

2025

CommunityBanc, Inc.

Annual Report

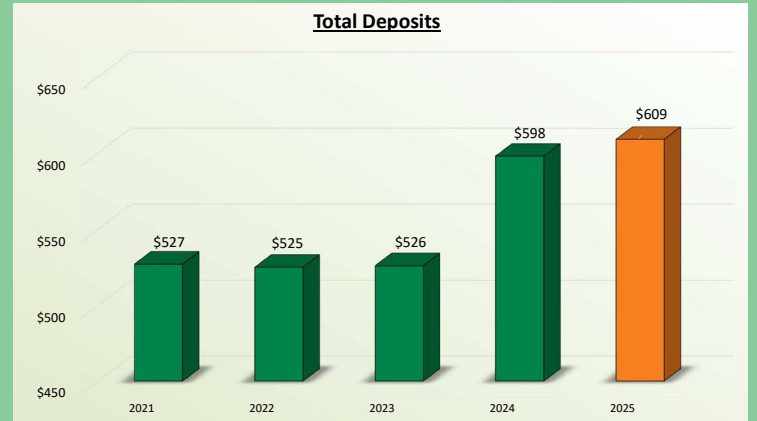
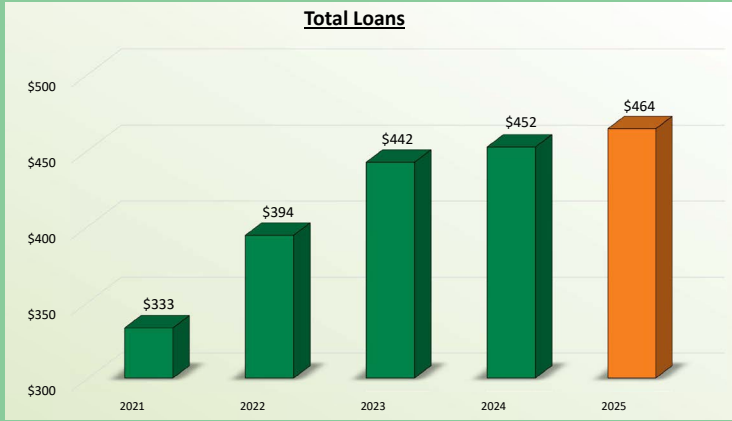


REWARDING

CommunityBanc, Inc.

FINANCIAL HIGHLIGHTS

(In millions except per share data)



TO OUR SHAREHOLDERS

REWARDING

“Rewarding” is a term that appears on the cover of this year’s annual report. This term was chosen because it applies to many aspects of our business. It is rewarding for the Board to lead our bank to record levels of asset size and profitability. It is rewarding for me, as CEO, to witness the growth of our team and the passion they share for serving our customers and for the success of our bank. Whether we’re helping small businesses grow, making home or vehicle ownership possible, or guiding customers toward their financial goals, The Community Bank is committed to strengthening the communities we proudly serve. As large institutions continue to grow even larger, they distance themselves from the customer and rely heavily on digital platforms to replace direct, personal relationships. While this may reduce costs, it diminishes the value customers place on having individualized attention for their financial needs. Solid financial performance has enabled our bank to make critical investments in digital platforms while maintaining and expanding customer relationships.

Financial performance was excellent with consolidated net income of \$7.3 million or \$3.21 per share. This is a record for our bank and exceeds the previous high by \$1.4 million. Higher net interest margin, controlled expenses and solid credit quality contributed to this profitability. Return on assets was 1.05% and return on equity was 10.03%, both exceeded our projections. Consolidated assets ended the year at \$692 million which is a 3% increase over 2024. The Board voted to increase the dividend to \$.71 per share which represents a 25% increase.

Capital ratios remain strong, which allows the bank to return a portion of the profits directly to our shareholders.

Succession has been a focus in our strategic plan and will be key to the future success of the organization. Our team has been proactive in addressing this issue at both the management and executive levels. Several additional benefits have been added that we hope will enhance the value of employment for our current team members as well as attracting talent to our organization. These include childcare expense assistance, remote work opportunities and the ability to purchase or sell paid time off. Another important aspect of succession involves our shareholder base. To remain an independent community bank, we need a shareholder base that believes in our mission and continues to value their investment as a key component of their portfolio. As our loyal shareholders age and eventually pass their shares to heirs, many do not reside in the area or share the passion for our bank. A strong shareholder base is critical to the future of our bank. We will be working over the next several months to strengthen our shareholder base and secure the next generation of ownership.

The annual meeting of shareholders will take place on April 23rd at the Muskingum County Welcome Center. Thank you for your continuing support of our independent community bank.


Eric S. Holsky
President and CEO


Terry L. Goss
Chairman of the Board



ONE WORD I USE

We invited our TCB leaders to share a word that best captures what The Community Bank means to them. Their heartfelt responses reveal their personal perspectives and illuminate the qualities they cherish most about our organization. Each word tells a story, reflecting pride, passion, and a deep sense of connection that binds us together.

COMFORTABLE

It is a homey setting and a comfortable place to be. No pressure.



CARING

We all care about our customers, our employees and everybody we work with.



AMAZING

The customers we get to help and the team we get to work with.



REWARDING

It is being able to meet great people, be in a community and better round myself.

COMMUNITY

It is in our name.

TO DESCRIBE TCB

LOCAL

Personalized service, staying connected to our community, and supporting our neighbors.



AWESOME

Everyone is so nice and willing to teach you whatever you want to learn. It's just a great experience.



CARING

They're very compassionate and care about their employees as well as their customers.



COMMITMENT

TCB is committed to their employees, therefore the employees are committed to the customers and the community. Commitment is where it is.

RELATIONSHIPS

Most definitely relationships, and that is internal and external.

MAKING MORE POSSIBLE.



INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders
CommunityBanc, Inc.
Zanesville, Ohio

Opinion

We have audited the accompanying consolidated financial statements of CommunityBanc, Inc. and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2025 and 2024; the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended; and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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WHEELING, WV

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STEUBENVILLE, OH

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Steubenville, OH 43952
(304) 233-5030



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Other Information Included in Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

B. R. Snodgrass, P.C.

Cranberry Township, Pennsylvania
March 9, 2026

COMMUNITYBANC, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands except share data)

	December 31, 2025	December 31, 2024
ASSETS		
Cash and due from banks	\$ 21,305	\$ 19,373
Federal funds sold	76,978	52,592
Cash and cash equivalents	98,283	71,965
Investment securities available for sale		
allowance for credit losses of \$0 and \$0	91,329	108,707
Investment securities held to maturity, fair value of \$7,787 and \$7,812		
allowance for credit losses of \$0 and \$0	8,533	8,818
Loans held for sale	772	558
Loans	464,237	451,620
Less allowance for credit losses	(4,955)	(4,545)
Net loans	459,282	447,075
Premises and equipment, net	12,892	13,057
Goodwill	2,291	2,291
Intangible asset	88	179
Accrued interest receivable	2,188	2,148
Bank-owned life insurance	11,491	11,214
Investment In Limited Partnerships	2,500	-
Regulatory stock	596	596
Deferred tax asset, net	902	1,490
Other assets	1,276	1,401
TOTAL ASSETS	\$ 692,423	\$ 669,499
LIABILITIES		
Deposits:		
Demand	213,327	227,232
Savings	96,808	103,428
Money market	111,992	90,347
Time	187,113	176,518
Total deposits	609,240	597,525
Accrued interest and other liabilities	10,890	8,004
TOTAL LIABILITIES	\$ 620,130	\$ 605,529
STOCKHOLDERS' EQUITY		
Preferred Stock, no par value; 1,500 shares authorized; none issued	-	-
Common stock, no par value; 7,000,000 authorized		
2,270,976 shares issued, 2,238,912 and 2,240,853 shares		
outstanding as of December 31, 2025 and 2024	28,767	28,708
Retained earnings	48,416	42,748
Accumulated other comprehensive loss	(3,481)	(6,194)
Treasury stock, at cost, 32,064 and 30,123 shares	(1,409)	(1,292)
TOTAL STOCKHOLDERS' EQUITY	72,293	63,970
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 692,423	\$ 669,499

See accompanying notes to the consolidated financial statements.

COMMUNITYBANC, INC.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands except share and per share data)

	December 31, 2025	December 31, 2024
INTEREST INCOME		
Interest and fees on loans	\$ 29,268	\$ 27,468
Interest and dividends on investment securities:		
Taxable	2,574	2,471
Exempt from federal income tax	342	344
Interest-bearing deposits in other banks	482	315
Federal funds sold	3,028	1,240
Total interest income	35,694	31,838
INTEREST EXPENSE		
Deposits	11,780	11,865
Short-term borrowings	-	240
Total interest expense	11,780	12,105
NET INTEREST INCOME	23,914	19,733
Provision for credit losses—loans	250	120
(Recovery of) provision for credit losses—off-balance-sheet commitments	(210)	-
Total provision for credit losses	40	120
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	23,874	19,613
OTHER INCOME		
Customer service fees	479	442
Other service charges and fees	2,573	2,510
Net gains on loan sales	275	386
Earnings on life insurance	399	387
Wealth management fees	2,294	2,059
Other	69	39
Total other income	6,089	5,823
OTHER EXPENSE		
Salaries and employee benefits	11,478	10,122
Net occupancy expense	1,353	1,475
Equipment expense	541	467
Advertising	572	530
Franchise taxes	531	464
Amortization of intangible assets	91	125
Office supplies and printing	175	224
Debit/ATM interchange expense	1,026	890
Audit and legal expense	515	499
FDIC Insurance	320	276
Other	4,327	4,130
Total other expense	20,929	19,202
Income before income taxes	9,034	6,234
Income taxes	1,782	1,199
NET INCOME	\$ 7,252	\$ 5,035
EARNINGS PER SHARE	\$ 3.21	\$ 2.24
AVERAGE SHARES OUTSTANDING	2,255,853	2,243,493

See accompanying notes to the consolidated financial statements.

COMMUNITYBANC, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Year Ended December 31,	
	2025	2024
Net income	\$ 7,252	\$ 5,035
Components of other comprehensive income:		
Unrealized gain on available-for-sale securities	3,434	1,431
Tax effect	(721)	(301)
Total other comprehensive income	2,713	1,130
Total comprehensive income	\$ 9,965	\$ 6,165

See accompanying notes to the consolidated financial statements.

