



Calhoun Bankshares, Inc. and Subsidiary

Consolidated Financial Report

December 31, 2025

Calhoun Bankshares, Inc. and Subsidiary

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Independent Auditor's Report

To the Board of Directors and Shareholders
Calhoun Bankshares, Inc. and Subsidiary
Grantsville, West Virginia

Opinion

We have audited the accompanying consolidated financial statements of Calhoun Bankshares, Inc. and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Calhoun Bankshares, Inc. and Subsidiary 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. 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 Calhoun Bankshares, Inc. and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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



CERTIFIED PUBLIC ACCOUNTANTS

Christiansburg, Virginia
March 24, 2026



Consolidated Financial Statements

Calhoun Bankshares, Inc. and Subsidiary

Consolidated Balance Sheets

December 31, 2025 and 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and amounts due from banks	\$ 2,846,057	\$ 2,861,860
Interest-bearing deposits in other banks	941,508	692,071
Federal funds sold	8,476,000	18,469,000
Total cash and cash equivalents	12,263,565	22,022,931
Time deposits in other banks	5,484,770	5,977,872
Investment securities:		
Available-for-sale securities	47,849,501	31,775,453
Other equity investments	173,400	170,200
Total investment securities	48,022,901	31,945,653
Loans receivable	139,513,635	131,198,899
Less allowance for credit loss	(1,911,844)	(1,989,746)
Net loans receivable	137,601,791	129,209,153
Premises and equipment, net	3,731,720	3,876,602
Interest receivable	709,868	601,152
Cash surrender value of life insurance	4,122,398	3,996,767
Deferred tax assets	694,963	1,000,936
Other assets	1,082,144	193,844
	10,341,093	9,669,301
Total assets	\$ 213,714,120	\$ 198,824,910
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Deposits:		
Non-interest-bearing	\$ 59,587,606	\$ 57,696,767
Interest bearing	130,872,687	120,219,257
Total deposits	190,460,293	177,916,024
Other liabilities	1,586,655	1,514,270
Total liabilities	192,046,948	179,430,294
SHAREHOLDERS' EQUITY		
Common stock, \$1 par value, 3,000,000 shares authorized, 306,850 shares issued; 277,906 and 277,456 shares outstanding as of December 31, 2025 and 2024, respectively	306,850	306,850
Additional paid in capital	566,740	566,740
Retained earnings	22,780,585	21,370,529
Accumulated other comprehensive loss	(766,828)	(1,602,328)
Treasury stock at cost; 28,944 and 29,394 shares as of December 31, 2025 and 2024, respectively	(1,220,175)	(1,247,175)
Total shareholders' equity	21,667,172	19,394,616
Total liabilities and shareholders' equity	\$ 213,714,120	\$ 198,824,910

Calhoun Bankshares, Inc. and Subsidiary

Consolidated Statements of Income

Years Ended December 31, 2025 and 2024

	2025	2024
INTEREST INCOME		
Interest and fees on loans	\$ 8,325,833	\$ 7,719,642
Interest and dividends on investment securities	1,746,992	985,875
Interest on deposits at other financial institutions	186,920	247,131
Interest on federal funds sold	28,773	22,245
Total interest and dividend income	10,288,518	8,974,893
INTEREST EXPENSE		
Interest on deposits	2,282,594	2,007,818
Interest on borrowings	-	65
	2,282,594	2,007,883
NET INTEREST INCOME	8,005,924	6,967,010
Provision for credit losses	-	(34,715)
Net interest income after provision for loan losses	8,005,924	7,001,725
NONINTEREST INCOME		
Service charges and fees on deposits	242,765	224,635
Other service charges, commission, and fees	604,175	599,042
Bank owned life insurance income	125,631	115,689
Net realized gain from sales of investment securities, available-for-sale	-	9,074
Other income	20,767	303,231
Total other income	993,338	1,251,671
EXPENSES		
Salaries and employee benefits	3,358,670	3,496,762
Occupancy and equipment	412,368	465,705
Equipment, software, and network maintenance	439,499	384,361
Legal and professional fees	94,656	108,270
Marketing	69,916	54,385
Regulatory fees	203,761	180,427
Data processing	547,369	528,291
Directors fees	139,125	155,845
Office supplies and postage	117,854	97,566
Other	1,034,800	1,046,246
Total other expenses	6,418,018	6,517,858
Income before income tax expense	2,581,244	1,735,538
INCOME TAX EXPENSE	588,530	366,521
Net income	\$ 1,992,714	\$ 1,369,017
EARNINGS PER SHARE	\$ 7.18	\$ 4.94

Calhoun Bankshares, Inc. and Subsidiary
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2025 and 2024

	2025	2024
NET INCOME	<u>\$ 1,992,714</u>	<u>\$ 1,369,017</u>
OTHER COMPREHENSIVE INCOME, net of tax		
Change in unrealized gain on available-for-sale securities, net of tax effect of \$(294,137) and \$(49,684) for 2025 and 2024, respectively	<u>835,500</u>	<u>140,422</u>
TOTAL OTHER COMPREHENSIVE INCOME	<u>835,500</u>	<u>140,422</u>
COMPREHENSIVE INCOME	<u><u>\$ 2,828,214</u></u>	<u><u>\$ 1,509,439</u></u>

Calhoun Bankshares, Inc. and Subsidiary

Consolidated Statements of Changes in Shareholders' Equity

Years Ended December 31, 2025 and 2024

	Common Stock	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Shareholders' Equity
BALANCE, December 31, 2023	\$ 306,850	\$ 566,740	\$ 20,444,962	\$ (1,742,750)	\$ (1,262,725)	\$ 18,313,077
Net income	-	-	1,369,017	-	-	1,369,017
Other comprehensive income	-	-	-	140,422	-	140,422
Issuance of 300 shares Treasury stock	-	-	-	-	15,550	15,550
Dividends on common stock (\$1.60) per share	-	-	(443,450)	-	-	(443,450)
BALANCE, December 31, 2024	306,850	566,740	21,370,529	(1,602,328)	(1,247,175)	19,394,616
Net income	-	-	1,992,714	-	-	1,992,714
Other comprehensive income	-	-	-	835,500	-	835,500
Issuance of 450 shares Treasury stock	-	-	-	-	27,000	27,000
Dividends on common stock (\$2.10) per share	-	-	(582,658)	-	-	(582,658)
BALANCE, December 31, 2025	\$ 306,850	\$ 566,740	\$ 22,780,585	\$ (766,828)	\$ (1,220,175)	\$ 21,667,172

The Notes to Consolidated Financial Statements are an integral part of these statements.

