

The following table summarizes the estimated impact on the Company's NII over a twelve-month period, assuming a gradual parallel shift of the yield curve beginning December 31, 2024:

One Year Horizon		Two Year Horizon	
Rate Change	**Percent Change in NII**	**Rate Change**	**Percent Change in NII**
Down 100 basis points	-0.4%	Down 100 basis points	6.5%
Up 200 basis points	-2.3%	Up 200 basis points	7.7%

The estimated amounts shown in the table above are within the ALCO Policy limits. However, those amounts do not represent a forecast and should not be relied upon as indicative of future results. The ALCO model also provides alternate scenarios including a sustained flat, or inverted yield curve. While assumptions used in the ALCO process, including the interest rate simulation analyses, are developed based upon current economic and local market conditions, and expected future conditions, the Company cannot provide any assurances as to the predictive nature of these assumptions, including how customer preferences or competitor influences might change.

As of December 31, 2024, the Company had outstanding $12,887,000 in principal amount of Junior Subordinated Debentures due December 15, 2037, which bear interest at a quarterly floating rate equal to 3-month CME SOFR, as adjusted by a spread adjustment factor of 0.26161, plus 2.85%. During 2024, the floating rate averaged 8.36% per quarter compared to an average rate of 8.06% per quarter for 2023.

Credit Risk - As a financial institution, one of the primary risks the Company manages is credit risk, the risk of loss stemming from borrowers' failure to repay loans or inability to meet other contractual obligations. The Company's Board of Directors prescribes policies for managing credit risk, including Loan, Appraisal and Environmental policies. These policies are supplemented by comprehensive underwriting standards and procedures. The Company maintains a Credit Administration department whose function includes credit analysis and monitoring of and reporting on the status of the loan portfolio, including delinquent and non-performing loan trends. The Company also monitors concentration of credit risk in a variety of areas, including portfolio mix, the level of loans to individual borrowers and their related interest, loans to industry segments, and the geographic distribution of CRE loans. Loans are reviewed periodically by an independent loan review firm to help ensure accuracy of the Company's internal risk ratings and compliance with various internal policies, procedures, and regulatory guidance.

Residential mortgage loans represented 27.4% of the Company's loan balances at December 31, 2024, compared to 28.5% at December 31, 2023. The Company maintains a residential mortgage loan portfolio of traditional mortgage products and does not offer higher risk loan products, such as option adjustable-rate mortgage products, high loan-to-value products, interest only mortgages, subprime loans, and products with deeply discounted teaser rates. Residential mortgages with loan-to-value ratios exceeding 80% are generally covered by PMI. A 90% loan-to-value residential mortgage product without PMI is only available to borrowers with excellent credit and low debt-to-income ratios and has not been widely originated. As of December 31, 2024 and 2023, junior lien home equity products made up 14.1% and 13.2%, respectively, of the residential mortgage portfolio with maximum loan-to-value ratios (including prior liens) of 80%. The Company also originates some home equity loans greater than 80% under an insured loan program with stringent underwriting criteria.

Consistent with the strategic focus on commercial lending, the commercial & industrial and CRE loan portfolios have seen solid growth over recent years. Commercial & industrial, purchased, CRE and municipal loans collectively comprised 72.3% of the Company's loan portfolio at December 31, 2024, compared to 71.2% at December 31, 2023. The largest components of the CRE portfolio were $125.5 million in owner-occupied CRE and $154.6 million in non-owner occupied CRE at December 31, 2024, compared to $115.6 million and 154.5 million, respectively, at December 31, 2023.

The municipal loan portfolio consists of tax-exempt obligations of local municipalities and is made up of three types of borrowings: term lending, tax anticipation lending, and non-arbitrage borrowing. The portfolio increased $12.6 million, or 23.2%, to $67.1 million as of December 31, 2024 compared to $54.5 million at December 31, 2023. During 2024, term lending increased $1.3 million, or 6.4%, tax anticipation lending increased $9.8 million, or 158.9%, and non-arbitrage borrowing increased $1.5 million, or 5.4%. The non-arbitrage and tax anticipation loans to municipalities are issued annually on a competitive bid basis and as a result the portfolio can fluctuate considerably from year to year based on changes in competitive pressures.

