

2025

ANNUAL REPORT

# Board Of Directors



**Thomas K. Prescott**  
Chairman of the Board  
Owner-Operator  
Prescott Brothers  
Board Member Since 2005



**Kenneth D. Otterbach**  
Vice Chairman of the Board  
Farmer  
Board Member Since 2004



**Kirk L. Ross**  
President/CEO  
First State Bank  
Board Member Since 2024



**Spencer T. Cohn**  
Director  
Castle Creek Capital  
Board Member Since 2023



**Matthew Faber**  
Farmer  
Board Member Since 2018



**John Holland**  
Corporate Controller  
HCC, Inc.  
Board Member Since 2020



**Julie Setchell**  
Owner - Mendota Sport Shop  
Board Member Since 2005



**Kathleen Stevenson**  
Partner, Guilfoyle  
and Stevenson, LLP  
Board Member Since 2019



**Goodwin Toraason**  
Retired Banking Professional  
Board Member Since 1995

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### Directors Emeriti

Kent Carnahan  
Matthew Carroll  
Douglas P. Fitzgerald  
Timothy J. McConville  
Robert Merritt  
Robert F. Vickrey





# MENDOTA HEADQUARTERS

706 WASHINGTON STREET  
MENDOTA, IL 61342

To Our Shareholders:

Thank you for your continued support of Tri-County Financial Group, Inc. The employees of First State Bank and its subsidiaries First State Insurance and First State Mortgage have been working very hard to try and provide you with a fair return as a shareholder while maintaining the excellent customer service we strive to provide for our customers.

I am pleased to report to you that 2025 was a good year for the company. Earnings per share were \$5.73, an increase of \$1.41 or 32.6% over 2024. Most of this increase can be attributed to an increase in the net interest margin. Short term rates have been declining faster than intermediate and long-term rates, creating a more normal yield curve. Net interest margin for 2025 was in excess of \$7.0 million higher in 2025 than in 2024. Net income for 2025 was \$13.7 million, an increase of \$3.3 million over 2024.

Net Stockholder's Equity increased over \$14.6 million in 2025, a 10% increase after paying dividends of \$2.4 million in 2025. Market price of the company's shares have increased from \$45.50 at December 31, 2024 to \$49.10 as of December 31, 2025, which is a 7.9% increase. More recently, the stock has traded at \$52.00 per share, a 52- week high price.

As we move forward into 2026, we will continue to look for ways to provide products and services the customers expect while increasing the return to shareholders. We continue to strive to be the dominant provider of financial services in the northern half of Illinois.

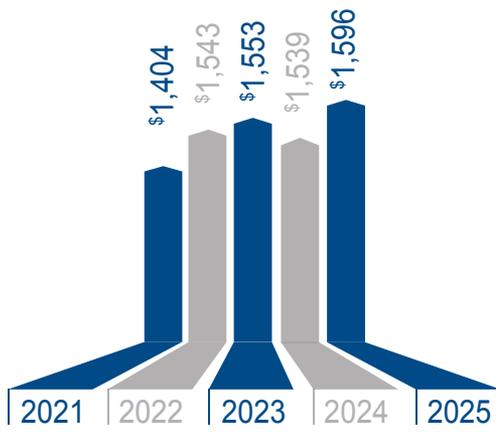
Thank you for your continued support of Tri-County Financial Group, Inc. and First State Bank.

Sincerely,

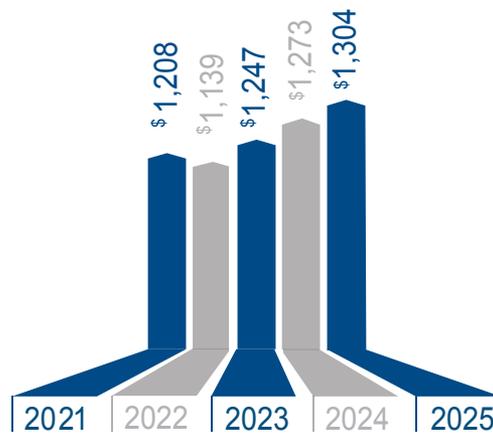
A handwritten signature in cursive script that reads "Kirk L. Ross".

Kirk L. Ross  
President/CEO

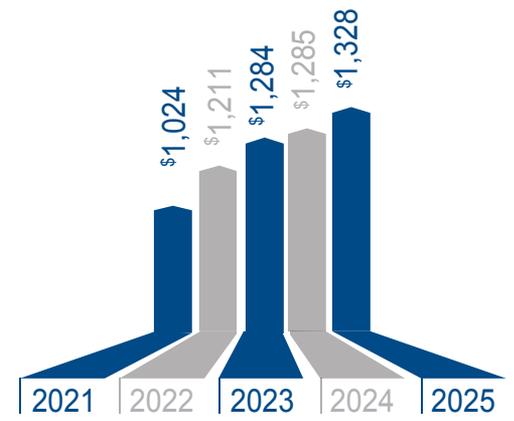
## Graphs of Financial Progress of Tri-County Financial Group, Inc.



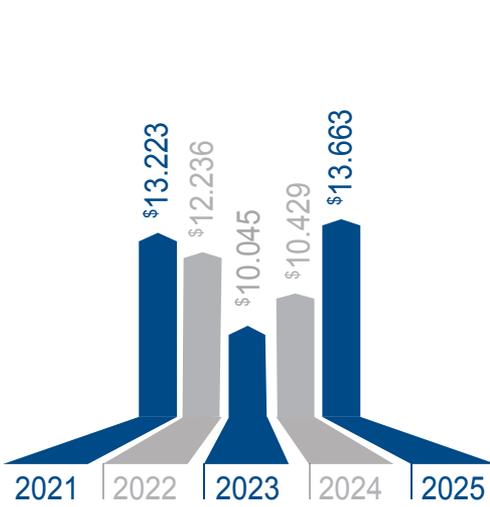
Year End Total Assets (millions)



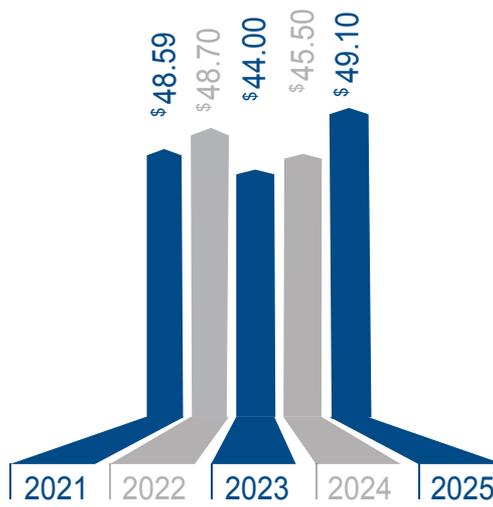
Year End Total Deposits (millions)



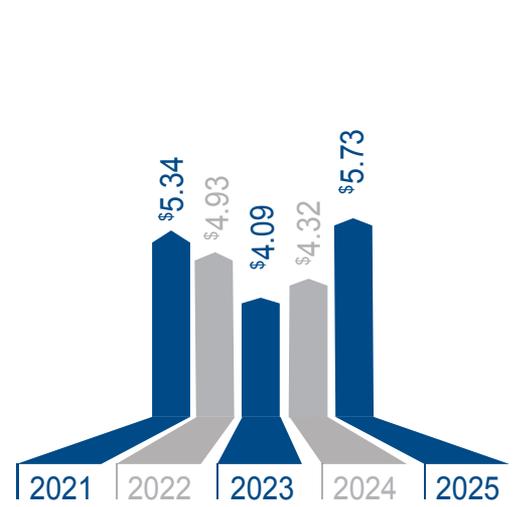
Year End Total Gross Loans (millions)



Year End Net Income (millions)



Stock Price (Market Value) (dollars)



Basic Earnings Per Share (dollars)

## Report of Independent Registered Public Accounting Firm

To the Shareholders, Board of Directors, and Audit Committee  
Tri-County Financial Group, Inc. and Subsidiaries  
Mendota, Illinois

### ***Opinion on the Consolidated Financial Statements***

We have audited the accompanying consolidated balance sheets of Tri-County Financial Group, Inc. and Subsidiaries (the "Company") as of December 31, 2025 and 2024, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2025, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above 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 each of the years in the two-year period ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits.

We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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

***Forvis Mazars, LLP***

We have served as the Company's auditor since 2019.