COMMUNITYBANC, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands except share data)

	Common Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
	Shares	Amount				
Balance, December 31, 2023	2,266,527	\$ 28,669	\$ 38,983	\$ (7,324)	\$ (276)	\$ 60,052
Net income	-	-	5,035	-	-	5,035
Other comprehensive income	-	-	-	1,130	-	1,130
Dividends declared (\$0.57 per share)	-	-	(1,270)	-	-	(1,270)
Purchase of treasury stock (35,120 shares)	(35,120)	-	-	-	(1,418)	(1,418)
Sale of treasury stock (9,446 shares)	9,446	39	-	-	402	441
Balance, December 31, 2024	2,240,853	28,708	42,748	(6,194)	(1,292)	63,970
Net income	-	-	7,252	-	-	7,252
Other comprehensive income	-	-	-	2,713	-	2,713
Dividends declared (\$0.71 per share)	-	-	(1,584)	-	-	(1,584)
Purchase of treasury stock (13,398 shares)	(13,398)	-	-	-	(618)	(618)
Sale of treasury stock (11,457 shares)	11,457	59	-	-	501	560
Balance, December 31, 2025	<u>2,238,912</u>	<u>\$ 28,767</u>	<u>\$ 48,416</u>	<u>\$ (3,481)</u>	<u>\$ (1,409)</u>	<u>\$ 72,293</u>

See accompanying notes to the consolidated financial statements.

COMMUNITYBANC, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,	
	2025	2024
OPERATING ACTIVITIES		
Net income	\$ 7,252	\$ 5,035
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, and accretion	771	1,060
Provision for credit losses—loans	250	120
(Recovery of) provision for credit losses—off balance-sheet commitments	(210)	-
Deferred income taxes	(132)	292
Earnings on bank-owned life insurance	(399)	(387)
Originations of loans held for sale	(11,538)	(14,810)
Proceeds from the sale of loans	11,599	15,137
Gain on the sale of loans	(275)	(386)
Increase in accrued interest receivable	(40)	(205)
Increase in accrued interest payable	573	320
Increase in accrued federal income tax payable	516	13
Increase (decrease) in accrued expenses payable	290	(195)
Other, net	(659)	205
Net cash provided by operating activities	7,998	6,199
INVESTING ACTIVITIES		
Investment securities available for sale:		
Proceeds from principal repayments, calls, and maturities	48,953	42,592
Purchases	(27,286)	(32,077)
Investment securities held to maturity:		
Proceeds from principal repayments, calls, and maturities	293	676
Purchases	-	(89)
Net increase in loans	(13,032)	(10,386)
Proceeds from the sale of regulatory stock	-	1,154
Purchases of premises and equipment	(767)	(1,216)
Proceeds from sale of other real estate owned	86	-
Net cash provided by investing activities	8,247	654
FINANCING ACTIVITIES		
Net increase in deposits	11,715	71,808
Net decrease in short-term borrowings	-	(27,000)
Purchase of treasury stock	(618)	(1,418)
Sale of treasury stock	560	441
Cash dividends paid	(1,584)	(1,270)
Net cash provided by financing activities	10,073	42,561
Increase in cash and cash equivalents	26,318	49,414
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	71,965	22,551
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 98,283	\$ 71,965
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	\$ 11,207	\$ 11,785
Income taxes	1,625	900
Noncash investing activity:		
Loans transferred to real estate owned	85	-
Commitment to Limited Partnership Investments	2,500,000	-

See accompanying notes to the consolidated financial statements.

COMMUNITYBANC, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Basis of Presentation

CommunityBanc, Inc. (the “Company”) is an Ohio company organized as the holding company of The Community Bank (the “Bank”), and Community Properties of Zanesville, Inc. (CPI). Community Financial Advisors (CFA) is a division of the Bank. The Bank is primarily engaged in providing a full range of banking and financial services to individual and corporate customers in Muskingum and surrounding counties of Central Ohio. The Bank is subject to competition from other financial institutions. The Bank is subject to the regulation of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities. CFA offers wealth management services including brokerage, financial planning, and retirement planning. CPI is a real estate holding company.

The consolidated financial statements of the Company include its wholly owned subsidiaries. All significant intercompany items have been eliminated in preparing the consolidated financial statements. The investment in subsidiaries on the parent company financial statements is carried at the parent company’s equity in the underlying net assets of the entity.

Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the Consolidated Balance Sheets date and reported amounts of revenues and expenses for the period. Actual results could differ from those estimates.

Investment Securities

Investment securities are classified at the time of purchase, based on management’s intention and ability, as securities held to maturity or securities available for sale. Debt securities acquired with the intent and ability to hold to maturity are stated at cost and adjusted for amortization of premium and accretion of discount that are computed using the level yield method and recognized as adjustments of interest income. Certain other debt securities have been classified as available-for-sale to serve principally as a source of liquidity. Unrealized holding gains and losses for available for sale securities are reported as a separate component of stockholders’ equity, net of tax, until realized. Realized securities gains and losses are computed using the specific identification method. Interest and dividends on investment securities are recognized as income when earned. Premiums and discounts are recognized in interest income using the interest method over the period to maturity.

Regulatory Stock

The Bank is a member of the Federal Home Loan Bank (FHLB) of Cincinnati and, as such, is required to maintain a minimum investment in stock of the FHLB that varies with the level of advances outstanding with the FHLB. The stock is bought from and sold to the FHLB based upon its \$100 par value. The stock does not have a readily determinable fair value and, as such, is classified as restricted stock, carried at cost, and evaluated by management. The stock’s value is determined by the ultimate recoverability of the par value rather than by recognizing temporary declines. The determination of whether the par value will ultimately be recovered is influenced by criteria such as the following: (a) the significance of the decline in net assets of the FHLB as compared to the capital stock amount and the length of time this situation has persisted, (b) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance, (c) the impact of legislative and regulatory changes on the customer base of the FHLB, and (d) the liquidity position of the FHLB. There was no impairment of the FHLB stock as of December 31, 2025 or 2024.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses - Available-For-Sale (“AFS”) and Held-To-Maturity (“HTM”) Debt Securities

For HTM securities, management measures expected credit losses on a collective basis by major security type. Accrued interest receivable on held-to-maturity debt securities totaled \$51,000 and \$53,000 at December 31, 2025 and 2024, respectively and is excluded from the estimate of credit losses. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. The HTM securities portfolio consists solely of obligations of states and political subdivisions. Management evaluates whether the issuer or other obligor will be able to pay interest and principal in full and evaluates the financial condition of the issuer or other obligor. At December 31, 2025, these securities are considered investment-grade by various ratings agencies.

For AFS securities, the Company performs a monthly qualitative evaluation for securities in an unrealized loss position to determine if the decline in fair value below the security’s amortized cost is credit related or non-credit related. In determining whether a security’s decline in fair value is credit related, the Company considers a number of factors including, but not limited to: (i) the extent to which the fair value of the investment is less than its amortized cost; (ii) the financial condition and near-term prospects of the issuer; (iii) downgrades in credit ratings; (iv) payment structure of the security; (v) the ability of the issuer of the security to make scheduled principal and interest payments; and (vi) general market conditions that reflect prospects for the economy as a whole, including interest rates and sector credit spreads. If it is determined that the unrealized loss, or a portion thereof, is credit related, the Company records the amount of credit loss through a charge to provision for credit losses in current period earnings. However, the amount of credit loss recorded in the current period’s earnings is limited to the amount of the total unrealized loss on the security, which is measured as the amount by which the security’s fair value is below its amortized cost. If the Company intends to sell, or if it is more likely than not that the Company will be required to sell a security in an unrealized loss position before the recovery of its amortized cost basis, the total amount of the unrealized loss is recognized in the current period’s earnings. Unrealized losses deemed non-credit related are recorded, net of tax, through accumulated other comprehensive income (loss).

Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met. Accrued interest receivable on available-for-sale debt securities totaled \$429,000 and \$344,000 at December 31, 2025 and 2024, and is excluded from the estimate of credit losses.

A debt security is placed on nonaccrual status at the time any principal or interest payments become greater than 90 days delinquent. Interest accrued but not received when a security is placed on nonaccrual status is reversed against interest income.

Loans Held For Sale

Loans held for sale are carried at the lower of cost or fair value, as determined on an aggregate basis. Gains and losses on sales of loans held for sale are recognized on settlement dates and are determined by the difference between the sale proceeds and the carrying value of loans.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff generally are reported at their principal amount net of the allowance for credit losses. Interest on loans is recognized as income when earned on the accrual method. The Company's policy is to discontinue the accrual of interest on loans when payments are 90 days past due unless in management's estimation interest collection is probable based upon economic and business conditions of the borrower. Payments received on nonaccrual loans are recorded as income or applied against principal according to management's judgment as to the collectability of such principal. Loans are returned to accrual status when past-due interest is collected and the collection of principal is probable.

Allowance for Credit Losses – Loans

The allowance for credit losses for loans ("ACL") is a provision to account for the expected losses and represents the amount that management forecasts for the probable losses inherent in its current loan portfolio. The ACL provision is based on management's current judgment and expected performance concerning the credit quality, underwriting, and the potential for loss within the loan portfolio. Included as part of management's judgment is an evaluation of the overall risk characteristics within the various portfolio segments. The evaluation and review of the Company's risk characteristics includes the trends in delinquencies, originations, underwriting characteristics, levels of classified loans, lifetime historical loan losses and recoveries as well as trends in various other internal and external factors that may affect the collectability of a loan as of the reporting date. This periodic evaluation and review allows management to determine the adequacy of the ACL and to insure the ACL is sufficient to absorb any future losses.

The Company's methodologies for determining the adequacy of ACL are set forth in a formal Asset Classification policy and take into consideration the need for an ACL for loans evaluated on a collective pool basis that have similar risk characteristics, as well as allowances that are tied to individual loans that do not share risk characteristics and are individually evaluated. The Company increases its ACL by charging the provision for credit losses on its consolidated income statements. Losses related to specific assets are applied to the assets thereby reducing the loan balance of the assets and charged against the ACL when management believes the non-collectability of a loan balance is confirmed. Recoveries on previously charged off loan balances are credited to the ACL.

Management assesses the ACL on a monthly basis and completes a more comprehensive evaluation quarterly. As noted above, the ACL is estimated using relevant information from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The ACL is maintained at a level sufficient to provide for expected credit losses over the life of the loan, including expected prepayments and expected fundings of committed loans. This level is based on evaluating historical credit loss experience and making adjustments to historical loss information utilizing qualitative factors for differences in the specific risk characteristics in the current loan portfolio and economic conditions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses – Loans (Continued)

The ACL is measured on a collective pool basis when similar risk characteristics exist. In estimating the component of the ACL for loans that share common risk characteristics, loans are pooled based on the Federal Financial Institutions Examination Council Call Report Codes (“Codes”) and areas of risk concentration. For loans evaluated collectively as a pool, the ACL is calculated using the vintage method. The vintage method utilizes a lifetime, historical average charge-off rate containing loan loss, recovery and loan balance information over a historical lookback period that is used as the basis for estimating the ACL for the current and estimated funded balances of loans in each Code segment at a particular Consolidated Balance Sheet date. The vintage methodology was chosen due to the extensive loan loss, recovery and loan balance histories the Company maintained. Therefore the Company was able to establish reliable loan loss rates for each Code segment. In the events where there was no or insufficient historical loan loss data to establish a reliable loan loss rate, the Company utilized a minimum loss rate for those particular Code balances.