The Company maintains loan production offices in Burlington, Vermont and Lebanon, New Hampshire to provide a presence, respectively, in Chittenden County and in the greater White River Junction area including Grafton County, New Hampshire. These loan production offices have contributed to the growth in the CRE portfolio in recent years, which has been principally driven by new loan volume in Chittenden County and northern Windsor County around the White River Junction, I91-I89 interchange area. Credits in the Chittenden County market are being managed by two commercial lenders out of the Company's Burlington loan production office that know the area well,while Windsor County is being served by two commercial lender from the central Vermont offices. Larger loan transactions continue to be centrally underwritten and monitored through the Company's commercial credit department. The types of CRE transactions driving the growth have been a mix of construction, land and development, multifamily, and other non-owner occupied CRE properties, including hotels, retail, office, and industrial properties.

The Company's home equity and commercial line of credit portfolios contain for the most part variable rate loans with the Wall Street Journal Prime rate as the underlying index and rates repricing monthly. Over the past two years, there was a series of rate hikes, followed by decreases during the fourth quarter of 2024, to end the year at 7.50%. The home equity portfolio and commercial line of credit portfolio have weathered these fluctuations and continue to perform well. Commercial and industrial term loans are generally written on a fixed rate basis with limited risk associated with rising interest rates. CRE loans generally have included an initial fixed rate period typically of 5 years, followed by a variable rate period, usually tied to Wall Street Prime. Approximately $363 million in CRE loans are scheduled to reprice over the next five years. Rates based on the current Prime Rate Index will be subject to decreases as the fed funds rate decreases. Management expects that credit-worthy borrowers with loans that experience rate increases will ultimately refinance or renegotiate pricing, while rate increases may adversely impact the repayment capacity of those CRE loans of lesser credit quality and could ultimately result in higher non-performing loans and losses.

The following tables show the estimated maturity of the Company's loan portfolio as of December 31, 2024.

	Fixed Rate Loans				
	Within 1 Year	2 - 5 Years	6 - 15 Years	Over 15 Years	Total
Commercial & industrial	$ 4,773,994	$ 27,837,095	$ 27,429,101	$ 0	$ 60,040,190
Purchased (1)	21,553	2,464,105	5,323,219	0	7,808,877
Commercial real estate	10,504,048	9,944,551	17,176,038	553,276	38,177,913
Municipal	46,668,579	4,067,270	5,573,530	0	56,309,379
Residential real estate - 1st lien	20,181	3,151,260	23,726,899	60,652,957	87,551,297
Residential real estate - Jr lien	7,557	309,585	3,657,605	0	3,974,747
Consumer	395,569	2,127,385	41,924	0	2,564,878
Total Loans	$ 62,391,481	$ 49,901,251	$ 82,928,316	$ 61,206,233	$ 256,427,281

	Variable Rate Loans				
	Within 1 Year	2 - 5 Years	6 - 15 Years	Over 15 Years	Total
Commercial & industrial	$ 28,212,876	$ 18,902,011	$ 10,034,364	$ 6,866,211	$ 64,015,462
Commercial real estate	3,804,629	6,712,207	110,359,779	313,098,330	433,974,945
Municipal	0	0	9,678,020	1,100,000	10,778,020
Residential real estate - 1st lien	703,939	2,592,154	17,834,667	109,408,835	130,539,595
Residential real estate - Jr lien	345,598	1,423,078	13,010,335	16,937,423	31,716,434
Consumer	61,767	164,771	262,530	0	489,068
Total Loans	$ 33,128,809	$ 29,794,221	$ 161,179,695	$ 447,410,799	$ 671,513,524

(1) Consists of commercial loans totaling $22 thousand within 1 year; $2.3 million in 2 – 5 years and $1.7 million in 6 – 15 years and consumer loans of $0, $209 thousand and $3.6 million, respectively.

