THE FARMERS BANK OF WILLARDS

Financial Highlights

	2025	2024	2023	2022	2021
At year end					
Assets	**$ 552,404,620**	$ 560,621,831	$ 557,403,861	$ 521,189,127	$ 498,279,633
Deposits	**468,296,306**	467,503,019	436,520,866	448,872,260	433,174,437
Loans, net	**385,970,664**	368,469,807	375,493,325	333,539,915	287,091,890
Stockholders' equity	**61,373,396**	56,325,641	51,710,646	46,686,286	45,684,379
Average balances					
Assets	**$ 555,640,901**	$ 567,549,151	$ 543,203,537	$ 513,946,229	$ 478,796,973
Deposits	**468,251,618**	445,547,317	448,053,105	462,185,863	404,452,899
Loans, net	**373,549,309**	370,908,050	353,282,247	305,762,744	295,074,235
Stockholders' equity	**59,724,007**	54,850,990	49,853,297	46,401,140	46,621,093
For the year					
Net interest income	**$ 22,295,550**	$ 21,070,007	$ 20,269,391	$ 18,283,055	$ 15,575,264
Income before income taxes	**9,448,545**	8,143,926	7,363,927	6,470,418	5,067,275
Net income	**7,038,688**	6,189,601	5,535,307	4,817,201	3,755,231
Cash dividend declared	**2,124,940**	1,925,196	1,606,143	1,576,946	1,492,639
Per share data					
Net income (1)	**$ 5.52**	$ 4.82	$ 4.30	$ 3.73	$ 2.88
Cash dividend declared	**1.68**	1.50	1.25	1.22	1.15
Book value	**48.52**	43.94	40.24	36.12	35.27
Ratios					
Return on average assets	**1.27%**	1.09%	1.02%	0.94%	0.78%
Return on average equity	**11.79%**	11.28%	11.10%	10.38%	8.05%

(1) based on weighted average shares outstanding during each year.

THE FOLLOWING COMMENT IS REQUIRED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION.

This statement has not been reviewed or confirmed for accuracy or relevance by the Federal Deposit Insurance Corporation.

Farmers Bank of Willards

To our Shareholders, Customers, and Staff:

I am thrilled to report that our 100th year in business was truly one for the record books. The Bank marked this historic milestone while also achieving record financial performance, posting net income of just over $7 million—the highest in our history. Reflecting this strong performance, the Board of Directors declared a cash dividend of more than $2 million, returning 30.2% of our earnings to our shareholders.

Our net interest income increased $1.2 million or 5.8%, compared to 2024, reflecting strong performance on both sides of the balance sheet. Net loans increased by $17.5 million, generating an additional $563 thousand in interest revenue, and deposit balance growth significantly exceeded expectations, allowing us to payoff borrowed funds ahead of schedule, resulting in a reduction to interest expense of 13.8% or $1.1 million over the prior year. Despite continued inflationary pressures, non-interest expenses remained well controlled, increasing only 2.3%, underscoring the Bank's commitment to disciplined expense management. As a result of strong revenue growth and prudent cost control, net income increased by $849 thousand, or 13.7%, compared to the prior year. These solid earnings drove returns on average assets and average equity to 1.27% and 11.79%, respectively.

The book value of our stock increased to $48.52 per share, representing annual growth of 10.4% and bringing total stockholders' equity to $61.4 million. We recognize that these results would not have been possible without the continued support and confidence of our shareholders. We are sincerely grateful for that trust, and we are pleased to report that over the past decade the Bank has returned more than $14.8 million in cash dividends to our stockholders. We consider ourselves truly fortunate to share this success with those who have stood alongside us.

As a community bank we also recognize that we serve a higher purpose than simply profits. We serve Delmarva, and we are incredibly proud of the impact we have within our community. In 2025 we donated over $80,000 to 137 different charitable organizations. We intend to expand our outreach in 2026, and we have implemented a new volunteer time off benefit for our employees. We believe that if we continue to put our community first, the profits will follow.

Early in 2026, The Farmers Bank of Willards introduced its guiding philosophy, centered on a core set of values that represent the beliefs that define who we are and shape everything we do. These core values - honesty, productivity, trust, teamwork, integrity, justice, accountability, respect and reasonableness – form the foundation of our culture, unify our organization, and guide our decision making. These principals are fundamental to fulfilling our mission of delivering extraordinary service to every customer in a family-oriented environment, supported by people who genuinely care about their work and the communities we serve.

As we begin our next 100 years, we remain committed to honoring our legacy while thoughtfully building for the future. For a community bank, these are not competing priorities—they are inseparable. While the way banking is delivered will continue to evolve, our commitment to strengthening Delmarva and helping create a better future for the next generation will remain unchanged.

Thank you,

Matthew C. Davis
President & CEO

Balance Sheets

	December 31, 2025	2024
Assets		
Cash and due from banks	**$ 30,833,877**	$ 51,533,418
Federal funds sold	**10,149,797**	8,291,174
Total cash and cash equivalents	**40,983,674**	59,824,592
Certificates of deposit in other banks	**1,500,000**	725,000
Investment securities available for sale, at fair value	**50,782,956**	52,364,171
Investment securities held to maturity, at amortized cost; fair value of $40,989,050 and $43,902,895	**48,497,685**	55,137,148
Federal Home Loan Bank stock, at cost	**1,152,500**	390,300
Loans, less allowance for credit losses of $4,405,745 and $4,152,347	**385,970,664**	368,469,807
Premises and equipment, net	**10,932,697**	10,625,473
Accrued interest receivable	**1,929,695**	1,808,717
Bank owned life insurance	**5,445,299**	5,280,494
Foreclosed real estate, net of valuation allowance	**1,271,775**	2,112,503
Deferred income taxes	**1,662,999**	1,795,933
Other assets	**2,274,676**	2,087,693
	$ 552,404,620	$ 560,621,831
Liabilities and Stockholders' Equity		
Deposits		
Noninterest-bearing	**$ 149,958,936**	$ 141,463,475
Interest-bearing	**318,337,370**	326,039,544
Total deposits	**468,296,306**	467,503,019
Bank Term Funding Program advances	**-**	28,500,000
Federal Home Loan Bank advances	**16,000,000**	-
Accrued interest payable	**588,109**	1,779,867
Cash dividend payable	**2,124,940**	1,925,196
Other liabilities	**4,021,869**	4,588,108
	491,031,224	504,296,190
Stockholders' equity		
Common stock, par value $1 per share, authorized 30,000,000 shares, issued and outstanding 1,264,845 shares in 2025 and 1,281,941 shares in 2024	**1,264,845**	1,281,941
Surplus	**20,976,037**	21,692,616
Undivided profits	**39,870,910**	34,957,162
Accumulated other comprehensive (loss)	**(738,396)**	(1,606,078)
	61,373,396	56,325,641
	$ 552,404,620	$ 560,621,831

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

Statements of Income

	Years Ended December 31,		
	2025	2024	2023
Interest revenue			
Loans, including fees	**$ 24,369,116**	$ 23,806,268	$ 21,669,635
Investment securities	**3,308,395**	3,723,062	3,349,796
Federal funds sold	**341,945**	309,491	208,492
Other	**1,397,695**	1,487,849	558,091
Total interest revenue	**29,417,151**	29,326,670	25,786,014
Interest expense			
Deposits	**6,112,156**	5,371,343	3,554,361
Borrowed funds	**1,009,445**	2,885,320	1,962,262
Total interest expense	**7,121,601**	8,256,663	5,516,623
Net interest income	**22,295,550**	21,070,007	20,269,391
Provision for credit losses	**525,000**	450,000	360,995
Net interest income after provision for credit losses	**21,770,550**	20,620,007	19,908,396
Noninterest revenue			
Card services	**1,720,503**	1,469,935	1,337,484
Service charges on deposit accounts	**506,529**	464,923	359,613
Increase in cash surrender value of life insurance	**164,805**	153,565	139,189
Gain (loss) on sale/valuation of foreclosed real estate	**(48,399)**	(18,700)	19,201
Loss on sale/valuation of repossessed property	**-**	(8,027)	-
Loss on sale of premises and equipment	**(25,319)**	(140,460)	(48,739)
Other noninterest revenue	**291,677**	200,975	235,298
	2,609,796	2,122,211	2,042,046
Noninterest expense			
Salaries	**6,211,274**	5,834,805	5,559,718
Employee benefits	**1,710,818**	1,569,651	1,444,621
Occupancy	**811,402**	759,328	741,167
Furniture and equipment	**681,630**	613,511	602,195
Deposit insurance premiums	**251,670**	255,830	256,073
Data communications and processing costs	**1,995,746**	1,993,530	1,931,576
Card services	**939,627**	1,252,114	1,478,055
Promotional	**492,813**	542,156	479,537
Other operating	**1,836,821**	1,777,367	2,093,573
	14,931,801	14,598,292	14,586,515
Income before income taxes	**9,448,545**	8,143,926	7,363,927
Income taxes	**2,409,857**	1,954,325	1,828,620
Net income	**$ 7,038,688**	$ 6,189,601	$ 5,535,307
Earnings per common share - basic and diluted	**$ 5.52**	$ 4.82	$ 4.30