The calculation of the ACL is adjusted using qualitative factors for current conditions and for reasonable and supportable forecast periods. These qualitative factors are used to add for additional areas of risk inherent in the portfolio that may not be directly reflected in the Company’s historical information and may include the following adjustments:

- Changes in environmental conditions.
- Changes in economic conditions.
- Trends in delinquency levels.
- Trends in loan origination volumes.
- Trends in collateral values, unemployment rates, changes in staffing and other relevant factors that may impact loan performance in time.

Factors involved in determining whether a loan should be individually evaluated include, but are not limited to, the financial condition of the borrower and the value of the underlying collateral. Loans that are identified to be evaluated individually in the ACL do not share all of the risk characteristics with other pooled loans in the portfolio. These loans are individually evaluated based on the present value of expected future cash flows. If management determines the loan is collateral dependent the fair market value of the current collateral value, the Company assesses these loans on each reporting date to determine whether repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulty.

A loan is considered collateral-dependent when the debtor is experiencing financial difficulty and repayment is expected to be provided substantially through the sale or operation of the collateral. For all classes of loans and leases deemed collateral-dependent, the Company elected the practical expedient to estimate expected credit losses based on the collateral’s fair value less cost to sell. Substantially all of the collateral consists of various types of business assets or real estate.

If the fair value of the collateral is less than the amortized cost basis of the loan, the Company will recognize a specific ACL or partial charge off as the difference between the fair value of the collateral, less costs to sell, and the amortized cost basis of the loan. If the fair value of the collateral exceeds the amortized cost basis of the loan, no ACL will be recognized provided no amount previously charged off. Subsequent changes in the expected credit losses for loans evaluated individually are included within the provision for credit losses in the same manner in which the expected credit loss initially was recognized or as a reduction in the provision that would otherwise be reported.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses – Loans (Continued)

Management recognizes the process of assessing the adequacy of the ACL is both subjective and imprecise. Further, and particularly when economic and inflation conditions are uncertain, it is possible that future credit losses may exceed management's ACL. As such, there can be no assurance that future charge offs will not exceed management's current estimate of what constitutes a reasonable and adequate ACL.

Accrued interest receivable on loans totaled \$1,709,000 and \$1,750,000 at December 31, 2025 and 2024, respectively. The Bank has elected to exclude accrued interest receivable from the measurement of its ACL. When a loan is placed on nonaccrual status, any outstanding accrued interest is reversed against interest income.

Premises and Equipment

Land is carried at cost. Buildings and equipment are stated at cost, less accumulated depreciation. Depreciation is principally computed on the straight-line method over the estimated useful lives of the related assets, which range from 2 to 10 years for furniture, fixtures, and equipment and 10 to 39 years for building and improvements. Leasehold improvements are amortized over the shorter of their estimated useful lives or their respective lease terms, which range from 5 to 15 years. Expenditures for maintenance and repairs are charged against income as incurred. Costs of major additions and improvements are capitalized.

Investments in Limited Partnerships

On December 5, 2025, the Company entered into a limited partnership agreement to invest in low-income housing projects eligible for federal tax credits. The carrying value of the investment was \$2,500,000 at December 31, 2025. The investment is supported by a long-term capital contribution obligation, payable in installments as requested by the general partner. As of December 31, 2025, no capital contribution payments were made. The Company has been allocated Community Reinvestment Act credit associated with the partnership's underlying projects. The investment will be amortized over the expected tax credit recognition period. A liability for the full amount of the Company's capital contribution commitment totaling \$2,500,000 has been recorded within accrued interest and other liabilities on the Consolidated Balance Sheet.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the cost of net assets purchased in connection with the acquisition of CFA and the acquisition of the Cambridge branches. Goodwill is not amortized but is evaluated for impairment.

The Company accounts for goodwill using a two-step process for testing the impairment of goodwill on at least an annual basis. This approach could cause more volatility in the Company's reported net income because impairment losses, if any, could occur irregularly and in varying amounts. The Company performs an annual impairment analysis of goodwill by assessing various qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. The Company performed this assessment and concluded that the recorded value of goodwill was not impaired. No impairment of goodwill was recognized in any of the periods presented.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill and Intangible Assets (Continued)

The Company has a separately identifiable intangible asset relating to the acquisition of CFA, in which a customer list was included in the purchase. This intangible asset is being amortized on a straight-line basis over a period of 20 years and is subject to annual impairment testing. The balance of the intangible asset at December 31, 2025 and 2024, was \$88,000 and \$130,000, net of accumulated amortization of \$756,000 and \$713,000, respectively. Amortization expense of \$42,000 was recorded for the years ended December 31, 2025 and 2024. Amortization expense is estimated to be \$42,000 each year for the years 2026 through 2027 and \$4,000 in 2028.

The Company also has a separately identifiable intangible asset relating to the purchase of deposit accounts at the Cambridge branches. This intangible asset is being amortized on a straight-line basis over a period of ten years and is subject to annual impairment testing. The balance of the intangible asset at December 31, 2025 and 2024, was \$0 and \$49,000, net of accumulated amortization of \$833,000 and \$784,000, respectively. Amortization expense of \$49,000 and \$83,000 was recorded for the years ended December 31, 2025 and 2024.

Employee Benefits

The Company has a defined contribution, 401(k) plan covering eligible employees. The employee may also contribute to the plan on a voluntary basis, up to a maximum percentage allowable not to exceed the limits of Code Sections 401(k). Under the plan, the Company also makes contributions on behalf of eligible employees, which fully vest after six years. Contribution expense is recorded in salaries and employee benefits.

The Company maintains nonqualified salary continuation plans for an executive officer and former officer. All obligations arising under the plan are payable from the general assets of the Company. Expenses under the salary continuation plans are recognized as earned over the expected years of service and are recorded in salaries and employee benefits.

The Company maintains a nonqualified executive deferred compensation plan for an executive officer. Under the plan, the officer may elect to defer compensation and the Company may make contributions, subject to certain vesting requirements. All obligations arising under the plan are payable from the general assets of the Company. Expenses under the plan are recognized as earned over the expected years of service and are recorded in salaries and employee benefits.

Income Taxes

The Company and its subsidiaries file a consolidated federal income tax return. Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. The Company recognizes interest and penalties on income taxes as a component of income tax expense.

During the year ended December 31, 2025, the Company adopted ASU 2023-09, "Improvements to Income Tax Disclosure," which expands the disclosure requirements for income taxes. The amendment in this update improves financial reporting by requiring disclosure of greater disaggregation of information in the income tax rate reconciliation. The amendment in this update also improves financial reporting by requiring disclosure of income taxes paid by jurisdiction to improve visibility of income taxes paid information. The adoption did not have a material impact on the Company's consolidated financial statements. See Note 12 *Income Taxes* for more information.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Earnings Per Share

The Company currently maintains a simple capital structure; therefore, there are no dilutive effects on earnings per share. As such, earnings per share computations are based upon the weighted number of shares outstanding for each of the reported periods. Treasury shares are not deemed outstanding for earnings per share calculations.

Treasury Stock

Purchases are accounted for under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. Gains and losses on the subsequent re-issuances of the stock are credited or charged to common stock using the average cost method.

Cash Flow Information

The Company has defined “cash equivalents” as those amounts included in the Consolidated Balance Sheet captions “Cash and due from banks” and “Federal funds sold” that have original maturities of 90 days or less.

Comprehensive Income

The Company is required to present comprehensive income and its components in a full set of general-purpose financial statements for all periods presented. Accumulated other comprehensive income comprises unrealized holding gains and losses on the available-for-sale securities portfolio and accretion of discounts related to investment securities transferred from available for sale to held to maturity.

Bank-owned Life Insurance

The Company owns insurance on the lives of a certain group of key employees. The policies were purchased to help offset the increase in the costs of various fringe benefit plans, including healthcare. The cash surrender value of these policies is included as an asset on the Consolidated Balance Sheet, and any increases in the cash surrender value are recorded as noninterest income on the Consolidated Statements of Income. In the event of the death of an insured individual under these policies, the Company would receive a death benefit, which would be recorded as noninterest income.

Other Real Estate Owned

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance (any direct write-downs) are included in net expenses from foreclosed assets.

Mortgage Servicing Rights (MSRs)

The Company has agreements for the express purposes of selling loans in the secondary market. The Company maintains all servicing rights for these loans. Originated MSRs are recorded by allocating total costs incurred between the loan and servicing rights based on the relative fair values. MSRs are amortized in proportion to the estimated servicing income over the estimate life of the servicing portfolio. Impairment is evaluated based on the fair value of the right, based on portfolio interest rates and prepayment characteristics.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Servicing Rights (MSRs) (Continued)

MSRs are a component of other assets on the Consolidated Balance Sheet. MSRs amounted to \$243,000 and \$273,000 at December 31, 2025 and 2024, respectively.

Other Repossessed Assets

Assets acquired through repossession are initially recorded at fair value less cost to sell at the date of repossession, establishing a new cost basis. Subsequent to repossession, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when all of the components meet the definition of a participating interest and when control over the assets has been surrendered. A participating interest generally represents: (1) a proportionate (pro rata) ownership interest in an entire financial asset; (2) a relationship where from the date of transfer all cash flows received from the entire financial asset are divided proportionately among the participating interest holders in an amount equal to their share of ownership; (3) the priority of cash flows has certain characteristics, including no reduction in priority, subordination of interest, or recourse to the transferor other than standard representation or warranties; and (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to pledge or exchange the entire financial asset. 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.

Advertising Costs

Advertising costs are expensed as incurred.

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Company has entered into off-balance-sheet financial instruments consisting of commitments to extend credit and letters of credit. Such financial instruments are recorded on the Consolidated Balance Sheet when they are funded.

Allowance for Credit Loss on Off-Balance-Sheet Exposures

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk through a contractual obligation to extend credit unless the obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance-sheet credit exposures is adjusted through the provision for credit losses. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

Reclassification of Comparative Amounts

Certain comparative amounts for the prior year have been reclassified to conform to current-year presentation. Such reclassifications had no effect on net income or stockholders' equity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment Reporting

While the chief decision-makers monitor the revenue streams of the various products and services, operations are managed and financial performance is evaluated on a Company-wide basis. The Company has identified one segment: community banking.

2. REVENUE RECOGNITION

The Company accounts for its applicable in accordance with ASC Topic 606 – *Revenue from Contracts with Customers*. The core principle of Topic 606, *Revenue from Contracts with Customers*, is that an entity recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

Topic 606 does not apply to revenue associated with financial instruments, including interest from loans, investments, and other interest-bearing deposits. In addition, certain noninterest income streams, such as fees associated with mortgage servicing rights, gains and losses from loan and investment sales, earnings on bank-owned life insurance, financial guarantees, and certain credit card fees are also not in scope of the new guidance. Topic 606 is applicable to noninterest revenue streams such as trust and asset management income, deposit related fees, interchange fees, merchant income, and annuity and insurance commissions.

