



**Woodlands**  
FINANCIAL SERVICES  
— COMPANY —

**2025** annual  
report

# OUR MISSION

Woodlands Bank recognizes that our customers are the reason for our existence. Through our staff of professional employees we will consistently strive to deliver the best possible personalized service to individuals and local businesses while, at the same time, creating economic value for our shareholders.

It is our primary aim to make Woodlands Bank "Rooted in Our Communities."





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Dear Friends:

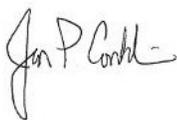
We are pleased to present the financial results of Woodlands Financial Services Company (Company) for the year 2025. Despite the beginning of an easing campaign at the end of 2024, lingering challenges related to the Federal Reserve Open Market Committee's (Fed's) austere monetary policy and balance sheet management measures remained at the beginning of 2025. On top of these extant challenges, the installation of a new Presidential administration in late January immediately posed additional challenges due to the highly aggressive and broad nature of actions taken by the administration to demonstrate its commitment to the campaign promises it made. The impacts of these actions and changes in government policy ranged from the overall domestic labor markets to certain sectors of the economy with reliance on global trading partners and/or migrant labor as well as to the trade and military alliances that have defined the post-WW2 global order. To then add in layers of capriciousness and unsettled legality, the result was an almost immediate injection of a high level of uncertainty into the ability for both businesses and consumers to place reliance on economic and fiscal projections or to have much confidence in longer-term capital planning. While keenly following the national and global developments impacting economic conditions, management remained focused on the internal strategies and initiatives aimed at improving capital and regulatory ratios as well as returning the Company's net interest margins to the levels necessary for overall net income levels needed to grow capital and provide acceptable shareholder return. These efforts along with some help from the Fed in the form of additional reductions in the overnight rate produced margin improvement month after month, ending the year at levels providing an overall Return on Average Assets (ROAA) near 1.0%. Locally, the year was dominated by significant market disruption caused by the mergers of two more local competitors and another regional bank that exited the market. While 2025 was a year in which the Board of Directors (Board) and management embarked on a critical strategic planning process focused on moving the Company to the next level, the market disruption created significant opportunities for the Company to take the actions and make the investments that will provide the foundations needed to ensure the long-term prosperity, viability, and independence of the Company. While largely not reflected in the financial results of 2025, the efforts of management and employees across the Company under the Board's guidance will undoubtedly prove crucial to the results to be attained in subsequent years.

Net income for the year was \$5.20 million. This result, driven by the incremental improvement of net interest margins over the course of the year, was a 67.2% improvement over the net income of 2024. In addition to the impact of these improving net interest margins, management was also able to control non-interest expenses for the year with reductions experienced in both the "Salaries and employee benefits" and "Data processing expense" line items. Additionally, there was improvement year-over-year in all non-interest income line items. The Trust and Asset Management Department continued to be a strong and reliable contributor to the Company's net income in 2025. The disruption in the local market combined with trends in the larger banking and financial services sector has created opportunities for significant growth in the Trust and Asset Management Department. These opportunities will be pursued strategically, providing an even stronger source of income to supplement the traditional margin-driven business of community banking.

Total assets ended the year at \$615.8 million, which was an increase of \$14.9 million, 2.5%, from the end of 2024. This increase was driven largely by an increase in total deposits of \$17.6 million, 3.3%, over the same period. Reflective of a strategic decision to slow lending during the year, net loans decreased \$7.8 million, 1.8%, year-over-year. The growth in deposits during the year, which was largely growth in core customer relationships, coupled with the reduction in net loans enabled management to retire \$10.0 million in high-cost borrowings, contributing to the overall improvement of the Company's net interest margin. While liquidity remains strong, the Company's credit metrics continue to reflect a stubbornly elevated level of delinquent and non-performing credits in the portfolio. The issues driving these metrics are largely concentrated in a handful of larger balance credits which are almost entirely covered by underlying collateral with any uncovered amounts being specifically reserved for in the Allowance for Credit Losses (ACL). Management fully anticipates that many of these credits will be resolved during 2026, some of which will be reflected during the first and second quarters of the year. With the timing largely at the mercy of the courts, there is potential for significant recovery during 2026 of the large credit that was charged off at the end of 2023.

There is no doubt that the Company has faced significant challenges over the last few years. However, the focus and dedication of those at all levels across the Company coupled with the support of our customers and shareholders have placed the Company in a position to benefit greatly from the opportunities that currently exist for quality growth in earning assets and core funding. There are also exciting initiatives on the horizon that will enable the Company to raise its profile in the local markets and beyond starting in 2026. We remain truly grateful for the steadfast support that we have been given and determined to make sure that this support is rewarded with the type of growth, earnings, and shareholder return that it deserves.

Sincerely,



Jon P. Conklin  
President and CEO

## RETIREMENT OF DAVID L. BARTGES

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David L. Bartges (Dave) retired from Woodlands Bank (Bank) during the first quarter of 2025 following a tenure that began in 1996 and which played a critical role in the growth and success of the Bank. Dave, along with Thomas B. Burkholder, who retired in 2023, were hired in 1996 to establish the Trust and Asset Management Department (Department) of the Bank. The pair, possessing highly complementary skill sets and knowledge, were successful in growing the Department's assets under management from zero to over \$300 million during their time at the Bank. Dave's keen knowledge of financial markets and his astute approach to investing are critical reasons for the successful growth in relationships and the high-performing nature of the investments and account holdings of the Department and its customers. Dave's approach to his work not only earned the respect and confidence of the customers he served, but also that of his co-workers across the various departments of the Bank. For many years, Dave managed the investment portfolio of the Bank in addition to his departmental duties. His role on the Asset/Liability Management Committee (ALCO) allowed him to provide his shrewd insights to those serving on ALCO formulating pricing and balance sheet management strategies that allowed the Bank to navigate through countless challenges during Dave's tenure. Nearly as valuable as the professional knowledge and insight that he espoused to so many over the years, his quick-witted, droll, and sometimes off-color humor also played a highly important role in the Bank's success by bringing the type of levity and good-natured banter that often exists in high-performing teams of all kinds.

Dave's presence at the Bank will be dearly missed by many employees and customers alike. However, there is no one more deserving than Dave to now be able to enjoy those things that he loves most in life, his family and the nature surrounding his hunting camp. We are all grateful for the significantly positive impact that Dave's tenure has had on the Bank, and we wish him nothing but the best in retirement.



## Independent Auditor's Report

To the Board of Directors and Stockholders  
Woodlands Financial Services Company and Subsidiaries  
Williamsport, Pennsylvania

### Opinion

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

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

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

To the Board of Directors and Stockholders  
Woodlands Financial Services Company and Subsidiaries

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

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

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

*MMQ + Associates, P.C.*

Scranton, Pennsylvania  
February 25, 2026

WOODLANDS FINANCIAL SERVICES COMPANY AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2025 AND 2024

(in thousands except per share amounts)

	<u>ASSETS</u>	<u>2025</u>	<u>2024</u>
Cash and due from banks		\$ 24,065	\$ 9,483
Interest-bearing deposits with banks		3,612	767
Government money market funds		5	5
Federal funds sold		4,500	-
Cash and cash equivalents		<u>32,182</u>	<u>10,255</u>
Available-for-sale securities		113,495	110,287
Loans and leases, net		433,638	441,437
Bank premises and equipment, net		10,647	10,906
Accrued interest receivable		1,952	1,963
Deferred tax assets, net		3,712	5,331
Cash surrender value of life insurance		13,125	12,782
Restricted stock		1,248	1,656
Other assets		5,815	6,300
Total assets		<u>\$ 615,814</u>	<u>\$ 600,917</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities			
Non-interest bearing		\$ 150,515	\$ 146,794
Interest bearing		403,074	389,150
Total deposits		<u>553,589</u>	<u>535,944</u>
Federal funds purchased		4,000	155
Long-term debt		10,000	23,951
Accrued interest payable		567	649
Other liabilities		4,383	4,566
Total liabilities		<u>572,539</u>	<u>565,265</u>
Stockholders' equity			
Common stock, \$5.00 par value, 10,000,000 shares authorized; 1,553,552 and 1,551,057 shares issued and 1,399,252 and 1,396,757 outstanding		7,768	7,755
Preferred stock, \$5.00 par value, 4,000,000 shares authorized; no shares issued or outstanding		-	-
Additional paid-in capital		8,372	8,344
Retained earnings		39,142	35,562
Accumulated other comprehensive income		(7,438)	(11,440)
Total		<u>47,844</u>	<u>40,221</u>
Less: Treasury stock at cost, 154,300 shares		(4,569)	(4,569)
Total stockholders' equity		<u>43,275</u>	<u>35,652</u>
Total liabilities and stockholders' equity		<u>\$ 615,814</u>	<u>\$ 600,917</u>

WOODLANDS FINANCIAL SERVICES COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
YEARS ENDED DECEMBER 31, 2025 AND 2024

(in thousands except per share amounts)