**St. Louis, Missouri**  
**March 6, 2026**

**TRI-COUNTY FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

December 31, 2025 and 2024

(000s omitted except share data)

A S S E T S	2025	2024
Cash and due from banks	\$46,193	\$42,418
Federal funds sold	3,446	2,558
Cash and cash equivalents	49,639	44,976
Debt securities available-for-sale, at fair value (amortized cost \$162,742 and \$158,009, respectively)	154,207	143,735
Federal Home Loan Bank stock, at cost	3,572	3,420
Mortgage loans held for sale	12,688	9,011
Loans, net of allowance for credit losses of \$14,992 and \$14,444, respectively	1,300,302	1,261,965
Bank-owned life insurance	20,844	20,269
Foreclosed assets, net	101	920
Bank premises and equipment, net	24,330	25,344
Goodwill and other intangibles	8,678	8,700
Accrued interest receivable	8,222	7,474
Other assets	13,138	13,470
Total assets	\$1,595,721	\$1,539,284
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities:		
Deposits:		
Noninterest-bearing	\$167,062	\$176,978
Interest-bearing	1,136,861	1,096,318
Total deposits	1,303,923	1,273,296
Federal Home Loan Bank advances and other borrowings	77,917	67,917
Securities sold under agreements to repurchase	23,105	22,679
Dividends payable	607	611
Accrued interest payable and other liabilities	22,539	21,753
Subordinated debt, net of debt issuance costs of \$146 and \$166, respectively	9,859	9,834
Total liabilities	1,437,950	1,396,090
Stockholders' equity:		
Common stock, \$1 par value; 5,000,000 shares authorized; 2,375,138 and 2,394,193 shares issued and outstanding, respectively	2,375	2,394
Additional paid-in-capital	20,426	21,212
Retained earnings	141,073	129,793
Accumulated other comprehensive loss	(6,103)	(10,205)
Total stockholders' equity	157,771	143,194
Total liabilities and stockholders' equity	\$1,595,721	\$1,539,284

See Notes to Consolidated Financial Statements.

# TRI-COUNTY FINANCIAL GROUP, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2025 and 2024

(000s omitted except share data)

	<b>2025</b>	<b>2024</b>
Interest income:		
Loans, including fees	\$75,231	\$71,553
Debt securities:		
Taxable	2,607	2,444
Tax-exempt	1,533	1,532
Mortgage loans held for sale, including fees	1,344	1,437
Dividends	324	392
Other	989	538
Total interest income	82,028	77,896
Interest expense:		
Deposits	27,937	29,848
Federal Home Loan Bank advances and other borrowings	3,229	4,196
Securities sold under agreements to repurchase	766	944
Total interest expense	31,932	34,988
Net interest income	50,096	42,908
Credit loss (recovery) of credit loss expense on loans	729	(1,446)
Credit loss (recovery) of credit loss expense on off-balance sheet credit exposures	(70)	162
Net interest income after credit loss expense	49,437	44,192
Non-interest income:		
Trust department	242	268
Customer-service fees	1,306	1,244
Mortgage banking	11,257	9,924
Insurance services	1,752	1,406
Other	2,677	2,790
Total non-interest income	17,234	15,632
Non-interest expenses:		
Salaries and employee benefits	32,216	31,063
Occupancy	2,685	2,744
Furniture and equipment	1,128	1,164
Other	12,169	10,996
Total non-interest expenses	48,198	45,967
Income before income taxes	18,473	13,857
Income tax expense	4,810	3,428
Net income	\$13,663	\$10,429
Earnings per common share:		
Basic	\$5.73	\$4.32
Diluted	\$5.67	\$4.28

See Notes to Consolidated Financial Statements.

**TRI-COUNTY FINANCIAL GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

For the years ended December 31, 2025 and 2024

(000s omitted except share data)

	<b>2025</b>	<b>2024</b>
Net income	\$13,663	\$10,429
Other comprehensive income (loss):		
Unrealized holding gains (losses) on available-for-sale debt securities	5,739	(79)
Income tax effect	(1,637)	23
Other comprehensive income (loss), net of taxes	4,102	(56)
Total comprehensive income	\$17,765	\$10,373

See Notes to Consolidated Financial Statements.

**TRI-COUNTY FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

For the years ended December 31, 2025 and 2024

(000s omitted except share data)

	<b>Common Stock and Non-Voting Common Stock <sup>(1)</sup></b>	<b>Additional Paid-in- Capital</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Total</b>
Balance, December 31, 2023	2,423	22,455	121,414	(10,149)	136,143
Net income	-	-	10,429	-	10,429
Other comprehensive loss	-	-	-	(56)	(56)
Cash dividends on common stock (\$0.85 per share)	-	-	(2,050)	-	(2,050)
Purchases and retirement of 45,175 Shares of common stock	(46)	(1,869)	-	-	(1,915)
Stock-based compensation expense	-	161	-	-	161
Stock options, exercised (17,010 shares)	17	465	-	-	482
Balance, December 31, 2024	\$2,394	\$21,212	\$129,793	(\$10,205)	\$143,194
Net income	-	-	13,663	-	13,663
Other comprehensive income	-	-	-	4,102	4,102
Cash dividends on common stock (\$1.00 per share)	-	-	(2,383)	-	(2,383)
Purchases and retirement of 24,800 Shares of common stock	(25)	(1,126)	-	-	(1,151)
Stock-based compensation expense	-	160	-	-	160
Stock options exercised (5,745 shares)	6	180	-	-	186
Balance, December 31, 2025	\$2,375	\$20,426	\$141,073	(\$6,103)	\$157,771

<sup>(1)</sup> The Company's stock previously included 467,500 shares of nonvoting stock, all of which converted into voting stock during 2024.

See Notes to Consolidated Financial Statements.

**TRI-COUNTY FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the years ended December 31, 2025 and 2024

(000s omitted except share data)

	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$13,663	\$10,429
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,489	1,535
Amortization of intangibles	22	23
Net amortization of securities	112	49
Amortization of debt issuance costs	25	24
Provision (recovery) of credit loss expense	659	(1,284)
Deferred income tax	(308)	(229)
Net loss (gain) on sales of foreclosed assets	25	(31)
Net gain on sales of bank premises and equipment	(6)	(21)
Net gain on sale of loans	(10,925)	(10,290)
Stock-based compensation expense	160	161
Net mortgage servicing rights amortization	205	447
Origination of loans held for sale	(341,972)	(308,635)
Proceeds from loans held for sale	349,220	320,103
Change in accrued interest receivable	(748)	98
Change in bank-owned life insurance	(575)	(541)
Change in other assets	(1,200)	891
Change in accrued interest payable and other liabilities	785	767
Net cash provided by operating activities	10,631	13,496
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from maturities, paydowns and calls of available-for-sale debt securities	19,281	34,247
Purchases of available-for-sale debt securities	(24,127)	(3,264)
Net redemptions of FHLB stock	2,094	3,314
Purchases of FHLB stock	(2,246)	(969)
Loan (originations) and principal collections, net	(38,996)	(3,955)
Proceeds from sales of foreclosed assets	794	98
Proceeds from sales of bank premises and equipment	6	138
Purchases of bank premises and equipment, net	(475)	(1,211)
Net cash provided by (used in) investing activities	(43,669)	28,398

See Notes to Consolidated Financial Statements.

**TRI-COUNTY FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(CONTINUED)**

For the years ended December 31, 2025 and 2024  
(000s omitted except share data)

	2025	2024
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net change in deposits	\$30,627	\$26,565
Net change in securities sold under agreements to repurchase	426	191
Cash dividends paid	(2,387)	(2,176)
Purchases and retirement of common stock	(1,151)	(1,915)
Net change in short-term FHLB advances and other borrowings	(8,000)	(31,000)
Advances on long-term FHLB advances and other borrowings	33,000	32,917
Payments on long-term FHLB advances and other borrowings	(15,000)	(50,000)
Proceeds from stock options exercised	186	482
<b>Net cash provided by (used in) financing activities</b>	<b>37,701</b>	<b>(24,936)</b>
Increase in cash and cash equivalents	4,663	16,958
Cash and cash equivalents:		
Beginning of the year	44,976	28,018
Ending of the year	\$49,639	\$44,976
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash payments for interest paid:		
Deposits	\$28,298	\$29,599
Securities sold under agreements to repurchase	766	945
FHLB advances and other borrowings	3,186	3,909
<b>Total</b>	<b>\$32,250</b>	<b>\$34,453</b>
Income taxes paid:		
Federal	\$4,029	\$2,021
State and local Illinois	1,632	883
Other	248	(51)
<b>Total</b>	<b>\$5,909</b>	<b>\$2,853</b>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH AND FINANCING ACTIVITIES:</b>		
Foreclosed assets acquired in settlement of loans	\$0	\$886
Dividends payable	\$607	\$611
Lease liabilities arising from obtaining right-of-use assets	\$263	\$0

See Notes to Consolidated Financial Statements.