The main types of noninterest income within the scope of the standard are as follows:

Customer Service Fees

Topic 606 is applicable to noninterest revenue streams, such as service charges on deposit accounts, which consist primarily of monthly service fees and fees associated with overdrafts. The Company's performance obligation for monthly service fees is satisfied and recognized in the month the service is provided. Other deposit account-related fees are largely transactional based; and therefore, revenue is recognized at a point in time upon completion of transaction.

Other Service Charges and Fees

Other income within the scope of Topic 606 is primarily comprised of debit and credit card income, ATM fees, merchant income, wire transfer fees, and safe deposit box rents. Debit and credit card income is primarily comprised of interchange fees earned whenever the Company's debit and credit cards are processed through card payment networks, such as Visa. ATM fees are primarily generated when a Company cardholder uses a non-Company ATM or a non-Company cardholder uses a Company ATM. The Company's performance obligation for other service charges and fees are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month. Safe deposit box rental fees are charged to the customer on an annual basis and recognized upon receipt of payment. The Company determined that since rentals and renewals occur fairly consistently over time, revenue is recognized on a basis consistent with the duration of the performance obligation.

2. REVENUE RECOGNITION (Continued)

Wealth Management Fees

Wealth management income is primarily comprised of fees earned from the management and administration of trusts and other customer assets along with commissions from the sale of mutual funds and annuities. The Company's performance obligation for management and administration is generally satisfied over time, and the resulting fees are recognized monthly, based upon the month-end market value of the assets under management and the applicable fee rate. Payment is generally received a few days after month-end through a direct charge to the customers' accounts. The Company's performance obligation for mutual fund and annuity sales is generally satisfied upon completion of the transaction. A small portion of the fees from qualified retirement plans are collected and recognized on a quarterly basis.

Gains (Losses) on Sale of Other Real Estate Owned ("OREO") and Repossessed Assets

Gains and losses are recognized at the completion of the property sale when the buyer obtains control of the real estate and all of the performance obligations of the Company have been satisfied. Evidence of the buyer obtaining control of the asset include transfer of the property title, physical possession of the asset, and the buyer obtaining control of the risks and rewards related to the asset. In situations where the Company agrees to provide financing to facilitate the sale, additional analysis is performed to ensure that the contract for sale identifies the buyer and seller, the asset to be transferred, and the payment terms; that the contract has a true commercial substance; and that amounts due from the buyer are reasonable. In situations where financing terms are not reflective of current market terms, the transaction price is discounted impacting the gain/loss and the carrying value of the asset.

The following table depicts the disaggregation of revenue derived from contracts with customers to depict the nature, amount, timing, and uncertainty of revenue and cash flows for the years ended December 31:

<u>Noninterest Income</u>	<u>2025</u>	<u>2024</u>
	(in thousands)	
Customer service fees:		
Non-sufficient funds fees	\$ 266	\$ 271
Services charges and other fees	213	171
Other services charges and fees		
Visa credit cards	1,984	1,980
ATM fees	190	154
Other fees	399	376
Wealth management fees		
Brokerage fees	1,668	1,389
Trust fees	626	670
Net gains on loan sales (a)	275	386
Earnings on bank-owned life insurance (a)	399	387
Other income	69	39
Total noninterest income	<u>\$ 6,089</u>	<u>\$ 5,823</u>

(a) Not within scope of ASU 606

3. INVESTMENT SECURITIES

The amortized cost, gross unrealized gains and losses, and fair values of investment securities available for sale and held to maturity are summarized as follows (in thousands):

		2025				
		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Available for sale						
U.S. government agency securities	\$	46,078	\$ 87	\$ (608)	\$ -	\$ 45,557
U.S. treasury securities		15,024	52	-	-	15,076
Mortgage-backed securities		31,644	15	(3,676)	-	27,983
Obligations of states and political subdivisions		<u>2,989</u>	<u>-</u>	<u>(276)</u>	<u>-</u>	<u>2,713</u>
Total	\$	<u>95,735</u>	<u>\$ 154</u>	<u>\$ (4,560)</u>	<u>\$ -</u>	<u>\$ 91,329</u>
		2024				
		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Available for sale						
U.S. government agency securities	\$	54,727	\$ 2	\$ (1,863)	\$ -	\$ 52,866
U.S. treasury securities		23,279	16	(34)	-	23,261
Mortgage-backed securities		35,543	-	(5,600)	-	29,943
Obligations of states and political subdivisions		<u>2,998</u>	<u>-</u>	<u>(361)</u>	<u>-</u>	<u>2,637</u>
Total	\$	<u>116,547</u>	<u>\$ 18</u>	<u>\$ (7,858)</u>	<u>\$ -</u>	<u>\$ 108,707</u>
		2025				
		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Held to maturity						
Obligations of states and political subdivisions	\$	<u>8,533</u>	<u>\$ 23</u>	<u>\$ (769)</u>	<u>\$ -</u>	<u>\$ 7,787</u>
		2024				
		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Held to maturity						
Obligations of states and political subdivisions	\$	<u>8,818</u>	<u>\$ 20</u>	<u>\$ (1,026)</u>	<u>\$ -</u>	<u>\$ 7,812</u>

3. INVESTMENT SECURITIES (Continued)

The following tables show the Company's gross unrealized losses and fair value, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position at December 31, 2025 and 2024 (in thousands).

	2025					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available for sale						
U.S. government agency securities	\$ 7,327	\$ (13)	\$ 24,344	\$ (595)	\$ 31,671	\$ (608)
U.S. treasury securities	-	-	-	-	-	-
Mortgage-backed securities	-	-	26,217	(3,676)	26,217	(3,676)
Obligations of states and political subdivisions	-	-	2,713	(276)	2,713	(276)
	<u>\$ 7,327</u>	<u>\$ (13)</u>	<u>\$ 53,274</u>	<u>\$ (4,547)</u>	<u>\$ 60,601</u>	<u>\$ (4,560)</u>
	2024					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available for sale						
U.S. government agency securities	\$ 4,422	\$ (109)	\$ 47,454	\$ (1,754)	\$ 51,876	\$ (1,863)
U.S. treasury securities	9,904	(11)	3,399	(23)	13,303	(34)
Mortgage-backed securities	3,098	(118)	26,845	(5,482)	29,943	(5,600)
Obligations of states and political subdivisions	-	-	2,637	(361)	2,637	(361)
	<u>\$ 17,424</u>	<u>\$ (238)</u>	<u>\$ 80,335</u>	<u>\$ (7,620)</u>	<u>\$ 97,759</u>	<u>\$ (7,858)</u>

3. INVESTMENT SECURITIES (Continued)

For available-for-sale securities as of December 31, 2025, 53 mortgage-backed securities, 9 obligations of states and political subdivisions i.e. municipal bonds, and 9 U.S. agencies and treasuries had unrealized loss due to interest rate volatility. All agency mortgage-backed securities are issued by U.S. government entities and agencies and are either explicitly or implicitly guaranteed by the U.S. government. They are highly rated by major rating agencies and have a long history of no credit losses. Management concluded that the unrealized loss reflected above was temporary in nature since the unrealized loss was related primarily to market interest rates volatility, and not related to the underlying credit quality of the issuers of the securities. Additionally, the Company has the ability and intent to hold the securities for the time necessary to recover the amortized cost.

The held-to-maturity securities portfolio consists solely of obligations of state and political subdivision bonds. The 25 obligations of state and political subdivision bonds in the portfolio carry no lower than A ratings from the rating agencies at December 31, 2025, and have a long history of no credit losses. The Company regularly monitors the municipal bonds sector of the market and reviews collectability including such factors as the financial condition of the issuers as well as credit ratings in effect as of the reporting period.

The amortized cost and fair value of investment securities at December 31, 2025, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(in thousands)	Available for Sale		Held to Maturity	
	Amortized	Fair	Amortized	Fair
	Cost	Value	Cost	Value
Due in one year or less	\$ 26,311	\$ 26,138	\$ 43	\$ 43
Due after one year through five years	24,889	24,545	1,057	1,080
Due after five years through ten years	12,564	12,504	4,462	4,072
Due after ten years	31,971	28,142	2,971	2,592
Total	<u>\$ 95,735</u>	<u>\$ 91,329</u>	<u>\$ 8,533</u>	<u>\$ 7,787</u>

There were no sales of investment securities for the years ended December 31, 2025 and 2024.

Investment securities with a carrying value of \$55,528,000 and \$83,652,000 at December 31, 2025 and 2024, respectively, were pledged to secure public deposits, collateral for borrowings, and other purposes as required by law.

4. LOANS

Major classifications of loans are summarized as follows (in thousands):

	<u>2025</u>	<u>2024</u>
Real estate:		
Residential	\$ 244,743	\$ 242,112
Construction	16,091	13,176
Commercial	125,866	121,468
Commercial and industrial	31,563	32,066
Consumer installment	45,952	42,769
Other	<u>22</u>	<u>29</u>
	464,237	451,620
Less allowance for loan losses	<u>4,955</u>	<u>4,545</u>
Net loans	<u>\$ 459,282</u>	<u>\$ 447,075</u>

The Company's primary business activity is with customers located within its local trade area. Commercial, residential, and personal loans are granted. The Company also selectively funds commercial and residential loans originated outside its immediate trade area provided such loans meet the Company's credit policy guidelines. In general, at December 31, 2025 and 2024, loans outstanding to individuals and businesses are dependent upon the local economic conditions in the immediate trade areas of Muskingum and surrounding counties of Central Ohio.

Mortgage loans serviced by the Company for others amounted to \$113,300,000 with 739 loans sold and \$106,538,000 with 718 loans sold at December 31, 2025, and December 31, 2024, respectively.

5. ALLOWANCE FOR CREDIT LOSSES

Management has an established methodology to determine the adequacy of the allowance for credit losses ("ACL") that assesses the risks and losses inherent in the loan portfolio. For purposes of determining the ACL, the Company has segmented certain loans in the portfolio by call report codes. Loans are segmented into the following similar risk characteristic pools: residential real estate, construction real estate, commercial real estate, commercial and industrial, consumer installment, and other. Lifetime, historical loss percentages for each risk category are calculated and used as the basis for calculating ACL allocations. These historical loss percentages are calculated using loss, recovery and loan information from January 1, 2001, through December 31, 2025, for all portfolio segments. Certain qualitative factors are then added to the ACL allocation percentage to get the adjusted factor to be applied to the loan segments.