	2025	2024
Interest income		
Interest and fees on loans and leases	\$ 23,861	\$ 23,468
Interest on cash and cash equivalents	1,055	149
Interest and dividends on investments:		
Taxable	2,558	2,895
Tax-exempt	545	520
Dividends	112	197
Interest on Federal funds sold	174	117
Total interest income	28,305	27,346
Interest expense		
Interest on deposits	9,126	9,571
Interest on borrowed funds	1,099	2,432
Total interest expense	10,225	12,003
Net interest income	18,080	15,343
Expense for credit loss	720	300
Net interest income, after expense for credit loss	17,360	15,043
Other income		
Service charges and other fees	1,209	963
Other operating income	2,017	1,924
Trust department income	1,802	1,720
Gain on sale of loans and other assets, net	132	56
Total other income	5,160	4,663
Other expenses		
Salaries and employee benefits	8,407	8,489
Occupancy expense	774	776
Furniture and equipment expense	1,122	827
FDIC insurance premiums	570	480
Data processing expense	1,087	1,283
Professional fees	1,073	729
Other operating expenses	3,521	3,756
Total other expenses	16,554	16,340
Income before income taxes	5,966	3,366
Provision for income taxes	764	255
Net income	\$ 5,202	\$ 3,111
Net income per common share	\$ 3.72	\$ 2.23

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

WOODLANDS FINANCIAL SERVICES COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2025 AND 2024

(in thousands except per share amounts)

	<u>2025</u>	<u>2024</u>
Net income	\$ 5,202	\$ 3,111
Other comprehensive income, net of tax:		
Unrealized holding gains arising during the year	4,002	956
Less: Reclassification adjustment for losses (gains) included in net income	-	-
Other comprehensive income	<u>4,002</u>	<u>956</u>
Comprehensive income	<u>\$ 9,204</u>	<u>\$ 4,067</u>

WOODLANDS FINANCIAL SERVICES COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2025 AND 2024

(in thousands except per share amounts)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Stockholders' Equity
Balance, December 31, 2023	\$ 7,744	\$ 8,320	\$ 34,070	\$ (12,396)	\$ (4,569)	\$ 35,652
Net income			3,111			3,111
Other Comprehensive Income				956		956
Issuance of 2,149 shares under employee stock purchase plan	11	24				35
Cash dividends declared (\$1.16 per share)			(1,619)			(1,619)
Balance, December 31, 2024	7,755	8,344	35,562	(11,440)	(4,569)	35,652
Net income			5,202			5,202
Other Comprehensive Income				4,002		4,002
Issuance of 2,495 shares under employee stock purchase plan	13	28				41
Cash dividends declared (\$1.16 per share)			(1,622)			(1,622)
Balance, December 31, 2025	<u>\$ 7,768</u>	<u>\$ 8,372</u>	<u>\$ 39,142</u>	<u>\$ (7,438)</u>	<u>\$ (4,569)</u>	<u>\$ 43,275</u>

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

WOODLANDS FINANCIAL SERVICES COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2025 AND 2024

(in thousands except per share amounts)

	<u>2025</u>	<u>2024</u>
Operating activities		
Net income	\$ 5,202	\$ 3,111
Adjustments to reconcile net income to net cash provided by operating activities:		
Expense for credit loss	720	300
Depreciation	503	496
Amortization of securities (net of accretion)	(495)	(545)
Gain on sale of investment securities, loans and other assets, net	(132)	(56)
Increase in cash surrender value of life insurance	(343)	(334)
Sale of mortgage loans originated for sale	5,531	2,602
Mortgage loans originated for sale	(5,283)	(2,681)
Deferred taxes	555	495
Debt issuance costs	49	9
Decrease in accrued interest receivable	11	60
Decrease in other assets	484	399
Decrease in accrued interest payable	(82)	(127)
(Decrease) increase in other liabilities	(183)	957
Net cash provided by operating activities	<u>6,537</u>	<u>4,686</u>
Investing activities		
Purchase of available-for-sale securities	(7,933)	-
Proceeds from sales and repayments of available-for-sale securities	10,287	15,567
Proceeds from maturities of held-to-maturity securities	-	100
Net decrease (increase) in loans and leases	6,622	(7,782)
Proceeds from sale of other real estate	341	-
Purchase of restricted stock	-	(175)
Proceeds from sale of restricted stock	408	1,187
Purchase of bank premises and equipment	(244)	(174)
Net cash provided by investing activities	<u>9,481</u>	<u>8,723</u>
Financing activities		
Net increase in deposits	17,645	22,832
Increase (decrease) in short-term borrowings	3,845	(37,845)
Payments on long-term borrowings	(14,000)	-
Dividends paid to stockholders of common stock	(1,622)	(1,619)
Proceeds from issuance of common stock	41	35
Net cash provided by (used in) financing activities	<u>5,909</u>	<u>(16,597)</u>
Net increase (decrease) in cash and cash equivalents	21,927	(3,188)
Cash and cash equivalents at January 1	<u>10,255</u>	<u>13,443</u>
Cash and cash equivalents at December 31	<u>\$ 32,182</u>	<u>\$ 10,255</u>

## Note 1 – Nature of Operations and Summary of Significant Accounting Policies

### Nature of Operations

Woodlands Financial Services Company (Company) is a Pennsylvania corporation organized as a financial services holding company of Woodlands Bank (Bank) and Woodlands Stock Corporation. The Bank is a state chartered commercial bank located in Williamsport, Pennsylvania and operates as a traditional community bank, providing commercial and consumer banking and trust services in Lycoming and Clinton Counties and the surrounding market area.

### Basis of Presentation

The Financial Statements of the Company have been consolidated with those of its wholly-owned subsidiaries, Woodlands Bank and Woodlands Stock Corporation, eliminating all intercompany items and transactions.

All information is presented in thousands of dollars, except per share amounts.

The Company has evaluated subsequent events through February 25, 2026, the date that these financial statements were available to be issued, and concluded no events or transactions occurred during that period requiring recognition or disclosure.

### Segment Reporting

Public business enterprises are required to report financial and descriptive information about their reportable operating segments. The Company has determined that its only reportable segment is community banking.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on loans and the valuation of investment securities.

### Per Share Data

Earnings per share of common stock have been computed on the basis of the weighted-average number of shares of common stock outstanding during the period. The number of common shares used in computing basic and diluted earnings per share and dividends per share was 1,398,015 in 2025 and 1,395,688 in 2024.

### Investment Securities

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each balance sheet date. Investments in securities are classified in two categories and accounted for as follows:

## Note 1 – Nature of Operations and Summary of Significant Accounting Policies – (Continued)

Securities Held-to-Maturity - Bonds, notes and other debt securities for which the Company has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts, computed by a method that approximates the effective interest method, over the remaining period to maturity.

Securities Available-for-Sale - Bonds, notes, other debt securities, mortgage-backed securities not classified as securities to be held-to-maturity and equity securities are carried at fair value with unrealized holding gains and losses, net of tax, reported as a net amount in a separate component of stockholders' equity until realized.

The amortization of premiums on mortgage-backed securities is based on the Espiel prepayment model which mirrors the dynamic nature of prepay speeds over the life of the securities. The model incorporates underlying factors such as changes in interest rates, details of origination, ages of loan, loan types, loan balances and credit ratings to more accurately project future prepayment activity. The four sources of prepayment incorporated into the model include U.S. home sales and activity, borrower refinancing activity, principal curtailment, and loan default.

Gains and losses on the sale of securities available-for-sale are determined using the specific identification method and are reported as a separate component of other income in the Consolidated Statements of Income.

The Company analyzes available-for-sale debt securities using the expected credit loss methodology. The Company first determines whether it intends to sell, or when 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 available-for-sale debt securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Company 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 evaluation 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, equal to the amount that the fair value is less than the amortized cost basis. Any unrealized loss that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

### Loans and Leases

Loans are stated at unpaid principal balance, net of unamortized deferred loan fees and costs and an allowance for credit losses. Interest income is accrued on the unpaid principal balance of the loans. The Company recognizes nonrefundable loan origination fees and certain direct loan origination costs over the life of the related loans as an adjustment of the loan yield using the interest method.

Loans are placed on nonaccrual status when principal or interest is past due 90 days or more and the collection of interest is doubtful. Interest accrued but not collected as of the date of placement on nonaccrual status is reversed and charged against current income. Interest income on the nonaccrual loans is recognized only to the extent of interest payments received. Loans are returned to the accrual status when factors indicating doubtful collectability cease to exist.

## Note 1 – Nature of Operations and Summary of Significant Accounting Policies – (Continued)

### Allowance for Credit Losses

The Company's allowance for credit losses is determined using a current expected credit loss (CECL) model. The CECL methodology recognizes lifetime expected credit losses immediately when a financial asset is originated or purchased. The allowance for credit losses on loans is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected on loans. The allowance for credit losses is established through expense for credit losses charged against income. Loans or leases deemed to be uncollectible are charged against the allowance for credit losses, and subsequent recoveries, if any, are credited to the allowance for credit losses.