Risk in the Company's commercial & industrial and CRE loan portfolios is mitigated in part by government guarantees issued by federal agencies such as the SBA and RD. At December 31, 2024 and 2023, the Company had approximately $25.5 million and $26.5 million, respectively, in guaranteed loans with guaranteed balances of approximately $17.2 million and $17.6 million, respectively. Included in the totals are the PPP loans amounting to $43 thousand and $84 thousand, at December 31, 2024 and 2023, respectively, which carry a 100% SBA guarantee.

The Company works actively with customers early in the delinquency process to help them to avoid default and foreclosure. Commercial & industrial and CRE loans are generally placed on non-accrual status when there is deterioration in the financial position of the borrower, payment in full of principal and interest is not expected, and/or principal or interest has been in default for 90 days or more. However, such a loan need not be placed on non-accrual status if it is both well secured and in the process of collection. Residential mortgages and home equity loans are considered for non-accrual status at 90 days past due and are evaluated on a case-by-case basis. The Company obtains current property appraisals or market value analyses and considers the cost to carry and sell collateral to assess the level of specific allocations required. Consumer loans are generally not placed in non-accrual but are charged off by the time they reach 120 days past due. When a loan is placed in non-accrual status, the Company reverses the accrued interest against current period income and discontinues the accrual of interest until the borrower clearly demonstrates the ability and intention to resume normal payments, typically demonstrated by regular timely payments for a period of not less than six months. Interest payments received on non-accrual loans are generally applied as a reduction of the loan book balance.

Credit loss expense

The credit loss expense was made up of the following components for the periods indicated:

Years Ended	December 31,		Change	
	2024	2023	$	%
Credit loss expense - loans	$ 1,235,607	$ 1,230,879	$ 4,728	0.38%
Credit loss (reversal) expense - OBS credit exposure	(102,196)	249,670	(351,867)	-140.93%
Credit loss expense	$ 1,133,411	$ 1,480,549	$ (347,139)	-23.45%

The increase in the credit loss expense on loans for the comparison period of 2024 compared to the same period in 2023, was due in part to an increase in charge-offs as well as an increase in the volume of the loan portfolio. The decrease in OBS credit exposure during 2024 compared to 2023 was attributable to a decrease in unfunded loan commitments under contract.

ACL and provisions – Effective January 1, 2023, the Company was required to recognize credit losses under the guidance of ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* rather than under the incurred loss model. The guidance, which is referred to as the current expected credit loss, or CECL model, requires that expected credit losses for financial assets held at the reporting date that are accounted for at amortized cost be measured and recognized based on historical experience and current and reasonably supportable forecasted conditions to reflect the full amount of expected credit losses over the life of the loans. The adjustment from the adoption of CECL amounted to $549,113, net of tax and was recorded as an adjustment to retained earnings, which affects calculation of regulatory capital ratios. Changes in assumptions and forecasts used in the CECL model could produce different results from period to period.

The Company's board of directors has approved an ACL policy that provides guidance in maintaining an adequate methodology for establishing, estimating, and maintaining allowances for credit losses under ASC 326. The policy creates a measurement model to establish a proper ACL based on current expected credit losses rather than incurred losses.

The Company maintains an ACL at a level that management believes is appropriate to absorb losses inherent in the loan portfolio as of the measurement date (See Note 1 to the accompanying audited consolidated financial statements). Although the Company, in establishing the ACL, considers the inherent losses in individual loans and pools of loans, the ACL is a general reserve available to absorb all credit losses in the loan portfolio. No part of the ACL is segregated to absorb losses from any particular loan or segment of loans.

When establishing the ACL each quarter, the Company applies a combination of significant key assumptions and methodologies, as discussed in the ACL section under Critical Accounting Policies in this MD&A and in Note 1 under the caption "Loans" and presented in Note 4 to the accompanying audited consolidated financial statements.

The following tables summarize the Company's loan loss experience and other credit risk ratios for the dates presented.