Calhoun Bankshares, Inc. and Subsidiary

Consolidated Statements of Cash Flows

Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
OPERATING ACTIVITIES		
Net income	\$ 1,992,714	\$ 1,369,017
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	-	(34,715)
Provision for deferred income taxes	11,836	5,150
Gains on sale of investment securities	-	(9,074)
Depreciation	216,820	227,472
Loss (gain) on disposition of property and equipment	500	(5,000)
Amortization and accretion of securities, net	(72,020)	(21,116)
Increase in interest receivable	(108,716)	(29,466)
Increase in cash surrender value life insurance	(125,631)	(115,689)
Stock awards	27,000	15,550
(Increase) decrease in other assets	(887,868)	26,945
Increase in other liabilities	71,953	124,788
Net cash provided by operating activities	<u>1,126,588</u>	<u>1,553,862</u>
INVESTING ACTIVITIES		
Decrease in time deposits in other banks	493,102	1,739,830
Proceeds from sales of available-for-sale securities	-	3,541,840
Proceeds from maturities, calls, and principal payments of available-for-sale securities	17,122,507	4,205,022
Purchases of available-for-sale securities	(31,994,898)	(10,007,819)
Changes in other securities	(3,200)	14,856
Increase in loans, net	(8,392,638)	(2,591,757)
Purchases of premises and equipment	(72,438)	(108,262)
Net cash used in investing activities	<u>(22,847,565)</u>	<u>(3,206,290)</u>
FINANCING ACTIVITIES		
Net increase in deposits	12,544,269	15,253,818
Dividends paid	(582,658)	(443,450)
Net cash provided by financing activities	<u>11,961,611</u>	<u>14,810,368</u>
Decrease (increase) in cash and cash equivalents	(9,759,366)	13,157,940
CASH AND CASH EQUIVALENTS		
Beginning	22,022,931	8,864,991
Ending	<u>\$ 12,263,565</u>	<u>\$ 22,022,931</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	<u>\$ 2,248,514</u>	<u>\$ 1,978,734</u>
Income taxes	<u>\$ 546,490</u>	<u>\$ 264,070</u>

Calhoun Bankshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2025

Note 1 – Summary of Significant Accounting Policies

Nature of Operations

Calhoun Bankshares, Inc. (the “Company”) is a bank holding company whose principal activity is the ownership and management of its wholly-owned subsidiary, Calhoun County Bank, Inc. (the “Bank”). Calhoun County Bank is a community bank with operations in Grantsville, West Virginia. The Bank provides banking services to domestic markets with the primary market areas being Calhoun, Gilmer, and Wirt counties, and the secondary market area being all of the contiguous counties. To a large extent, the operations of the Company and its Subsidiary Bank, such as loan portfolio management and deposit growth, are directly affected by the market area economy.

Basis of Presentation and Consolidation

The consolidated financial statements of the Company are prepared in accordance with generally accepted accounting principles in the United States of America (GAAP). The consolidated financial statements include the accounts of Calhoun Bankshares and its wholly-owned subsidiary, Calhoun County Bank, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

Revenue Recognition

The majority of the Company’s revenue is from interest income, including loans and securities that are outside the scope of the standard. The services that fall within the scope of the standard are presented within noninterest income on the consolidated statements of income and are recognized as revenue as the Company satisfies its obligations to the customer. The revenue that falls within the scope of ASC 606 is primarily related to service charges on deposit accounts, other service charges and fees, insurance commissions, and miscellaneous fees.

The Company earns fees from its deposit customers for overdraft and account maintenance services. Overdraft fees are recognized when the overdraft occurs. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. The Company also earns fees from its customers for transaction-based services. Such services include safe deposit box, ATM, stop payment, and wire transfer fees. In each case, these service charges and fees are recognized as income at the time or within the same period that the Company’s performance obligation is satisfied.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, fair value estimates, periodic costs and balance sheet accruals for the defined benefit pension plan, the valuation of other real estate owned (OREO), and deferred tax assets. Although these estimates are based on management’s knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

The determination of the adequacy of the allowance for credit losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

Calhoun Bankshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2025

The loans of the Bank are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions. While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Bank to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Cash and Cash Equivalents

For purposes of reporting the consolidated statements of cash flows, cash and cash equivalents include cash and balances due from banks, interest-bearing deposits in banks and federal funds sold, all of which mature within 90 days. Cash flows from deposits and loans are reported net.

The Company maintains amounts due from banks which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Investment Securities

Debt securities available-for-sale are carried at fair value, with unrealized gains and losses reported in other comprehensive income, net of tax. Realized gains (losses) on securities available-for-sale are included in other income (expense) and, when applicable, are reported as a reclassification adjustment, net of tax, in other comprehensive income. The cost of securities sold is determined on the specific identification method. Amortization of premiums and accretion of discounts are recognized in interest income using the interest method over the contractual terms of the securities.

Other equity investments include the Company's investment in stock of Community Bankers Bank (CBB) Financial Corporation and the Federal Home Loan Bank of Pittsburgh (FHLB), which are restricted equity securities carried at cost because no ready market exists since it is restricted as to their marketability.

Allowance for Credit Losses – Available-for-Sale Securities

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

Calhoun Bankshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2025

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 un-collectability 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 for the years ended December 31, 2025 and 2024 totaled \$215,628 and \$124,897, respectively, and is excluded from the estimate of credit losses.