The Company's methodologies for estimating the allowance for credit losses consider available relevant information about the collectability of cash flows, including information about past events, current economic conditions, and reasonable and supportable forecasts. The methodologies apply historical loss information, adjusted for asset-specific characteristics, economic conditions at the measurement date, and forecasts about future economic conditions expected to exist through the contractual lives of the loans and leases that are reasonable and supportable, to the identified pools of loans and leases with similar risk characteristics for which the historical loss experience was observed. The allowance for credit losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific, general, and unallocated components. The specific component relates to loans and leases that are classified as special mention, substandard, or doubtful. Each special mention, substandard, and doubtful loan is analyzed under ASC 326-20 to determine the risk characteristics of each asset. If an analyzed loan does not have materially different risk characteristics than other loans within the pool, the loan balance is included in the appropriate homogeneous pool for the reserve calculation. When an individually analyzed loan is determined to have different risk characteristics than the remainder of the pool, the bank chooses one of the following to measure expected credit losses:

- The present value of expected future cash flows discounted at the loan's effective interest rate.
- The fair value of collateral less costs to sell, if the loan is collateral dependent. A loan is collateral dependent if repayment of the loan is expected to be provided solely by the underlying collateral and there are no other available and reliable sources of repayment.

### Mortgage Banking Activity

Loans held for sale consist of residential mortgage loans originated by the Company. They are recorded at the lower of cost or estimated fair value on an aggregate basis. Gains and losses are included in the Consolidated Statements of Income.

### Bank Premises and Equipment

Bank premises and equipment are stated at cost, less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Repairs and maintenance are expensed as incurred. When premises or equipment are retired or sold, the remaining cost and accumulated depreciation are removed from the accounts and any gain or loss is credited or charged to income.

## Note 1 – Nature of Operations and Summary of Significant Accounting Policies – (Continued)

### Other Real Estate

Other real estate acquired through foreclosure or other means is recorded at the lower of its carrying value or fair value of the property at the transfer date, less estimated selling costs. Costs to maintain other real estate are expensed as incurred. Other real estate is included with other assets in the balance sheets. The Company had no other real estate owned as of December 31, 2025 or 2024.

### Revenue Recognition

The Company recognizes revenue from various activities. Certain revenues are generated from contracts where they are recognized when, or as services are provided to customers for amounts the Company expects to be entitled. Revenue generating activities related to financial assets and liabilities are also recognized, including interest on loans, fees on depository accounts, and gains and losses on securities. Certain specific policies include the following:

- Trust services recognized over the period in which services are performed and are based on a percentage of the fair value of the assets under management.
- Service fees include service charges on deposit accounts received under depository agreements with customers. Checking or savings accounts may contain fees for various services used on a day-to-day basis by a customer. Fees are recognized as services are delivered to and consumed by the customer, or as penalty fees are charged.
- Credit and debit card revenue includes interchange from credit and debit cards processed through card association networks, annual fees, and other transaction and account management fees. Interchange rates are generally set by the credit card associations and based on purchase volumes and other factors. The Company records interchange as services are provided. Transaction and account management fees are recognized as services are provided.

### Advertising Expenses

Advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2025 and 2024, amounted to \$300 and \$301, respectively.

### Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current year (after exclusion of non-taxable income such as interest on state and municipal securities) as well as deferred taxes on temporary differences. Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of temporary differences between book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws.

Management evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements. With few exceptions, the Company is no longer subject to income tax examinations by the U.S. Federal, state or local tax authorities for years before 2022.

## Note 1 – Nature of Operations and Summary of Significant Accounting Policies – (Continued)

### Cash Flows

For purposes of the Consolidated Statements of Cash Flows, cash and cash equivalents include cash on hand, due from banks, interest bearing balances with banks, government money market funds and Federal funds sold for a one-day period.

The Company paid interest and income taxes of \$10,307 and \$530 during the year ended December 31, 2025 and \$12,130 and \$0 during the year ended December 31, 2024, respectively.

Non-cash transactions during the years ended December 31, 2025 and 2024 included the change in unrealized gains (losses) on available-for-sale securities of \$5,066 and \$1,210, respectively, and the net acquisition of real estate in the settlement of loans of \$322 and \$0, respectively.

### Long-Lived Assets

The Company reviews the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate that carrying amounts of the assets might not be recoverable.

### Trust Assets and Income

Assets held by the Company in a fiduciary or agency capacity for its customers are not included in the financial statements since such items are not assets of the Company. Trust income is reported on a cash basis, which is not materially different from the accrual basis.

### Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

### Recent Accounting Pronouncements

In August 2020, the FASB issued ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity, which addresses the complexity of its guidance for certain financial instruments with characteristics of liabilities and equity. ASU 2020-06 removes the accounting models that require beneficial conversion features or cash conversion features associated with convertible instruments to be recognized as a separate component of equity, adds certain disclosure requirements for convertible instruments, amends the guidance for the derivatives scope exception for contracts in an entity’s own equity and simplifies the diluted earnings per share calculation for certain situations. This ASU was effective for the Company beginning on January 1, 2024. The adoption of ASU 2020-06 did not have a significant impact on the Company’s consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which provides for improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. This guidance is effective for the Company beginning on January 1, 2025. The adoption of ASU 2023-09 did not have a significant impact on the Company’s consolidated financial statements.

Note 1 – Nature of Operations and Summary of Significant Accounting Policies – (Continued)

In March 2024, the FASB issued ASU 2024-01, Compensation - Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards. The ASU adds an example with four fact patterns to ASC 718-10, Compensation – Stock Compensation – Overall, in order to assist preparers of financial statements in determining whether profits interest units should be accounted for within the scope of the guidance in ASC 718 or ASC 710, Compensation - General. The ASU only addresses the scope determination and does not amend the recognition or measurement guidance in either ASC 710 or ASC 718. This ASU is effective for the Company beginning on January 1, 2025. The adoption of ASU 2024-01 did not have a significant impact on the Company’s consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03, Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses. ASU 2024-03 adds Subtopic 220-40, Expense Disaggregation Disclosures, to the Accounting Standards Codification. The ASU requires public business entities to disclose in the notes to their financial statements disaggregated information, in tabular format, about relevant expense captions that are presented on their annual and interim income statements. This ASU is effective for the Company’s annual financial statements beginning on January 1, 2027. The adoption of ASU 2024-03 is not expected to have a significant impact on the Entity’s consolidated financial position or results of operations.

In November 2024, the FASB issued ASU 2024-04, Debt – Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments. The ASU clarifies the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion. This ASU is effective for the Company beginning on January 1, 2026. The adoption of ASU 2024-04 is not expected to have a significant impact on the Entity’s consolidated financial statements.

In May 2025, the FASB issued ASU 2025-04, Compensation – Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Clarifications to Share-Based Consideration Payable to Customer. The ASU requires entities to consider if a payable arrangement with a customer should be considered a share-based consideration. Additional requirements include considering vesting conditions, and whether those vesting conditions represent service or performance conditions. This ASU is effective for the Company beginning on January 1, 2027. The adoption of ASU 2025-04 is not expected to have a significant impact on the Entity’s consolidated financial statements.

In November 2025, the FASB issued ASU 2025-08, Financial Instruments – Credit Losses (Topic 326): Purchased Loans: The ASU expands the population of acquired financial assets subject to the gross-up approach in Topic 326. Specifically, if an entity determines a loan is a non-PCD asset based on the assessment of credit deterioration since origination, the entity should apply the guidance in the ASU to determine whether the loan is “seasoned” and should be accounted for using the gross-up approach. This ASU is effective for the Company beginning on January 1, 2027. The adoption of ASU 2025-08 is not expected to have a significant impact on the Entity’s consolidated financial statements.

## Note 2 – Restrictions on Cash and Due from Banks

Banks are required to maintain reserves, in the form of cash balances with the Federal Reserve Bank, against their deposit liabilities. The Company may, from time to time, maintain balances with financial institutions in excess of federally insured limits.

## Note 3 – Investment Securities

The amortized cost and fair value of investment securities are as follows:

	December 31, 2025			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Available-for-sale:				
U.S. Government securities	\$ 18,117	\$ -	\$ 769	\$ 17,348
State and political subdivisions	45,749	59	4,892	40,916
Corporate securities	18,364	-	1,067	17,297
Mortgage-backed securities	40,680	63	2,809	37,934
Total available-for-sale	<u>\$ 122,910</u>	<u>\$ 122</u>	<u>\$ 9,537</u>	<u>\$ 113,495</u>
Held-to-maturity:				
Other securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	December 31, 2024			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Available-for-sale:				
U.S. Government securities	\$ 20,186	\$ -	\$ 1,535	\$ 18,651
State and political subdivisions	43,936	-	6,818	37,118
Corporate securities	19,620	-	1,943	17,677
Mortgage-backed securities	41,026	6	4,191	36,841
Total available-for-sale	<u>\$ 124,768</u>	<u>\$ 6</u>	<u>\$ 14,487</u>	<u>\$ 110,287</u>
Held-to-maturity:				
Other securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The amortized cost and estimated fair value of debt securities at December 31, 2025, by contractual maturity, are presented in the following table. Expected maturities will differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or repayment penalties.