	December 31, 2024	December 31, 2023
ACL to total loans outstanding	1.06%	1.16%
ACL	$ 9,810,212	$ 9,842,725
Loans outstanding	$ 927,940,805	$ 845,429,854
Non-accruing loans to loans outstanding	0.90%	0.82%
Non-accruing loans	$ 8,338,166	$ 6,955,046
Loans outstanding	$ 927,940,805	$ 845,429,854
ACL to non-accruing loans	117.65%	141.52%
ACL	$ 9,810,212	$ 9,842,725
Non-accruing loans	$ 8,338,166	$ 6,955,046

The following table shows the breakdown of the ACL by loan segment and the percentage of loans in each category to total loans in the respective portfolios at the date indicated:

	December 31, 2024		December 31, 2023	
	Amount	Percent	Amount	Percent
Commercial & industrial	$ 727,488	13.37%	$ 1,100,688	14.40%
Purchased	22,415	0.84%	37,065	1.25%
Commercial real estate	6,487,700	50.88%	5,522,082	49.07%
Municipal	167,719	7.23%	136,167	6.44%
Residential real estate - 1st lien	2,087,034	23.50%	2,590,926	24.70%
Residential real estate - Jr lien	291,239	3.85%	431,007	3.75%
Consumer	26,617	0.33%	24,790	0.39%
Total	$ 9,810,212	100.00%	$ 9,842,725	100.00%

The fourth quarter ACL analysis indicated that the reserve balance of $9.8 million as of December 31, 2024, is sufficient to cover expected credit losses that are probable and estimable as of the measurement date. Included in the ACL calculation for December 31, 2024, is the completion of a workout of a commercial loan that was in non-accrual status which required a write down of approximately $1.0 million, which is also reflected in the net charge-offs and recoveries table on the next page. Also included in the ACL calculation are adjustments to several qualitative factors made by management during the fourth quarter of 2024, including an increase to the qualitative factors for credit management oversight in all portfolios to reflect certain personnel changes at the Company, including the retirement of the Chief Executive Officer and the former Chief Loan Officer (CLO) taking on the combined role of President & Chief Executive Officer, with the senior team overseeing credit and lending being new in their roles. The qualitative factors for criticized and classified loans in the commercial and industrial and CRE portfolios were increased to reflect an increase in criticized loans during the fourth quarter. The qualitative factors for external factors, exceptions, and delinquency and non-performing loans in the consumer portfolio were increased to reflect the indication in back testing that the consumer segment had insufficient loss coverage. Management believes that the quantitative calculation adequately captures the risk in these areas, and that the reserve balance continues to be directionally consistent with the overall risk profile of the Company’s loan portfolio and credit risk appetite. While the ACL is described as consisting of separate allocated portions, the entire ACL is available to support loan losses, regardless of category. Management’s assessment of the adequacy of the ACL is presented to the full Board for approval quarterly.

Net charge-offs during the period to average loans outstanding were as follows:

For the Years Ended December 31,	2024	2023
Commercial & industrial	-0.87%	-0.31%
Net charge-offs during the period	$ (1,099,272)	$ (376,341)
Average amount outstanding	$ 125,947,047	$ 121,207,897
Purchased	0.00%	0.00%
Net charge-offs during the period	$ 0	$ 0
Average amount outstanding	$ 9,141,817	$ 7,154,004
Commercial real estate	-0.03%	0.01%
Net (charge-offs) recoveries during the period	$ (112,675)	$ 22,058
Average amount outstanding	$ 441,949,667	$ 385,127,637
Municipal	0.00%	0.00%
Net charge-offs during the period	$ 0	$ 0
Average amount outstanding	$ 61,052,330	$ 46,351,845
Residential real estate - 1st lien	0.00%	0.04%
Net recoveries during the period	$ 1,386	$ 70,963
Average amount outstanding	$ 212,072,678	$ 201,847,878
Residential real estate - Jr lien	0.05%	0.09%
Net recoveries during the period	$ 15,538	$ 29,240
Average amount outstanding	$ 32,539,109	$ 31,880,830
Consumer	-2.31%	-2.06%
Net charge-offs during the period	$ (73,097)	$ (86,675)
Average amount outstanding	$ 3,167,725	$ 4,216,323
Total loans	-0.14%	-0.04%
Net charge-offs during the period	$ (1,268,120)	$ (340,755)
Average amount outstanding	$ 885,870,373	$ 797,786,414