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

During 2025, the ACL balance increased for residential real estate, construction real estate, and consumer installment. These increases are primarily attributed to the growth in portfolio balances during the year and additional reserves needed for charge-off activity in the residential real estate and consumer installment portfolios. Commercial real estate saw a decrease due to the improvements in delinquencies, improvements in credit quality, and recoveries received, decreasing the historical loss. Commercial and industrial also saw a decrease primarily due to the decrease in portfolio balance and fewer charge-offs during the year. The risk within the loan portfolio continues to be managed well with focus being on the stabilization of real estate property and vehicle values being the largest risk. Management monitors both of these categories and utilizes a qualitative factor related to the underlying collateral value of each loan segment within the ACL calculation to assure proper allowance is dedicated to each. These qualitative factors are reviewed each quarter and adjusted based upon relevant changes within the portfolio.

Changes in the allowance for credit losses for the year ended December 31, 2025, by loan portfolio segment are as follows (in thousands):

	2025						Total
	Residential Real Estate	Construction Real Estate	Commercial Real Estate	Commercial and Industrial	Consumer Installment	Other	
Beginning Balance	\$ 1,097	\$ 138	\$ 1,930	\$ 489	\$ 866	\$ 25	\$ 4,545
Charge-offs	(30)	-	-	(25)	(176)	-	(231)
Recoveries	7	-	333	-	51	-	391
Provision	214	76	(557)	(67)	608	(24)	250
Ending Balance	<u>\$ 1,288</u>	<u>\$ 214</u>	<u>\$ 1,706</u>	<u>\$ 397</u>	<u>\$ 1,349</u>	<u>\$ 1</u>	<u>\$ 4,955</u>

Changes in the allowance for credit losses for the year ended December 31, 2024, by loan portfolio segment are as follows (in thousands):

	2024						Total
	Residential Real Estate	Construction Real Estate	Commercial Real Estate	Commercial and Industrial	Consumer Installment	Other	
Beginning Balance	\$ 1,260	\$ 165	\$ 1,608	\$ 531	\$ 984	\$ 36	\$ 4,584
Charge-offs	-	-	-	(115)	(91)	(68)	(274)
Recoveries	11	-	-	34	44	26	115
Provision	(174)	(27)	322	39	(71)	31	120
Ending Balance	<u>\$ 1,097</u>	<u>\$ 138</u>	<u>\$ 1,930</u>	<u>\$ 489</u>	<u>\$ 866</u>	<u>\$ 25</u>	<u>\$ 4,545</u>

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

Credit Quality Information

The Company's internally assigned grades are as follows:

Pass loans are protected by the current net worth and paying capacity of the obligor or by the value of the underlying collateral. There are three sub-grades within the Pass category to further distinguish the loan.

Special Mention loans are loans for which a potential weakness or risk exists that could cause a more serious problem if not corrected.

Substandard loans have a well-defined weakness based on objective evidence and are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful loans have all the weaknesses inherent in a substandard asset. In addition, these weaknesses make collection or liquidation in full highly questionable and improbable, based on existing circumstances.

Loss loans are considered uncollectible, or of such value that continuance as an asset is not warranted.

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

Credit Quality Information (Continued)

The following tables represent credit exposures by internally assigned grades for the year ended December 31, 2025 and 2024. The grading analysis estimates the capability of the borrower to repay the contractual obligations of the loan agreements as scheduled or at all. The Company's internal credit risk grading system is based on experiences with similarly graded loans (in thousands).

December 31, 2025	Term Loans Amortized Costs Basis by Origination Year						Total
	2025	2024	2023	2022	2021	Prior	
Commercial real estate							
Risk Rating							
Pass	\$ 20,197	\$ 20,920	\$ 10,618	\$ 24,681	\$ 13,526	\$ 30,203	\$ 120,145
Special Mention	144	1,399	951	560	-	853	3,907
Substandard	-	-	-	57	148	1,609	1,814
Doubtful	-	-	-	-	-	-	-
Total	<u>\$ 20,341</u>	<u>\$ 22,319</u>	<u>\$ 11,569</u>	<u>\$ 25,298</u>	<u>\$ 13,674</u>	<u>\$ 32,665</u>	<u>\$ 125,866</u>
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction real estate							
Risk Rating							
Pass	\$ 9,047	\$ 1,497	\$ 1,621	\$ 467	\$ 1,757	\$ 1,702	\$ 16,091
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total	<u>\$ 9,047</u>	<u>\$ 1,497</u>	<u>\$ 1,621</u>	<u>\$ 467</u>	<u>\$ 1,757</u>	<u>\$ 1,702</u>	<u>\$ 16,091</u>
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial and industrial							
Risk Rating							
Pass	\$ 7,308	\$ 7,539	\$ 7,950	\$ 3,763	\$ 2,062	\$ 2,510	\$ 31,132
Special Mention	5	47	-	50	-	-	102
Substandard	-	-	144	114	-	71	329
Doubtful	-	-	-	-	-	-	-
Total	<u>\$ 7,313</u>	<u>\$ 7,586</u>	<u>\$ 8,094</u>	<u>\$ 3,927</u>	<u>\$ 2,062</u>	<u>\$ 2,581</u>	<u>\$ 31,563</u>
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ 21	\$ 25
Total							
Risk Rating							
Pass	\$ 36,552	\$ 29,956	\$ 20,189	\$ 28,911	\$ 17,345	\$ 34,415	\$ 167,368
Special Mention	149	1,446	951	610	-	853	4,009
Substandard	-	-	144	171	148	1,680	2,143
Doubtful	-	-	-	-	-	-	-
Total	<u>\$ 36,701</u>	<u>\$ 31,402</u>	<u>\$ 21,284</u>	<u>\$ 29,692</u>	<u>\$ 17,493</u>	<u>\$ 36,948</u>	<u>\$ 173,520</u>
Total gross charge-offs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 21</u>	<u>\$ 25</u>

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

Credit Quality Information (Continued)

December 31, 2024	Term Loans Amortized Costs Basis by Origination Year						Total
	2024	2023	2022	2021	2020	Prior	
Commercial real estate							
Risk Rating							
Pass	\$ 22,336	\$ 12,207	\$ 26,895	\$ 14,871	\$ 8,313	\$ 30,875	\$ 115,497
Special Mention	-	1,007	668	-	497	1,213	3,385
Substandard	-	-	212	-	85	2,289	2,586
Doubtful	-	-	-	-	-	-	-
Total	<u>\$ 22,336</u>	<u>\$ 13,214</u>	<u>\$ 27,775</u>	<u>\$ 14,871</u>	<u>\$ 8,895</u>	<u>\$ 34,377</u>	<u>\$ 121,468</u>
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction real estate							
Risk Rating							
Pass	\$ 4,625	\$ 4,120	\$ 587	\$ 1,697	\$ -	\$ 2,147	\$ 13,176
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total	<u>\$ 4,625</u>	<u>\$ 4,120</u>	<u>\$ 587</u>	<u>\$ 1,697</u>	<u>\$ -</u>	<u>\$ 2,147</u>	<u>\$ 13,176</u>
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial and industrial							
Risk Rating							
Pass	\$ 9,141	\$ 9,148	\$ 6,038	\$ 2,866	\$ 2,677	\$ 1,810	\$ 31,680
Special Mention	-	-	10	8	-	-	18
Substandard	-	109	7	-	74	178	368
Doubtful	-	-	-	-	-	-	-
Total	<u>\$ 9,141</u>	<u>\$ 9,257</u>	<u>\$ 6,055</u>	<u>\$ 2,874</u>	<u>\$ 2,751</u>	<u>\$ 1,988</u>	<u>\$ 32,066</u>
Current period gross charge-offs	\$ -	\$ -	\$ 60	\$ -	\$ -	\$ 55	\$ 115
Total							
Risk Rating							
Pass	\$ 36,102	\$ 25,475	\$ 33,520	\$ 19,434	\$ 10,990	\$ 34,832	\$ 160,353
Special Mention	-	1,007	678	8	497	1,213	3,403
Substandard	-	109	219	-	159	2,467	2,954
Doubtful	-	-	-	-	-	-	-
Total	<u>\$ 36,102</u>	<u>\$ 26,591</u>	<u>\$ 34,417</u>	<u>\$ 19,442</u>	<u>\$ 11,646</u>	<u>\$ 38,512</u>	<u>\$ 166,710</u>
Total gross charge-offs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55</u>	<u>\$ 115</u>

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

The following tables present performing and nonperforming loans based on payment activity for the year ended December 31, 2025 and 2024. Payment activity is reviewed by management on a monthly basis to determine how loans are performing. Loans are considered to be nonperforming when they become 90 days past due or are placed on nonaccrual (in thousands).

	Term Loans Amortized Costs Basis by Origination Year						Revolving	Total
	2025	2024	2023	2022	2021	Prior	Loans Amortized Cost Basis	
December 31, 2025								
Residential real estate								
Payment Performance								
Performing	\$ 33,048	\$ 26,589	\$ 50,368	\$ 54,029	\$ 27,989	\$ 52,177	\$ -	\$ 244,200
Nonperforming	-	-	93	-	9	441	-	543
Total	<u>\$ 33,048</u>	<u>\$ 26,589</u>	<u>\$ 50,461</u>	<u>\$ 54,029</u>	<u>\$ 27,998</u>	<u>\$ 52,618</u>	<u>\$ -</u>	<u>\$ 244,743</u>
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ 30	\$ -	\$ -	\$ 30
Consumer installment and other								
Payment Performance								
Performing	\$ 17,614	\$ 8,043	\$ 9,134	\$ 6,655	\$ 1,049	\$ 3,302	\$ -	\$ 45,797
Nonperforming	-	-	18	152	7	-	-	177
Total	<u>\$ 17,614</u>	<u>\$ 8,043</u>	<u>\$ 9,152</u>	<u>\$ 6,807</u>	<u>\$ 1,056</u>	<u>\$ 3,302</u>	<u>\$ -</u>	<u>\$ 45,974</u>
Current period gross charge-offs	\$ -	\$ 13	\$ 104	\$ 47	\$ 12	\$ -	\$ -	\$ 176
Total								
Payment Performance								
Performing	\$ 50,662	\$ 34,632	\$ 59,502	\$ 60,684	\$ 29,038	\$ 55,479	\$ -	\$ 289,997
Nonperforming	-	-	111	152	16	441	-	720
Total	<u>\$ 50,662</u>	<u>\$ 34,632</u>	<u>\$ 59,613</u>	<u>\$ 60,836</u>	<u>\$ 29,054</u>	<u>\$ 55,920</u>	<u>\$ -</u>	<u>\$ 290,717</u>
Total gross charge-offs	<u>\$ -</u>	<u>\$ 13</u>	<u>\$ 104</u>	<u>\$ 47</u>	<u>\$ 42</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 206</u>