Note 3 – Investment Securities – (Continued)

	Available-for-Sale		Held-to-Maturity	
	Amortized		Amortized	
	Cost	Fair Value	Cost	Fair Value
Due in one year or less	\$ 5	\$ 5	\$ -	\$ -
Due after one year through five years	28,358	27,379	-	-
Due after five years through ten years	22,985	21,260	-	-
Due after ten years	30,882	26,917	-	-
Subtotal	82,230	75,561	-	-
Mortgage-backed securities	40,680	37,934	-	-
Total debt securities	<u>\$ 122,910</u>	<u>\$ 113,495</u>	<u>\$ -</u>	<u>\$ -</u>

Proceeds from sale of available-for-sale debt securities during 2025 were \$500. There were no gross gains or gross losses realized on this sale.

There were no sales of available-for-sale debt securities during 2024.

Investment securities with a carrying value of \$90,981 at December 31, 2025 and \$88,814 at December 31, 2024, were pledged as collateral for public deposits and other items as provided by law.

Gross unrealized losses and fair values, aggregated by investment category and length of time individual securities have been in a continuous unrealized loss position are shown below.

	December 31, 2025					
	Less than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
U.S. Government securities	\$ -	\$ -	\$ 17,348	\$ 769	\$ 17,348	\$ 769
State and political subdivisions	959	3	35,050	4,889	36,009	4,892
Corporate securities	-	-	16,045	1,067	16,045	1,067
Mortgage-backed securities	1,212	1	29,465	2,808	30,677	2,809
Total	<u>\$ 2,171</u>	<u>\$ 4</u>	<u>\$ 97,908</u>	<u>\$ 9,533</u>	<u>\$ 100,079</u>	<u>\$ 9,537</u>

	December 31, 2024					
	Less than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
U.S. Government securities	\$ -	\$ -	\$ 18,651	\$ 1,535	\$ 18,651	\$ 1,535
State and political subdivisions	561	1	36,557	6,817	37,118	6,818
Corporate securities	-	-	15,933	1,943	15,933	1,943
Mortgage-backed securities	825	1	32,900	4,190	33,725	4,191
Total	<u>\$ 1,386</u>	<u>\$ 2</u>	<u>\$ 104,041</u>	<u>\$ 14,485</u>	<u>\$ 105,427</u>	<u>\$ 14,487</u>

### Note 3 – Investment Securities – (Continued)

The table at December 31, 2025 includes four (4) securities that have unrealized losses for less than twelve months and one hundred sixty two (162) securities that have been in an unrealized loss position for twelve or more months. The table at December 31, 2024 includes five (5) securities that have unrealized losses for less than twelve months and one hundred seventy four (174) securities that have been in an unrealized loss position for twelve or more months.

Investment securities, other than mortgage-backed securities - The unrealized losses on the Company's investments in investment securities, other than mortgage-backed securities, were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2025.

Mortgage-backed securities - The unrealized losses on the Company's investments in mortgage-backed securities were caused by interest rate increases. The contractual cash flows of those investments are guaranteed by an agency of the U.S. government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost bases of the Company's investments. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2025.

### Note 4 – Loans and Leases

Major classifications of loans and leases are as follows:

	December 31,	
	2025	2024
Commercial	\$ 74,538	\$ 82,537
Consumer	4,358	3,063
Real estate:		
Construction	7,451	6,267
Farmland	9,638	10,303
Residential	128,347	134,545
Home equity lines of credit	52,856	51,350
Multi-family	18,820	19,479
Commercial	143,754	139,276
Gross loans and leases	439,762	446,820
Less: Allowance for credit losses	6,124	5,383
Loans and leases, net	<u>\$ 433,638</u>	<u>\$ 441,437</u>

Net unamortized loan and lease costs of \$0 at December 31, 2025 and \$0 at December 31, 2024 are included in the carrying value of loans and leases shown above.

Note 4 – Loans and Leases – (Continued)

	<u>Age Analysis of Past Due Loans</u>						Recorded Investment 90+ Days and Accruing
	<u>As of December 31</u>						
	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater	Total Past Due	Current	Total Loans	
<u>2025</u>							
Commercial	\$ 188	\$ 134	\$ 1,577	\$ 1,899	\$ 72,639	\$ 74,538	\$ -
Commercial real estate	6,330	245	3,692	10,267	169,396	179,663	-
Consumer	5	10	5	20	4,338	4,358	-
Residential	1,150	245	1,487	2,882	178,321	181,203	-
Total	<u>\$ 7,673</u>	<u>\$ 634</u>	<u>\$ 6,761</u>	<u>\$ 15,068</u>	<u>\$ 424,694</u>	<u>\$ 439,762</u>	<u>\$ -</u>
<u>2024</u>							
Commercial	\$ 2,097	\$ 458	\$ 775	\$ 3,330	\$ 79,207	\$ 82,537	\$ -
Commercial real estate	6,301	473	3,820	10,594	164,731	175,325	-
Consumer	1	1	-	2	3,061	-	-
Residential	1,911	744	1,503	4,158	181,737	188,958	-
Total	<u>\$ 10,310</u>	<u>\$ 1,676</u>	<u>\$ 6,098</u>	<u>\$ 18,084</u>	<u>\$ 428,736</u>	<u>\$ 446,820</u>	<u>\$ -</u>

*Credit Quality Indicators.* As part of the on-going monitoring of the credit quality of the Company's loan portfolio, management tracks certain credit quality indicators including trends related to (i) loan delinquency, (ii) the level of classified commercial loans, (iii) net charge-offs, (iv) non-performing loans (see details above) and (v) the general economic conditions in the State of Pennsylvania.

The Company utilizes a risk grading matrix to assign a risk grade to each of its commercial and residential loans. Loans are graded on a scale of 1 to 10. A description of the general characteristics of the 10 risk grades is as follows:

**Pass Credits (Rating 1 through 5):** Loans that are adequately protected by the current sound worth and debt service capacity of the borrower, guarantor, or the underlying collateral generally are considered pass credits. Similarly, loans to sound borrowers that are renewed or restructured in accordance with prudent underwriting standards are considered pass credits.

**Watch (Rating 6):** Watch credits are current and performing, but certain credit characteristics may have become impaired. Watch credits are those that require additional monitoring but do not fall into the problem asset grade.

**Special Mention (Rating 7):** A special mention asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special Mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

Note 4 – Loans and Leases – (Continued)

**Substandard Assets (Rating 8):** A substandard asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

**Doubtful Assets (Rating 9):** An asset classified doubtful has all the weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

**Loss Assets (Rating 10):** Assets classified loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future.

Credit Risk Profile by Payment Activity

	<u>Consumer</u>	
	<u>2025</u>	<u>2024</u>
Performing	\$ 4,353	\$ 3,062
Nonperforming	5	1
Total	<u>\$ 4,358</u>	<u>\$ 3,063</u>

Credit Quality Indicators as of December 31, 2025 and 2024

Commercial Credit Exposure Credit Risk Profile by Credit Worthiness Category

	<u>Commercial</u>		<u>Commercial Real Estate</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Pass	\$ 66,349	\$ 68,413	\$ 162,872	\$ 156,138
Watch	615	184	8,040	2,951
Special mention	4,736	7,852	926	969
Substandard	2,376	6,088	7,825	15,267
Doubtful	462	-	-	-
Total	<u>\$ 74,538</u>	<u>\$ 82,537</u>	<u>\$ 179,663</u>	<u>\$ 175,325</u>

Residential Credit Exposure Credit Risk Profile by Credit Worthiness Category

	<u>Residential</u>	
	<u>2025</u>	<u>2024</u>
Pass	\$ 177,248	\$ 180,806
Watch	413	366
Special mention	-	217
Substandard	3,542	4,506
Total	<u>\$ 181,203</u>	<u>\$ 185,895</u>

Note 4 – Loans and Leases – (Continued)

The Company separately determines any specific allocation of loss for individually analyzed loans in accordance with ASC 326-20 and adds that amount to the required reserve. If a loan is analyzed individually but the amount of expected credit loss is determined as zero, no reserve is required. If a loan is analyzed individually and a loss is expected a reserve for that loss shall be added to the allowance for credit loss.

Loans in excess of 180 days past due have been individually analyzed under ASC 326-20. Generally, the bank does not allocate a specific reserve for shortfalls where accounts exceed 180 days past due, rather the loss is recognized.

When a loan is collateral dependent, the recorded investment in excess of the fair value of the collateral that has been identified as uncollectible shall be promptly reserved or charged off against the allowance. A reserve for the shortfall may be deemed appropriate in the cases where the borrower is still making payments. Fair value of collateral is generally determined with a current appraisal.

Segmentation of the homogeneous portfolio includes the following categories identified: 1-4 family (owner occupied), 1-4 family junior lien loans, 1-4 family revolving lines of credit, 1-4 family (non-owner occupied), commercial real estate (owner occupied), commercial real estate (non-owner occupied), land development, student housing, C & I, unsecured (commercial), tax exempts and non-profits, and consumer & other.

The Company has calculated the average life of each segment in the portfolio adjusting for anomalies as appropriate. The changes in the average life are adjusted annually as necessary.

Additional risk factors are considered by management based on its judgment of selected environmental factors, specifically economic conditions, delinquency trends, concentrations and underwriting standards, changes in the value[s] of underlying collateral supporting loans in the Company’s homogeneous pools, changes in lending policy, changes in lending staff, changes in the Company’s loan review system, effect of external legal, regulatory and competitive factors and other qualitative adjustments as necessary. The Company evaluated suggested alternatives for calculating the qualitative factors related to economic and business conditions and implemented a matrix to measure these conditions.