In addition to credit risk in the Company's loan and investment portfolios and its off-balance sheet commitments, and liquidity risk in its loan and deposit-taking operations, the Company's business activities also generate market risk. Market risk is the risk of loss in a financial instrument arising from adverse changes in market prices and rates, foreign currency exchange rates, commodity prices and equity prices. Declining capital markets and changes in interest rates can result in fair value adjustments to asset valuations or the need to create a related reserve or allowance. The Company does not have any market risk sensitive instruments acquired for trading purposes. The Company's market risk arises primarily from interest rate risk inherent in its lending, deposit taking and investment activities. During recessionary periods, a declining housing market can result in an increase in loan loss reserves or ultimately an increase in foreclosures. Interest rate risk is directly related to the different maturities and repricing characteristics of interest-bearing assets and liabilities, as well as to loan prepayment risks, early withdrawal of time deposits, and the fact that the speed and magnitude of responses to interest rate changes vary by product. Rapid changes in prevailing interest rates, particularly after a long period of relative stability, create a challenging interest rate environment. As discussed above under "Interest Rate Risk and Asset and Liability Management", the Company actively monitors and manages its interest rate risk through the ALCO process.

COMMITMENTS, CONTINGENCIES AND OFF-BALANCE-SHEET ARRANGEMENTS

The Company is a party to financial instruments with OBS risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and risk-sharing commitments on certain sold loans. Such instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments. During 2024, the Company did not engage in any activity that created any additional types of OBS risk.

The Company generally requires collateral or other security to support financial instruments with credit risk. The Company's financial instruments whose contract amounts represent credit risk are disclosed in Note 17 to the accompanying audited consolidated financial statements, along with a description of the effect of ASU 2016-13 (CECL) on OBS arrangements.

LIQUIDITY AND CAPITAL RESOURCES

Managing liquidity risk is essential to maintaining both depositor confidence and stability in earnings. Liquidity management refers to the ability of the Company to adequately cover fluctuations in assets and liabilities. Meeting loan demand (assets) and covering the withdrawal of deposit funds (liabilities) are two key components of the liquidity management process. The Company’s principal sources of funds are deposits, amortization and prepayment of loans and securities, maturities of investment securities, sales of loans available-for-sale, and earnings and funds provided from operations. Maintaining a relatively stable funding base, which is achieved by diversifying funding sources, competitively pricing deposit products, and extending the contractual maturity of liabilities, reduces the Company’s exposure to roll over risk on deposits and limits reliance on volatile short-term borrowed funds. Short-term funding needs arise from declines in deposits or other funding sources and funding requirements for loan commitments. The Company’s strategy is to fund assets to the maximum extent possible with core deposits that provide a sizable source of relatively stable and low-cost funds.

The Company recognizes that, at times, when loan demand exceeds deposit growth or the Company has other liquidity demands, it may be desirable to utilize alternative sources of deposit funding to augment retail deposits and borrowings. One-way deposits acquired through the CDARS program provide an alternative funding source when needed. The Company had one-way CDARS outstanding at December 31, 2024 or 2023 of $235.5 thousand and $0, respectively. In addition, two-way (that is, reciprocal) CDARS deposits, as well as reciprocal ICS money market and demand deposits, allow the Company to provide FDIC deposit insurance to its customers in excess of account coverage limits by exchanging deposits with other participating FDIC-insured financial institutions. At December 31, 2024 and 2023, the Company reported $2.5 million and $2.4 million, respectively, in reciprocal CDARS deposits. The balance in ICS reciprocal money market deposits was $44.4 million and $13.2 million at December 31, 2024 and 2023, respectively, and the balance in ICS reciprocal demand deposits as of those dates was $109.5 million and $87.1 million, respectively.