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

Statements of Comprehensive Income

	Years Ended December 31,		
	2025	2024	2023
Net income	**$ 7,038,688**	$ 6,189,601	$ 5,535,307
Other comprehensive income			
Unrealized gain on investment securities available for sale	**1,037,367**	479,753	1,817,209
Amortization on unrealized holding losses on available for sale securities transferred to held to maturity	**159,725**	153,350	167,328
Income tax relating to unrealized gain on investment securities available for sale	**(329,410)**	(174,214)	(546,095)
Other comprehensive income	**867,682**	458,889	1,438,442
Comprehensive income	**$ 7,906,370**	$ 6,648,490	$ 6,973,749

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

Statements of Changes in Stockholders' Equity

	Common stock				Accumulated other comprehensive income (loss)
	Shares	Par value	Surplus	Undivided profits	
Balance, December 31, 2022	1,292,579	$ 1,292,579	$ 22,049,696	$ 26,847,420	$ (3,503,409)
Net income	-	-	-	5,535,307	-
Cash dividend, $1.25 per share	-	-	-	(1,606,143)	-
Adoption of expected current credit loss accounting, ASU 2016-13	-	-	-	(83,827)	-
Stock repurchased	(7,665)	(7,665)	(251,754)	-	-
Other comprehensive income, net of income taxes of $546,095	-	-	-	-	1,438,442
Balance, December 31, 2023	1,284,914	1,284,914	21,797,942	30,692,757	(2,064,967)
Net income	-	-	-	6,189,601	-
Cash dividend, $1.50 per share	-	-	-	(1,925,196)	-
Stock repurchased	(2,973)	(2,973)	(105,326)	-	-
Other comprehensive income, net of income taxes of $174,214	-	-	-	-	458,889
Balance, December 31, 2024	1,281,941	1,281,941	21,692,616	34,957,162	(1,606,078)
Net income	-	-	-	7,038,688	-
Cash dividend, $1.68 per share	-	-	-	(2,124,940)	-
Stock repurchased	(17,096)	(17,096)	(716,579)	-	-
Other comprehensive income, net of income taxes of $329,410	-	-	-	-	867,682
Balance, December 31, 2025	**1,264,845**	**$ 1,264,845**	**$ 20,976,037**	**$ 39,870,910**	**$ (738,396)**

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

Statements of Cash Flows

	Years Ended December 31,		
	2025	2024	2023
Cash flows from operating activities			
Net income	**$ 7,038,688**	$ 6,189,601	$ 5,535,307
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	**596,836**	539,246	493,514
Amortization of computer software	**-**	3,585	10,392
Provision for credit losses	**525,000**	450,000	360,995
Deferred income taxes	**(196,476)**	(338,286)	49,359
Amortization of premiums and (accretion) of discounts, net	**(409,554)**	(1,178,831)	(1,067,720)
Loss (gain) on sale and writedown of assets			
Foreclosed real estate, net of deferred gain realized	**48,399**	18,700	(19,201)
Repossessed assets	**-**	8,027	-
Premises, equipment and software	**25,319**	140,460	48,739
Abandoned lease	**-**	-	(14,202)
Decrease (increase) in			
Cash surrender value of life insurance	**(164,805)**	(153,565)	(139,189)
Accrued interest receivable	**(120,978)**	207,264	(401,260)
Prepaid income taxes net of income taxes payable	**(131,399)**	192,994	(233,945)
Other assets	**(59,841)**	(221,301)	(199,435)
Increase (decrease) in			
Deferred origination fees, net	**77,885**	29,104	77,162
Accrued interest payable	**(1,191,758)**	556,258	1,042,029
Other liabilities	**(413,840)**	(341,944)	582,155
Net cash provided by operating activities	**5,623,476**	6,101,312	6,124,700

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

Statements of Cash Flows (Continued)

	Years Ended December 31,		
	2025	2024	2023
Cash flows from investing activities			
Proceeds from maturities and calls of investment securities available for sale	**22,826,684**	68,469,696	28,014,708
Proceeds from maturities of securities held to maturity	**6,788,869**	3,842,257	12,473,045
Net (purchase) redemption of Federal Home Loan Bank stock	**(762,200)**	(25,400)	753,500
Proceeds from sale of foreclosed/repossessed assets	**845,679**	18,396	734,825
Loans advanced, net of principal collected	**(18,305,234)**	6,456,881	(42,513,301)
Net (purchase) redemption of certificates of deposit	**(775,000)**	750,000	(503,000)
Purchases of investment securities available for sale	**(19,788,229)**	(44,463,531)	(13,068,483)
Purchases of premises, equipment, and software	**(929,379)**	(3,029,326)	(1,717,382)
Net cash (used in) provided by investing activities	**(10,098,810)**	32,018,973	(15,826,088)
Cash flows from financing activities			
Net increase (decrease) in			
Time deposits	**12,088,465**	(5,588,154)	13,314,911
Other deposits	**(11,295,178)**	36,570,307	(25,666,305)
Proceeds (paydowns) from Federal Home Loan Bank advances, net	**16,000,000**	-	(19,450,000)
(Paydowns) proceeds from Bank Term Funding advances, net	**(28,500,000)**	(33,000,000)	61,500,000
Stock repurchased	**(733,675)**	(108,299)	(259,419)
Dividends paid	**(1,925,196)**	(1,606,143)	(1,576,946)
Net cash (used in) provided by financing activities	**(14,365,584)**	(3,732,289)	27,862,241
Net (decrease) increase in cash and cash equivalents	**(18,840,918)**	34,387,996	18,160,853
Cash and cash equivalents at beginning of year	**59,824,592**	25,436,596	7,275,743
Cash and cash equivalents at end of year	**$ 40,983,674**	$ 59,824,592	$ 25,436,596
Noncash investing activity			
Real estate acquired through foreclosure or deed in lieu of foreclosure	**$ -**	**$ 84,518**	$ -
Repossessed assets	**180,492**	**26,416**	-
	$ 180,492	**$ 110,934**	$ -
SUPPLEMENTARY CASH FLOW INFORMATION			
Interest paid	**8,313,359**	7,700,405	4,474,594
Income taxes paid	**2,737,732**	2,099,617	2,013,206
Unrealized gain on securities available for sale	**1,037,367**	479,753	1,817,209
Amortization of unrealized loss on transfer of investments available for sale to held to maturity	**159,725**	153,350	167,328

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

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting and reporting policies reflected in the financial statements conform to United States generally accepted accounting principles and to general practices within the banking industry. The Farmers Bank of Willards is not considered a public business entity. As such, it is not required to comply with disclosures that pertain only to public companies. For accounting standards issued by the Financial Accounting Standards Board, the Bank is subject to the effective dates applicable to private companies.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. These estimates and assumptions may affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The estimate that is particularly susceptible to significant change is the allowance for credit losses.

Nature of operations

The Farmers Bank of Willards is a financial institution operating primarily in the Maryland counties of Wicomico and Worcester as well as lower Sussex County in Delaware. The Bank does not limit its services to customers in these areas; but it is the Bank's priority to serve the financial needs of those within its community.

The Bank offers deposit services and loans to individuals, small businesses, associations, and government entities. Other services include automatic drafts from accounts, automated teller machine services, safe deposit boxes, debit cards, internet banking with bill pay feature, and digital banking with a lock-it feature.

Subsidiary

The Bank owns 100% of FBW Delmarva, LLC, which holds leased foreclosed property. The holding costs of this property were included in other operating expenses on the Statements of Income.

Per share data and stock dividends

Earnings per common share and dividends per common share are determined by dividing net income and dividends by the weighted average number of shares outstanding during the year. There are no common stock equivalents. The adjusted weighted average number of shares used in the earnings per share calculation was 1,274,419, 1,284,137, and 1,287,985 for the years ended December 31, 2025, 2024, and 2023, respectively.

As of December 31, 2025, the entire balance of surplus represents paid in surplus with no earned surplus as a result of transfers between the capital accounts.

Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, demand amounts due from banks, and federal funds sold. Federal funds are purchased and sold for one-day periods. Due from banks includes interest-bearing accounts that are payable on demand.

Federal Home Loan Bank stock

As a member of the Federal Home Loan Bank, the Bank is required to purchase stock based on its total assets. Additional stock is purchased and redeemed based on the outstanding Federal Home Loan Bank advances to the Bank, which is carried at cost.

Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Certificates of deposit in other banks

Certificates of deposit in other banks are recorded at cost.

Investment securities

As debt securities are purchased, management determines if the securities should be classified as held to maturity or available for sale. Securities held to meet liquidity needs or which may be sold before maturity are classified as available for sale and carried at fair value with unrealized gains and losses included in stockholders' equity on an after-tax basis.

Securities that management has the intent and ability to hold to maturity are recorded at amortized cost, which is cost adjusted for amortization of premiums to the bond's first call date and accretion of discounts to maturity. Premiums and discounts of mortgage-backed securities are amortized over the expected lives of the securities. Amortization and accretion are recorded using a method that approximates the level yield method.