Specifically Analyzed Loans  
For the Year Ended December 31, 2025

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial Real Estate	\$ 5,427	\$ 5,427	\$ -	\$ 5,593	\$ 165
Commercial	2,533	2,533	-	2,598	222
Consumer	-	-	-	-	-
Residential Real Estate	1,636	1,636	-	1,699	60
With an allowance recorded:					
Commercial Real Estate	1,472	1,472	2	1,486	156
Commercial	1,648	1,648	1,010	1,723	57
Consumer	-	-	-	-	-
Residential Real Estate	63	63	1	65	2
Total:	<u>\$ 12,779</u>	<u>\$ 12,779</u>	<u>\$ 1,013</u>	<u>\$ 13,164</u>	<u>\$ 662</u>
Commercial Real Estate	\$ 6,899	\$ 6,899	\$ 2	\$ 7,079	\$ 321
Commercial	\$ 4,181	\$ 4,181	\$ 1,010	\$ 4,321	\$ 279
Consumer	\$ -	\$ -	\$ -	\$ -	\$ -
Residential Real Estate	\$ 1,699	\$ 1,699	\$ 1	\$ 1,764	\$ 62

Note 4 – Loans and Leases – (Continued)

Specifically Analyzed Loans  
For the Year Ended December 31, 2024

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial Real Estate	\$ 5,753	\$ 5,753	\$ -	\$ 5,811	\$ 356
Commercial	3,023	3,023	-	2,376	177
Consumer	-	-	-	-	-
Residential Real Estate	1,998	1,998	-	2,320	103
With an allowance recorded:					
Commercial Real Estate	2,003	2,003	24	2,168	143
Commercial	724	724	89	781	48
Consumer	1	1	1	1	-
Residential Real Estate	132	132	3	70	8
Total:	<u>\$ 13,634</u>	<u>\$ 13,634</u>	<u>\$ 117</u>	<u>\$ 13,527</u>	<u>\$ 835</u>
Commercial Real Estate	\$ 7,756	\$ 7,756	\$ 24	\$ 7,979	\$ 499
Commercial	\$ 3,747	\$ 3,747	\$ 89	\$ 3,157	\$ 225
Consumer	\$ 1	\$ 1	\$ 1	\$ 1	\$ -
Residential Real Estate	\$ 2,130	\$ 2,130	\$ 3	\$ 2,390	\$ 111

*Non-Accrual and Past Due Loans.* Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on non-accrual status when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. Loans may be placed on non-accrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received in excess of principal due. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured with the minimum of a six month positive payment history.

Non-accrual loans at December 31, 2025 and 2024, segregated by class of loans, were as follows:

	2025	2024
Commercial	\$ 3,683	\$ 952
Commercial real estate	5,427	6,239
Consumer	5	1
Residential real estate	1,803	2,271
Total	<u>\$ 10,918</u>	<u>\$ 9,463</u>

Note 4 – Loans and Leases – (Continued)

Allowance for Credit Losses and Recorded Investment in Loans For The  
Year Ended December 31, 2025

	Commercial	Commercial Real Estate	Consumer	Residential	Unallocated	Total
Allowance for credit losses:						
Beginning balance	\$ 1,243	\$ 2,277	\$ 42	\$ 1,506	\$ 315	\$ 5,383
Expense for credit loss	810	130	90	(112)	(198)	720
Loans charged off	-	-	(78)	(10)	-	(88)
Recoveries	-	-	-	109	-	109
Ending balance	\$ 2,053	\$ 2,407	\$ 54	\$ 1,493	\$ 117	\$ 6,124
Ending balance:						
Individually evaluated	1,010	2	-	1	-	1,013
Ending balance:						
Collectively evaluated	\$ 1,043	\$ 2,405	\$ 54	\$ 1,492	\$ 117	\$ 5,111
Loans:						
Ending balance	\$ 74,538	\$ 179,663	\$ 4,358	\$ 181,203		\$ 439,762
Ending balance:						
Individually evaluated	4,181	6,899	-	1,699		12,779
Ending balance:						
Collectively evaluated	\$ 70,357	\$ 172,764	\$ 4,358	\$ 179,504		\$ 426,983

Note 4 – Loans and Leases – (Continued)

Allowance for Credit Losses and Recorded Investment in Loans For The  
Year Ended December 31, 2024

	Commercial	Commercial Real Estate	Consumer	Residential	Unallocated	Total
Allowance for credit losses:						
Beginning balance	\$ 1,127	\$ 2,322	\$ 30	\$ 1,616	\$ 90	\$ 5,185
Expense for credit loss	126	(45)	35	(98)	282	300
Loans charged off	(39)	-	(27)	(12)	(63)	(141)
Recoveries	29	-	4	-	6	39
Ending balance	\$ 1,243	\$ 2,277	\$ 42	\$ 1,506	\$ 315	\$ 5,383
Ending balance:						
Individually evaluated	89	24	1	3	-	117
Ending balance:						
Collectively evaluated	\$ 1,154	\$ 2,253	\$ 41	\$ 1,503	\$ 315	\$ 5,266
Loans:						
Ending balance	\$ 82,537	\$ 175,325	\$ 3,063	\$ 185,895		\$ 446,820
Ending balance:						
Individually evaluated	3,747	7,756	1	2,130		13,634
Ending balance:						
Collectively evaluated	\$ 78,790	\$ 167,569	\$ 3,062	\$ 183,765		\$ 433,186

The Company's allowance for credit losses is determined using a current expected credit loss (CECL) model. The CECL methodology recognizes lifetime expected credit losses immediately when a financial asset is originated or purchased. The allowance, in the judgment of management, is necessary to reserve for estimated credit losses and risks inherent in the underlying financial assets. The Company's allowance for credit loss methodology includes allowance allocations calculated in accordance with ASC 326-20, Financial instruments - Credit Losses - Measured at Amortized Cost. Accordingly, the methodology is based on historical loss experience by type of credit and internal risk grade, specific homogeneous risk pools and specific loss allocations, with adjustments for current events and conditions. The expense for credit losses reflects loan quality trends, including the levels of and trends related to non-accrual loans, past due loans, potential problem loans, criticized loans and net charge-offs or recoveries, among other factors. The expense for credit losses also reflects the totality of actions taken on all financial assets for a particular period. In other words, the amount of the expense reflects not only the necessary increases in the allowance for credit losses related to newly originated or acquired financial assets, but it also reflects actions taken to increase or decrease the necessary allowance related to any specifically analyzed credits and pools of financial assets with similar risk characteristics.

Note 4 – Loans and Leases – (Continued)

The Company has no commitments to loan additional funds to borrowers whose loans have been modified.

The Company grants commercial and consumer loans to customers primarily in Lycoming and Clinton Counties, Pennsylvania. The Company has a concentration of loans secured by real estate. Although the Company has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on, among other things, the economic conditions within Lycoming and Clinton Counties.

Transactions in the allowance for credit losses are summarized as follows:

	<u>Years Ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
Beginning balance	\$ 5,383	\$ 5,185
Expense for credit loss	720	300
Loans charged off	(88)	(141)
Recoveries of loans previously charged off	109	39
Ending balance	<u>\$ 6,124</u>	<u>\$ 5,383</u>

The Company considers a loan to be a modification when for economic or legal reasons related to a borrower's financial difficulties, the Company grants a concession to the borrower that it would not otherwise consider. The Company may consider granting a concession in an attempt to protect as much of its investment as possible.

The modification of a loan may include, but is not necessarily limited to (1) the transfer from the borrower to the Bank of real estate, receivables from third parties, other assets, or an equity interest in the borrower in full or partial satisfaction of the loan (2) the issuance or other granting of an equity interest to the Company by the borrower to satisfy fully or partially a debt unless the equity interest is granted pursuant to existing terms for converting the debt in to an equity interest (3) a modification of the loan terms, such as a reduction of the stated interest rate, principal, or accrued interest or an extension of the maturity date at a stated interest rate lower than the current market rate for new debt with similar risk, or (4) a reduction of the face amount or maturity amount of the debt as stated in the instrument or other agreement and (5) a reduction of accrued interest.

Note 4 – Loans and Leases – (Continued)

Gross loans as of December 31, 2025 made to borrowers experiencing financial difficulty that were modified during the year ended December 31, 2025 are as follows:

	<u>Interest Rate Reduction</u>	<u>Payment Deferral</u>	<u>Term Extension</u>	<u>Total</u>	<u>Percentage of Total Loans</u>
Commercial Real Estate	\$ -	\$ -	\$ 1,452	\$ 1,452	0.33%
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,452</u>	<u>\$ 1,452</u>	<u>0.33%</u>

The financial impact of the loan modifications made to borrowers experiencing financial difficulty during the year-ended December 31, 2025 provided a weighted average of 5 months to the life of the modified loans.

There were no modifications that subsequently defaulted during the 12 months ended December 31, 2025. The Bank did not forgive debt with the modification of any loans.