To further manage liquidity, the Company has borrowing capacity through the FHLBB and the FRB secured by the Company’s qualifying loan portfolio, a new borrowing arrangement in 2023 with FRB through the BTFP secured by eligible U.S Agency and U.S. Government Securities, as well as unsecured lines of credit through correspondent banks. (See Note 11 to the accompanying audited consolidated financial statements.)

As the need for funds increased in 2024 due primarily to loan growth and in 2023 due to a combination of loan growth and a decrease in deposits, the Company utilized its borrowing capacity through FHLBB as well as the BTFP loan facility offered through FRB. Under these arrangements, the Company had a total of $31.1 million and $10.1 million through FHLBB as of December 31, 2024 and 2023, respectively, and $41.5 million and $44.5 million, respectively, in outstanding borrowings through the BTFP loan facility.

Shareholders' equity increased from $89.03 million at December 31, 2023 to $98.05 million at December 31, 2024. (See the Consolidated Statements of Changes in Shareholders' Equity contained in the accompanying audited consolidated financial statements for a breakdown of the changes.)

The primary objective of the Company’s capital planning process is to balance appropriately the retention of capital to support operations and future growth, with the goal of providing shareholders an attractive return on their investment. To that end, management monitors capital retention and dividend policies on an ongoing basis.

Consistent with these capital planning considerations, During the third quarter of 2024, the Company adopted a stock repurchase program authorizing the repurchase of up to 275,000 shares of the Company’s common stock, representing approximately 5% of the outstanding common shares. Purchases under the program may be on such terms, including price, as market conditions warrant, and may be made through open market purchases or in privately negotiated transactions. The repurchase authorization expires in five years, unless extended, or earlier terminated, by the Board. Notwithstanding the program’s five-year term, the Board will review and re-evaluate the program annually in light of the Company’s then current capital needs, the number and cost of shares repurchased, the number of shares remaining for repurchase under the authorization, and other relevant factors, and management will confer with the FRBB regarding the program, as appropriate in the circumstances.

The Company (on a consolidated basis) and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Company's and the Bank's financial statements. Under capital adequacy guidelines, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance-sheet items, as calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Additional Prompt Corrective Action capital requirements are applicable to banks, but not bank holding companies. As of December 31, 2024 and 2023, the Company exceeded all capital adequacy requirements and the Bank was considered well capitalized under the Prompt Corrective Action requirements. (See Note 22 to the accompanying audited consolidated financial statements.)

Common Stock Performance by Quarter*

Trade Price	2024				2023			
	First	Second	Third	Fourth	First	Second	Third	Fourth
High	$ 20.00	$ 16.90	$ 17.21	$ 19.95	$ 22.95	$ 19.75	$ 19.00	$ 18.97
Low	$ 16.00	$ 14.31	$ 14.79	$ 16.00	$ 18.27	$ 17.20	$ 16.05	$ 15.64

Bid Price	2024				2023			
	First	Second	Third	Fourth	First	Second	Third	Fourth
High	$ 18.25	$ 16.65	$ 16.31	$ 17.05	$ 21.50	$ 19.25	$ 18.50	$ 18.29
Low	$ 16.16	$ 14.60	$ 14.78	$ 16.00	$ 18.40	$ 17.17	$ 16.16	$ 15.62
Cash Dividends Declared	$ 0.23	$ 0.23	$ 0.24	$ 0.24	$ 0.23	$ 0.23	$ 0.23	$ 0.23

*The Company's common stock is not traded on any exchange. However, the Company's common stock is included in the OTCQX® marketplace tier maintained by the OTC Markets Group Inc. Trade and bid information for the stock appears in the OTC's interdealer quotation system, OTC Link ATS®. The trade price and bid information in the table above is based on information reported by participating FINRA-registered brokers in the OTC Link ATS® system and may not represent all trades or high and low bids during the relevant periods. Such price quotations reflect inter-dealer prices without retail mark-up, mark-down or commission and bid prices do not necessarily represent actual transactions. The OTC trading symbol for the Company's common stock is CMTV.