During the first quarter of 2022, securities with a book value of $57,593,082 were transferred from available for sale to held to maturity. The securities had a market value of $56,037,348. The $1,555,734 unrealized loss at the time of the transfer is being amortized over the remaining lives of the securities.

Allowance for credit losses: held to maturity securities

Management measures expected credit losses on held to maturity securities on a collective basis by major security types. Both the mortgage-backed securities and the collateralized mortgage obligations are issued by U.S. government entities and agencies and are either explicitly or implicitly guaranteed by the U.S. government and its agencies, are highly rated by major rating agencies and have a long history of no credit losses. In addition to these portfolios, the Bank has agencies and municipal securities that are highly rated by major rating agencies. The Bank holds four corporate bonds as held to maturity with a book value of less than $1,000,000. No security in our held to maturity portfolio has a risk rating of less than BBB+. No estimate of credit losses was deemed necessary for this portfolio. Accrued interest on our held to maturity portfolio totals $122,131 and $149,749 as of December 31, 2025, and 2024, respectively, and is excluded from the estimate of credit losses.

Allowance for credit losses: available for sale securities

For securities in an unrealized loss position, management assesses whether the Bank has the intent and ability to hold the security until it has recovered its amortized cost basis. If both criteria are not met, the security's amortized cost is written down to fair value through income. Management also determines if the fair value decline has resulted from credit losses or other factors. As of December 31, 2025 and 2024, management does not estimate that there is any credit loss in the portfolio. Accrued interest on our available for sale portfolio totals $238,964 and $347,526 as of December 31, 2025, and 2024, respectively, and is excluded from the estimate of credit losses.

Loans and allowance for credit losses

Loans are stated at face value adjusted for deferred origination fees, costs, and the allowance for credit losses. Interest on loans is accrued on the principal amounts outstanding. Accrued interest on loan portfolio totals $1,555,714 and $1,271,171 as of December 31, 2025, and 2024, respectively, and is excluded from the estimate of credit losses. Nonrefundable fees and costs associated with originating loans are recognized as an adjustment to interest income over the life of the related loans. Generally, the accrual of interest is discontinued when any portion of principal or interest is ninety days past due and collateral is insufficient to discharge the debt in full. Loans specifically reviewed for nonaccrual treatment are not considered impaired during periods of "minimal delay" in payment (usually ninety days or less) or if they are both well secured and in the process of collection by an attorney, provided eventual collection of all amounts due is expected.

1. Summary of Significant Accounting Policies (Continued)

Payments received on nonaccrual loans are generally accounted for as a reduction in the principal balance with interest recognized after the principal balance has been collected. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loans are individually evaluated when, based on current information, it is probable that the Bank will not collect all principal and interest payments according to contractual terms. Individually evaluated loans include loan relationships where management of the Bank has worked with the borrowers to modify the original terms of the loan, including reducing the payments to interest only for a set period, changing the maturity terms, or reducing the interest rate on the loan.

To determine the impairment or potential loss on individually evaluated loans, management considered the financial condition of the borrower, cash flows of the loan, and the value of the related collateral. Individually evaluated loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, unless the loan is collateral dependent. For collateral dependent real estate loans, management reviews a current appraisal of the collateral or will make an adjustment to the original appraised value based on current trends in the real estate market. For other collateral dependent loans, the Bank may use other estimation methods.

The allowance for credit losses is a valuation account used to present the net amount expected to be collected on loans. It is established through a provision for credit losses charged to expense or a recovery credited to expense. Loans are charged against the allowance for credit losses when management believes that the collectability of the principal is unlikely. The allowance, based on evaluations of the collectability of loans, is an amount that management believes will be adequate to absorb expected losses on existing loans that may become uncollectible. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, and review of individually evaluated loans that do not share characteristics with loans collectively evaluated.

The Bank uses a third-party model to tabulate its estimate of current expected credit losses, using a weighted average remaining maturity ("WARM") methodology. The Bank segments its loan portfolio based on similar risk characteristics which include call report codes and one segment for a sector that had elevated losses during a past recession. For each of these segments, the model calculates an average loan loss by year, which is reduced to a single loss rate. This rate is applied to each remaining year of the expected weighted average life of the portfolio to calculate the historical loss rate. To further adjust the allowance for expected losses not already included within the quantitative component of the calculation and to incorporate reasonable and supportable forecasts, the Bank may consider the following qualitative adjustment factors: the experience of its officers, the Federal and Maryland unemployment rates, and both current and projected economic climates. Currently, management includes in its economic adjustments a factor for the possibility of a recession and an element to recognize current World tensions, and other risks not embedded in the data used by the model. These factors are applied using different rates for loan segments.

The evaluation also considers the following risk characteristics of each loan segment:

Residential Real Estate Loans – Consists of first-lien and second-lien mortgages, 1-4 family rentals and multifamily homes, along with home equity loans. Risk is affected by borrower creditworthiness, collateral value, and local housing market trends.

Commercial Real Estate Loans – Secured by income-producing properties, including office, retail, and commercial rentals. Risk is driven by property values, tenant occupancy rates, and market demand for commercial space, along with the risk factors mentioned above for residential real estate loans.

Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Farm Real Estate Loans – Extended to farming and agribusiness customers. In addition to the risks noted above for residential and commercial real estate loans, risk is influenced by commodity prices, weather patterns, and agricultural market demand.

Construction Loans – Includes loans to finance the development of residential, commercial and mixed-use properties. Construction loans are dependent upon successful project completion, the borrower's ability to obtain permanent financing, and prevailing real estate market conditions.

Commercial and Agricultural Loans – Primarily extended to businesses for working capital, equipment purchases and other operational needs. Risks are associated with the successful operation of a business, in addition to other risks associated with ownership, because the repayment of these loans may be dependent upon the profitability and cash flows of the underlying business or project. In addition, there is risk associated with the value of collateral other than real estate that may depreciate over time and cannot be appraised with as much precision.

Consumer Loans – Includes personal, installment and auto loans. Risk is primarily tied to borrower credit profiles, employment stability, and broader economic conditions. Consumer loans are more likely than real estate loans to be immediately adversely affected by job loss, divorce, illness, or personal bankruptcy.

Loans that do not meet the criteria to be included in the segments are individually evaluated. When management determines that foreclosure is probable, or when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially from the operation or sale of the collateral, an individual analysis is performed. Expected credit losses are based on the fair value of the collateral as of the reporting date, adjusted for selling costs. When the discounted cash flow method is used to determine the allowance for credit losses, management does not adjust the effective interest rate for expected prepayments.

Management believes it has established the allowance for credit losses in accordance with generally accepted accounting principles and has taken into account the views of its regulators and the current and forecasted economic environment. There can be no assurance that in the future the Bank's regulators will not require, or the changes in economic environment will not necessitate, further increases in the allowance.

Management reports loans as delinquent based on the terms of the promissory note including any modifications.

Premises and equipment

Premises and equipment are recorded at cost less accumulated depreciation. Land is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or, if shorter, the expected terms of the leases including lease option periods where exercise is reasonably certain.

Bank owned life insurance

The Bank owns five life insurance policies through two carriers on three of its retired executive officers. The policies are recorded at their cash surrender values. The earnings on the policies are recorded in noninterest revenue.

Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Foreclosed real estate

Real estate acquired through foreclosure is recorded at the lower of cost or fair value on the date acquired, less estimated cost to sell. In general, cost equals the Bank's investment in the property at the time of foreclosure.

Losses incurred at the time of acquisition of the property are charged to the allowance for credit losses. Subsequent reductions in the estimated fair value of the property are recorded as a reduction of noninterest revenue. Expenses of owning the property are included in noninterest expense. Upon sale of the property, the gain or loss is recorded in noninterest revenue.

Loans are transferred to foreclosed real estate once either the sale has been ratified or the Bank receives a deed in lieu of foreclosure from the borrower.

Income taxes

Income tax expense is based on the results of operations, adjusted for permanent differences between items of income or expense reported in the financial statements and those reported for tax purposes. Deferred income taxes are provided for the temporary differences between financial and taxable income. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse.

Newly issued pronouncements

In December 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." The amendments in this ASU require an entity to disclose the amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes and the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions that are equal to or greater than five percent of total income taxes paid (net of refunds received), among other requirements. This ASU is effective for annual periods beginning after December 15, 2025. The Bank does not expect the adoption of this ASU to have a material impact on its financial statements.

Subsequent events

The Bank has evaluated events and transactions subsequent to December 31, 2025, through February 27, 2026, the date these financial statements were available to be issued. No significant subsequent events were identified that would affect the presentation of the financial statements.

2. Correspondent Bank Relationships

The Bank normally carries balances with other banks that exceed the federally insured limit. The average balances carried in excess of the limit, including unsecured federal funds sold to the same banks, were approximately $9,515,477 and $6,145,296 for 2025 and 2024, respectively. The balance maintained at the Federal Reserve Bank is excluded from this average.