Age Analysis of Modified Loans  
As of December 31, 2025

	<u>30-89 Days Past Due</u>	<u>90+ Days Past Due</u>	<u>Non-Accrual</u>	<u>Current</u>	<u>Total</u>
Commercial Real Estate	\$ 997	\$ -	\$ -	\$ 455	1,452
Total	<u>\$ 997</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 455</u>	<u>\$ 1,452</u>

Gross loans as of December 31, 2024 made to borrowers experiencing financial difficulty that were modified during the year ended December 31, 2024 are as follows:

	<u>Interest Rate Reduction</u>	<u>Payment Deferral</u>	<u>Term Extension</u>	<u>Total</u>	<u>Percentage of Total Loans</u>
Commercial	\$ -	\$ 2,009	\$ 4,954	\$ 6,963	1.56%
Commercial Real Estate	-	2,784	197	2,981	0.62%
Residential	-	70	-	70	0.02%
Total	<u>\$ -</u>	<u>\$ 4,863</u>	<u>\$ 5,151</u>	<u>\$ 10,014</u>	<u>2.20%</u>

The financial impact of the loan modifications made to borrowers experiencing financial difficulty during the year-ended December 31, 2024 provided a weighted average payment delay of 6 months and added a weighted average 3.4 months to the life of the modified loans.

There were no modifications that subsequently defaulted during the 12 months ended December 31, 2024. The Bank did not forgive debt with the modification of any loans.

Note 4 – Loans and Leases – (Continued)

Age Analysis of Modified Loans  
As of December 31, 2024

	<u>30-89 Days Past Due</u>	<u>90+ Days Past Due</u>	<u>Non-Accrual</u>	<u>Current</u>	<u>Total</u>
Commercial	\$ -	\$ 1,848	\$ -	\$ 5,115	\$ 6,963
Commercial Real Estate	-	-	2,000	981	2,981
Residential	-	-	-	70	70
Total	<u>\$ -</u>	<u>\$ 1,848</u>	<u>\$ 2,000</u>	<u>\$ 6,166</u>	<u>\$ 10,014</u>

Note 5 – Bank Premises and Equipment

Bank premises and equipment are summarized as follows:

	<u>December 31,</u>	
	<u>2025</u>	<u>2024</u>
Land	\$ 3,108	\$ 3,108
Bank premises	11,997	11,820
Furniture and equipment	2,455	2,388
Capitalized software	560	560
Total	<u>18,120</u>	<u>17,876</u>
Less: accumulated depreciation	7,473	6,970
Bank premises and equipment, net	<u>\$ 10,647</u>	<u>\$ 10,906</u>

Depreciation of bank premises and equipment charged to operations amounted to \$503 and \$496 for the years ended December 31, 2025 and 2024, respectively.

Note 6 – Cash Surrender Value of Life Insurance

The Company has purchased Bank Owned Life Insurance (BOLI) policies on certain officers. The policies are split-dollar life insurance policies which provide for the Company to receive the cash value of the policy and to split the residual proceeds with the officer's designated beneficiary upon the death of the insured, while the officer is employed at the Company. The majority of the residual proceeds are retained by the Company per the individual agreements with the insured officers.

Note 7 – Restricted Stock

Restricted stock at December 31, 2025 and 2024 consisted of Federal Home Loan Bank (FHLB), Federal Reserve Bank (FRB) Atlantic Community Bankers Bank (ACBB), and COCC stock, which are required investments in order to participate in various programs including an available line of credit program. All restricted stock is stated at par value as they are restricted to purchases and sales with the various institutions.

## Note 8 – Deposits

The composition of deposits is as follows:

	December 31,	
	2025	2024
Demand - non-interest bearing	\$ 150,515	\$ 146,794
Demand - interest bearing	151,356	152,740
Savings	133,893	120,579
Time - over \$250,000	15,830	18,597
Time - other	101,995	97,234
Total	<u>\$ 553,589</u>	<u>\$ 535,944</u>

The scheduled maturities of time deposits at December 31, 2025 are as follows:

2026	\$ 106,073
2027	6,634
2028	2,842
2029	1,551
2030	725
Total	<u>\$ 117,825</u>

Time deposits of \$250,000 or more totaled \$15,830 and \$18,597 at December 31, 2025 and 2024, respectively. Interest expense related to these deposits was \$518 and \$518 in 2025 and 2024, respectively.

## Note 9 – Short-Term Borrowings

Securities sold under agreements to repurchase and Federal funds purchased generally mature within 1 to 30 days. Federal Home Loan Bank advances mature within one year of issuance date.

A summary of short-term borrowings is as follows:

	Years Ended December 31,	
	2025	2024
Amount outstanding at year-end	\$ 4,000	\$ 155
Average interest rate at year-end	6.75%	5.50%
Maximum amount outstanding at any month-end	\$ 4,000	\$ 36,000
Average amount outstanding	\$ 1,447	\$ 20,851
Average interest rate	7.02%	5.13%

There were no investment securities pledged to secure repurchase agreements at December 31, 2025 or 2024.

### Note 9 – Short-Term Borrowings – (Continued)

The Bank has the availability of Federal funds credit lines of \$5,500, and the Company has an additional line of credit of \$5,000 with a correspondent bank. Outstanding balances on the lines were \$4,000 at December 31, 2025 and \$155 at December 31, 2024.

The Bank has available three types of borrowings with the Federal Home Loan Bank (FHLB). Advances under the FHLB “Open RepoPlus” are short-term borrowings maturing within one year and bear interest at a variable rate based on a requested interest payment frequency. Advances under the FHLB “RepoPlus” and “Mid-Term Repo” are borrowings maturing from 1 day to 3 years and bear interest at a fixed rate or an adjustable rate set at the time of funding. The Bank has a borrowing limit under this arrangement of approximately \$221,493, exclusive of any outstanding advances. All advances are collateralized by the Bank’s FHLB stock and certain permitted bank loans and securities under a floating-lien agreement.

### Note 10 – Long-Term Debt

Long-term debt consists of two loans with FHLB. These loans bear interest at rates which range from 4.75% to 5.05% per annum and mature in the year 2026.

The following table summarizes the maturities of borrowed funds at December 31, 2025:

2026	\$	10,000
Total	\$	<u>10,000</u>

### Note 11 – Income Taxes

The components of applicable income taxes are as following:

	<u>Years Ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
Current payable	\$ 209	\$ (240)
Deferred taxes	555	495
Provision for income taxes	<u>\$ 764</u>	<u>\$ 255</u>

Note 11 – Income Taxes – (Continued)

The tax effects of deductible and taxable temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	December 31,	
	2025	2024
Deferred tax assets:		
Allowance for credit losses	\$ 1,308	\$ 1,152
Deferred expenses	674	629
Investment in limited partnership	43	33
Net operating loss	-	767
Unrealized holding loss on available-for-sale securities	1,977	3,041
Total	<u>4,002</u>	<u>5,622</u>
Deferred tax liabilities:		
Premises and equipment	268	270
Securities discount accretion	22	21
Total	<u>290</u>	<u>291</u>
Deferred tax asset, net	<u>\$ 3,712</u>	<u>\$ 5,331</u>

The reconciliation between the expected statutory income tax rate and the effective income tax rate is as follows:

	Years Ended December 31,			
	2025		2024	
	Amount	%	Amount	%
Provision at statutory rate	\$ 1,253	21.0	\$ 704	21.0
Tax-exempt income	(320)	(5.4)	(288)	(8.6)
Nondeductible interest expense	25	0.4	27	0.8
Other items	(194)	(3.2)	(188)	(5.6)
Total	<u>\$ 764</u>	<u>12.8</u>	<u>\$ 255</u>	<u>7.6</u>

Note 12 – Commitments and Contingencies

The Bank leases facilities and office equipment under noncancellable operating leases which expire in various years through 2044. The minimum annual rental commitments under these leases at December 31, 2025 are as follows:

2026	\$ 4
2027	5
2028	5
2029	5
2030	5
Thereafter	70
Total	<u>\$ 94</u>

The total rental expense for these operating leases in 2025 and 2024 amounted to \$10 and \$10, respectively.

### Note 13 – Employee Benefit Plans

The Company maintains a defined contribution benefit plan under Section 401(k) of the Internal Revenue Code, which covers substantially all eligible employees. This plan permits employees to make contributions, which are matched by the Company based on a percentage of the employee's compensation, subject to certain restrictions. The cost of this plan is charged to operating expense annually as benefit costs are incurred. The Company's contribution to the plan was \$236 and \$247 for the years ended December 31, 2025 and 2024, respectively.

The Company has a supplemental non-qualified, non-funded retirement plan, for which the Company has purchased cost recovery life insurance on the lives of the participants. The Company is the owner and beneficiary of such policies. The amount of the coverage is designed to provide sufficient revenues to cover all costs of the plan if assumptions made as to mortality experience, policy earnings and other factors are realized. As of December 31, 2025 and 2024, the cash surrender value of these policies was \$10,539 and \$10,252, respectively.

### Note 14 – Employee Stock Purchase Plan

The Company has an employee stock purchase plan that allows participating employees to purchase, through payroll deductions, shares of the Company's common stock at 90% of the fair market value at specified dates. Under the plan, employees purchased 2,495 shares in 2025 and 2,149 shares in 2024. There were 732 common shares available for issuance under this plan at December 31, 2025.