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for credit losses. Accrued interest receivable on loans for the years ended December 31, 2025 and 2024 totaled \$471,383 and \$443,424, respectively. It is reported under interest receivable on the consolidated balance sheet and is excluded from the estimate of credit losses. Interest income is accrued on the unpaid principal balance.

The accrual of interest is generally discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan may be currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well-secured. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed. Interest received on nonaccrual loans generally is either applied against principal or reported as interest income on the cash basis, according to management's judgment as to the collectability of principal. Interest accrual resumes when the loan is no longer past due and the borrower, in management's opinion, is able to meet future payments as they become due. A loan is considered past due if the required principal and interest payment has not been received as of the contractual due date.

Allowance for Credit Losses – Loans

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

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or oil and gas prices.

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

Calhoun Bankshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2025

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Company has identified portfolio segments and measures the allowance for credit losses using Call Report codes. The Company utilizes the Weighted-Average Remaining Maturity (WARM) approach to calculate the expected loss for each pool. The WARM is based on every individual loan in the pool. Each loan's remaining life is determined based on contracted loan payments, expected prepayments, and maturity dates. Lifetime losses for each pool are calculated by multiplying the average historical loss rate for peer banks by the WARM of the pool. Qualitative adjustments are a combination of forward-looking projections for each pool based on objective economic data (Federal Reserve Economic Data) and custom qualitative factors as determined by the Company, such as economic trends, and conditions and underwriting standards. The total loss rate is the lifetime loss rate plus the total qualitative factor adjustments.

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

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

The Company estimated expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet credit exposures is adjusted through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. Loss rates applied are based off historical loss rates of the Company, while the likelihood of funding is based off historical Company data.

Bank Premises, Furniture, and Equipment

Land is carried at cost. Other premises and equipment are carried at cost net of accumulated depreciation. Depreciation expense is computed using the straight-line method for buildings ranging from 15 to 40 years, and land improvements over a 15-year life. Furniture and equipment is depreciated on the declining balance method based on estimated useful lives of 5 to 20 years depending on the nature of the asset. Maintenance and repairs are expensed as incurred, whereas major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations.

Other Real Estate Owned (OREO)

Foreclosed assets held for resale acquired in satisfaction of mortgage obligations and in foreclosure proceedings are recorded at the fair market value of the property less estimated costs to sell. Properties carried in foreclosed assets held for resale are assessed at least annually for decline in market value, and future cash flows and provisions for impairment losses are charged to income as identified. Holding costs, including repairs and maintenance expenditures, are charged to operating expense as incurred, with major improvements that increase the value of the property capitalized. Gains and losses on sales are recognized in the year the sale transaction is complete. The amounts reflected in the consolidated statements of financial position are net of general valuation allowances.

Calhoun Bankshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2025

Federal Home Loan Bank (FHLB) Stock

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

Bank Owned Life Insurance

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

Advertising

It is the Company's policy to expense advertising cost as incurred. Advertising expense for the years ended December 31, 2025 and 2024 was \$69,916 and \$54,385, respectively.

Income Taxes

The Company accounts for income taxes using the deferred method under which the tax effects of the transactions reported in the consolidated financial statements consist of taxes currently due plus deferred taxes related primarily to differences between the basis of the allowance for credit losses, the timing of recognition of deferred compensation and pension costs, valuation adjustments on foreclosed property, and accumulated depreciation. Deferred tax assets and liabilities represent the future tax return consequences of those differences which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. The Company files consolidated income tax returns with its wholly owned subsidiaries. Any interest or penalties assessed by income taxing authorities would be reflected as interest expense and other operating expenses, respectively, in the consolidated statements of income. The tax years of 2021 to 2024 remain subject to examination by the taxing authorities. Interest and penalties, if any, related to unrecognized tax benefits are reflected in income tax expense.

Net Income Per Common Share

Net income per common share amounts is computed based on the weighted-average number of common shares outstanding during the period.

Comprehensive Income

Accounting principles require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities and the unrecognized actuarial loss of the pension plan, are reported as a separate component of the shareholders' equity section of the consolidated balance sheets. Such items, along with net income, are components of comprehensive income.

	2025	2024
Unrealized losses on available-for-sale securities	\$ (1,026,542)	\$ (2,156,179)
Effect of income tax benefit	259,714	553,851
Total accumulated other comprehensive loss	<u>\$ (766,828)</u>	<u>\$ (1,602,328)</u>

Calhoun Bankshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2025

Reclassifications

Certain amounts in the 2024 consolidated financial statements were reclassified to conform to the 2025 presentation. These reclassifications had no effect on shareholders' equity or results of operations as previously presented.

Subsequent Events

In preparing these consolidated financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 24, 2026, the date the consolidated financial statements were available to be issued.

Note 2 – Cash Concentrations and Restrictions on Cash

At December 31, 2025 and during the year, the Company had interest-bearing and non-interest deposits due from other banks and Federal Funds sold to other banks in excess of the limits of depository insurance. The Bank is no longer required to maintain average reserve and clearing balances in cash with the Federal Reserve Bank.

Note 3 – Investment Securities

The carrying amounts of investment securities as shown in the consolidated statements of financial position and their approximate fair values are as follows as of December 31:

		2025			
		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale:					
U.S. government agencies		\$ 13,931,211	\$ 5,789	\$ (375,420)	\$ 13,561,580
U.S. Treasuries		1,499,805	-	(8,093)	1,491,712
Mortgage-backed		32,948,647	87,312	(741,350)	32,294,609
Taxable Municipals		496,380	5,220	-	501,600
		\$ 48,876,043	\$ 98,321	\$ (1,124,863)	\$ 47,849,501
		2024			
		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale					
U.S. government agencies		\$ 16,927,545	\$ -	\$ (906,071)	\$ 16,021,474
U.S. Treasuries		1,006,492	-	(37,164)	969,328
Mortgage-backed		15,997,595	8,602	(1,221,546)	14,784,651
		\$ 33,931,632	\$ 8,602	\$ (2,164,781)	\$ 31,775,453

No available-for-sale investment securities in a loss position as of December 31, 2025 and 2024 were due to credit quality. As such, no allowance for credit loss was recorded.