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

December 31, 2024	Term Loans Amortized Costs Basis by Origination Year						Revolving	Total
	2024	2023	2022	2021	2020	Prior	Loans Amortized Cost Basis	
Residential real estate								
Payment Performance								
Performing	\$ 26,839	\$ 56,792	\$ 60,459	\$ 32,954	\$ 20,406	\$ 43,548	\$ -	\$ 240,998
Nonperforming	-	-	437	119	-	558	-	1,114
Total	<u>\$ 26,839</u>	<u>\$ 56,792</u>	<u>\$ 60,896</u>	<u>\$ 33,073</u>	<u>\$ 20,406</u>	<u>\$ 44,106</u>	<u>\$ -</u>	<u>\$ 242,112</u>
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consumer installment and other								
Payment Performance								
Performing	\$ 11,501	\$ 14,071	\$ 11,821	\$ 2,143	\$ 469	\$ 2,667	\$ -	\$ 42,672
Nonperforming	-	16	94	16	-	-	-	126
Total	<u>\$ 11,501</u>	<u>\$ 14,087</u>	<u>\$ 11,915</u>	<u>\$ 2,159</u>	<u>\$ 469</u>	<u>\$ 2,667</u>	<u>\$ -</u>	<u>\$ 42,798</u>
Current period gross charge-offs	\$ -	\$ 12	\$ 76	\$ 2	\$ 1	\$ 68	\$ -	\$ 159
Total								
Payment Performance								
Performing	\$ 38,340	\$ 70,863	\$ 72,280	\$ 35,097	\$ 20,875	\$ 46,215	\$ -	\$ 283,670
Nonperforming	-	16	531	135	-	558	-	1,240
Total	<u>\$ 38,340</u>	<u>\$ 70,879</u>	<u>\$ 72,811</u>	<u>\$ 35,232</u>	<u>\$ 20,875</u>	<u>\$ 46,773</u>	<u>\$ -</u>	<u>\$ 284,910</u>
Total gross charge-offs	<u>\$ -</u>	<u>\$ 12</u>	<u>\$ 76</u>	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ 68</u>	<u>\$ -</u>	<u>\$ 159</u>

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

The following tables include an aging analysis of the recorded investment of past-due loans as of December 31, 2025 and 2024 (in thousands).

	2025					
	30–59	60–89	90 Days	Total	Current	Total
	Days Past Due	Days Past Due	or Greater Past Due	Past Due		
Real estate:						
Residential	\$ 1,063	\$ 208	\$ 204	\$ 1,475	\$ 243,268	\$ 244,743
Construction	-	-	-	-	16,091	16,091
Commercial	335	202	-	537	125,329	125,866
Commercial and industrial	290	77	264	631	30,932	31,563
Consumer installment	245	86	137	468	45,484	45,952
Other	-	-	-	-	22	22
Total	<u>\$ 1,933</u>	<u>\$ 573</u>	<u>\$ 605</u>	<u>\$ 3,111</u>	<u>\$ 461,126</u>	<u>\$ 464,237</u>

	2024					
	30–59	60–89	90 Days	Total	Current	Total
	Days Past Due	Days Past Due	or Greater Past Due	Past Due		
Real estate:						
Residential	\$ 1,419	\$ 169	\$ 571	\$ 2,159	\$ 239,953	\$ 242,112
Construction	3	-	-	3	13,173	13,176
Commercial	511	158	230	899	120,569	121,468
Commercial and industrial	178	125	246	549	31,517	32,066
Consumer installment	115	28	58	201	42,568	42,769
Other	-	-	-	-	29	29
Total	<u>\$ 2,226</u>	<u>\$ 480</u>	<u>\$ 1,105</u>	<u>\$ 3,811</u>	<u>\$ 447,809</u>	<u>\$ 451,620</u>

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

Non-performing Loans

Non-performing loans include those loans that are considered nonaccrual, described in more detail below and all loans past due 90 or more days. Loans are considered for non-accrual status upon reaching 90 days delinquency, although the Company may be receiving partial payments of interest and partial repayments of principal on such loans, or if full payment of principal and interest is not expected. Additionally, if management is made aware of other information including bankruptcy, repossession, death, or legal proceedings, the loan may be placed on non-accrual status. If a loan is 90 days or more past due and is well secured and in the process of collection, it may be still considered accruing.

The following tables reflect the non-performing loan receivables, as well as those on non-accrual status with and with no specific ACL reserve as of December 31, 2025 and 2024 respectively (in thousands):

	2025				
	Nonaccrual with no specific ACL	Nonaccrual with specific ACL	Total Nonaccrual	Loans Past Due Over 90 Days Still Accruing	Total Non-performing
Real estate:					
Residential	\$ 397	\$ 146	\$ 543	\$ -	\$ 543
Construction	-	-	-	-	-
Commercial	256	-	256	-	256
Commercial and industrial	55	238	293	-	293
Consumer installment	177	-	177	-	177
Other	-	-	-	-	-
Total	<u>\$ 885</u>	<u>\$ 384</u>	<u>\$ 1,269</u>	<u>\$ -</u>	<u>\$ 1,269</u>
	2024				
	Nonaccrual with no specific ACL	Nonaccrual with specific ACL	Total Nonaccrual	Loans Past Due Over 90 Days Still Accruing	Total Non-performing
Real estate:					
Residential	\$ 469	\$ 645	\$ 1,114	\$ -	\$ 1,114
Construction	-	-	-	-	-
Commercial	672	144	816	85	901
Commercial and industrial	41	165	206	74	280
Consumer installment	126	-	126	3	129
Other	-	-	-	-	-
Total	<u>\$ 1,308</u>	<u>\$ 954</u>	<u>\$ 2,262</u>	<u>\$ 162</u>	<u>\$ 2,424</u>

Interest income on nonaccrual loans not recognized during 2025 and 2024 was \$156,000 and \$178,000, respectively.

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

Collateral Dependent Loans

The following table represents, by loan type, the amortized cost basis of collateral-dependent nonaccrual loans and type of collateral as of December 31, 2025, and 2024, respectively (in thousands).

	2025		
	Real Estate	Business Assets	Total
Real estate:			
Residential	\$ 548	\$ -	\$ 548
Construction	-	-	-
Commercial	326	-	326
Commercial construction	-	-	-
Residential construction	-	-	-
Commercial and industrial	1	276	277
Consumer and Other	-	-	-
	<u>\$ 875</u>	<u>\$ 276</u>	<u>\$ 1,151</u>
	2024		
	Real Estate	Business Assets	Total
Real estate:			
Residential	\$ 645	\$ -	\$ 645
Construction	-	-	-
Commercial	144	-	144
Commercial construction	-	-	-
Residential construction	-	-	-
Commercial and industrial	105	49	154
Consumer and Other	-	-	-
	<u>\$ 894</u>	<u>\$ 49</u>	<u>\$ 943</u>

Borrowers Having Financial Difficulty

Consistent with accounting and regulatory guidance, the Company recognizes when a borrower is having financial difficulty and determines if certain modifications are necessary. The Company may, for economic or legal reasons related to a borrower's financial difficulties, grant a concession to the borrower that would not normally be considered. Regardless of the form of concession granted, the Company's objective in offering a modification is to increase the probability of repayment of the borrower's loan.

There were no modifications to borrower's experiencing financial difficulties during the year ended December 31, 2025 and 2024.

6. OTHER REAL ESTATE OWNED

As of December 31, 2025 and 2024, the Bank had no foreclosed real estate included in other assets. As of December 31, 2025, the Company has initiated formal foreclosure proceedings on residential mortgages totaling \$464,000.

7. PREMISES AND EQUIPMENT

Major classifications of premises and equipment are summarized as follows:

	2025	2024
Land	\$ 4,437	\$ 4,398
Building and improvements	14,486	14,167
Leasehold improvements	21	21
Furniture, fixtures, and equipment	9,111	8,702
	<u>28,055</u>	<u>27,288</u>
Less accumulated depreciation	<u>(15,163)</u>	<u>(14,231)</u>
Total	<u>\$ 12,892</u>	<u>\$ 13,057</u>

Depreciation and amortization charged to operations were \$932,000 and \$853,000 in 2025 and 2024, respectively.

8. DEPOSITS

Time deposits totaling \$173,107,000, \$9,089,000, \$1,757,000, \$1,843,000, \$1,317,000 at December 31, 2025, mature during 2026, 2027, 2028, 2029, 2030, respectively.

Maturities on time deposits of \$250,000 or more at December 31, 2025 and 2024, are as follows (in thousands):

	2025	2024
Three months or less	\$ 7,866	\$ 9,046
Three to six months	10,664	7,610
Six to twelve months	16,278	11,459
Over one year	1,695	1,497
Total	<u>\$ 36,503</u>	<u>\$ 29,612</u>

9. SHORT-TERM BORROWINGS

Short-term borrowings can consist of FHLB borrowings with terms of six months or less. The Company did not have any short-term borrowings for 2025. The outstanding balance and related information of short-term borrowings for 2024 is summarized as follows (in thousands):

	2024	
	Amount	Weighted-Average Rate
Balance at year-end	\$ -	0.00%
Average balance outstanding during the year	\$ 4,279	5.61%
Maximum amount outstanding at any month-end	\$ 20,000	

The average balance outstanding during the year represents daily averages. Average interest rates represent interest expense divided by the related average balance.

The Bank had a maximum borrowing capacity with the FHLB of \$112,871,000 at December 31, 2025. FHLB borrowings are collateralized by FHLB stock and qualifying pledged loans. The Bank had no long-term debt outstanding as of December 31, 2025, or December 31, 2024.

The Company also has a short-term outstanding line of credit with United Bankers' Bank for \$5,000,000. The line of credit for \$5,000,000 has a floating interest rate equivalent to the Fed Funds Buy Rate, which was 4.31 percent as of December 31, 2025. The Company had no outstanding balances on the line of credit as of December 31, 2025, or December 31, 2024.

10. EMPLOYEE BENEFITS

The Company maintains a defined contribution 401(k) salary reduction plan for substantially all employees meeting certain eligibility requirements. Employees may contribute a percentage of their compensation. The Company, at the discretion of the Board of Directors, matches 100 percent of first 5 percent of salary contributed by the employee. Employer contributions charged to expense for 2025 and 2024 amounted to \$368,000 and \$351,000, respectively.

The Company maintains salary continuation plans for an executive officer and former officer. The plan provides for monthly payments for up to 10 and 20 years, respectively. Benefits payments to the former officer amounted to \$46,000, for each of the years ended December 31, 2025 and 2024, respectively. Benefits will commence to the executive officer at the normal retirement age and will be fully vested after ten years of service. At December 31, 2025 and 2024, an obligation of \$492,000 and \$485,000, respectively, was included in other liabilities for this plan in the Consolidated Balance Sheet. Expenses related to the salary continuation plans totaled \$66,000, for the years ended December 31, 2025 and 2024, respectively. Distributions from the plan were \$46,000 for the years ended December 31, 2025 and 2024, respectively.