As of February 3, 2025, there were 5,598,981 shares of the Corporation's common stock ($2.50 par value) outstanding, owned by 774 shareholders of record.

Form 10-K
A copy of the Form 10-K Report filed with the Securities and Exchange Commission may be obtained without charge upon written request to:

Christopher Caldwell, President & CEO
Community Bancorp.
4811 US Route 5
Newport, Vermont 05855

Shareholder Services
For shareholder services or information contact:

Jennifer Desroches, Executive Assistant
Community Bancorp.
4811 US Route 5
Newport, Vermont 05855
(802) 334-7915

Transfer Agent:

Computershare Investor Services
PO Box 43078
Providence, RI 02940-3078
www.computershare.com

Annual Shareholders' Meeting

The 2025 Annual Shareholders' Meeting will be held on May 20, 2025, at the Eastside Restaurant in Newport, Vermont. A social hour will begin at 2:00 PM, followed by the Annual Meeting promptly at 3:00 PM.

EXHIBIT 21

Subsidiaries of the Company

The wholly owned subsidiary of Community Bancorp. is Community National Bank, a national banking association incorporated under the Banking Laws of The United States. Community National Bank is considered to be a "significant subsidiary" of Community Bancorp., within the meaning of Rule 1-02(w) of SEC Regulation S-X.

The unconsolidated subsidiary of Community Bancorp. is CMTV Statutory Trust I, a Delaware statutory business trust.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the inclusion in this Annual Report (Form 10-K) of Community Bancorp. and Subsidiary of our report dated March 28, 2025 with respect to the consolidated financial statements as of December 31, 2024, included in the 2024 Annual Report to Shareholders of Community Bancorp. and Subsidiary.

We also consent to the incorporation by reference in the Registration Statement (Form S-3 No. 333-249753 and No. 333-283963) pertaining to the Community Bancorp Dividend Reinvestment Plan and in the Registration Statement (Form S-8 No. 333-133631 and No. 333-212977) pertaining to the Community Bancorp Retirement Savings Plan of our report dated March 28, 2025, with respect to the consolidated financial statements, incorporated therein by reference, of Community Bancorp. and Subsidiary included in the Annual Report (Form 10-K) for the year ended December 31, 2024.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
March 28, 2025
Vermont Registration No. 92-0000278

EXHIBIT 31.1

CERTIFICATION

I, Christopher L. Caldwell, President and Chief Executive Officer (Principal Executive Officer), certify that:

1. I have reviewed this annual report on Form 10-K of Community Bancorp.;

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

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

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

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

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

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

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

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

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

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

Community Bancorp.

March 28, 2025

/s/ Christopher L. Caldwell
Christopher L. Caldwell
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Louise M. Bonvechio, Corporate Secretary and Treasurer (Principal Financial Officer), certify that:

1. I have reviewed this annual report on Form 10-K of Community Bancorp.;

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

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

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

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

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

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

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

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

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

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

Community Bancorp.

March 28, 2025

/s/ Louise M. Bonvechio
Louise M. Bonvechio
Corporate Secretary and Treasurer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U. S. C. SECTION 1350 AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Community Bancorp. (the Company) on Form 10-K for the period ended December 31, 2024, filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned Principal Executive Officer of the Company hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that: 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in the Report.

A signed original of this written statement required by Section 906 has been provided to Community Bancorp. and will be retained by Community Bancorp. and furnished to the Securities and Exchange Commission or its staff upon request.

Community Bancorp.

March 28, 2025

/s/ Christopher L. Caldwell
Christopher L. Caldwell
President & Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U. S. C. SECTION 1350 AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Community Bancorp. (the Company) on Form 10-K for the period ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned Principal Financial Officer of the Company hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that: 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in the Report.

A signed original of this written statement required by Section 906 has been provided to Community Bancorp. and will be retained by Community Bancorp. and furnished to the Securities and Exchange Commission or its staff upon request.

Community Bancorp.

March 28, 2025

/s/ Louise M. Bonvechio
Louise M. Bonvechio
Corporate Secretary and Treasurer
(Principal Financial Officer)