Calhoun Bankshares, Inc. and Subsidiary

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Investment securities with a carrying amount of \$21,275,723 and \$19,350,151 at December 31, 2025 and 2024, respectively, were pledged to secure public deposits and for other purposes required or permitted by law.

The amortized cost and estimated fair value of available for sale securities by contractual maturity are as follows as of December 31, 2025:

	Amortized Cost	Fair Value
Amounts maturing in:		
One year or less	\$ 4,512,040	\$ 4,457,128
After one year through five years	36,935,410	35,963,969
After five years through 10 years	6,932,213	6,926,804
After 10 years	496,380	501,600
	\$ 48,876,043	\$ 47,849,501

Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

The tables below show gross unrealized losses and fair value for which an allowance for credit losses has not been recorded at December 31, 2025 and 2024, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position.

		2025					
		Less Than 12 Months		12 Months or Longer		Total	
		Unrealized		Unrealized		Unrealized	
		Fair Value	Loss	Fair Value	Loss	Fair Value	Loss
U.S. government agencies		\$ 998,929	\$ (1,070)	\$ 11,556,862	\$ (374,350)	\$ 12,555,791	\$ (375,420)
U.S. Treasuries		996,685	(241)	495,027	(7,852)	1,491,712	(8,093)
Mortgage-backed		15,281,124	(56,329)	8,860,976	(685,021)	24,142,100	(741,350)
		\$ 17,276,738	\$ (57,640)	\$ 20,912,865	\$ (1,067,223)	\$ 38,189,603	\$ (1,124,863)

		2024					
		Less Than 12 Months		12 Months or Longer		Total	
		Unrealized		Unrealized		Unrealized	
		Fair Value	Loss	Fair Value	Loss	Fair Value	Loss
U.S. government agencies		\$ 2,988,291	\$ (11,710)	\$ 13,033,183	\$ (894,362)	\$ 16,021,474	\$ (906,072)
U.S. Treasuries		-	-	969,328	(37,164)	969,328	(37,164)
Mortgage-backed		7,538,785	(179,978)	6,708,452	(1,041,567)	14,247,237	(1,221,545)
		\$ 10,527,076	\$ (191,688)	\$ 20,710,963	\$ (1,973,093)	\$ 31,238,039	\$ (2,164,781)

No sales of available-for sale securities during 2025. Proceeds from sales of available-for sale securities during 2024 were \$3,541,840. The associated gross gains were \$9,074.

Unrealized losses on available for sale debt securities have not been recognized into income because the issuers are of high credit quality, management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuers continue to make timely principal and interest payments. The fair value is expected to recover as the security approaches maturity. The Company had 47 and 42 securities at December 31, 2025 and 2024, respectively, that were in a loss position. The majority of these losses are related to the Company's U.S. government agencies and mortgage-backed securities. Because the decline in fair value is attributable to changes in interest rates, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, an allowance for credit losses was not recorded.

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Notes to Consolidated Financial Statements

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Note 4 – Loans Receivable and Related Allowance for Credit Losses

The following table summarizes the primary segments of the loan portfolio as of December 31:

	2025	2024
Construction and land development	\$ 736,523	\$ 5,541
Commercial	6,902,884	7,437,374
Commercial real estate	13,843,486	14,397,961
Residential real estate	95,813,583	89,694,762
Consumer	22,217,159	19,663,261
	139,513,635	131,198,899
Less allowance for credit losses	(1,911,844)	(1,989,746)
Loans, net	<u>\$ 137,601,791</u>	<u>\$ 129,209,153</u>

The segments of the Company's loan portfolio are disaggregated to a level that allows management to monitor risk and performance. In reviewing risk, management has determined there to be several different risk categories within the loan portfolio. The allowance for credit losses consists of amounts applicable to: (1) the residential real estate loan portfolio; (2) the consumer loan portfolio; (3) the commercial real estate loan portfolio; (4) the commercial loan portfolio; and (5) the construction and land development portfolio. The residential mortgage loan segment is made up of fixed rate and adjustable-rate single-family amortizing term loans, which are primarily first liens, as well as home equity lines of credit. The consumer loan segment consists of loans secured by automobiles, consumer goods, savings accounts, overdraft loans, other types of secured consumer loans, and unsecured personal loans. Overdrafts on deposit accounts at December 31, 2025 and 2024 of \$91,925 and \$14,316, respectively, were reclassified into total consumer loans for purposes of these disclosures. The commercial real estate segment consists of loans made for the acquisition of commercial properties, both owner-occupied and those held for lease and for financing the activities of commercial customers but, in all cases, is secured by commercial real estate.

The commercial segment consists of loans made for financing the activities of commercial customers but secured by assets other than real estate.

Management establishes the allowance for credit losses based upon its evaluation of the pertinent factors underlying the types and quality of loans in the portfolio. The loan portfolio consists primarily of loans within the Bank's primary market area; therefore, monitoring the status of individual borrowers and consequently monitoring the risk in the loan portfolio is based upon real-time knowledge of the individual borrowers, local employment information, and commercial activities. Loans are reviewed on a regular basis with a focus on larger loans, along with loans which have experienced past payment or financial deficiencies. Certain loans, including loans which are experiencing payment or financial difficulties, loans in industries for which economic trends are negative, and loans which are of heightened concern to management based upon their knowledge of local business environment are included on the Company's "watch list." Certain loans classified as "watch list," Special Mention, and Substandard, and loans which are 90 days or more past due are selected for impairment testing. These loans are analyzed to determine if they are collateral dependent and experiencing financial difficulties, which means that it is probable that all amounts will not be collected according to the contractual terms of the loan agreement. Factors considered by management in evaluating these loans include the collateral value and the probability of collecting scheduled principal and interest payments when due. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

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Once the determination has been made that a loan does not share similar risk characteristics, the determination of whether a specific allocation of the allowance is necessary is measured by comparing the recorded investment in the loan to the fair value of the loan using one of three methods: (1) the present value of expected future cash flows discounted at the loan's effective interest rate; (2) the loan's observable market price; or (3) the fair value of the collateral less selling costs. The method is selected on a loan-by-loan basis, with management primarily using the present value of expected future cash flows unless the loan is collateral dependent. The evaluation of the need and amount of a specific allocation of the allowance is made on a quarterly basis. The Company's policy for recognizing interest income on impaired loans does not differ from its overall policy for interest recognition.