In September of 2019, the Company entered into a nonqualified deferred compensation agreement with an executive officer to provide supplemental retirement benefits commencing with the executive's retirement, and ending five years thereafter. At December 31, 2025 and 2024, an obligation of \$356,000 and \$268,000, respectively, was included in other liabilities for this agreement in the Consolidated Balance Sheet. Expenses related to the deferred compensation agreement totaled \$88,000 and \$72,000 for the years ended December 31, 2025 and 2024, respectively. There were no distributions from the plan for years ended December 31, 2025 and 2024, respectively.

11. COMMITMENTS

In the normal course of business, there are various commitments that are not reflected in the Company's financial statements. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Balance Sheet. The Company's exposure to credit loss in the event of nonperformance by the other parties to the financial instruments is represented by the contractual amounts as disclosed. Losses, if any, are charged to the allowance for credit losses. Management minimizes its exposure to credit loss under these commitments by subjecting them to credit approval, review procedures, and collateral requirements as deemed necessary.

The off-balance-sheet commitments comprise the following at December 31 (in thousands):

	<u>2025</u>	<u>2024</u>
Unused commercial lines of credit	\$ 28,691	\$ 35,257
Open-end consumer and construction lines of credit	44,963	42,636
Standby letters of credit	<u>2,564</u>	<u>1,536</u>
Total	<u>\$ 76,218</u>	<u>\$ 79,429</u>

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the loan agreement. These commitments comprise available commercial and personal lines of credit and loans approved but not yet funded. The amount of collateral obtained, as deemed necessary, is based upon management's credit evaluation in compliance with the lending policy guidelines. Since many of the credit line commitments are expected to expire without being fully drawn upon, the total contractual amounts do not necessarily represent future funding requirements.

At December 31, 2025 and 2024, the allowance for credit losses for off-balance-sheet commitments was \$216,000 and \$426,000, respectively. The Company had a credit provision of \$210,000 during the year attributed to the decrease in commitment balance from prior year.

12. INCOME TAXES

The provision for income taxes is summarized as follows (in thousands):

	<u>2025</u>	<u>2024</u>
Current	\$ 1,914	\$ 907
Deferred	<u>(132)</u>	<u>292</u>
Total	<u>\$ 1,782</u>	<u>\$ 1,199</u>

12. INCOME TAXES (Continued)

The tax effects of deductible and taxable temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities, respectively, at December 31 are as follows (in thousands):

	<u>2025</u>	<u>2024</u>
Deferred tax assets:		
Allowance for credit losses	\$ 1,041	\$ 954
Allowance for unfunded commitments	45	89
Deferred compensation	178	158
Net unrealized loss on investment securities	925	1,646
Nonaccrual loan interest	136	101
Gross deferred tax assets	<u>\$ 2,325</u>	<u>\$ 2,948</u>
Deferred tax liabilities:		
Premises and equipment	\$ 641	\$ 592
FHLB stock dividends	88	88
Mortgage servicing asset	51	57
Intangible assets	414	413
Other	<u>229</u>	<u>308</u>
Gross deferred tax liabilities	<u>1,423</u>	<u>1,458</u>
Net deferred tax assets	<u>\$ 902</u>	<u>\$ 1,490</u>

No valuation allowance was established at December 31, 2025 and 2024, in view of the Company's ability to carry back taxes paid in previous years, certain tax strategies, and anticipated future taxable income as evidenced by the Company's earnings potential.

The reconciliation between the federal statutory rate and the Company's effective income tax rate is as follows (in thousands):

	<u>2025</u>		<u>2024</u>	
	<u>Amount</u>	<u>% of Pretax Income</u>	<u>Amount</u>	<u>% of Pretax Income</u>
Provision at statutory rate	\$ 1,897	21.0 %	\$ 1,309	21.0 %
Effect of tax-exempt income	(68)	(0.8)	(66)	(1.1)
Effect of earnings on life insurance	(58)	(0.6)	(57)	(0.9)
Other	<u>11</u>	<u>0.1</u>	<u>13</u>	<u>0.2</u>
Actual tax expense and effective rate	<u>\$ 1,782</u>	<u>19.7 %</u>	<u>\$ 1,199</u>	<u>19.2 %</u>

12. INCOME TAXES (Continued)

U.S. GAAP prescribe a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions should be recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information.

A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met.

There is currently no liability for uncertain tax positions and no known unrecognized tax benefits. The Company recognizes, when applicable, interest and penalties related to unrecognized tax benefits in the provision for income taxes in the Consolidated Statements of Income. With few exceptions, the Company is no longer subject to U.S. federal, state, or local income tax examinations by tax authorities for years before 2022. The Company made federal income tax payments of \$1,625,000 during 2025.

13. REGULATORY MATTERS

Cash Requirements

Effective, March 26, 2020, the Federal Reserve reduced requirements to zero for all depository institutions. There were no required federal reserves included in “Cash and due from banks” at December 31, 2025 or 2024. The required reserves are used to facilitate the implementation of monetary policy by the Federal Reserve System. The required reserves are computed by applying prescribed ratios to classes of average deposit balances. These are held in the form of vault cash and a depository amount held with the Federal Reserve Bank. Federal law prohibits the Company from borrowing from the Bank unless the loans are secured by specific collateral.

Dividends

The Bank is subject to a dividend restriction that generally limits the amount of dividends that can be paid by any Ohio state-chartered bank. Under the Ohio Banking Code, cash dividends may not exceed net profits, as defined for that year, combined with retained net profits for the two preceding years less any required transfers to surplus. Under this formula, the amount available for payment of dividends in 2026 would be approximately \$9,826,000 plus 2026 profits retained up to the date of the dividend declaration.

Capital Requirements

The Company and Bank are subject to various 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 financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and Bank must meet specific capital guidelines that involve quantitative measures of the Company’s assets, liabilities, and certain off-balance-sheet items as calculated under U.S. GAAP, regulatory reporting requirements, and regulatory capital standards. The Company and Bank capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weighting, and other factors.

13. REGULATORY MATTERS (Continued)

Capital Requirements (Continued)

Quantitative measures established by regulatory capital standards to ensure capital adequacy require the Company and Bank to maintain minimum amounts and ratios of total and Tier I capital to risk-weighted assets, common equity Tier I to total risk-weighted assets, and Tier I capital to average assets. Management believes, as of December 31, 2025, that the Company and Bank meet all capital adequacy requirements to which they are subject.

As of December 31, 2025 and 2024, the Company and Bank are categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Company and Bank must maintain minimum total risk-based capital, Tier I risk-based capital, common equity Tier I risk-based capital, and Tier I leverage ratios must be at least 10 percent, 8 percent, 6.5 percent, and 5 percent, respectively.

In addition to the capital requirements, the Federal Deposit Insurance Corporation Improvement Act established five capital categories ranging from “well capitalized” to “critically undercapitalized.” Should any institution fail to meet the requirements to be considered “adequately capitalized,” it would become subject to a series of increasingly restrictive regulatory actions.

As of December 31, 2025 and 2024, the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be classified as a well-capitalized financial institution, total risk-based, Tier I risk-based, common equity Tier I risk-based, and Tier I leverage capital ratios must be at least 10 percent, 6 percent, and 5 percent, respectively. Management believes, as of December 31, 2025, the Bank met all capital adequacy requirements to which it is subject.

The Bank’s actual capital ratios are presented in the following table, which shows the Bank met all regulatory capital requirements. The capital position of the Company does not differ significantly from Bank’s capital position.

(in thousands)	2025		2024	
	Amount	Ratio	Amount	Ratio
Total capital <u>(to risk-weighted assets)</u>	(in thousands)		(in thousands)	
Actual	\$ 75,408	17.07 %	\$ 68,629	16.42 %
For capital adequacy purposes	35,341	8.00	33,447	8.00
To be well capitalized	44,176	10.00	41,809	10.00
Tier I capital <u>(to risk-weighted assets)</u>				
Actual	\$ 70,238	15.90 %	\$ 64,084	15.33 %
For capital adequacy purposes	26,506	6.00	25,085	6.00
To be well capitalized	35,341	8.00	33,447	8.00
Common equity Tier I capital <u>(to risk-weighted assets)</u>				
Actual	\$ 70,238	15.90 %	\$ 64,084	15.33 %
For capital adequacy purposes	19,879	4.50	18,814	4.50
To be well capitalized	28,715	6.50	27,176	6.50
Tier I capital <u>(to average assets)</u>				
Actual	\$ 70,238	10.10 %	\$ 64,084	9.62 %
For capital adequacy purposes	27,805	4.00	26,653	4.00
To be well capitalized	34,756	5.00	33,316	5.00

14. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table presents the changes in accumulated other comprehensive (loss) income by component net of tax for the years ended December 31, 2025 and 2024 (in thousands).

	<u>Net Unrealized Gain (Loss) on Securities</u>
Accumulated other comprehensive loss, December 31, 2023	\$ (7,324)
Other comprehensive income (net of tax)	<u>1,130</u>
Total other comprehensive income	1,130
Accumulated other comprehensive loss, December 31, 2024	(6,194)
Other comprehensive income (net of tax)	<u>2,713</u>
Total other comprehensive income	<u>2,713</u>
Accumulated other comprehensive loss, December 31, 2025	<u><u>\$ (3,481)</u></u>

There were no significant amounts reclassified out of each component of accumulated other comprehensive (loss) income at December 31, 2025 and 2024.

15. FAIR VALUE MEASUREMENTS

The following disclosures show the hierarchal disclosure framework associated with the level of pricing observations utilized in measuring assets and liabilities at fair value. The three broad levels of pricing observations are as follows:

- Level I: Quoted prices are available in active markets for identical assets or liabilities as of the reported date.
- Level II: Pricing inputs are other than the quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities includes items for which quoted prices are available but traded less frequently and items that are fair-valued using other financial instruments, the parameters of which can be directly observed.
- Level III: Valuations are derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the use of observable market data, when available.

15. FAIR VALUE MEASUREMENTS (Continued)

The following tables present the assets measured on a recurring basis on the Consolidated Balance Sheet at their fair value as of December 31, 2025 and 2024, by level within the fair value hierarchy. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement (in thousands).

	December 31, 2025			
	Level I	Level II	Level III	Total
Assets measured at fair value on a recurring basis:				
U.S. government agency securities	\$ -	\$ 45,557	\$ -	\$ 45,557
U.S. treasury securities	-	15,076	-	15,076
Mortgage-backed securities	-	27,983	-	27,983
Obligations of states and political subdivisions	-	2,713	-	2,713
Total	\$ -	\$ 91,329	\$ -	\$ 91,329

	December 31, 2024			
	Level I	Level II	Level III	Total
Assets measured at fair value on a recurring basis:				
U.S. government agency securities	\$ -	\$ 52,866	\$ -	\$ 52,866
U.S. treasury securities	-	23,261	-	23,261
Mortgage-backed securities	-	29,943	-	29,943
Obligations of states and political subdivisions	-	2,637	-	2,637
Total	\$ -	\$ 108,707	\$ -	\$ 108,707

Investment Securities

The fair value of investment securities available for sale is equal to the available quoted market price. If no quoted market price is available, fair value is estimated using the quoted market price for similar securities.