**TRI-COUNTY FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2025 and 2024  
(000s omitted except share data)  
(Continued)

**(1) Significant Accounting Policies:**

Principles of consolidation:

The accompanying consolidated financial statements include the accounts of Tri-County Financial Group, Inc. (Company) and its wholly owned subsidiaries, First State Bank (Bank), Tri-County Insurance Services, Inc. (Insurance Company), and First State Mortgage (Mortgage Banking Company). The Bank consolidates subsidiaries in which it holds more than 50-percent ownership. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and conform to general practices within the banking industry. All significant intercompany transactions have been eliminated.

Nature of operations:

The Company provides a variety of banking and mortgage banking services and insurance services to individuals and businesses principally through its main facilities in Mendota and branches in LaMoille, Peru, Streator, McNabb, Ottawa, Bloomington, Geneva, North Aurora, St. Charles, Batavia, Shabbona, Waterman, Sycamore, Rochelle, Princeton, West Brooklyn, Champaign and Earlville, Illinois, with additional mortgage banking offices in Illinois and Wisconsin. The Company's primary deposit products are demand deposits and certificates of deposit and its primary lending products are agribusiness, commercial, real estate mortgage and installment loans and secondary market mortgage activities.

The Company is divided into two reportable segments: Commercial Banking and Mortgage Banking. Commercial Banking provides a full range of loan and deposit products to individual consumers and businesses in all markets through retail lending, deposit services, online banking, mobile banking, private banking, commercial lending, commercial real estate lending, agricultural lending, and other banking services. Mortgage banking provides residential mortgage banking products through five offices in Illinois and one office in Wisconsin through our Mortgage Banking Company. The majority of the loans are sold with servicing released.

Use of estimates:

The preparation of the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant changes relate to the determination of the allowance for credit losses and valuation of goodwill.

**TRI-COUNTY FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2025 and 2024  
(000s omitted except share data)  
(Continued)

**(1) Significant Accounting Policies (continued):**

Significant group concentrations of credit risk:

Most of the Company's activities are with customers located in the area and communities noted above. Note 3 details the types of securities in which the Company invests. Note 4 details the types of lending in which the Company engages. A substantial portion of the Company's loans are with entities involved in the agricultural industry.

Cash and cash equivalents:

For purposes of reporting cash flows, cash and cash equivalents are defined as those amounts included in cash and due from banks and federal funds sold, which are sold overnight.

Trust assets:

Assets of the trust department, other than trust cash on deposit at the Bank, are not included in these consolidated financial statements because they are not assets of the Company.

Debt securities available-for-sale:

Debt securities are classified as available for sale (AFS) and recorded at fair value, with unrealized gains or losses excluded from earnings and reported in other comprehensive income (loss).

Purchase premiums are recognized in interest income using the interest method over the terms of the debt securities and are amortized/accreted to the earliest of call or maturity date. Discounts are recognized in interest income using the interest method over the term of the securities. Gains and losses on the sale of debt securities are recorded on the trade date and are determined using the specific identification method.

When the fair value of securities is below the amortized cost and the Company will not be required to sell the security before recovery of its amortized cost basis, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. If the present value of cash flows expected to be collected from the security are less than the amortized cost basis of the security, an allowance for credit losses is recorded for the credit loss, limited to the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income (loss).

**TRI-COUNTY FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2025 and 2024  
(000s omitted except share data)  
(Continued)

**(1) Significant Accounting Policies (continued):**

Debt securities available-for-sale (continued):

<u>Circumstances of Impairment Considerations</u>	<u>Accounting Treatment</u>	
	<u>Credit Component</u>	<u>Remaining Portion</u>
Not intended for sale or more likely than not that the Bank will not have to sell before recovery of cost basis	Recognized as an allowance for credit loss	Recognized in other comprehensive income (loss)
Intended for sale or more likely than not that the Bank will be required to sell before recovery of cost basis	Recognized in earnings	

Allowance for Credit Losses – available-for-sale debt securities:

For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether (1) there is intention to sell or (2) it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. If either case is affirmative, any previously recognized allowances are charged off and the security's amortized cost is written down to fair value through income. If neither case is affirmative, the security is evaluated to determine whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency and any adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. Adjustments to the allowance are reported in our income statement as a component of credit loss expense. The Company excludes accrued interest receivable on available-for-sale securities from the estimate of credit losses. Available-for-sale securities are charged off against the allowance or, in the absence of any allowance, written down through income when deemed uncollectible by management or when either of the aforementioned criteria regarding intent or requirement to sell is met.

Federal Home Loan Bank stock:

The Bank, as a member of the Federal Home Loan Bank (FHLB) system, is required to own a certain amount of stock based on the level of borrowings and may invest in additional amounts. FHLB stock is carried at cost since no ready market exists and it has no quoted market value. FHLB stock is periodically evaluated for impairment based on the ultimate recovery of par value.

**TRI-COUNTY FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2025 and 2024  
(000s omitted except share data)  
(Continued)

**(1) Significant Accounting Policies (continued):**

Mortgage loans held for sale and loan servicing:

Mortgage loans held for sale are carried at the lower of cost or fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to non-interest income. The majority of the Company's mortgage loans held for sale are generated through the Mortgage Banking Company. Changes in fair value are recorded in mortgage banking income in the consolidated statements of income.

The Company does retain some of the servicing on the loans sold through the Mortgage Banking Company within the Company's markets.

Mortgage loans held for sale through the Bank are sold with the mortgage servicing rights retained by the Bank. Gains or losses on sales of mortgage loans are recognized based on the difference between the selling price and the carrying value of the related mortgage loans sold. These gains or losses are included in mortgage banking income in the consolidated statements of income.

Mortgage servicing rights are recognized as separate assets when rights are acquired through a sale of loans. Generally, for sales of mortgage loans, a portion of the cost of originating the loan is allocated to the servicing right based on relative fair value. Fair value is based on market prices for comparable mortgage servicing contracts, when available. The Company subsequently measures each class of servicing asset using the amortization method. Under the amortization method, servicing rights are amortized in proportion to and over the period of estimated net servicing income of the underlying loans. Capitalized mortgage servicing assets are reported in other assets and are assessed for impairment at least annually.

Servicing fee income is recorded for fees earned from servicing loans. The fees are based on a contractual percentage of the outstanding principal and are recorded as mortgage banking income when earned.

Mortgage loan sales:

The Company generally sells mortgage loans held for sale without recourse. However, the Company's agreements to sell residential mortgage loans in the normal course of business usually require certain representations and warranties on the underlying loans sold, related to credit information, loan documentation, collateral, and insurability, which if subsequently are untrue or breached, could require the Company to repurchase certain loans affected. The potential liability under these representations and warranties is estimated as a liability and any losses incurred and resulting expense are netted with mortgage banking income.

**TRI-COUNTY FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2025 and 2024  
(000s omitted except share data)  
(Continued)

**(1) Significant Accounting Policies (continued):**

**Mortgage banking income:**

Mortgage banking income includes the fees generated from the underwriting and origination of mortgage loans held for sale along with the gains or losses realized from the sale of these loans, net of origination costs, the changes in fair values of mortgage loan derivatives, servicing right income, amortization, and servicing fee income.

**Loans:**

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost basis, which is the unpaid principal balance outstanding, net of unearned income and deferred loan fees and costs. The Company has made a policy election to exclude accrued interest from the amortized cost basis of loans and report accrued interest separately from the related loan balance in the consolidated balance sheets.

Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income over the life of the loan without anticipating prepayments.

Loans are considered past due or delinquent when the contractual principal and/or interest due in accordance with the terms of the loan agreement or any portion thereof remains unpaid after the due date of the scheduled payment. The accrual of interest income on loans is typically discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection, or if full collection of interest or principal becomes doubtful. All interest accrued but not received for a loan placed on non-accrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Under the cash-basis method, interest income is recorded when the payment is received in cash. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

**Allowance for credit losses (ACL) - Loans:**

The allowance for credit losses (ACL) on loans represents a valuation allowance estimated at each balance sheet date in accordance with GAAP that is deducted from the loans' amortized cost basis to represent the net amount expected to be collected on the loan portfolio.

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**(1) Significant Accounting Policies (continued):**

Allowance for credit losses (ACL) – Loans (continued):

The Company estimates the ACL on loans based on the underlying assets' amortized cost basis, which is the amount at which the receivable is originated or acquired, adjusted for applicable accretion or amortization of premium, discount, and net deferred fees or costs, collection of payment, and partial charge-offs. In the event that collection of principal becomes uncertain, the Company has policies in place to reverse accrued interest in a timely manner. Therefore, the Company has made a policy election to exclude accrued interest from the measurement of the ACL on loans.