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually to classify the loans as to credit risk. This analysis includes loans with an outstanding balance greater than \$250,000 and non-homogenous loans, such as commercial and commercial real estate loans. This analysis is performed on a quarterly basis. The Company uses the following for risk ratings: (1 through 5 are considered Pass credits).

6 – Special Mention: This is an early warning assessment reserved for loans currently adequately protected, but portraying potential weaknesses that may not be tolerable over the intermediate to long term. These loans may possess deteriorating financial characteristics, significant legal or documentation exceptions as measured by the loan policy, or any other items noted, which are worthy of immediate attention and/or correction.

7 – Substandard: These loans have well-defined weaknesses that could lead to impairment of the loan. These loans have had serious deterioration of borrower or guarantor financial condition, which could result in the Bank not collecting all principal and interest in a timely manner as defined by the loan agreement.

8 – Doubtful: These loans have characteristics such that collection of principal is highly unlikely. While the possibility of loss is high, sufficient contingencies exist to warrant deferral of charge-off pending the outcome of the contingency. Possibilities still exist, which may strengthen or enhance the collection process. Generally, these loans are on non-accrual status.

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

Credit Quality Indicators as of December 31, 2025					
	Pass	Special Mention	Substandard	Doubtful	Total
Construction and land development	\$ 736,523	\$ -	\$ -	\$ -	\$ 736,523
Commercial real estate	11,952,955	632,011	1,258,520	-	13,843,486
Residential real estate	93,821,337	656,356	1,335,890	-	95,813,583
Consumer	21,954,079	79,483	183,597	-	22,217,159
Commercial	6,738,496	75,118	89,270	-	6,902,884
	\$ 135,203,390	\$ 1,442,968	\$ 2,867,277	\$ -	\$ 139,513,635

Calhoun Bankshares, Inc. and Subsidiary

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Credit Quality Indicators as of December 31, 2024

	Pass	Special Mention	Substandard	Doubtful	Total
Construction and land development	\$ 5,541	\$ -	\$ -	\$ -	\$ 5,541
Commercial real estate	12,472,236	624,370	1,301,355	-	14,397,961
Residential real estate	87,843,654	834,163	1,016,945	-	89,694,762
Consumer	19,433,396	122,164	107,701	-	19,663,261
Commercial	7,230,388	89,601	117,385	-	7,437,374
	\$ 126,985,215	\$ 1,670,298	\$ 2,543,386	\$ -	\$ 131,198,899

The Company considers the performance of the loan portfolio and its impact on the allowance for credit losses. For residential and consumer loan classes the Company also evaluates credit quality based on the aging status of the loan, which will be presented, and by payment activity. The following tables present the amortized cost in residential and consumer loans based on payment activity for the years ended December 31:

		2025	
		Performing	Nonperforming
Residential real estate		\$ 92,761,869	\$ 3,051,714
Consumer		21,912,157	305,002
		\$ 114,674,026	\$ 3,356,716

		2024	
		Performing	Nonperforming
Residential real estate		\$ 86,801,950	\$ 2,892,812
Consumer		19,130,450	532,811
		\$ 105,932,400	\$ 3,425,623

The following tables present the activity in the allowance for credit losses by portfolio segment for the years ended December 31:

		2025				
		Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Total
Allowance for credit losses:						
Beginning balance	\$	101,389	\$ 171,736	\$ 1,485,696	\$ 230,925	\$ 1,989,746
Credit loss expense		-	-	-	-	-
Loans charged off		-	(69,572)	-	(59,594)	(129,166)
Recoveries collected		-	-	-	51,264	51,264
Total ending allowance balance	\$	101,389	\$ 102,164	\$ 1,485,696	\$ 222,595	\$ 1,911,844

		2024				
		Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Total
Allowance for credit losses:						
Beginning balance	\$	101,389	\$ 171,736	\$ 1,480,695	\$ 281,451	\$ 2,035,271
Credit loss expense		-	-	(34,715)	-	(34,715)
Loans charged off		-	-	-	(92,126)	(92,126)
Recoveries collected		-	-	39,716	41,600	81,316
Total ending allowance balance	\$	101,389	\$ 171,736	\$ 1,485,696	\$ 230,925	\$ 1,989,746

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The following tables present the amortized cost basis of loans on nonaccrual status and loans past due over 89 days still accruing as of December 31:

2025					
	Nonaccrual With No Allowance for Credit Losses	Nonaccrual	Loans Past Due 30-89 Days	Loans Past Due Over 89 Days	Loans Past Due Over 89 Days Still Accruing
Commercial	\$ -	\$ -	\$ 90,534	\$ -	\$ -
Commercial real estate	25,027	25,027	444,507	-	-
Residential real estate	483,735	483,735	2,213,566	570,167	354,413
Consumer	-	-	226,026	78,976	78,976
	\$ 508,762	\$ 508,762	\$ 2,974,633	\$ 649,143	\$ 433,389

2024					
	Nonaccrual With No Allowance for Credit Losses	Nonaccrual	Loans Past Due 30-89 Days	Loans Past Due Over 89 Days	Loans Past Due Over 89 Days Still Accruing
Commercial	\$ 115,557	\$ 115,557	\$ 196,594	\$ -	\$ -
Commercial real estate	-	-	181,149	-	-
Residential real estate	494,536	494,536	1,744,463	411,313	106,419
Consumer	-	-	346,898	6,993	6,993
	\$ 610,093	\$ 610,093	\$ 2,469,104	\$ 418,306	\$ 113,412

The Company recognized interest income on nonaccrual loans of \$25,970 and \$8,422 during the years ended December 31, 2025 and 2024, respectively.