### Note 15 – Related Party Transactions

In the normal course of business, loans are extended to directors, executive officers and their associates. In management's opinion, all of these loans are on substantially the same terms and conditions as loans to other individuals and businesses of comparable creditworthiness.

A summary of loan activity for those directors, executive officers, and their associates for the years ended December 31, 2025 and 2024 is as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
2025	\$ 9,467	\$ 2,142	\$ 3,384	\$ 8,225
2024	\$ 8,978	\$ 3,319	\$ 2,830	\$ 9,467

The Company held related party deposits of \$5,603 and \$5,430 at December 31, 2025 and 2024, respectively.

## Note 16 – Other Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheets, such items, along with net income, are components of comprehensive income. A summary of other comprehensive income for the years ended December 31, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Components of other comprehensive income:		
Unrealized holding gains arising during the year	\$ 5,066	\$ 1,210
Reclassification adjustment for investment securities:		
Losses included in net income during the year	-	-
Net unrealized gains	<u>5,066</u>	<u>1,210</u>
Tax effect	<u>(1,064)</u>	<u>(254)</u>
Other comprehensive income	<u>\$ 4,002</u>	<u>\$ 956</u>

## Note 17 – Off-Balance Sheet Risk

In the normal course of business, there are outstanding commitments and contingent liabilities, created under prevailing terms and collateral requirements such as commitments to extend credit, financial guarantees and letters of credit, which are not reflected in the accompanying Financial Statements. The Company does not anticipate any losses as a result of these transactions. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Balance Sheets.

The contract or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

Financial instruments whose contract amounts represent credit risk at December 31, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Commitments to extend credit	\$ 8,680	\$ 1,446
Unfunded commitments under lines of credit	\$ 111,108	\$ 109,971
Standby letters of credit	\$ 2,792	\$ 2,539

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 expiration dates of one year or less 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.

Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Various actions and proceedings are presently pending to which the Company is a party. Management is of the opinion that the aggregate liabilities, if any, arising from such actions would not have a material adverse effect on the financial position of the Company.

## Note 18 – Regulatory Matters

The Company and the Bank are subject to various regulatory capital requirements administered by its primary federal regulator, the Federal Reserve Bank (FRB) and the Commonwealth of Pennsylvania Department of Banking and Securities. Failure to meet the minimum regulatory capital requirements can initiate certain mandatory, and possible additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under the capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's and the Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the following Capital Adequacy table) of Tier I, Common Equity Tier I and Total Capital to risk-weighted assets and of Tier I Capital to average assets (Leverage ratio). The table also presents the Company's actual capital amounts and ratios. Management believes, as of December 31, 2025 and 2024, that the Company and the Bank meet all capital adequacy requirements to which they are subject.

As of December 31, 2025 and 2024, the Bank was categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as "well capitalized", the Bank must maintain minimum ratios as set forth in the table. There are no conditions or events since December 31, 2025 that management believes have changed the Bank's categorization.

The following table reflects the Company's and Bank's actual regulatory capital and ratios as well as the ratios required for the Company and Bank to be considered adequately capitalized under the regulatory framework for prompt corrective action.

	Actual		For Capital Adequacy Purposes		To Be "Well Capitalized"	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<u>December 31, 2025</u>						
Total Capital (to Risk-Weighted Assets)						
Company	\$ 60,612	12.7%	\$ 38,294	8.0%	N/A	N/A
Bank	\$ 60,906	12.7%	\$ 38,318	8.0%	\$ 47,897	10.0%
Tier 1 Capital (to Risk-Weighted Assets)						
Company	\$ 50,626	10.6%	\$ 28,720	6.0%	N/A	N/A
Bank	\$ 54,916	11.5%	\$ 28,738	6.0%	\$ 38,318	8.0%
Common Equity Tier 1 (to Risk-Weighted Assets)						
Company	\$ 50,626	10.6%	\$ 21,540	4.5%	N/A	N/A
Bank	\$ 54,916	11.5%	\$ 21,554	4.5%	\$ 31,133	6.5%
Tier 1 Capital (to Average Assets)						
Company	\$ 50,626	7.9%	\$ 25,619	4.0%	N/A	N/A
Bank	\$ 54,916	8.6%	\$ 25,629	4.0%	\$ 32,037	5.0%

Note 18 – Regulatory Matters - (Continued)

	Actual		For Capital Adequacy Purposes		To Be “Well Capitalized”	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<u>December 31, 2024</u>						
Total Capital (to Risk-Weighted Assets)						
Company	\$ 56,580	11.8%	\$ 38,222	8.0%	N/A	N/A
Bank	\$ 56,517	11.8%	\$ 38,222	8.0%	\$ 47,778	10.0%
Tier 1 Capital (to Risk-Weighted Assets)						
Company	\$ 47,092	9.9%	\$ 28,667	6.0%	N/A	N/A
Bank	\$ 51,030	10.7%	\$ 28,667	6.0%	\$ 38,222	8.0%
Common Equity Tier 1 (to Risk-Weighted Assets)						
Company	\$ 47,092	9.9%	\$ 21,500	4.5%	N/A	N/A
Bank	\$ 51,030	10.7%	\$ 21,500	4.5%	\$ 31,055	6.5%
Tier 1 Capital (to Average Assets)						
Company	\$ 47,092	7.6%	\$ 24,845	4.0%	N/A	N/A
Bank	\$ 51,030	8.2%	\$ 24,842	4.0%	\$ 31,053	5.0%

Restrictions imposed by Federal Reserve Regulation H limit dividend payments in any year to the current year's net income plus the retained net income of the prior two years without the prior regulatory approval of the Federal Reserve Bank. Accordingly, Bank dividends in 2026 may not exceed Bank net income for 2026 plus \$5,662. Additionally, banking regulations limit the amount of dividends that may be paid to the Company by the Bank without prior approval of the Bank's regulatory agency.

The Bank is subject to regulatory restrictions that limit its ability to loan or advance funds to the Company. At December 31, 2025, the regulatory lending limit amounted to approximately \$9,172.

## Note 19 – Fair Value of Financial Instruments

The following table presents information about the Company's assets and liabilities measured at fair value on a recurring and nonrecurring basis as of December 31, 2025 and 2024, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Fair values determined by Level 2 inputs utilize information other than the quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement, in its entirety, falls has been determined based on the lowest level input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

	Fair Value Measurements at December 31, 2025 Using			
	Quoted Prices in Active Markets for Identical Instrument (Level 1)	Significant Other Observable Input (Level 2)	Significant Unobservable Input (Level 3)	Total
Assets Measured at Fair Value on a Recurring Basis:				
Available-for-sale securities:				
U.S. Government securities	\$ 17,348	\$ -	\$ -	\$ 17,348
States and political subdivisions	-	40,916	-	40,916
Corporate securities	-	17,297	-	17,297
Mortgage-backed securities	-	37,934	-	37,934
Assets Measured at Fair Value on a Nonrecurring Basis:				
Specifically analyzed loans	\$ -	\$ -	\$ 11,766	\$ 11,766
Restricted stock	-	-	1,248	1,248

Note 19 – Fair Value of Financial Instruments – (Continued)

	Fair Value Measurements at December 31, 2024 Using			
	Quoted Prices in Active Markets for Identical Instrument (Level 1)	Significant Other Observable Input (Level 2)	Significant Unobservable Input (Level 3)	Total
Assets Measured at Fair Value on a Recurring Basis:				
Available-for-sale securities:				
U.S. Government securities	\$ 18,651	\$ -	\$ -	\$ 18,651
States and political subdivisions	-	37,118	-	37,118
Corporate securities	-	17,677	-	17,677
Mortgage-backed securities	-	36,841	-	36,841
Assets Measured at Fair Value on a Nonrecurring Basis:				
Specifically analyzed loans	\$ -	\$ -	\$ 13,517	\$ 13,517
Restricted stock	-	-	1,656	1,656

Analyzed loans, which are measured primarily using the fair value of the collateral for collateral dependent loans, were approximately \$12,779, with an allowance for credit losses of approximately \$1,013 for the year ended December 31, 2025 and approximately \$13,634, with an allowance for credit losses of approximately \$117 for the year ended December 31, 2024.

The carrying values and estimated fair values of financial instruments of the Company are as follows:

	December 31, 2025				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
<b>FINANCIAL ASSETS</b>					
Cash and cash equivalents	\$ 32,182	\$ 32,182	\$ -	\$ -	\$ 32,182
Investment securities	113,495	17,348	96,147	-	113,495
Loans and leases, net	433,638	-	-	422,110	422,110
Accrued interest receivable	1,952	-	1,952	-	1,952
Cash surrender value of life insurance	13,125	-	13,125	-	13,125
Restricted stock	1,248	-	-	1,248	1,248
<b>FINANCIAL LIABILITIES</b>					
Deposits	\$ 553,589	\$ -	\$ 553,426	\$ -	\$ 553,426
Borrowed funds	14,000	-	14,068	-	14,068
Accrued interest payable	567	-	567	-	567

Note 19 – Fair Value of Financial Instruments – (Continued)

	December 31, 2024				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
<b>FINANCIAL ASSETS</b>					
Cash and cash equivalents	\$ 10,255	\$ 10,255	\$ -	\$ -	\$ 10,255
Investment securities	110,287	18,651	91,636	-	110,287
Loans and leases, net	441,437	-	-	422,298	422,298
Accrued interest receivable	1,963	-	1,963	-	1,963
Cash surrender value of life insurance	12,782	-	12,782	-	12,782
Restricted stock	1,656	-	-	1,656	1,656
<b>FINANCIAL LIABILITIES</b>					
Deposits	\$ 535,944	\$ -	\$ 535,443	\$ -	\$ 535,443
Borrowed funds	24,106	-	24,021	-	24,021
Accrued interest payable	649	-	649	-	649

Generally Accepted Accounting Principles (GAAP) require disclosure of the estimated fair value of an entity's assets and liabilities considered to be financial instruments. For the Company, as for most financial institutions, the majority of its assets and liabilities are considered financial instruments. However, many such instruments lack an available trading market, as characterized by a willing buyer and seller engaging in an exchange transaction. Also, it is the Company's general practice and intent to hold its financial instruments to maturity and not to engage in trading or sales activities, except for certain loans and investments. Therefore, the Company had to use significant estimates and present value calculations to prepare this disclosure.