Expected credit losses are reflected in the ACL on loans through a charge to provision for credit losses on loans. When the Company deems all or a portion of a financial asset to be uncollectible, the appropriate amount is written off and the ACL on loans is reduced by the same amount. The Company applies judgment to determine when a financial asset is deemed uncollectible; however, generally speaking, an asset will be considered uncollectible no later than when all efforts of collection have been exhausted and the collateral, if any, has been liquidated. Subsequent recoveries, if any, are credited to the ACL on loans when received.

The Company's methodologies for estimating the ACL on loans consider available relevant information about the collectability of cash flows, including information about past events, current 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 financial assets that are reasonable and supportable to the identified pools of financial assets with similar risk characteristics for which the historical loss experience was observed. The Company's methodologies may revert to historical loss information on a straight-line basis over a number of quarters when it can no longer develop reasonable and supportable forecasts.

Loans are predominantly segmented by FDIC Call Report Codes into loan pools that have similar risk characteristics, similar collateral type and are assumed to pose consistent risk of loss to the Company.

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**(1) Significant Accounting Policies (continued):**

Allowance for credit losses (ACL) - Loans (continued):

The Company measures expected credit losses for its loan portfolio segments as follows:

<b>Loan Portfolio Segment</b>	<b>ACL Methodology</b>
Commercial and industrial	Discounted cash flow
Commercial agricultural	Discounted cash flow
Commercial other	Discounted cash flow
Real estate – commercial	Discounted cash flow
Real estate – consumer	Discounted cash flow
Real estate – agricultural	Discounted cash flow
Real estate – construction and land	Discounted cash flow
Consumer installment	Remaining life
Consumer vehicle	Remaining life
Credit cards	Other

*Discounted cash flow method (DCF)* – The DCF methodology is used to develop cash flow projections at the instrument level wherein payment expectations are adjusted for estimated prepayment speed and curtailments and expected losses are calculated via a gross loss rate and recovery rate assumption. The modeling of expected prepayment speeds and curtailment rates are based on industry data.

The Company uses regression analysis on historical internal and peer data to determine suitable loss drivers to utilize when modeling expected losses. For all loan pools utilizing the DCF method, management utilizes a forecast unemployment rate and gross domestic product as its primary loss drivers, as these were determined to best correlate to historical losses.

With regard to the DCF model, management determined that four quarters represented a reasonable and supportable forecast period with reversion back to historical loss rate over four quarters on a straight-line basis.

The combination of adjustments for credit expectations (expected losses) and timing expectations (prepayment and curtailment) produces an expected cash flow stream at the instrument level. An ACL is established for the difference between the instrument’s NPV and amortized cost basis.

*Remaining life method* – The remaining life methodology is a type of loss rate methodology that uses an average loss rate and applies it to future expected outstanding balances of the pool.

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**(1) Significant Accounting Policies (continued):**

Allowance for credit losses (ACL) - Loans (continued):

*Collateral dependent loans* – Loans that do not share risk characteristics are evaluated on an individual basis. For collateral dependent loans where the Company has determined that the liquidation or foreclosure of the collateral is probable, or where the borrower is experiencing financial difficulty and the Company expects repayment of the financial asset to be provided substantially through the operation of the business or sale of the collateral, the ACL is measured based on the difference between the estimated fair value of the collateral and amortized cost basis of the assets as of the measurement date. When repayment is expected to be from the operation of the collateral, expected credit losses are calculated as the amount by which the amortized cost basis of the financial asset exceeds the NPV of expected cash flows from the operation of the collateral. When repayment is expected to be from the sale of the collateral, expected credit losses are calculated as the amount by which the amortized cost basis of the financial asset exceeds the fair value of the underlying collateral less estimated cost to sell. The ACL may be zero if the fair value of the collateral at the measurement date exceeds the amortized costs basis of the loan. The Company's estimate of the ACL reflects losses expected over the remaining contractual life of the loan and the contractual term does not consider extensions, renewals, or modifications.

The Company's qualitative factors are considered by qualitatively adjusting model results for risk factors that are not considered within the modeling processes but are nonetheless relevant in assessing the expected credit losses within the loan pools. These qualitative factors and other qualitative adjustments may increase or decrease the Company's estimate of expected credit losses by a calculated percentage or amount based upon the estimated level of risk. The various risks that may be considered in making qualitative adjustments include among other things the impact of the following:

- i. Changes in lending policies and procedures, including changes in underwriting standards and collections, charge offs, and recovery practices
- ii. Changes in international, national, regional, and local economic and business conditions
- iii. Changes in the nature and volume of the portfolio and in the terms of the underlying loans
- iv. Changes in the experience, depth, and ability of the lending management and staff
- v. Changes in volume and severity of past due loans and other similar conditions
- vi. Changes in the quality of the organization's loan review system

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**(1) Significant Accounting Policies (continued):**

Allowance for credit losses (ACL) - Loans (continued):

- vii. Changes in the value of the underlying collateral for loans that are non-collateral dependent
- viii. The existence and effect of any concentrations of credit and changes in the levels of such concentrations
- ix. The effect of other external factors such as regulatory, legal and technological environments; competition; and events such as natural disasters or health pandemics

The following portfolio segments have been identified: commercial, real estate and consumer.

Management considers the following when assessing the risk in the loan portfolio:

Commercial and industrial and agricultural loans are primarily for working capital, physical asset expansion, asset acquisition and other. These loans are made based primarily on historical and projected cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not behave as forecasted and collateral securing loans may fluctuate in value due to economic or individual performance factors. Financial information is obtained from the borrowers to evaluate cash flows sufficiency to service debt and are periodically updated during the life of the loan.

Agricultural real estate and commercial real estate loans are dependent on the industries tied to these loans. Agricultural real estate loans are primarily for land acquisition. Commercial real estate loans are primarily secured by office and industrial buildings, warehouses, small retail shopping facilities, single family rental, multifamily loans, and various special purpose properties, including hotels and restaurants. Financial information is obtained from the borrowers and/or the individual project to evaluate cash flows sufficiency to service debt and is periodically updated during the life of the loan. Loan performance may be adversely affected by factors impacting the general economy or conditions specific to the real estate market such as geographic location and/or property type.

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**(1) Significant Accounting Policies (continued):**

Allowance for credit losses (ACL) - Loans (continued):

Commercial real estate loans also include construction and land development loans. These loans are secured by vacant land and/or property that are in the process of improvement, including (a) land development preparatory to erecting vertical improvements or (b) the on-site construction of industrial, commercial, residential or farm buildings. Repayment of these loans can be dependent on the sale of the property to third parties or the successful completion of the improvements by the builder for the end user. In the event a loan is made on property that is not yet improved for the planned development, there is the risk that necessary approvals will not be granted or will be delayed. Construction loans also run the risk that improvements will not be completed on time or in accordance with specifications and projected costs.

Consumer real estate loans are affected by the local residential real estate market, the local economy, and, for variable rate mortgages, movement in indices tied to these loans. At the time of origination, the Company evaluates the borrower's repayment ability through a review of debt to income and credit scores. Appraisals are obtained to support the loan amount. Financial information is obtained from the borrowers and/or the individual project to evaluate cash flows sufficiency to service debt at the time of origination.

Consumer and other loans may take the form of installment loans, demand loans or single payment loans and are extended to individuals for household, family and other personal expenditures. At the time of origination, the Company evaluates the borrower's repayment ability through a review of debt to income and credit scores.

Allowance for Credit Losses – Off-Balance-Sheet Credit Exposures

The allowance for credit losses on off-balance-sheet credit exposures is a liability account, representing expected credit losses over the contractual period for which the Company is exposed to credit risk resulting from a contractual obligation to extend credit. No allowance is recognized if the Company has the unconditional right to cancel the obligation. The allowance is reported as a component of accrued interest payable and other liabilities in the consolidated balance sheets. Adjustments to the allowance are reported in the consolidated income statement as a component of credit loss expense. The allowance for credit losses on off-balance-sheet credit exposures is described more fully in Note 4.

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**(1) Significant Accounting Policies (continued):**

Loan commitments:

The Bank enters into off-balance-sheet financial instruments consisting of commitments to extend credit and letters of credit issued to meet customer financing needs. Loan commitments are recorded when they are funded. Standby letters of credit are considered financial guarantees in accordance with GAAP and are recorded at fair value, if material.

Loan servicing:

Mortgage servicing rights are recognized as separate assets when rights are acquired through a sale of loans and are reported in other assets. When the originating mortgage loans are sold into the secondary market, the Company allocates the total cost of the mortgage loans between mortgage servicing rights and the loans, based on their relative fair values. The cost of originated mortgage-servicing rights is amortized in proportion to, and over the period of, estimated net servicing revenues. Impairment of mortgage servicing rights is assessed based on the fair value of those rights. The amount of impairment is the amount by which the capitalized mortgage servicing rights exceed their fair value. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions.