The following tables present the assets measured on a nonrecurring basis on the Consolidated Balance Sheet at their fair value as of December 31, 2025 and 2024, by level within the fair value hierarchy (in thousands).

	December 31, 2025			
	Level I	Level II	Level III	Total
Assets measured at fair value on a nonrecurring basis:				
Collateral dependent loans	\$ -	\$ -	\$ 278	\$ 278

	December 31, 2024			
	Level I	Level II	Level III	Total
Assets measured at fair value on a nonrecurring basis:				
Collateral dependent loans	\$ -	\$ -	\$ 889	\$ 889

15. FAIR VALUE MEASUREMENTS (Continued)

Collateral Dependent Loans

Collateral dependent loans consisted of primarily of loans secured by nonresidential real estate. Management has determined fair value measurements on collateral dependent loans primarily through evaluations of appraisals performed. Due to the nature of the valuation inputs, collateral dependent loans are classified within Level III of the hierarchy.

The Company considers the appraisal or evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals of the collateral securing collateral-dependent loans are obtained when the loan is determined to be collateral-dependent. Appraisals are reviewed for accuracy and consistency by the Company's Chief Credit Officer. Appraisers are selected from the list of approved appraisers maintained by management. The appraised values may be reduced by discounts to consider lack of marketability. Appraised values are reduced by estimated costs to sell if repayment or satisfaction of the loan is dependent on the sale of the collateral. These discounts and estimates are developed by the Company's Chief Credit Officer by comparison to historical results.

The following table presents additional quantitative information about assets measured at fair value on a nonrecurring basis for which the Company uses Level III inputs to determine fair value (in thousands):

Quantitative Information About Level III Fair Value Measurements								
	Fair Value at December 31, 2025	Fair Value at December 31, 2024	Valuation Techniques	Unobservable Inputs	December 31, 2025		December 31, 2024	
					Range	Weighted Average	Range	Weighted Average
Collateral dependent loans	\$ 278	\$ 889	Appraisal of collateral (1)	Discount for time since last appraisal Selling costs	0% – 80% 0% – 10%	65.73% 5.96%	0% – 50% 0% – 10%	10.43% 9.00%

- (1) Fair value is generally determined through independent appraisals of the underlying collateral, which generally include various Level III inputs that are not identifiable.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the Company's financial instruments not required to be reported at fair value at December 31 are as follows (in thousands):

		2025				
		Carrying Value	Fair Value	Level I	Level II	Level III
Financial assets:						
Investment securities:						
Held to maturity	\$	8,533	\$ 7,787	\$ -	\$ 7,787	\$ -
Net loans		459,282	457,714	-	-	457,714
Financial liabilities:						
Deposits	\$	609,240	\$ 608,647	\$ 422,127	\$ -	\$ 186,520
		2024				
		Carrying Value	Fair Value	Level I	Level II	Level III
Financial assets:						
Investment securities:						
Held to maturity	\$	8,818	\$ 7,812	\$ -	\$ 7,812	\$ -
Net loans		447,075	439,933	-	-	439,933
Financial liabilities:						
Deposits	\$	597,525	\$ 596,417	\$ 421,006	\$ -	\$ 175,411

For cash and cash equivalents, regulatory stock, bank-owned life insurance, loans held for sale, accrued interest receivable, and accrued interest payable, the carrying value is a reasonable estimate of fair value.

17. SEGMENT REPORTING

ASC Topic 280, Segment Reporting, identifies operating segments as components of an enterprise that are evaluated regularly by the Company's chief operating decision maker, our President and Chief Executive Officer, in deciding how to develop strategy, allocate resources and assess performance.

While the Company monitors the revenue streams of the various products and services, operations are managed, and financial performance is evaluated on an entity-wide basis. The Company provides a variety of banking and financial services to individuals and corporate customers in Muskingum and surrounding counties of Central Ohio. Its primary deposit products are checking, savings and term certificate accounts, and its primary lending products are commercial, residential and construction mortgages and small business and consumer loans. The Company's wealth management services include brokerage, financial planning, and retirement planning.

Management has determined that the Company has one reportable segment consisting of Community Banking. Operating segments are aggregated into one segment, as operating results for all segments are similar. Accordingly, all the financial service operations are considered by management to be aggregated in one reportable operating segment.

The accounting policies for the Community Banking segment are the same as those of our consolidated entity.

The chief operating decision maker assesses performance and decides how to allocate resources based on net income that also is reported on the Consolidated Statements of Income as consolidated net income. The measure of segment assets is reported on the Consolidated Balance Sheet as total consolidated assets.

17. SEGMENT REPORTING (Continued)

Net income is used to monitor budget versus actual results. The chief operating decision maker uses two primary performance measures to gauge performance: return on average assets (ROA) and return on average equity (ROE). ROA measures how efficiently a bank generates income based on the amount of assets or size of a company. ROE measures the efficiency of a company in generating income based on the amount of equity or capital utilized. The chief operating decision maker also uses net income in competitive analysis by benchmarking to the Company's competitors.

18. SUBSEQUENT EVENTS

Management has reviewed events occurring through March 9, 2026, the date the financial statements were issued, and no subsequent events occurred that require accrual or disclosure.

BOARD OF DIRECTORS

TERRY GOSS, *Chairman*
DOUG WALTMAN, *Vice Chairman*
JOHN ALLEN, *Secretary*
BRANDON HESS

ERIC HOLSKY
MONICA MARTINELLI
TOM BARONE

MANAGEMENT/OFFICERS

ADELE GALL
SVP/Chief Financial Officer

ANDREA WINCE-WISEMAN
Crooksville Office Manager

ASHLEY NOTT
AVP/Trust and Operations Officer

AMBER GIBSON
VP/South Zanesville Office Manager

ANGIE GRIGG
AVP/East Zanesville Office Manager

BECKY VANSICKLE
VP/Frazeysburg Office Manager

BLAIR BARCLAY
AVP/Downtown Zanesville Office Manager

BRENT MIRGON
VP/Business Development Officer

CAM ZAKANY
AVP/Controller

CHRIS CLEWELL
VP/Investment Officer

CINDY RICE
VP/Employment Development Officer

CLIFF MADEWELL
VP/Senior Financial Analyst

CORTNEY HILES
AVP/Secondary Market Coordinator/
Loan Systems Administrator

DERRICK GINGERICH
VP/Business Development Officer

ERIC HOLSKY
President/CEO

ERIKA POLLARD
AVP/Senior Mortgage Officer

GIDGET COTTRELL
VP/Compliance/S.A.F.E. Act Officer

JENNY SNODE
VP/Financial Services/Deposit Product
Development Officer

JESSICA BOWERS
VP/Marketing Officer

JESSICA PRITCHARD
AVP/Credit Admin Manager

JIM HOLMAN
SVP/West Market Leader

JOE ALLEN
SVP/Central Market Leader

JORDAN WEST
AVP/Deposit Operations Officer

KAITLYN NOVARIA
AVP/North Zanesville Office Manager

KAITLYN STEVENSON
AVP/Loan Operations Officer

KYLE GREULICH
VP/IT/Information Security Officer

LANCE BENNETT
SVP/Credit Risk Officer

LEXI HILL
Mortgage Loan Specialist

MATT ALLRED
VP/New Concord Office Manager

MICHAEL LIGHTLE
VP/Business Development Officer

MICHELE LANDERS
West Zanesville Office Manager

MICHELLE WILLIAMS
VP/Human Resources Officer

MOLLY FISHER
AVP/Universal Banker

PATSY SAMSON
AVP/Universal Banker

RACHEL HOLDSWORTH
AVP/Newark Office Manager

RICK AICHELE
VP/Consumer Lending

ROB SMITH
Business Banker

RON DAVIS
SVP/Senior Financial Officer

RUSTY PARSONS
AVP/Cambridge Office Manager

SCOTT WOODS
SVP/Chief Operations Officer

SHANDON GINGERICH
VP/Banking Offices Administrator

STEPHEN ROCHOTTE
Business Banker

SUSIE WILLISON
VP/Digital Banking Officer

THANE BLOSSER
Wealth Financial Advisor

TOM WEEKS
VP/Senior Residential Mortgage Underwriter

TRICIA BURROW
AVP/Collections Manager

TRISH BALL
Mortgage Loan Specialist

TRISH LOOMIS
VP/BSA/Safety & Security Officer

OFFICE & ATM LOCATIONS

Cambridge Downtown Office and ATM

902 Wheeling Avenue
Cambridge, Ohio 43725
740.432.4957

Cambridge Southgate Lending Center

61246 Southgate Parkway
Cambridge, Ohio 43725
740.454.1600

Crooksville Office

42 East Main Street
Crooksville, Ohio 43731
740.982.5010

Customer Care Center

740.454.1600

Downtown Zanesville Office and ATM

113 North Fifth Street
Zanesville, Ohio 43701
740.455.5853

East Zanesville Office and ATM

4990 East Pike
Zanesville, Ohio 43701
740.452.2072

Frazeysburg Office and ATM

10 West Third Street
Frazeysburg, Ohio 43822
740.828.3500

Heath Lending Center

1102 Hebron Road
Heath, Ohio 43056
740.522.8900

Hebron Office and ATM

OPENING IN 2026

650 E Main Street
Hebron, Ohio 43025

Johnstown Lending Center

580 W. Coshocton Street
Johnstown, Ohio 43031
740.487.9523

Newark Downtown Lending Center

15 N. Third Street
Newark, Ohio 43055
740.454.1600

Newark Office and ATM

835 North 21st Street
Newark, Ohio 43055
740.915.6820

New Concord Office and ATM

199 West Main Street
New Concord, Ohio 43762
740.826.1100

North Zanesville Office and ATM

3795 NorthPointe Drive
Zanesville, Ohio 43701
740.450.3500

South Zanesville Office and ATM

2750 Maysville Pike
Zanesville, Ohio 43701
740.454.2265

West Zanesville Office and ATM

3960 Dillon Falls Road
Zanesville, Ohio 43701
740.450.2781

Additional ATM Locations

Crooksville ATM

91 South Buckeye Street
Crooksville, Ohio 43731

Dresden ATM

67 W. Dave Longaberger Avenue
Dresden, Ohio 43821

Zanesville ATM

1103 Linden Avenue
Zanesville, Ohio 43701



A Division of The Community Bank

Community Financial Advisors

Newark Office

835 North 21st Street
Newark, Ohio 43055
740.487.9531

Zanesville Office

113 North Fifth Street
Zanesville, Ohio 43701
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740.454.1600

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