The following tables present the amortized cost basis of collateral-dependent loans by class of loans as of December 31:

2025			
	Real Estate Secured Loans	Total Loans	Allowance for Credit Losses
Commercial real estate	\$ 1,258,520	\$ 1,258,520	\$ 150,000

2024			
	Real Estate Secured Loans	Total Loans	Allowance for Credit Losses
Commercial real estate	\$ 1,301,355	\$ 1,301,355	\$ 150,000

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

In some cases, the Company provides multiple types of concessions on one loan. Typically, one type of concession, such as term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted.

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December 31, 2025

No loans were modified to borrowers in financial distress during the years ended December 31, 2025 and 2024.

No consumer mortgage loans secured by residential real estate properties were in formal foreclosure procedures as of December 31, 2025 and 2024.

Note 5 – Premises and Equipment

A summary of premises and equipment at December 31 is as follows:

	2025	2024
Bank premises	\$ 5,702,503	\$ 5,702,503
Equipment, furniture, and fixtures	1,715,148	1,643,209
	7,417,651	7,345,712
Less accumulated depreciation	(3,685,931)	(3,469,110)
Bank premises and equipment, net	<u>\$ 3,731,720</u>	<u>\$ 3,876,602</u>

Depreciation expense related to premises and equipment was \$216,820 and \$227,472 for the years ended December 31, 2025 and 2024, respectively.

Note 6 – Deposits

Deposit account balances at December 31 are summarized as follows:

	2025	2024
Non-interest-bearing checking	\$ 59,587,606	\$ 57,696,767
Interest-bearing checking	24,020,558	23,687,325
Savings deposits	55,690,340	52,024,723
Passbook IRA	10,185,159	9,780,656
Certificates of deposit	40,976,630	34,726,553
Total deposits	<u>\$ 190,460,293</u>	<u>\$ 177,916,024</u>

Scheduled maturities of certificates of deposit and individual retirement accounts at December 31, 2025 were as follows:

Year Ending	
2026	\$ 35,937,208
2027	2,146,948
2028	2,285,426
2029	1,604,562
2030	518,614
2031 and thereafter	8,669,031
	<u>\$ 51,161,789</u>

Included in time deposits are certificates of deposits of \$250,000 or more totaling \$16,823,564 and \$13,814,795 at December 31, 2025 and 2024, respectively.

Calhoun Bankshares, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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Note 7 – Borrowings

The Bank has obtained an unsecured, uncommitted, borrowing facility for the purpose of federal funds in the amount of \$3,000,000 from Community Bankers Bank (CBB). Any borrowings bear an interest rate which is determined at the time of each advance. Request for advances under the facility is subject to CBB's sole and absolute discretion, including, without limitation, the availability of funds. There were no borrowings outstanding as of December 31, 2025.

The Bank is a member of the Federal Home Loan Bank of Pittsburgh (FHLB). As a member, the Bank has available short-term borrowings from collateralized advances. Any advances bear interest at the interest rate posted by the FHLB on the day of the borrowing and may be subject to change daily. Any advances are secured by a blanket lien on certain loans secured by 1-4 family mortgages made by the Bank and other eligible collateral. In addition, the Bank has a maximum borrowing capacity with the FHLB of approximately \$32,600,000 based on qualifying loan collateral. There were no borrowings outstanding as of December 31, 2025.

Note 8 – Financial Instruments with Off-Balance-Sheet Risk

In the normal course of business, the Company has outstanding commitments and contingent liabilities, such as commitments to extend credit, which are not included in the accompanying consolidated financial statements. The Company's exposure to credit loss in the event of non-performance by the other party to the financial instruments for commitments to extend credit is represented by the contractual or notional amount of those instruments. The Company uses the same credit policies in making such commitments as it does for instruments that are included in the consolidated statements of financial position.

Financial instruments whose contract amount represents credit risk are as follows:

	2025	2024
Commitments to extend credit	\$ 7,024,512	\$ 4,527,653
Standby letters of credit	620,000	555,000
	<u>\$ 7,644,512</u>	<u>\$ 5,082,653</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 contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's credit-worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation. Collateral held varies, but may include residential real estate, accounts receivable, inventory, property and equipment, and income-producing commercial properties. The distribution of commitments to extend credit approximates the distribution of loans outstanding.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. Generally, all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company holds collateral supporting those commitments if deemed necessary.

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Note 9 – Income Taxes

The Company records income taxes using an asset and liability approach that requires the recognition of deferred income tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities.

The amount reflected as income taxes represents federal and state income taxes on consolidated financial statement income. Certain items of income and expense, primarily the provision for loan losses, timing of the recognition of deferred compensation and pension costs, and valuation adjustments of foreclosed property and depreciation are reported in different accounting periods for income tax purposes. The provision for income taxes was comprised the following:

	2025	2024
Current tax expense	\$ 576,694	\$ 361,371
Deferred tax benefit	11,836	5,150
Income tax expense	<u>\$ 588,530</u>	<u>\$ 366,521</u>

Deferred income tax assets and liabilities are the result of timing differences in recognition of revenue and expense for income tax and financial statement purposes. Deferred income tax assets and liabilities comprised the following at December 31:

	2025	2024
Deferred tax assets:		
Allowance for credit losses	\$ 341,806	\$ 341,806
Supplemental executives and directors benefit plan	178,881	177,836
Interest on non-accrual loans	19,307	12,520
Unrealized losses on investment securities available-for-sale	259,714	553,851
Other items	9,094	8,762
	<u>\$ 808,802</u>	<u>\$ 1,094,775</u>
Deferred tax liabilities:		
Accumulated accretion	\$ (34,201)	\$ (13,223)
Accumulated depreciation	(79,638)	(80,616)
	<u>\$ (113,839)</u>	<u>\$ (93,839)</u>
Deferred tax asset, net	<u>\$ 694,963</u>	<u>\$ 1,000,936</u>

The Company recognizes interest and penalties related to tax as part of the tax provision. With respect to the realization of deferred tax assets, management believes that a valuation allowance is not necessary.