Changes in the assumptions or methodologies used to estimate fair values may materially affect the estimated amounts. Also, management is concerned that there may not be reasonable comparability between institutions due to the wide range of permitted assumptions and methodologies in the absence of active markets. This lack of uniformity gives rise to a high degree of subjectivity in estimating financial instrument fair values.

Estimated fair values have been determined by the Company using the best available data and an estimation methodology suitable for each category of financial instruments. The estimation methodologies used at December 31, 2025 and December 31, 2024 are outlined below. The methodologies for estimating the fair value of financial assets and financial liabilities that are measured at fair value on a recurring or non-recurring basis are discussed in the fair value measurements section above. The estimated fair value approximates carrying value for cash and cash equivalents, accrued interest and the cash surrender value of life insurance policies. The methodologies for other financial assets and financial liabilities are discussed below:

Investment securities - The fair value of investment securities is based on quoted market prices, where available. If quoted market prices are not available, external pricing services that approximate fair value are used.

#### Note 19 – Fair Value of Financial Instruments – (Continued)

Loans - Fair values are estimated for portfolios of loans with similar financial characteristics. For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying amounts. The fair values for other loans are estimated using discounted cash flow analysis, based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

Restricted stock - All restricted stock is stated at par value as they are restricted to purchases and sales with the various institutions.

Deposits - The fair value of deposits with no stated maturity is the amount payable on demand as of December 31, 2025 and 2024. For time deposits, fair value is estimated by discounting the contractual cash flows using a discount rate equal to the rate currently offered for similar deposits of similar maturities.

Borrowed Funds - Rates available to the Company for borrowed funds with similar terms and remaining maturities are used to estimate the fair value of borrowed funds.

#### Note 20 – Condensed Financial Statements of Parent Company

The condensed financial statements for Woodlands Financial Services Company are as follows:

<b>BALANCE SHEETS</b>	December 31,	
	2025	2024
<u>ASSETS</u>		
Cash and cash equivalents	\$ 46	\$ 5
Investment in subsidiaries	47,497	39,595
Other assets	96	3
Total Assets	<u>\$ 47,639</u>	<u>\$ 39,603</u>
 <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Borrowed funds	\$ 4,000	\$ 3,951
Other liabilities	364	-
Stockholders' equity	43,275	35,652
Total Liabilities and Stockholders' Equity	<u>\$ 47,639</u>	<u>\$ 39,603</u>
 <u>STATEMENTS OF INCOME</u>		
Years Ended December 31,		
	2025	2024
Dividends from subsidiaries	\$ 1,622	\$ 1,626
Equity in undistributed earnings of subsidiaries	3,899	1,777
Expenses	(319)	(292)
Net income	<u>\$ 5,202</u>	<u>\$ 3,111</u>

Note 20 – Condensed Financial Statements of Parent Company – (Continued)

**STATEMENTS OF CASH FLOWS**

	Years Ended December 31,	
	2025	2024
Operating Activities:		
Net income	\$ 5,202	\$ 3,111
Adjustments to reconcile net income to net cash provided by operating activities		
Equity in undistributed earnings of subsidiaries	(3,899)	(1,777)
(Increase) Decrease in other assets	(93)	64
Increase in other liabilities	364	-
Net cash provided by operating activities	<u>1,574</u>	<u>1,398</u>
Investing Activities:		
Investment in subsidiaries	-	-
Net cash provided by investing activities	<u>-</u>	<u>-</u>
Financing Activities:		
Increase in borrowed funds	49	9
Issuance of common stock	40	35
Purchase of treasury stock	-	-
Dividends paid	(1,622)	(1,619)
Net cash used in financing activities	<u>(1,533)</u>	<u>(1,575)</u>
Increase (decrease) in cash and cash equivalents	41	(177)
Cash and cash equivalents at January 1	<u>5</u>	<u>182</u>
Cash and cash equivalents at December 31	<u>\$ 46</u>	<u>\$ 5</u>



## WOODLANDS BANK

### BOARD OF DIRECTORS

Jay B. Alexander, Chairman  
William C. Brown  
Jon P. Conklin  
Marc D. Lewis  
Melvin W. Lewis, Vice Chairman  
George E. Logue, Jr.  
Trisha Gibbons Marty  
Thomas G. Stubler  
Theodore J. Weiss

### COMMUNITY BOARD MEMBERS

Seth Alberts  
Gregory Anthony  
Daniel Forrestal  
William Forse  
Michael Gaetano  
Nathan Grenoble  
Darin Hamm  
Charles Imbro  
William Kieser  
Adam Kordes  
Arthur Nonemaker  
Clyde Peeling  
Michael Philbin  
Pamela Schurer-Keefer  
Betty Steinbacher

### BANK OFFICERS

Timothy J. Bennett, Vice President  
Brian S. Brooking, Vice President & Secretary  
Jon P. Conklin, President & CEO  
John J. Engel, Jr., Vice President  
Joseph F. Farley, Executive Vice President & CFO/COO  
David L. Fortin, Jr., Vice President  
Andrew J. Gallagher, Vice President  
Matthew A. Gaugler, Vice President  
Kelly M. Gillis, Vice President  
Sheri A. Grozier, Vice President  
Shelly A. Hepler, Vice President  
Jeanette L. Kitchen, Vice President  
Richard A. Kuczawa, Vice President  
Mark Rice, Vice President

## WOODLANDS FINANCIAL SERVICES COMPANY

### BOARD OF DIRECTORS

Jay B. Alexander, Chairman  
William C. Brown  
Jon P. Conklin  
Marc D. Lewis  
Melvin W. Lewis, Vice Chairman  
George E. Logue, Jr.  
Trisha Gibbons Marty  
Thomas G. Stubler  
Theodore J. Weiss

### BOARD OF DIRECTORS EMERITI

R. Edward Alberts  
Donald E. Alsted  
Richard H. Baker  
Robert E. Forse  
David L. Shollenberger

### OFFICERS

Brian S. Brooking, Vice President & Secretary  
Jon P. Conklin, President & CEO  
Joseph F. Farley, Vice President & Treasurer  
Kelly M. Gillis, Vice President & Assistant Secretary



## OFFICES LOCATED AT:

### HALLS STATION

973 Lycoming Mall Drive  
Pennsdale, PA 17756  
570-546-5001

### JERSEY SHORE

1146 Allegheny Street  
Jersey Shore, PA 17740  
570-398-2850

### WILLIAMSPORT

213 West Fourth Street  
Williamsport, PA 17701  
570-321-1600

### LOYALSOCK

2450 East Third Street  
Williamsport, PA 17701  
570-327-5263

### NEWBERRY

1980 West Fourth Street  
Williamsport, PA 17701  
570-327-1550

### SOUTH WILLIAMSPORT

618 West Southern Ave.  
So. Williamsport, PA 17702  
570-323-5263

### HUGHESVILLE

2 South Main Street  
Hughesville, PA 17737  
570-584-2385

### LOCK HAVEN

202 North Jay Street  
Lock Haven, PA 17745  
570-748-5166

## WOODLANDS FINANCIAL SERVICES COMPANY COMMON STOCK

is traded over-the-counter  
under the symbol of WDFN  
The following brokers make a market  
in the common stock:

D.A. Davidson & Co.  
Tom Dooley, SVP, Community Bank Professional  
3773 Attucks Drive  
Powell, OH 43065  
800-394-9230

Janney Montgomery Scott, LLC  
Eugene Bodo  
Managing Director  
Institutional Equity Sales  
215-665-6566

## REGISTRAR & TRANSFER AGENT:

Broadridge Corporate Issuer Solutions  
P.O. Box 1342  
Brentwood, NY 11717  
844-318-0132  
or  
<https://shareholder.broadridge.com/wdfn/>  
or  
[shareholder@broadridge.com](mailto:shareholder@broadridge.com)

Woodlands Bank is a Pennsylvania State  
Chartered Bank and a member of the  
Federal Reserve System and the Federal  
Deposit Insurance Corporation.  
Deposits are insured up to \$250,000.  
Member FDIC - Equal Housing Lender



visit our website at [woodlandsbank.com](http://woodlandsbank.com)