Mortgage loan derivatives:

Commitments to fund mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of these mortgage loans are to be accounted for as free-standing derivatives. The Company enters into these best efforts forward commitments and mandatory delivery forward commitments in order to hedge the change in interest rates resulting from its commitments to fund the loans. The Company also enters into over-the-counter contracts for the future delivery of mortgage-backed securities. These contracts are fair value hedges, which are also used to offset the interest rate risk related to granting interest rate locks. The fair values of these derivatives are estimated based on the expected net future cash flows related to the associated servicing of the loans and changes in mortgage interest rates from the date of the commitments. In estimating fair value, the Company assigns a probability to the commitment based on an expectation that it will be exercised and the loan will be funded. These derivatives are included in other assets and other liabilities with changes in fair values on these derivatives included in net gains on sales of mortgage loans.

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**(1) Significant Accounting Policies (continued):**

Foreclosed assets:

Assets acquired through or in lieu of loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair market value less estimated cost to sell. At the date of acquisition losses are charged to the allowance for credit losses, and subsequent write downs are charged to expense in the period incurred. Operating costs after acquisition are expensed.

Bank premises and equipment:

Land is carried at cost. Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed principally by using the straight-line method over the estimated useful lives. Building and improvements are depreciated from five to forty years and furniture and equipment from three to fifteen years.

Goodwill and other intangibles:

The premium paid on the assumption of deposit liabilities and the fair value of net assets acquired is accounted for as goodwill and other intangibles. Goodwill and other intangible assets determined to have an indefinite useful life are not amortized, but tested for impairment at least annually. Intangible assets with definite useful lives are amortized over their estimated useful lives, which is ten years. Goodwill is the only intangible asset with an indefinite useful life on the balance sheet.

Goodwill is evaluated at the reporting unit level annually for impairment or more frequently if impairment indicators are present. A qualitative assessment is performed to determine whether the existence of events or circumstances leads to a determination that it is more likely than not the fair value is less than the carrying amount, including goodwill. If, based on the evaluation, it is determined to be more likely than not that the fair value is less than the carrying value, then goodwill is tested further for impairment. If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the consolidated financial statements.

Bank owned life insurance:

The Bank has purchased life insurance policies on certain key employees. The Bank-owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value.

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**(1) Significant Accounting Policies (continued):**

Transfers of financial assets:

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

Comprehensive income:

Comprehensive income consists of net income and other comprehensive income (loss). Accumulated other comprehensive loss includes unrealized gains and losses on securities available for sale, and is recognized as separate components of stockholders' equity.

Reclassification adjustments out of other comprehensive income (loss) for gains realized on sales and calls of securities available for sale comprise the entire balance of "Net gain on sales of available-for-sale securities" on the consolidated statements of income.

Stock compensation plans:

The Company records stock-based employee compensation cost using the fair value method. Compensation expense for share-based awards is recorded over the vesting period at the fair value of the award at the time of grant. The Company begins to record compensation expense in the subsequent calendar year as options are historically issued every two years in December. A Black-Scholes model is used to estimate the fair value of stock options. The Company assumes no projected forfeitures on its stock based compensation, since actual historical forfeiture rates on its stock-based incentive awards have been negligible.

Income taxes:

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

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**(1) Significant Accounting Policies (continued):**

Income taxes (continued):

The Company may also recognize a liability for unrecognized tax benefits from uncertain tax positions. Unrecognized tax benefits represent the differences between a tax position taken or expected to be taken in a tax return and the benefit recognized and measured in the financial statements. Interest and penalties related to unrecognized tax benefits are classified as income taxes, if applicable. No liabilities for unrecognized tax benefits from uncertain tax positions have been recorded.

Earnings per share:

Basic earnings per common share are computed by dividing the net income by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share include the dilutive effect of additional potential common shares issuable under the Company's stock options.

Recent Accounting Pronouncements:

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280), Improvements to Reportable Segment Disclosures*. The amendments in ASU 2023-07 provide for new disclosures which: (1) require that a public entity disclose on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss; (2) require that a public entity disclose, on an annual and interim basis, an amount for other segment items by reportable segment and a description of its composition; (3) require that a public entity provide all annual disclosures about a reportable segment's profit or loss and assets currently required by Topic 280 in interim periods; (4) allows more than one measure of segment profit or loss used by the CODM when assessing segment performance and deciding how to allocate resources to be disclosed; (5) require disclosure of title and position of CODM and explain how the CODM uses the disclosed reported measures to assess segment performance; and (6) require that a public entity that has a single reportable segment provide all the disclosures required by the amended Topic 280. The amendments in this update are effective for the Company for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The amendments in this update are required to be applied retrospectively to all prior periods presented in the financial statements. Upon transition, the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories and the amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. The Company adopted this accounting standard effective January 1, 2024, and the Company's financial condition, results of operations and cash flows were not impacted by this guidance. The Company has provided the required disclosures for its reportable segments.

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**(1) Significant Accounting Policies (continued):**

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. ASU 2023-09 is focused on additional income tax disclosures and requires public business entities, on an annual basis, to disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5 percent of the amount computed by multiplying pretax income by the applicable statutory income tax rate). ASU 2023-09 became effective for the Company beginning with the fiscal year ending December 31, 2025 and did not have a material impact on the Company's consolidated financial statements.

In November 2024, the FASB issued ASU No. 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses. ASU 2024-03 requires disaggregated disclosure of income statement expenses for public business entities. ASU 2024-03 requires new financial statement disclosures in tabular format, disaggregating information about prescribed categories underlying any relevant income statement expense caption. The prescribed categories include, among other things, employee compensation, depreciation, and intangible asset amortization. Additionally, entities must disclose the total amount of selling expenses and, in annual reporting periods, an entity's definition of selling expenses. ASU 2024-03 is effective for us, on a prospective basis, for annual periods beginning after December 15, 2026, and interim periods beginning after December 15, 2027, although early adoption and retrospective application is permitted. ASU 2024-03 is currently not expected to have a material impact on the Company's consolidated financial statements, but will impact disclosures.

In November 2025, the FASB issued ASU No. 2025-08, Financial Instruments – Credit Losses (Topic 326): Purchased Loans. ASU 2025-08 expands the scope of the “gross-up” method, formerly applicable only to purchased credit-deteriorated (PCD) assets, to include acquired non-PCD loans that meet certain criteria, now referred to as “purchased seasoned loans” (PSLs). Under this ASU, an allowance for expected credit losses is recognized at acquisition, offsetting the loan's amortized cost basis, thereby eliminating the day-one credit-loss expense previously required for non-PCD assets. PSLs are defined as non-PCD loans acquired either (1) through a business combination, or (2) purchased more than 90 days after origination when the acquirer was not involved in origination. ASU 2025-08 is effective for us, on a prospective basis for loans acquired on or after the adoption date, for interim and annual reporting periods beginning in 2027, though early adoption is permitted. ASU 2025-08 is not expected to have a significant impact on the Company's consolidated financial statements.

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**(1) Significant Accounting Policies (continued):**

In November 2025, the FASB issued ASU No. 2025-09, Derivatives and Hedging (Topic 815): Hedge Accounting Improvements. ASU 2025-09 amends ASC 815 to align hedge accounting more closely with an entity's economic risk management practices. Key amendments (1) allow designating a variable price component of a nonfinancial forecasted purchase or sale as the hedged risk, (2) allow grouping individual forecasted transactions with similar (not identical) risk exposures, (3) include a new model for hedging forecasted interest on variable-rate debt, enabling changes in index or tenor without dedesignation, subject to simplifying assumptions, and (4) provide additional clarifications related to hedge accounting of nonfinancial components, net written options, and dual-hedge strategies. ASU 2025-09 is effective for us beginning in 2027, though early adoption is permitted. ASU 2025-09 is not expected to have a significant impact on the Company's consolidated financial statements.

In November 2025, the FASB issued ASU No. 2025-11, Interim Reporting (Topic 270): Narrow-Scope Improvements. ASU 2025-11 clarifies and enhances guidance under ASC 270 on interim financial reporting by (1) clarifying the scope of ASC 270 such that it now explicitly applies only to entities that issue complete interim financial statements and related notes under U.S. GAAP, (2) establishing clear guidance on the form of interim statements and notes, incorporating a comprehensive list of required interim disclosures, and (3) introducing a requirement to disclose material events and changes occurring after the end of the last annual period that could impact interim results. ASU 2025-11 is effective for us for interim periods beginning in 2028, though early adoption is permitted. ASU 2025-11 is not expected to have a significant impact on the Company's consolidated financial statements.