Note 10 – Related Party Transactions

The Bank has granted loans to its officers and directors and to their associated interests. Related party loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk of collectability.

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A summary of the activity with respect to related party loans is as follows for the years ended December 31:

	2025	2024
Balance, January 1	\$ 740,596	\$ 1,170,752
Borrowings	82,520	109,939
Repayments	(111,763)	(400,918)
Reclassification	-	(139,177)
Balance, December 31	<u>\$ 711,353</u>	<u>\$ 740,596</u>

The Bank held related party deposits of \$1,931,548 and \$1,649,837 at December 31, 2025 and 2024, respectively.

Note 11 – Limitations on Dividends

The primary source of funds of the dividends paid by Calhoun Bankshares, Inc. is dividends received from Calhoun County Bank, Inc. The approval of its regulatory agencies would be required if the total of all dividends declared by the subsidiary in any calendar year was greater than its net profits, as defined, for that year combined with its retained net profits for the preceding two calendar years.

Note 12 – Other Employee Benefit Plans

The Company has a non-qualified executive and director supplemental retirement and life insurance plan with certain executive officers and directors that provides an income benefit payable at projected normal retirement age or death. Provisions charged to the consolidated statements of income and the cumulative liability under the plans is computed using a 6% present value discount. The liability accrued under these plans at December 31, 2025 and 2024 was \$684,451 and \$680,451, respectively, which is included in other liabilities in the accompanying consolidated statements of financial position. The cost of these plans included in the consolidated statements of income was \$116,166 and \$94,053 for the years ended December 31, 2025 and 2024, respectively.

The Company also maintains life insurance for certain directors and officers. At December 31, 2025 and 2024, the cash surrender value of these insurance contracts was \$4,122,398 and \$3,996,767, respectively.

The Company has adopted a contributory 401(k) retirement plan, whereby eligible participants may make contributions, up to 15% of compensation, and the Company will match up to 6% of this limit during the plan year for eligible employees. The Company may make additional discretionary contributions to eligible participants unrelated to participant contributions. During 2025 and 2024, the Company made approximately \$104,791 and \$123,978, respectively, of matching contributions in each year to eligible participants.

During 2013, the Company adopted a Stock Award Incentive Plan, the purpose of which is to assist in recruiting and retaining individuals who provide services to the Company and to enable such individuals to participate in the future success of the Company. Any employee of the Company or members of the Board of Directors are eligible to participate in the plan. Stock awards under the plan are made as determined solely by an Administrator appointed by the Board of Directors. Stock awards under the plan are without cost to the recipient and are considered taxable compensations at the date of the award based on the fair value of the stock at the date of the award and recorded as expense by the Company. At the option of the Administrator, benefits of any stock issues under the plan may include vesting provisions and restrictions on transfer of the stock during the vesting period. In 2025, stock awards of 450 shares were approved and issued. In 2024, stock awards of 300 shares were approved and issued.

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Note 13 – Regulatory Capital Requirements

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2025, the Bank met all capital adequacy requirements to which they are subject. The Company is exempt from consolidated capital requirements, as those requirements do not apply to certain companies with assets under \$3 billion.

On September 17, 2019, the Federal Deposit Insurance Corporation (“FDIC”) finalized a rule that introduced an optional simplified measure of capital adequacy for qualifying community banking organizations (i.e., the community bank leverage ratio (“CBLR”) framework) as required by the Economic Growth, Regulatory Relief and Consumer Protection Act. The CBLR framework is designed to reduce burden by removing the requirements for calculating and reporting risk-based capital ratios for qualifying community banking organizations that opt into the framework. In order to qualify for the CBLR framework, a community banking organization must have a tier 1 leverage ratio of at least 9%, less than \$10 billion in total consolidated assets, and limited amounts of off-balance-sheet exposures and trading assets and liabilities. A qualifying community banking organization that opts into the CBLR framework and meets all requirements under the framework will be considered to have met the well-capitalized ratio requirements under PCA regulations and is not required to report or calculate risk-based capital. The Bank adopted the CBLR framework beginning with its March 31, 2025, Call Report. In April 2020, the federal banking agencies issued an interim final rule that makes temporary changes to the CBLR framework, pursuant to section 4012 of the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, and a second interim final rule that provides a graduated increase in the CBLR requirement after the expiration of the temporary changes implemented pursuant to section 4012 of the CARES Act. Under the interim final rules, the CBLR minimum requirement is 8.5% as of December 31, 2021, and 9% for the calendar year and beyond. The interim rule allows for a two-quarter grace period to correct a CBLR that falls below the required amount, provided that the qualifying community banking organization maintains a CBLR greater than 7.5% as of December 31, 2021, and greater than 8% thereafter. Under the final rule, an eligible community banking organization can opt out of the CBLR framework and revert to the risk-weighting framework without restriction.

As of December 31, 2025, the Bank was well capitalized under the regulatory framework for PCA. To be categorized as well capitalized, the Bank must maintain a minimum CBLR as set forth in the table below. There are no conditions or events since that notification that management believes has changed the Bank’s category.

The following tables present the Bank’s actual and required capital amounts and capital ratios as of December 31:

		December 31, 2025	
		To Be Well Capitalized Under Prompt Corrective Action Provisions	
Actual			
Amount	Ratio	Amount	Ratio
Tier 1 (Core) Capital to average total assets:			
Bank	\$ 21,473	10.23%	\$ 18,896 9.00%

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December 31, 2025

	December 31, 2024			
	Actual		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio
Tier 1 (Core) Capital to average total assets:				
Bank	<u>\$ 20,081</u>	<u>10.58%</u>	<u>\$ 17,080</u>	<u>9.00%</u>

Note 14 – Fair Value Measurements

GAAP establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets, or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability, such as interest rates, volatilities, prepayment speeds; and credit risks, or inputs that are derived principally from or corroborated by market data by correlation or other means.