Deposits held in noninterest-bearing transaction accounts are aggregated with any interest-bearing deposits the owner may hold in the same ownership category. The combined total is insured up to $250,000.

Banks are required to carry noninterest-bearing cash reserves at specified percentages of deposit balances. The Bank's normal amount of cash on hand and on deposit with other banks is sufficient to satisfy the reserve requirements.

Notes to Financial Statements

3. Certificates of Deposit in Other Banks

The certificates mature as follows:

Maturity period	2025	2024
One year or less	$ 500,000	$ 225,000
Over one to two years	500,000	500,000
Over two to three years	500,000	-
	$ 1,500,000	$ 725,000

All individual certificate of deposit balances are in increments of $250,000 or less to allow for full FDIC insurance coverage.

4. Investment Securities

Investment securities as of December 31, 2025 are summarized as follows:

December 31, 2025	Amortized cost	Unrealized gains	Unrealized losses	Allowance for credit losses	Fair value
Available for sale					
U.S. Treasury	$ 9,735,281	$ 16,173	$ 103,584	$ -	$ 9,647,870
U.S. government agency	6,892,421	14,194	119,887	-	6,786,728
Corporate	6,927,914	21,538	27,001	-	6,922,451
State and municipal	5,317,178	-	86,872	-	5,230,306
Mortgage-backed securities	22,045,247	217,177	66,823	-	22,195,601
	$ 50,918,041	$ 269,082	$ 404,167	$ -	$ 50,782,956
Held to maturity					
U.S. government agency	$ 3,877,746	$ -	$ 296,544	$ -	$ 3,581,202
Corporate	979,732	-	63,667	-	916,065
State and municipal	8,718,727	-	1,127,011	-	7,591,716
Mortgage-backed securities	34,921,480	-	6,021,413	-	28,900,067
	$ 48,497,685	$ -	$ 7,508,635	$ -	$ 40,989,050

Notes to Financial Statements

4. Investment Securities (Continued)

Investment securities as of December 31, 2024 are summarized as follows:

December 31, 2024	Amortized cost	Unrealized gains	Unrealized losses	Allowance for credit losses	Fair value
Available for sale					
U.S. Treasury	$15,133,589	$ 14,265	$ 331,213	$ -	$ 14,816,641
U.S. government agency	9,618,235	23,811	220,631	-	9,421,415
Corporate	11,758,657	14,215	189,255	-	11,583,617
State and municipal	5,409,112	-	251,828	-	5,157,284
Mortgage-backed securities	11,617,030	31,019	262,835	-	11,385,214
	$ 53,536,623	$ 83,310	$ 1,255,762	$ -	$ 52,364,171
Held to maturity					
U.S. government agency	$ 5,953,266	$ -	$ 529,197	$ -	$ 5,424,069
Corporate	984,645	-	102,808	-	881,837
State and municipal	9,732,556	-	1,463,989	-	8,268,567
Mortgage-backed securities	38,466,681	-	9,138,259	-	29,328,422
	$ 55,137,148	$ -	$ 11,234,253	$ -	$ 43,902,895

Interest on investment securities is summarized as follows:

Investment Type	2025	2024	2023
U.S. Treasury	$ 434,120	$ 1,547,602	$ 1,656,081
U.S. government agency	477,535	578,969	361,915
Corporate	426,082	436,775	383,823
State and municipal	375,693	399,501	401,077
Mortgage-backed securities	1,594,965	760,215	546,900
	$ 3,308,395	$ 3,723,062	$ 3,349,796

The decline in fair values of debt securities is a result of the fluctuations in interest rates rather than credit related factors. The Bank does not have the intent to sell any of these securities and believes it is more likely than not that the Bank will not have to sell any such securities before a recovery of cost. No allowance for credit losses on securities available for sale was recorded as of December 31, 2025 or as of December 31, 2024. No securities were sold in 2023, 2024 or 2025.

4. Investment Securities (Continued)

The Bank monitors the credit quality of the debt securities through the use of Moody's and S&P, on a quarterly basis. Held to maturity securities are aggregated below by credit quality (at amortized cost) as of December 31, 2025:

	Aaa/AAA	Aa/AA	A/A	Not Rated	Totals
U.S. government agency	$ 2,000,649	$ 1,334,369	$ -	$ 542,728	$ 3,877,746
Corporate	203,556	-	776,176	-	979,732
State and municipal	3,689,609	4,992,752	-	36,366	8,718,727
Mortgage-backed securities	-	-	-	34,921,480	34,921,480
Total	$ 5,893,814	$ 6,327,121	$ 776,176	$ 35,500,574	$ 48,497,685

The Bank has pledged investment securities as collateral on certain deposits. The Bank also has a secured line of credit from a correspondent bank that, when drawn, requires pledging of securities.

Contractual maturities of securities and the amount of pledged securities are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations. Mortgage-backed securities are due in monthly installments and Small Business Administration Agency securities are due in quarterly installments**.**

	Available for Sale		Held to Maturity	
December 31, 2025	Amortized cost	Fair value	Amortized cost	Fair value
One year or less	$ 9,149,230	$ 9,071,834	$ -	$ -
One through five years	14,164,320	14,150,628	5,106,443	4,864,059
Five through ten years	2,322,421	2,226,032	4,210,629	3,762,679
After ten years	3,236,823	3,138,861	3,716,405	2,967,262
Mortgage-backed securities	22,045,247	22,195,601	34,921,480	28,900,067
Small Business Administration agencies	-	-	542,728	494,983
	$ 50,918,041	$ 50,782,956	$ 48,497,685	$ 40,989,050
Pledged securities	$ 7,162,510	$ 7,041,411	$ 44,123,198	$ 37,001,176

Notes to Financial Statements

4. Investment Securities (Continued)

Investment securities with unrealized losses for continuous periods of less than twelve months and twelve months or longer follow:

	Less than 12 months		12 months or longer		Total	
December 31, 2025	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Available for sale						
U.S. Treasury	$ -	$ -	$ 6,158,926	$ 103,584	$ 6,158,926	$ 103,584
U.S. government agency	423,156	2	2,594,754	119,885	3,017,910	119,887
Corporate	900,064	502	3,223,077	26,499	4,123,141	27,001
State and municipal	-	-	5,230,306	86,872	5,230,306	86,872
Mortgage-backed securities	4,601,746	17,835	1,414,122	48,988	6,015,868	66,823
	$ 5,924,966	$ 18,339	$ 18,621,185	$ 385,828	$ 24,546,151	$ 404,167
Held to maturity						
U.S. government agency	$ -	$ -	$ 3,581,202	$ 296,544	$ 3,581,202	$ 296,544
Corporate	-	-	916,065	63,667	916,065	63,667
State and municipal	818,982	1,018	6,772,734	1,125,993	7,591,716	1,127,011
Mortgage-backed securities	-	-	28,900,067	6,021,413	28,900,067	6,021,413
	$ 818,982	$ 1,018	$ 40,170,068	$ 7,507,617	$ 40,989,050	$ 7,508,635
December 31, 2024						
Available for sale						
U.S. Treasury	$ -	$ -	$ 9,822,422	$ 331,213	$ 9,822,422	$ 331,213
U.S. government agency	3,024,587	156,822	1,836,190	63,809	4,860,777	220,631
Corporate	996,821	3,179	7,310,871	186,076	8,307,692	189,255
State and municipal	791,423	21,236	4,365,861	230,592	5,157,284	251,828
Mortgage-backed securities	8,720,755	262,835	-	-	8,720,755	262,835
	$ 13,533,586	$ 444,072	$ 23,335,344	$ 811,690	$ 36,868,930	$ 1,255,762
Held to maturity						
U.S. government agency	$ -	$ -	$ 5,424,069	$ 529,197	$ 5,424,069	$ 529,197
Corporate	-	-	881,837	102,808	881,837	102,808
State and municipal	723,044	69,271	7,545,523	1,394,718	8,268,567	1,463,989
Mortgage-backed securities	-	-	29,328,422	9,138,259	29,328,422	9,138,259
	$ 723,044	$ 69,271	$ 43,179,851	$ 11,164,982	$ 43,902,895	$ 11,234,253

Notes to Financial Statements

5. Loans

Major classifications of loans are as follows:

December 31,	2025	2024
Mortgage		
Residential	$ 220,785,791	$ 212,586,638
Commercial	80,768,058	79,600,687
Farm	11,135,459	10,597,470
Construction	40,884,148	32,328,529
Commercial and agricultural	27,394,531	26,914,402
Consumer	9,408,422	10,594,428
	390,376,409	372,622,154
Allowance for credit losses	4,405,745	4,152,347
Loans, net	$ 385,970,664	$ 368,469,807

Loans are reported after adding the balances of the deferred costs net of deferred origination fees and unearned interest recorded as a result of restoring loans to accrual status. The total adjustment for net fees and unearned interest was $386,709 and $308,824 as of December 31, 2025 and 2024, respectively.