**(2) Cash and Due from Banks:**

The Bank is required to maintain reserve balances, in cash or on deposit with the Federal Reserve Bank, based upon a percentage of deposits. The total required reserve balances as of December 31, 2025 and 2024 were \$0.

In the normal course of business, the Company maintains cash and due from bank balances with correspondent banks. Balances in these accounts may exceed the Federal Deposit Insurance Corporation's (FDIC's) insured limit of \$250. Management believes these financial institutions have strong credit ratings and the credit risk related to these deposits is minimal. At December 31, 2025, the Company's cash accounts exceeded federally insured limits by \$703. The Company also had \$31,781 at the Federal Home Loan Bank and Federal Reserve Bank, which are government-sponsored entities not insured by the FDIC.

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**(3) Debt Securities Available for Sale:**

The following tables reflect the amortized cost and fair value of debt securities available for sale as of December 31:

2025				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
U.S. Treasuries & Govt. - sponsored agencies	\$31,744	\$0	\$(943)	\$30,801
State and Municipal	60,070	257	(2,846)	57,481
Mortgage Backed	49,175	299	(4,103)	45,371
Collateralized Mortgage Obligations (CMOs)	21,753	120	(1,319)	20,554
	\$162,742	\$676	\$(9,211)	\$154,207

2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
U.S. Treasuries & Govt. - sponsored agencies	\$39,650	\$0	\$(2,171)	\$37,479
State and Municipal	59,958	171	(3,866)	56,263
Mortgage Backed	42,520	0	(6,189)	36,331
Collateralized Mortgage Obligations (CMOs)	15,881	0	(2,219)	13,662
	\$158,009	\$171	\$(14,445)	\$143,735

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**(3) Debt Securities Available for Sale (continued):**

Debt securities with a carrying amount of approximately \$66,676 and \$67,149 at December 31, 2025 and 2024, respectively, were pledged as collateral on public deposits, debt securities sold under agreements to repurchase and for other purposes as required or permitted by law.

At December 31, 2025 and 2024, there were no holdings of debt securities of any one issuer, other than the U.S. Government and its sponsored agencies, in an amount greater than 10% of stockholders' equity.

As of December 31, 2025 and 2024, accrued interest on debt securities available-for-sale of \$667 and \$629, respectively, was excluded from CECL evaluation. Accrued interest on debt securities available-for-sale is recorded within accrued interest receivable on the consolidated balance sheet.

The amortized cost and approximate fair value of debt securities at December 31, 2025 by contractual maturity are shown below. Expected maturities may differ from contractual maturities on mortgage-backed and collateralized mortgage obligation debt securities because the underlying mortgages may be called or prepaid without any penalties.

	<b>Amortized Cost</b>	<b>Fair Value</b>
Due in one year or less	\$11,664	\$11,630
Due after one year through five years	42,107	41,186
Due after five years through ten years	17,283	16,496
Due after ten years	20,760	18,970
	91,814	88,282
Mortgage Backed	49,175	45,371
Collateralized Mortgage Obligations	21,753	20,554
	<b>\$162,742</b>	<b>\$154,207</b>

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**(3) Debt Securities Available-for-Sale (continued):**

Debt securities with unrealized losses as of December 31 not recognized in income are as follows:

	2025					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S Treas. & Gov't - sponsored agencies	\$0	\$0	\$30,801	\$943	\$30,801	\$943
State and Municipal Mortgage Backed CMOs	3,335	8	29,054	2,838	32,389	2,846
	1,886	44	30,879	4,059	32,765	4,103
	1,970	3	12,110	1,316	14,080	1,319
Total temporarily impaired	\$7,191	\$55	\$102,844	\$9,156	\$110,035	\$9,211

	2024					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S Treas. & Gov't - sponsored agencies	\$0	\$0	\$37,479	\$2,171	\$37,479	\$2,171
State and Municipal Mortgage Backed CMOs	9,719	65	33,978	3,801	43,697	3,866
	943	8	34,094	6,181	35,037	6,189
	961	41	12,699	2,178	13,660	2,219
Total temporarily impaired	\$11,623	\$114	\$118,250	\$14,331	\$129,873	\$14,445

At December 31, 2025 and 2024, the investment portfolio included 142 and 173 debt securities that were in an unrealized loss position, respectively. Unrealized losses have not been recognized as an allowance for credit losses because the Company does not intend to sell the securities prior to their anticipated recovery and the decline in fair value is largely due to changes in interest rates and other market conditions.

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December 31, 2025 and 2024  
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**(4) Loans:**

The following table presents total loans at December 31 by portfolio segment and class of loan:

	2025	2024
Commercial:		
Commercial and industrial	\$71,872	\$69,720
Agricultural	78,695	80,577
Real estate:		
Commercial	549,247	538,810
Consumer	398,022	386,475
Agricultural	169,779	170,401
Construction and land	39,916	21,841
Consumer:		
Installment	4,470	4,196
Vehicle	1,928	3,119
Credit cards	1,365	1,270
Total loans	1,315,294	1,276,409
Allowance for credit losses	(14,992)	(14,444)
Loans, net	\$1,300,302	\$1,261,965

Detailed analysis of the allowance for credit losses by portfolio segment for the year ended December 31, 2025 follows:

2025	Commercial	Real Estate	Consumer	Total
Balance at beginning of year	\$1,101	\$13,201	\$142	\$14,444
Credit loss expense (benefit)	(31)	729	31	729
Recoveries on loans previously charged-off	27	62	39	128
Less loans charged-off	(60)	(173)	(76)	(309)
Balance at end of year	\$1,037	\$13,819	\$136	\$14,992

Detailed analysis of the allowance for credit losses by portfolio segment for the year ended December 31, 2024 follows:

2024	Commercial	Real Estate	Consumer	Total
Balance at beginning of year	\$1,177	\$14,688	\$125	\$15,990
Credit loss expense (benefit)	(77)	(1,489)	120	(1,446)
Recoveries on loans previously charged-off	24	30	10	64
Less loans charged-off	(23)	(28)	(113)	(164)
Balance at end of year	\$1,101	\$13,201	\$142	\$14,444

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**(4) Loans (continued):**

Detailed analysis of the allowance for unfunded commitments for the year ended December 31, 2025 follows:

<b>2025</b>	<b>Commercial</b>	<b>Real Estate</b>	<b>Consumer</b>	<b>Total</b>
Balance at beginning of year	\$96	\$889	\$2	\$987
Credit loss expense (benefit)	(12)	(58)	0	(70)
Balance at end of year	\$84	\$831	\$2	\$917

Detailed analysis of the allowance for unfunded commitments for the year ended December 31, 2024 follows:

<b>2024</b>	<b>Commercial</b>	<b>Real Estate</b>	<b>Consumer</b>	<b>Total</b>
Balance at beginning of year	\$201	\$621	\$3	\$825
Credit loss expense (benefit)	(105)	268	(1)	162
Balance at end of year	\$96	\$889	\$2	\$987

The Bank has no commitments to loan additional funds to the borrowers of collateral dependent or non-accrual loans.

Certain purchased loans as later discussed in Note 4 are not considered impaired or non-accrual loans if the expected cash flows as of December 31, 2025 and 2024 exceed the carrying amount and accretion income is being recorded.

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**(4) Loans (continued):**

The Company regularly evaluates various attributes of loans to determine the appropriateness of the allowance for credit losses. The Company generally monitors credit quality indicators for all non-consumer loans using the following internally prepared ratings:

- 'Pass' ratings are assigned to loans with adequate collateral and debt service ability such that collectability of the contractual loan payments is highly probable.
- 'Watch' loans are credits that are fundamentally sound but warrant close attention by management. Borrowers in this category may have acceptable asset quality but may face challenges due to market conditions, economic conditions, management changes, or other forces that could adversely affect operations. Factors contributing to adverse conditions are expected to be temporary.
- 'Special Mention' ratings are assigned to loans where management has some concern that the collateral or debt service ability may not be adequate, though the collectability of the contractual loan payments is still probable.
- 'Substandard' ratings are assigned to loans that do not have adequate collateral and/or debt service ability such that collectability of the contractual loan payments is no longer probable.
- 'Doubtful' ratings are assigned to loans that do not have adequate collateral and/or debt service ability, and collectability of the contractual loan payments is unlikely.

As of December 31, 2025 and 2024, accrued interest on loans of \$7,648 and \$6,902, respectively, were excluded from CECL evaluation. Accrued interest on loans is recorded within accrued interest receivable on the consolidated balance sheet.