Level 3 Inputs – Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

Recurring – Investment Securities

Fair values of securities are based on quoted market prices, where available. If quoted market prices are not available, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and the bond's terms and conditions among other things.

Non-Recurring – Loans

The Company does not record loans at fair value on a recurring basis. However, from time to time a loan is considered to have risk characteristics that are not similar to the homogenous pools and an allowance for credit losses is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered to have risk characteristics that are not similar to the homogenous pools. Once a loan is identified individually, management measures the estimated expected loss using one of several methods, including collateral value, recent appraisal value and /or tax assessed value, liquidation value, and discounted cash flows. Those loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. Fair value is based upon independent market prices or appraised values of the collateral which the Company considers as nonrecurring Level 3. Disclosed in the tables below is the recorded investment in individual loans that require a specific allowance.

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Non-Recurring – Foreclosed Assets/Repossessions

Foreclosed assets and repossessions are adjusted to fair value upon transfer of the loans to foreclosed assets and repossessions. Subsequently, foreclosed assets and repossessions are carried at the lower of carrying value or fair value. Fair value is based upon independent market prices or appraised values of the collateral which the Company considers as nonrecurring Level 3.

The following tables summarize the valuation of the Company's assets and liabilities that were measured at fair value as of December 31, 2025 and 2024, segregated by the level of the valuation inputs within the fair value hierarchy. The amount reflected as fair value of impaired loans is net of specific reserves.

2025				
Fair Value Measurement of Reporting Date Using				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Fair Value				
Assets and liabilities measured on a recurring basis:				
Available-for-sale securities:				
U.S. government agencies	\$ 13,561,580	\$ -	\$ 13,561,580	\$ -
U.S. Treasuries	1,491,712	-	1,491,712	-
Mortgage-backed	32,294,609	-	32,294,609	-
Taxable municipals	501,600	-	501,600	-
\$ 47,849,501	\$ -	\$ 47,849,501	\$ -	
Assets and liabilities measured on a non-recurring basis:				
Individually evaluated loans, net	\$ 1,108,520	\$ -	\$ -	\$ 1,108,520
2024				
Fair Value Measurement of Reporting Date Using				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Fair Value				
Assets and liabilities measured on a recurring basis:				
Available-for-sale securities:				
U.S. government agencies	\$ 16,021,474	\$ -	\$ 16,021,474	\$ -
U.S. Treasuries	969,328	-	969,328	-
Mortgage-backed	14,784,651	-	14,784,651	-
\$ 31,775,453	\$ -	\$ 31,775,453	\$ -	

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2024			
Fair Value Measurement of Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fair Value			
Assets and liabilities measured on a non-recurring basis:			
Individually evaluated loans, net	<u>\$ 1,151,355</u>	<u>\$ -</u>	<u>\$ 1,151,355</u>

For Level 3 assets and liabilities measured at fair value as of December 31, the significant unobservable inputs used in the fair value measurements were as follows:

2025			
Fair Value	Valuation Technique	Significant Unobservable Inputs	Range
Individually evaluated loans, net	Discounted appraised value	Discounted for selling costs and age of appraisals	7% – 45%

2024			
Fair Value	Valuation Technique	Significant Unobservable Inputs	Range
Individually evaluated loans, net	Discounted appraised value	Discounted for selling costs and age of appraisals	7% – 45%

Note 15 – Restricted Investments

Restricted investments consist of investments in the Federal Home Loan Bank of Pittsburgh (FHLB), Community Bankers Bank (CBB), and West Virginia Bankers' Title Insurance Company. Investments are carried at face value, and the level of investment is dictated by the level of participation with each institution. Amounts are restricted as to transferability.

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Note 16 – Revenue Recognition

The Company's revenue from contracts with customers in the scope of ASC *Topic 606* is recognized within noninterest income excluding OREO gains and losses. A description of the Company's noninterest income is as follows:

Deposit Accounts

The Company earns fees from its deposit customers for overdraft and account maintenance services. Overdraft fees are recognized when the overdraft occurs. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month representing the period over which the Company satisfies the performance obligation. The Company also earns fees from its customers for transaction-based services. Such services include safe deposit box, ATM, stop payment, and wire transfer fees. In each case, these service charges and fees are recognized as income at the time or within the same period that the Company's performance obligation is satisfied.

Noninterest Income

The following table illustrates the Company's total noninterest income segregated by revenues within the scope of *Topic 606* and those which are within the scope of other ASC topics:

	2025	2024
Service charges	\$ 242,765	\$ 224,635
ATM exchange fees	478,164	484,109
Safe deposit box rental	10,532	10,788
Wire transfer fee	7,275	8,461
Revenues from contracts with customers	738,736	727,993
CDFI Bank Awards	-	280,369
Other noninterest income within scope of other ASC topics	254,602	243,309
Total noninterest income	<u>\$ 993,338</u>	<u>\$ 1,251,671</u>

The Company received governmental grant proceeds from the Community Development Financial Institution (CDFI) fund for the year ended December 31, 2024, in the amount of \$280,369. The grant income is reported in other income on the consolidated statement of income, in accordance with ASC 958-605. The full amount of the grant was reorganized in income during 2024, as all the proceeds were deployed for qualifying activities.

Note 17 – Recent Accounting Pronouncements and Changes

In November 2025, the FASB issued ASU 2025-08, *Financial Instruments—Credit Losses (Topic 326)*: Purchased Loans. The update expands the gross-up method previously applied only to purchased credit-deteriorated (PCD) assets to a broader group of acquired assets classified as purchased seasoned loans (PSLs). As a result, entities will recognize an allowance for expected credit losses at acquisition without a Day-1 credit loss expense, which is intended to simplify reporting and improve comparability. The amendments are effective for fiscal years beginning after December 15, 2026, with early adoption permitted and applied on a prospective basis. The Company does not expect adoption to materially affect its consolidated financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Company's financial position, results of operations or cash flows.