The Bank has the following loan commitments outstanding:

December 31,	2025	2024
Construction loans	$ 18,602,509	$ 19,247,391
Home equity and revolving residential lines	12,832,017	17,037,397
Other lines of credit	17,280,549	24,217,201
Standby letters of credit	173,950	523,778
Payment letters of credit	-	5,000
	$ 48,889,025	$ 61,030,767

Loan commitments and lines of credit are agreements to lend to a customer as long as there is no violation of any condition to the contract. Loan commitments generally have interest fixed at current market rates, fixed expiration dates, and may require payment of a fee. Lines of credit generally have variable interest rates. Such lines do not represent future cash requirements because it is unlikely that all customers will draw upon their lines in full at any time.

Letters of credit are commitments issued to guarantee the performance of a customer to a third party. Loan commitments, lines of credit, and letters of credit are made on the same terms, including collateral, as outstanding loans. The Bank's exposure to loss in the event of nonperformance by the borrower is represented by the contract amount of the commitment. Management is not aware of any accounting loss the Bank will incur by the funding of these commitments.

The Bank had an allowance for credit losses on unfunded commitments of $10,000 and $31,000 as of December 31, 2025 and 2024, respectively, included in other liabilities. The related credit loss is included in the provision for credit losses on the Statements of Income.

Notes to Financial Statements

5. Loans (Continued)

Nonaccrual loans and accruing loans past due over 90 days are as follows:

December 31, 2025	Nonaccrual with no allowance for credit loss	Nonaccrual with an allowance for credit loss	Loans past due over 90 days still accruing
Mortgage			
Residential	$ 316,650	$ 295,071	$ 311,607
Construction	-	372,554	-
Commercial and agricultural	66,724	141,829	-
Consumer	5,651	11,328	-
	$ 389,025	$ 820,782	$ 311,607

December 31, 2024			
Mortgage			
Residential	$ 54,875	$ -	$ 47,784
Farm	120,809	-	-
Commercial and agricultural	18,059	136,953	-
Consumer	51,110	5,401	-
	$ 244,853	$ 142,354	$ 47,784

If the nonaccrual loans had been accruing, the related accrued interest would have been $42,521 and $40,374 as of December 31, 2025 and 2024, respectively.

The chart below summarizes past due nonaccrual loans by length of delinquency as of December 31, 2025 and 2024.

	Nonaccrual Loans 30-59 days past due	Nonaccrual Loans 60-89 days past due	Nonaccrual Loans 90 or more days past due	Total Nonaccrual past due loans
As of December 31, 2025	$ 142,858	$ 65,883	$ 859,815	$ 1,068,556
As of December 31, 2024	$ -	$ 25,347	$ 217,590	$ 242,937

Notes to Financial Statements

5. Loans (Continued)

Outstanding loan balances are evaluated for credit losses as follows:

	December 31, 2025		December 31, 2024	
	Individually evaluated	Collectively evaluated	Individually evaluated	Collectively evaluated
Mortgage				
Residential	$ 891,545	$ 219,894,246	$ 399,495	$ 212,187,143
Commercial	1,985,079	78,782,979	2,245,718	77,354,969
Farm	583,376	10,552,083	728,490	9,868,980
Construction	661,978	40,222,170	312,499	32,016,030
Commercial and agricultural	461,730	26,932,801	614,194	26,300,208
Consumer	38,950	9,369,472	172,162	10,422,266
	$ 4,622,658	$ 385,753,751	$ 4,472,558	$ 368,149,596

Composition of the allowance for credit losses, by loan classification and based on individual or collective analysis, is as follows:

	December 31, 2025		December 31, 2024	
	Individually evaluated	Collectively evaluated	Individually evaluated	Collectively evaluated
Mortgage				
Residential	$ 64,497	$ 807,232	$ 20,150	$ 969,101
Commercial	424,048	1,063,658	15,281	1,050,586
Farm	4,326	93,049	-	186,695
Construction	9,179	946,508	-	1,092,484
Commercial and agricultural	207,654	528,021	86,211	401,167
Consumer	18,683	233,725	15,321	288,854
Unallocated	-	5,165	-	26,497
	$ 728,387	$ 3,677,358	$ 136,963	$ 4,015,384

Notes to Financial Statements

5. Loans (Continued)

Transactions in the allowance for credit losses, by loan classification, are as follows:

December 31, 2025	Beginning balance	Provision for credit losses	Charge-offs	Recoveries	Ending balance
Mortgage					
Residential	$ 989,251	$ (130,090)	$ -	$ 12,568	$ 871,729
Commercial	1,065,867	421,839	-	-	1,487,706
Farm	186,695	(89,320)	-	-	97,375
Construction	1,092,484	(136,797)	-	-	955,687
Commercial and agricultural	487,378	501,791	275,164	21,670	735,675
Consumer	304,175	(91)	74,163	22,487	252,408
Unallocated	26,497	(21,332)	-	-	5,165
	$ 4,152,347	$ 546,000	$ 349,327	$ 56,725	$ 4,405,745

December 31, 2024	Beginning balance	Provision for credit losses	Charge-offs	Recoveries	Ending balance
Mortgage					
Residential	$ 1,187,615	$ (315,753)	$ -	$ 117,389	$ 989,251
Commercial	943,660	122,207	-	-	1,065,867
Farm	259,723	(73,028)	-	-	186,695
Construction	553,966	538,518	-	-	1,092,484
Commercial and agricultural	547,008	(23,619)	68,018	32,007	487,378
Consumer	186,202	158,389	68,163	27,747	304,175
Unallocated	6,611	19,886	-	-	26,497
	$ 3,684,785	$ 426,600	$ 136,181	$ 177,143	$ 4,152,347

The Statements of Income include a recovery of credit losses of $21,000 related to the unfunded commitments for the year ended December 31, 2025, and a provision for credit losses of $23,400 related to the unfunded commitments for the year ended December 31, 2024.

Notes to Financial Statements

5. Loans (Continued)

An analysis of past due loans follows:

December 31, 2025	Loans 30-59 days past due	Loans 60-89 days past due	Loans 90 or more days past due	Total past due loans	Current loans	Total loans
Mortgage						
Residential	$1,871,977	$309,296	$ 668,179	$2,849,452	$217,936,339	$220,785,791
Commercial	-	134,068	-	134,068	80,633,990	80,768,058
Farm	106,009	-	-	106,009	11,029,450	11,135,459
Construction	-	-	372,554	372,554	40,511,594	40,884,148
Commercial and agricultural	79,844	68,881	119,361	268,086	27,126,445	27,394,531
Consumer	68,658	22,410	11,328	102,396	9,306,026	9,408,422
	$2,126,488	$534,655	$1,171,422	$3,832,565	$386,543,844	$ 390,376,409

December 31, 2024	Loans 30-59 days past due	Loans 60-89 days past due	Loans 90 or more days past due	Total past due loans	Current loans	Total loans
Mortgage						
Residential	$ 846,876	$ 71,350	$ 102,659	$1,020,885	$211,565,753	$212,586,638
Commercial	-	-	-	-	79,600,687	79,600,687
Farm	-	-	-	-	10,597,470	10,597,470
Construction	298,559	-	-	298,559	32,029,970	32,328,529
Commercial and agricultural	173,735	286,895	111,605	572,235	26,342,167	26,914,402
Consumer	48,209	121,102	51,110	220,421	10,374,007	10,594,428
	$1,367,379	$479,347	$ 265,374	$2,112,100	$370,510,054	$ 372,622,154

The Bank makes loans to customers primarily located in the Delmarva region. Although the loan portfolio is diversified, its performance will be influenced by the economy of the region.

Credit quality indicators

Management has developed a loan risk grading system to help monitor the overall credit quality of its loan portfolio. Each loan is assigned a risk grade at origination. Large credits, regardless of performance, are reviewed annually to determine the risk grade is still suitable. Loan grades are changed as borrowers' circumstances change and either develop credit weaknesses or improved conditions and performance are noted.

Special mention

A special mention loan has potential weaknesses in the credit that require management's close attention. Generally, special mention credits have a weakness that can be corrected in a relatively short period of time. Poor liquidity or fault in collateral title can result in a special mention grade. If left uncorrected, these potential credit weaknesses may result in deterioration of repayment prospects. Special mention loans do not expose the Bank to sufficient risk to warrant an adverse classification.

Notes to Financial Statements

5. Loans (Continued)

Substandard

A substandard loan has a well-defined weakness or weaknesses that jeopardize the ultimate repayment of the loan and require more intense supervision by Bank management. The weaknesses in the collateral value, cash flows or borrower's/project's performance would likely result in some loss to the Bank if the deficiencies are not corrected. Borrowers may exhibit recent or unexpected losses, inadequate debt service coverage ratio, or marginal liquidity and capitalization. Loans that are classified as modifications to borrowers experiencing financial difficulties are generally graded substandard until the borrower shows the ability to perform under the modified terms of the restructure.

Doubtful

A loan classified as doubtful has all the weaknesses of a substandard loan with the added characteristic that the weaknesses in the credit make collection or liquidation in full, highly improbable.

Loss

Rarely does the Bank use this category. If a credit is deemed loss, management generally records a charge-off unless there are extenuating circumstances.