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**(4) Loans (continued):**

The following table presents the credit risk profile of the Company's loan portfolio (excluding loans in process and deferred loan fees) based on rating category and year of origination as of December 31, 2025:

December 31,	2025	2024	2023	2022	2021	Prior	Revolving Loans	Total
<b>Commercial:</b>								
Commercial and industrial								
Pass	\$20,312	\$9,686	\$4,745	\$4,996	\$1,318	\$8,336	\$19,746	\$69,139
Watch	205	178	210	0	0	0	942	1,535
Special Mention	0	126	258	14	5	0	547	950
Substandard	0	0	22	6	195	25	0	248
Doubtful	0	0	0	0	0	0	0	0
Total								
Commercial and industrial	\$20,517	\$9,990	\$5,235	\$5,016	\$1,518	\$8,361	\$21,235	\$71,872
Agricultural:								
Pass	\$4,621	\$1,578	\$1,687	\$4,066	\$3,105	\$216	\$57,806	\$73,079
Watch	9	144	222	67	129	376	2,126	3,073
Special Mention	130	124	750	0	52	0	1,183	2,239
Substandard	0	110	107	1	0	0	86	304
Doubtful	0	0	0	0	0	0	0	0
Total								
Agricultural	\$4,760	\$1,956	\$2,766	\$4,134	\$3,286	\$592	\$61,201	\$78,695
<b>Real Estate:</b>								
Commercial								
Pass	\$81,399	\$49,772	\$52,788	\$109,941	\$59,516	\$116,804	\$8,107	\$478,327
Watch	647	5,862	5,021	15,297	6,324	18,764	6,891	58,806
Special Mention	0	2,294	111	1,127	2,082	1,943	0	7,557
Substandard	0	246	1,213	0	2,952	146	0	4,557
Doubtful	0	0	0	0	0	0	0	0
Total								
Commercial	\$82,046	\$58,174	\$59,133	\$126,365	\$70,874	\$137,657	\$14,998	\$549,247
Consumer								
Pass	\$61,513	\$40,060	\$51,021	\$75,474	\$44,368	\$71,370	\$29,661	\$373,467
Watch	99	8,743	3,626	2,071	3,458	3,883	557	22,437
Special Mention	0	0	95	63	68	696	269	1,191
Substandard	0	100	0	325	91	393	18	927
Doubtful	0	0	0	0	0	0	0	0
Total Consumer	\$61,612	\$48,903	\$54,742	\$77,933	\$47,985	\$76,342	\$30,505	\$398,022

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**(4) Loans (continued):**

December 31,	2025	2024	2023	2022	2021	Prior	Revolving Loans	Total
<b>Real Estate</b>								
<b>Continued):</b>								
Agricultural								
Pass	\$14,104	\$11,333	\$12,862	\$28,975	\$24,335	\$48,689	\$20,087	\$160,385
Watch	124	199	1,389	1,057	294	2,543	466	6,072
Special Mention	507	0	0	0	0	1,360	320	2,187
Substandard	0	0	0	0	0	1,135	0	1,135
Doubtful	0	0	0	0	0	0	0	0
Total Agricultural	\$14,735	\$11,532	\$14,251	\$30,032	\$24,629	\$53,727	\$20,873	\$169,779
Construction and land:								
Pass	\$20,462	\$12,330	\$1,949	\$673	\$525	\$3,322	\$412	\$39,673
Watch	0	0	0	243	0	0	0	243
Special Mention	0	0	0	0	0	0	0	0
Substandard	0	0	0	0	0	0	0	0
Doubtful	0	0	0	0	0	0	0	0
Total Construction and land	\$20,462	\$12,330	\$1,949	\$916	\$525	\$3,322	\$412	\$39,916
<b>Consumer:</b>								
Installment								
Pass	\$2,206	\$628	\$494	\$352	\$283	\$457	\$37	\$4,457
Watch	0	0	0	0	0	0	0	0
Special Mention	0	0	0	0	0	0	0	0
Substandard	0	0	0	13	0	0	0	13
Doubtful	0	0	0	0	0	0	0	0
Total Consumer	\$2,206	\$628	\$494	\$365	\$283	\$457	\$37	\$4,470
Vehicle								
Pass	\$613	\$656	\$357	\$264	\$36	\$2	\$0	\$1,928
Watch	0	0	0	0	0	0	0	0
Special Mention	0	0	0	0	0	0	0	0
Substandard	0	0	0	0	0	0	0	0
Doubtful	0	0	0	0	0	0	0	0
Total Vehicle	\$613	\$656	\$357	\$264	\$36	\$2	\$0	\$1,928
Credit cards								
Pass	\$1,365	\$0	\$0	\$0	\$0	\$0	\$0	\$1,365
Watch	0	0	0	0	0	0	0	0
Special Mention	0	0	0	0	0	0	0	0
Substandard	0	0	0	0	0	0	0	0
Doubtful	0	0	0	0	0	0	0	0
Total Credit Cards	\$1,365	\$0	\$0	\$0	\$0	\$0	\$0	\$1,365
<b>Total Loans</b>								
Pass	\$206,595	\$126,043	\$125,903	\$224,741	\$133,486	\$249,196	\$135,856	\$1,201,820
Watch	1,084	15,126	10,468	18,735	10,205	25,566	10,982	92,166
Special Mention	637	2,544	1,214	1,204	2,207	3,999	2,319	14,124
Substandard	0	456	1,342	345	3,238	1,699	104	7,184
Doubtful	0	0	0	0	0	0	0	0
<b>Total</b>	<b>\$208,316</b>	<b>\$144,169</b>	<b>\$138,927</b>	<b>\$245,025</b>	<b>\$149,136</b>	<b>\$280,460</b>	<b>\$149,261</b>	<b>\$1,315,294</b>

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**(4) Loans (continued):**

The following table presents the credit risk profile of the Company's loan portfolio (excluding loans in process and deferred loan fees) based on rating category and year of origination as of December 31, 2024.

December 31,	2024	2023	2022	2021	2020	Prior	Revolving Loans	Total
<b>Commercial:</b>								
Commercial and industrial								
Pass	\$17,359	\$9,286	\$8,665	\$2,960	\$2,604	\$7,774	\$16,044	\$64,692
Watch	899	390	345	65	169	0	1,475	3,343
Special Mention	0	506	22	0	0	0	471	999
Substandard	353	54	0	270	9	0	0	686
Doubtful	0	0	0	0	0	0	0	0
Total								
Commercial and industrial	\$18,611	\$10,236	\$9,032	\$3,295	\$2,782	\$7,774	\$17,990	\$69,720
Agricultural:								
Pass	\$3,008	\$3,096	\$6,427	\$6,235	\$261	\$196	\$57,020	\$76,243
Watch	32	70	74	168	0	524	2,117	2,985
Special Mention	148	782	0	90	0	0	329	1,349
Substandard	0	0	0	0	0	0	0	0
Doubtful	0	0	0	0	0	0	0	0
Total								
Agricultural	\$3,188	\$3,948	\$6,501	\$6,493	\$261	\$720	\$59,466	\$80,577
<b>Real Estate:</b>								
Commercial								
Pass	\$58,904	\$68,080	\$125,841	\$64,969	\$47,115	\$104,386	\$11,231	\$480,526
Watch	3,765	3,857	9,916	12,514	1,792	13,332	6,460	51,636
Special Mention	0	0	0	215	0	1,008	35	1,258
Substandard	0	2,525	0	1,341	460	687	377	5,390
Doubtful	0	0	0	0	0	0	0	0
Total								
Commercial	\$62,669	\$74,462	\$135,757	\$79,039	\$49,367	\$119,413	\$18,103	\$538,810
Consumer								
Pass	\$48,876	\$65,610	\$89,293	\$49,563	\$24,547	\$61,346	\$24,147	\$363,382
Watch	5,687	4,325	828	3,950	2,460	3,337	1,314	21,901
Special Mention	0	97	67	0	78	0	0	242
Substandard	0	0	423	43	0	464	20	950
Doubtful	0	0	0	0	0	0	0	0
Total Consumer	\$54,563	\$70,032	\$90,611	\$53,556	\$27,085	\$65,147	\$25,481	\$386,475