Summarized below is the credit risk profile of the loan portfolio.

December 31, 2025	Pass credits	Special Mention	Substandard	Doubtful	Loss	Total loans
Mortgage						
Residential	$ 219,894,246	$ 279,824	$ 611,721	$ -	$ -	$ 220,785,791
Commercial	78,782,979	1,985,079	-	-	-	80,768,058
Farm	10,552,083	583,376	-	-	-	11,135,459
Construction	40,222,170	289,424	372,554	-	-	40,884,148
Commercial and agricultural	26,932,801	253,177	141,829	66,724	-	27,394,531
Consumer	9,369,472	21,971	13,447	3,532	-	9,408,422
	$ 385,753,751	$ 3,412,851	$ 1,139,551	$ 70,256	$ -	$ 390,376,409

December 31, 2024	Pass credits	Special Mention	Substandard	Doubtful	Loss	Total loans
Mortgage						
Residential	$ 212,187,143	$ 344,620	$ 54,875	$ -	$ -	$ 212,586,638
Commercial	77,354,969	2,245,718	-	-	-	79,600,687
Farm	9,868,980	607,682	120,808	-	-	10,597,470
Construction	32,016,030	312,499	-	-	-	32,328,529
Commercial and agricultural	26,300,208	459,183	155,011	-	-	26,914,402
Consumer	10,422,266	115,650	56,512	-	-	10,594,428
	$ 368,149,596	$ 4,085,352	$ 387,206	$ -	$ -	$ 372,622,154

Notes to Financial Statements

5. Loans (Continued)

Summarized below are the balances of individually evaluated loans that are also collateral-dependent.

December 31,	2025	2024
Mortgage		
Residential	$ 891,545	$ 399,495
Commercial	1,985,079	2,245,718
Farm	583,376	728,490
Construction	661,978	312,499
Commercial and agriculatural	461,730	614,194
Consumer	37,420	170,632
	$ 4,621,128	$ 4,471,028

The Bank works with customers to modify loans to borrowers in financial distress by either changing the interest rate, modifying the payment term, or writing off principal and accrued interest. Principal forgiveness is charged off against the allowance for credit losses. The following charts summarize loans modified by the Bank during the years ended December 31, 2025 and 2024. The charts show the percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of loans, along with any financial effect of the loan modifications.

December 31, 2025	Modified balance	Total class of loans	Amount of Principal forgiveness	Weighted-Average interest rate reduction
Mortgage				
Residential	$ 25,895	0.01%	$ -	0.00%
Commercial and agricultural	31,462	0.11%	-	0.00%
Consumer	21,971	0.23%	-	0.00%
	$ 79,328		-	
December 31, 2024				
Commercial and agricultural	$ 161,214	0.60%	-	0.00%

The Bank has no commitment to advance future funds to any of the borrowers in the previous chart. All of the loans modified during the year ended December 31, 2025 included in the chart above were performing and had no current delinquencies at the end of the year the modification was made. The maturity terms of these loans were extended to lower the debt service requirements for the borrower. The interest rate for these loans were unchanged, and remained at a market rate, so there was no financial effect to the Bank for these modifications. One loan was modified during 2024 that was 60-89 days past due at December 31, 2024. The maturity term of this loan was extended to lower the debt service requirements for the borrower. The interest rate for this loan was unchanged, and remained at a market rate, so there was no financial effect to the Bank for this modification. There were no payment defaults during the year ended December 31, 2024 of loans that were modified during the previous twelve months.

6. Premises and Equipment

A summary of premises and equipment and the related depreciation as of December 31, 2025 and 2024 is presented in the following table:

	Useful life	2025	2024
Land		$ 2,494,573	$ 2,491,298
Buildings and improvements	10-40 years	8,042,564	7,627,880
Leasehold improvements	10-40 years	1,416,261	1,530,793
Furniture and equipment	5-10 years	4,776,378	4,459,987
Automobiles	4-5 years	217,118	240,648
		16,946,894	16,350,606
Accumulated depreciation and amortization		6,014,197	5,725,133
Net premises and equipment		$ 10,932,697	$ 10,625,473
Depreciation and amortization		$ 596,836	$ 539,246

7. Leases

On January 1, 2022, the Bank adopted ASU No. 2016-2 “Leases (Topic 842)” and all subsequent ASUs that modified Topic 842. The right-of-use asset and lease liability are included in other assets and other liabilities, respectively.

Lease liabilities represent the Bank’s obligation to make lease payments and are presented at each reporting date as the net present value of the remaining contractual cash flows. Cash flows are discounted at the Bank’s incremental borrowing rate at the time of adoption of ASU 2016-2 or the effective date of any new leases. There were no new leases entered into during 2024 or 2025.

The Bank’s long-term lease agreements are classified as operating leases. Certain of these leases offer the option to extend the lease term. The Bank has included only one such extension in its calculation of the lease liabilities. The lease agreements do not provide for residual value guarantees and have no restrictions or covenants that would impact dividends or require incurring additional financial obligations.

Notes to Financial Statements

7. Leases (Continued)

The following table presents information about the Bank's leases as follows:

December 31,	2025	2024
Lease liabilites	$ 701,591	$ 825,428
Right-of-use assets	655,977	797,517
Weighted average remaining lease term (years)	11.25	13.58
Weighted average discount rate	2.25%	2.17%

A maturity analysis of operating lease liabilities and reconciliation of the undiscounted cash flows to the total of operating lease liabilities as of December 31, 2025, is as follows:

Period	Amount
2026	$ 59,322
2027	61,398
2028	63,547
2029	65,772
2030	68,074
Remaining years	483,151
Total undiscounted cash flows	801,264
Discount	(99,673)
Lease liabilities	$ 701,591

8. Foreclosed Real Estate

Transactions in foreclosed real estate are as follows:

	2025	2024
Beginning of year balance	$ 2,112,503	$ 2,053,078
Additions and improvements	-	84,518
Sales and collections	(792,329)	(6,393)
Writedowns and gains (losses), net	(48,399)	(18,700)
End of year balance	$ 1,271,775	$ 2,112,503

The Bank has financed some of the sales of its foreclosed real estate properties. If the down payments on these sales are less than required by accounting standards for sales treatment, the financed properties remain in foreclosed real estate until payments made on the loans plus the original down payments exceed thresholds for required down payment. Any gains on these sales are also deferred. There were no transfers of financed properties, nor any new financed properties during 2024 or 2025. Financed properties reported as foreclosed real estate as of December 31, 2024, and 2023 totaled $311,190 and $317,583. During the year ended December 31, 2025 the financed property principal balance was paid off and the property was removed from foreclosed real estate properties.

Loans totaling $217,993 and $176,493 were in the process of foreclosure as of December 31, 2025, and 2024, respectively.

Notes to Financial Statements

9. Deposits

Major classifications of interest-bearing deposits are as follows:

December 31,	2025	2024
Money market and NOW	$ 114,260,269	$ 134,945,480
Savings	73,487,192	72,592,620
Certificates of deposit over $250,000	34,024,626	27,241,633
Other time	96,565,283	91,259,811
	$ 318,337,370	$ 326,039,544

Demand deposits and interest-bearing escrow accounts, in an overdraft status, totaling $341,493 and $177,898 as of December 31, 2025 and 2024, respectively, have been reclassified as loans.

The maturity and repricing distributions of time deposits follows:

December 31, 2025	Over $250,000	Other	Total
One year or less	$ 29,306,169	$ 78,463,033	$ 107,769,202
Over one to two years	1,813,665	7,527,280	9,340,945
Over two to three years	543,027	2,606,576	3,149,603
Over three to four years	2,361,765	4,351,790	6,713,555
Over four to five years	-	3,616,604	3,616,604
	$ 34,024,626	$ 96,565,283	$ 130,589,909

December 31, 2024			
One year or less	$ 22,508,033	$ 71,675,237	$ 94,183,270
Over one to two years	2,467,235	8,966,613	11,433,848
Over two to three years	1,005,024	4,941,636	5,946,660
Over three to four years	256,323	2,227,305	2,483,628
Over four to five years	1,005,018	3,449,020	4,454,038
	$ 27,241,633	$ 91,259,811	$ 118,501,444

Prior to 2023, certain certificates were issued with a step-up feature that provides the owner a one-time opportunity to increase the certificate of deposit rate to the current rate of newly issued certificates of the same term at the date the option is exercised. Once a certificate of deposit step-up feature has been exercised, the deposit becomes fixed rate.

Notes to Financial Statements

10. Lines of Credit

The Bank has available unsecured lines of credit of $16,000,000 in overnight federal funds from various correspondent banks as of December 31, 2025. The balance on these lines of credit were available as of December 31, 2025. The Bank had an available line of credit of $12,000,000 as of December 31, 2024. $6,000,000 of the line available as of December 31, 2024 was unsecured, while the remaining balance of the line of credit was collateralized with pledged investment securities. The balance on the line was available as of December 31, 2024.

The Bank also has a line of credit with the Federal Home Loan Bank (FHLB) which allows total outstanding advances of twenty five percent of total assets. Because the Bank has pledged as collateral its portfolio of first mortgages on residential properties, the total available advances is limited by this portfolio. Based on this collateral, the total remaining credit available with the FHLB as of December 31, 2025 and 2024 was $80,739,742 and $94,122,505, respectively. In addition to the first residential mortgage portfolio, the FHLB has placed a blanket lien on all loans of the Bank, with the exception of the nonmortgage consumer and commercial loans.

The Federal Home Loan Bank interest rates on the closed end advances are fixed while the interest rate on the daily line of credit can change daily.

The nonmortgage consumer and commercial loan portfolios were pledged as collateral on a line of credit from the Federal Reserve Bank (FRB) as of December 31, 2024. The total available under this line of credit as of December 31, 2024 was $20,397,293. As of December 31, 2025 the Bank no longer pledged loan portfolios to the FRB.

During 2023, the FRB offered loans under the Bank Term Funding Program. This program was to assist banks with liquidity after the failure of two prominent banks. It offered advances with certain securities available as collateral at 100% of their face value. The terms of the advances were for one year and could be paid off or refinanced without any penalty. In 2024, the program changed so that new advances were priced at or above the interest rate that the Federal Reserve credits on funds deposited with it. The program continued to issue loans until March 11, 2024. All loans under this program matured on January 15, 2025.

A summary of outstanding advances is as follows:

Description	Rate	2025	2024	Maturity
FRB one year advance	4.76%	-	28,500,000	January 15, 2025
FHLB fixed rate hybrid	4.36%	10,000,000	-	January 7, 2026
FHLB fixed rate hybrid	4.39%	3,500,000	-	July 8, 2026
FHLB fixed rate hybrid	3.78%	2,500,000	-	October 8, 2026
		$ 16,000,000	$ 28,500,000	

11. Retirement Plans

The Bank sponsors a profit-sharing plan that covers all employees with one year of service who have attained age twenty-one. Contributions are determined annually by the Board of Directors. During 2025, 2024, and 2023 the Board made safe harbor contributions which matched 100% of the first 3% of employee compensation and 50% of the next 2% of employee compensation for a maximum match of 4%, resulting in total contributions of $185,342, $166,147, and $162,983, respectively.

The Bank adopted a supplemental executive retirement plan for three of its executive officers. The plan provides fixed annual benefits to each participant at age 64 or disability date. The benefits vest over the period from adoption to normal retirement age. The Bank recorded expenses, including interest, of $169,488, $186,904, and $151,011 for the years ended December 31, 2025, 2024, and 2023, respectively. These plans are funded by five life insurance contracts, with a face value of $3,000,000, which are owned by the Bank. During 2019, one of the three executives retired and during 2025 the other two executives retired. They are receiving annual benefits in accordance with terms of the plan.

12. Related Party Transactions

Officers, directors and employees are depositors of the Bank. They receive the same deposit rates and terms as other customers with similar deposits. As of December 31, 2025 and 2024, the deposits of executive officers and directors were $10,713,527 and $10,434,266, respectively.

Executive officers and directors of the Bank enter into loan transactions with the Bank in the ordinary course of business. The terms of these transactions are similar to the terms provided to other borrowers entering into similar loan transactions.

A summary of the activity in these loans is as follows:

	2025	2024
Beginning balance	$ 6,283,127	$ 8,945,734
Advances	7,101,280	1,260,452
Repayments	(477,092)	(3,923,059)
Ending balance	$ 12,907,315	$ 6,283,127

The Bank built a branch in Millsboro, Delaware upon land owned by a director. The Bank paid rent on the lease of this land totaling $57,352, $55,574, and $53,835 for 2025, 2024, and 2023, respectively.

The Bank rents land to a director. During 2025, 2024 and 2023, the Bank collected $13,000, $11,000 and $13,413 rent, respectively.

In 2025 and 2024, the Bank paid $2,121 and $3,077, respectively for services from a used car dealership owned by a director.

Notes to Financial Statements

13. Income Taxes

A reconciliation of the statutory federal income taxes and rates to the effective income taxes and rates follows:

	2025		2024		2023	
Statutory federal income taxes	$1,984,194	21.0%	$1,710,224	21.0%	$1,546,424	21.0%
Increase (decrease) in tax resulting from:						
Tax-exempt income	(55,354)	(0.6)	(59,814)	(0.7)	(51,499)	(0.7)
State tax, net of federal tax benefit	482,034	5.1	319,277	3.9	317,854	4.3
Other, net	(1,017)	(0.0)	(15,362)	(0.2)	15,841	0.2
Income tax expense	$2,409,857	25.5%	$1,954,325	24.0%	$1,828,620	24.8%

The components of income tax expense (benefits) are as follows:

	2025	2024	2023
Current			
Federal	$1,949,578	$1,814,813	$1,374,760
State	656,755	477,798	404,501
	2,606,333	2,292,611	1,779,261
Deferred	(196,476)	(338,286)	49,359
	$2,409,857	$1,954,325	$1,828,620

The components of the deferred taxes are as follows:

	2025	2024	2023
Provision for credit losses	$ (154,968)	$ (195,779)	$ (119,241)
Writedowns of foreclosed real estate	5,145	(5,145)	115,594
Supplemental executive retirement plan	14,337	(38,608)	(28,731)
Interest on nonaccrual loans	(591)	(10,058)	24,396
Bonuses and vacations	(4,163)	(1,886)	(1,234)
Leases	(4,871)	(13,405)	(3,352)
Depreciation	(51,365)	(73,405)	61,927
	$ (196,476)	$ (338,286)	$ 49,359

Notes to Financial Statements

13. Income Taxes (Continued)

The components of the net deferred tax asset are as follows:

	2025	2024	2023
Deferred tax assets			
Allowance for credit and letter of credit losses	$1,093,746	$ 938,778	$ 742,999
Foreclosed real estate writedowns	1,009	6,154	1,009
Supplemental executive retirement plan	567,050	581,387	542,779
Interest on nonaccrual loans	11,701	11,110	1,052
Bonuses and vacations	30,559	26,396	24,510
Leases	12,551	7,680	-
Unrealized loss on securities	280,327	609,737	783,951
	1,996,943	2,181,242	2,096,300
Deferred tax liability			
Leases	-	-	5,725
Depreciation	333,944	385,309	458,714
	333,944	385,309	464,439
	$1,662,999	$1,795,933	$1,631,861

The Bank does not have material uncertain tax positions and did not recognize any adjustment for unrecognized tax benefits. The Bank remains subject to examination of income tax returns for the years ending after December 31, 2022.

14. Capital Standards

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

The Basel III Capital Rules became effective for the Bank on January 1, 2015 (subject to a phase-in period for certain provisions). With the adoption of the Basel III Capital Rules, the Bank elected to opt-out of the requirement to include accumulated other comprehensive income in Common Equity Tier 1 capital.

Common Equity Tier 1 capital consists of common stock, surplus, and undivided profits less disallowed deferred tax assets. Tier 1 capital includes Common Equity Tier 1 capital components with adjustments for certain investments and other items in which the Bank does not participate. Consequently, the Bank's Common Equity Tier 1 capital and Tier 1 capital are the same.

Notes to Financial Statements

14. Capital Standards (Continued)

Total capital includes the allowance for credit losses, as limited based on total risk-weighted assets. In calculating risk-weighted assets, specified risk percentages are applied to each category of asset and off-balance sheet items.

Failure to meet the capital requirements could affect the Bank's ability to pay dividends and accept deposits and may significantly affect the operations of the Bank.

In 2020, a capital conservation buffer became effective. The capital conservation buffer is not applied to the Tier 1 capital to average assets ratio. The buffer provides additional capital the Bank must hold to make the Bank more resilient during downturns in the economic cycle. If the Bank fails to meet the buffer, its ability to pay out dividends, buy back stock and pay discretionary bonuses will be limited.

As of its most recent regulatory examination, the Bank was considered well capitalized. Management knows of no conditions or events since the last regulatory examination that would change this classification.

The FDIC, through formal or informal agreement, has the authority to require an institution to maintain higher capital ratios than those provided by statute to be categorized as well capitalized under the regulatory framework for prompt corrective action.

The following table presents actual and required capital ratios as of December 31, 2025, and December 31, 2024, for the Bank under the Basel III Capital Rules. Capital balances in the table below are reported to the nearest thousand.

	Actual		Minimum capital adequacy		To be well capitalized	
December 31, 2025	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$ 66,438	19.21%	$ 27,675	8.00%	$ 34,594	10.00%
Tier 1 capital (to risk-weighted assets)	$ 62,112	17.95%	$ 20,756	6.00%	$ 27,675	8.00%
Common equity tier 1 capital (to risk-weighted assets)	$ 62,112	17.95%	$ 15,567	4.50%	$ 22,486	6.50%
Capital conservation buffer			$ 8,648	2.50%		
Tier 1 capital (to average assets)	$ 62,112	11.12%	$ 22,352	4.00%	$ 27,940	5.00%
December 31, 2024						
Total capital (to risk-weighted assets)	$ 62,115	18.16%	$ 27,357	8.00%	$ 34,197	10.00%
Tier 1 capital (to risk-weighted assets)	$ 57,932	16.94%	$ 20,518	6.00%	$ 27,357	8.00%
Common equity tier 1 capital (to risk-weighted assets)	$ 57,932	16.94%	$ 15,388	4.50%	$ 22,228	6.50%
Capital conservation buffer			$ 8,549	2.50%		
Tier 1 capital (to average assets)	$ 57,932	9.92%	$ 23,369	4.00%	$ 29,212	5.00%

Notes to Financial Statements

15. Fair Value Measures

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. The Financial Accounting Standards Board (FASB) defines fair value and establishes a framework for measuring fair value. Its guidance also establishes a hierarchy for determining fair value measurements. The hierarchy includes three levels and is based upon the valuation techniques used to measure assets and liabilities.

Level one uses inputs of quoted prices, unadjusted, for identical assets or liabilities in active markets. Level two inputs to the valuation method include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Level three assumes inputs to the valuation method that are unobservable and significant to the fair value measurement.

Debt securities classified as available for sale are measured at fair value on a recurring basis. The fair value of municipal bonds classified as available for sale are estimated by applying spreads to curve using the municipal yield curve provided daily by market makers. The fair value of U.S. Treasury, U.S. Agency, mortgage-backed securities, and corporate bonds are calculated from a yield curve derived daily using various market makers. The values are generated by applying spreads to this curve. The Bank does not measure the fair value of any of its other financial assets or liabilities on a recurring basis.

The assets measured at fair value on a recurring basis are as follows:

December 31, 2025	Total	Quoted prices in active markets for identical assets	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment securities available for sale				
U.S. Treasury	$ 9,647,870	$ -	$ 9,647,870	$ -
U.S. government agency	6,786,728	-	6,786,728	-
Corporate	6,922,451	-	6,922,451	-
State and municipal	5,230,306	-	5,230,306	-
Mortgage-backed securities	22,195,601	-	22,195,601	-
	$50,782,956	$ -	$ 50,782,956	$ -
December 31, 2024				
Investment securities available for sale				
U.S. Treasury	$14,816,641	$ -	$ 14,816,641	$ -
U.S. government agency	9,421,415	-	9,421,415	-
Corporate	11,583,617	-	11,583,617	-
State and municipal	5,157,284	-	5,157,284	-
Mortgage-backed securities	11,385,214	-	11,385,214	-
	$52,364,171	$ -	$ 52,364,171	$ -

Individually evaluated loans are generally measured based on the fair value of the loan's collateral on a nonrecurring basis. Fair value is generally determined based upon independent third-party appraisals of the properties or discounted cash flows based upon the expected proceeds. These assets are included as Level 3 fair values. As of December 31, 2025 and 2024, the fair values of individually evaluated loans are estimated to be $1,449,302 and $1,693,176, respectively. As of December 31, 2025 and 2024, the fair values of these loans consist of recorded investment in loan balances of $2,177,689 and $1,830,139, net of allowance for credit losses of $728,387 and $136,963, respectively.

Notes to Financial Statements

15. Fair Value Measures (Continued)

The Bank measures its foreclosed real estate, on a nonrecurring basis at fair value less costs to sell. As of December 31, 2025 and 2024, the fair value was estimated to be $1,271,775 and $2,112,503, respectively. The fair value of foreclosed real estate was based on offers and/or appraisals. Cost to sell the real estate was based on standard market factors. The Bank has categorized its foreclosed real estate as Level 3. The lack of an active local real estate market makes these fair values “best estimates” only. There is no assurance that the Bank will realize the recorded fair value of these properties as they are sold.

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
The Farmers Bank of Willards

Opinion
We have audited the financial statements of The Farmers Bank of Willards (the Bank), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the three years in the period ended December 31, 2025, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025, 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 Bank 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 Bank's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 Bank'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bank'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 President's Letter, financial highlights, and average balances, interest and yields 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 other 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 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.

Yount, Hyde & Barbour, P.C.

Roanoke, Virginia
February 27, 2026

Average Balances, Interest, and Yields

	For the Year Ended December 31, 2025			For the Year Ended December 31, 2024		
	Average balance	Interest	Yield	Average balance	Interest	Yield
Assets						
Federal funds sold	$ 8,261,090	$ 341,945	4.14%	$ 6,052,143	$ 309,491	5.11%
Interest bearing deposits *	33,691,017	1,403,809	4.17%	31,865,116	1,560,044	4.90%
Investment securities						
U. S. treasury *	12,955,026	464,386	3.58%	42,402,717	1,655,499	3.90%
U. S. agency and MBS *	72,401,694	2,104,830	2.91%	62,125,263	1,375,447	2.21%
State and municipal *	14,509,955	397,321	2.74%	15,311,996	427,733	2.79%
Other	11,307,814	426,082	3.77%	13,256,243	436,775	3.29%
Total investment securities	111,174,489	3,392,619	3.05%	133,096,219	3,895,454	2.93%
Bank stock *	1,435,345	88,939	6.20%	385,098	29,797	7.74%
Loans						
Commercial	26,525,861	1,848,703	6.97%	28,818,231	2,037,179	7.07%
Mortgage *	341,463,191	21,359,553	6.26%	334,714,498	20,556,350	6.14%
Consumer	9,874,016	865,828	8.77%	11,361,077	984,292	8.66%
Total loans	377,863,068	24,074,084	6.37%	374,893,806	23,577,821	6.29%
Allowance for credit losses	4,313,759			3,985,756		
Total loans, net of allowance	373,549,309	24,074,084	6.44%	370,908,050	23,577,821	6.36%
Total interest-earning assets	528,111,250	29,301,396	5.55%	542,306,626	29,372,607	5.42%
Noninterest-bearing cash	3,149,682	-		2,629,482	-	
Premises and equipment, net	11,632,071	-		10,396,457	-	
Other assets	12,747,898	-		12,216,586	-	
Total assets	$ 555,640,901	$ 29,301,396		$ 567,549,151	$ 29,372,607	
Liabilities and Stockholders' Equity						
Interest-bearing deposits						
Savings and NOW deposits	$ 102,793,959	$ 229,237	0.22%	$ 108,344,139	$ 248,630	0.23%
Money market	91,902,784	1,919,211	2.09%	75,449,429	1,680,286	2.23%
Other time deposits	125,144,792	3,963,708	3.17%	119,536,939	3,442,427	2.88%
Total interest-bearing deposits	319,841,535	6,112,156	1.91%	303,330,507	5,371,343	1.77%
Borrowed funds	22,584,962	1,009,445	4.47%	60,303,311	2,885,320	4.78%
Total interest-bearing liabilities	342,426,497	7,121,601	2.08%	363,633,818	8,256,663	2.27%
Noninterest-bearing deposits	148,410,083	-		142,216,810	-	
	490,836,580	7,121,601		505,850,628	8,256,663	
Other liabilities	5,080,314	-		6,847,533	-	
Stockholders' equity	59,724,007	-		54,850,990	-	
Total liabilities and stockholders' equity	$ 555,640,901	$ 7,121,601		$ 567,549,151	$ 8,256,663	
Net interest spread			3.47%			3.15%
Net interest income		$ 22,179,795			$ 21,115,944	
Net margin on interest-earning assets			4.20%			3.89%

* Yields are calculated on a tax-equivalent basis.

EXECUTIVE and SENIOR OFFICERS

MATTHEW C. DAVIS
President and Chief Executive Officer

BETSY J. EICHER
Senior Vice President, Chief Financial Officer

CELESTE M. RAYNE
Senior Vice President, Chief Talent Officer

HEATHER R. MARINE
Senior Vice President, Chief Deposit Officer

JAMIE E. LEWIS, III
Senior Vice President, Chief Marketing Officer
Business Development Officer

GEORGE O. BURBAGE
Vice President, Loan Officer

JUSTIN M. GRAY
Vice President of Business Development

KIMBERLY A. BENTON
Vice President, Fraud and Risk Management

TERRY B. SPARROW
Vice President of Information Systems

OTHER MANAGEMENT STAFF

LEIGH ANN ADAMS
Assistant Vice President of Deposit Operations

NATALIE N. BINDER
Treasurer

ROBERT A. CHRISTINCK
Loan Officer

ANDREW P. DAVIS
Customer Experience and Community Engagement Manager

VICKIE L. DAVIS
Compliance, Bank Secrecy Act & Security Officer

MARY W. DRYDEN
Assistant Vice President Special Assets

SHERRY L. HAYMAKER
Assistant Vice President, Real Estate Settlements

RYAN P. MCEVOY
Assistant Vice President, Business Development Officer
Capital Markets Manager

ZACHARY P. NORMAN
Assistant Vice President, Business Development Officer
Credit Administration

IRINA A. POTAPENKO
Internal Auditor

SARAH SLAYSMAN
Loan Officer

SARAH L. STRICKLAND
Assistant Vice President, Loan Administration

ELIZABETH WALKER
CRA Officer