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**(4) Loans (continued):**

December 31,	2024	2023	2022	2021	2020	Prior	Revolving Loans	Total
<b>Real Estate</b>								
<b>Continued):</b>								
Agricultural								
Pass	\$12,755	\$15,988	\$30,714	\$28,249	\$11,761	\$44,010	\$16,528	\$160,005
Watch	0	1,393	1,800	0	1,323	3,560	0	8,076
Special Mention	0	0	0	0	340	1,148	690	2,178
Substandard	0	142	0	0	0	0	0	142
Doubtful	0	0	0	0	0	0	0	0
Total Agricultural	\$12,755	\$17,523	\$32,514	\$28,249	\$13,424	\$48,718	\$17,218	\$170,401
Construction and land:								
Pass	\$9,734	\$4,020	\$938	\$603	\$578	\$3,426	\$219	\$19,518
Watch	0	507	1,740	0	0	0	76	2,323
Special Mention	0	0	0	0	0	0	0	0
Substandard	0	0	0	0	0	0	0	0
Doubtful	0	0	0	0	0	0	0	0
Total Construction and land	\$9,734	\$4,527	\$2,678	\$603	\$578	\$3,426	\$295	\$21,841
<b>Consumer:</b>								
Installment								
Pass	\$1,416	\$910	\$507	\$514	\$313	\$449	\$47	\$4,156
Watch	7	0	9	22	0	2	0	40
Special Mention	0	0	0	0	0	0	0	0
Substandard	0	0	0	0	0	0	0	0
Doubtful	0	0	0	0	0	0	0	0
Total Consumer	\$1,423	\$910	\$516	\$536	\$313	\$451	\$47	\$4,196
Vehicle								
Pass	\$1,225	\$948	\$670	\$165	\$36	\$0	\$0	\$3,044
Watch	0	0	0	0	1	0	0	1
Special Mention	0	0	0	0	0	0	0	0
Substandard	0	64	10	0	0	0	0	74
Doubtful	0	0	0	0	0	0	0	0
Total Vehicle	\$1,225	\$1,012	\$680	\$165	\$37	\$0	\$0	\$3,119
Credit cards								
Pass	\$1,270	\$0	\$0	\$0	\$0	\$0	\$0	\$1,270
Watch	0	0	0	0	0	0	0	0
Special Mention	0	0	0	0	0	0	0	0
Substandard	0	0	0	0	0	0	0	0
Doubtful	0	0	0	0	0	0	0	0
Total Credit Cards	\$1,270	\$0	\$0	\$0	\$0	\$0	\$0	\$1,270
<b>Total Loans</b>								
Pass	\$154,547	\$167,938	\$263,055	\$153,258	\$87,215	\$221,587	\$125,236	\$1,172,836
Watch	10,390	10,542	14,712	16,719	5,746	20,755	11,442	90,306
Special Mention	148	1,385	89	305	418	2,156	1,525	6,026
Substandard	353	2,785	433	1,654	469	1,151	396	7,241
Doubtful	0	0	0	0	0	0	0	0
<b>Total</b>	<b>\$165,438</b>	<b>\$182,650</b>	<b>\$278,289</b>	<b>\$171,936</b>	<b>\$93,848</b>	<b>\$245,649</b>	<b>\$138,599</b>	<b>\$1,276,409</b>

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**(4) Loans (continued):**

The following table presents the amortized cost basis of loans on non-accrual status and loans past due over 89 days still accruing as of December 31, 2025:

<b>2025</b>	<b>Non-accrual</b>	<b>Non-accrual With No ACL</b>	<b>Loans Past Due Over 89 Days and Still Accruing</b>
Commercial:			
Commercial	\$195	\$0	\$31
Agricultural	0	0	302
Real estate:			
Commercial real estate	4,095	3	246
Agricultural real estate	0	0	0
Consumer real estate	211	214	573
Consumer:			
Installment	0	0	6
<b>Total</b>	<b>\$4,501</b>	<b>\$217</b>	<b>\$1,158</b>

The following table presents the amortized cost basis of loans on non-accrual status and loans past due over 89 days still accruing as of December 31, 2024:

<b>2024</b>	<b>Non-accrual</b>	<b>Non-accrual With No ACL</b>	<b>Loans Past Due Over 89 Days and Still Accruing</b>
Commercial:			
Commercial	\$279	\$9	\$0
Agricultural	0	0	0
Real estate:			
Commercial real estate	2,974	477	353
Agricultural real estate	0	0	0
Consumer real estate	292	292	193
Consumer:			
Installment	24	0	49
<b>Total</b>	<b>\$3,569</b>	<b>\$778</b>	<b>\$595</b>

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**(4) Loans (continued):**

Loan aging information by class of loan for the years ended December 31:

<b>December 31, 2025</b>	<b>Loans Past Due 30-59 Days</b>	<b>Loans Past Due 60-89 Days</b>	<b>Loans Past Due 90+ Days</b>	<b>Total Past Due</b>
Commercial:				
Commercial	\$0	\$25	\$31	\$56
Agricultural	37	0	303	340
Real estate:				
Commercial real estate	2,317	382	4,341	7,040
Agricultural real estate	0	0	0	0
Consumer real estate	2,513	825	572	3,910
Consumer:				
Installment	11	15	6	32
<b>Totals</b>	<b>\$4,878</b>	<b>\$1,247</b>	<b>\$5,253</b>	<b>\$11,378</b>

<b>December 31, 2024</b>	<b>Loans Past Due 30-59 Days</b>	<b>Loans Past Due 60-89 Days</b>	<b>Loans Past Due 90+ Days</b>	<b>Total Past Due</b>
Commercial:				
Commercial	\$97	\$0	\$9	\$106
Agricultural	202	9	0	211
Real estate:				
Commercial real estate	374	11	3,327	3,712
Agricultural real estate	1,613	0	0	1,613
Consumer real estate	1,999	849	375	3,223
Consumer:				
Installment	116	48	73	237
<b>Totals</b>	<b>\$4,401</b>	<b>\$917</b>	<b>\$3,784</b>	<b>\$9,102</b>

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**(4) Loans (continued):**

The following table represents collateral dependent loans. A loan is considered to be collateral dependent when the borrower is experiencing financial difficulty and the repayment is expected to be provided substantially through the operation or sale of collateral. The following table presents the amortized cost basis of collateral-dependent loans by class of loans as of December 31:

<b>2025</b>	<b>Commercial</b>	<b>Real Estate</b>	<b>Vehicle</b>	<b>Total</b>
Commercial and industrial	\$261	\$0	\$0	\$261
Agriculture	304	0	0	304
Commercial real estate	0	4,557	0	4,557
Agricultural real estate	0	1,135	0	1,135
Consumer real estate	100	832	0	932
Consumer other	0	0	13	13
Consumer vehicle	0	0	0	0
<b>Totals</b>	<b>\$665</b>	<b>\$6,524</b>	<b>\$13</b>	<b>\$7,202</b>

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

<b>2024</b>	<b>Commercial</b>	<b>Real Estate</b>	<b>Vehicle</b>	<b>Total</b>
Commercial and industrial	\$324	\$0	\$0	\$324
Agricultural	0	0	0	0
Commercial real estate	375	5,303	0	5,678
Agricultural real estate	0	142	0	142
Consumer real estate	0	1,040	0	1,040
Consumer other	0	0	0	0
Consumer vehicle	0	0	74	74
<b>Totals</b>	<b>\$699</b>	<b>\$6,485</b>	<b>\$74</b>	<b>\$7,258</b>

The Company had no loans modified to borrowers experiencing financial difficulty as of and during the year ended December 31, 2025 and 2024.

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**(4) Loans (continued):**

The current fiscal year-to-date gross charge-offs by loan class and year of origination is presented in the following table:

<b>December 31,</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>Prior</b>	<b>Revolving Loans</b>	<b>Total</b>
Commercial and industrial	\$0	\$0	\$3	\$57	\$0	\$0	\$60
Commercial real estate	0	0	0	0	173	0	173
Consumer Other	67	0	0	0	0	0	67
Consumer vehicle	0	0	3	0	0	0	3
Credit cards	0	1	0	0	5	0	6
Total current- period gross charge-offs	\$67	\$1	\$6	\$57	\$178	\$0	\$309

The December 31, 2024 fiscal year-to-date gross charge-offs by loan class and year of origination is presented in the following table:

<b>December 31,</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>Prior</b>	<b>Revolving Loans</b>	<b>Total</b>
Commercial and industrial	\$0	\$22	\$1	\$0	\$0	\$0	\$23
Commercial real estate	0	0	28	0	0	0	28
Consumer other	82	5	3	0	0	0	90
Consumer vehicle	0	0	0	0	0	0	0
Credit cards	0	1	1	3	18	0	23
Total current- period gross charge-offs	\$82	\$28	\$33	\$3	\$18	\$0	\$164

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**(5) Servicing:**

Loans serviced for others are not included in the accompanying consolidated balance sheets. The risks inherent in mortgage servicing assets relate primarily to changes in prepayments that result from shifts in mortgage interest rates.

Mortgage loans serviced for others as of December 31, 2025 and 2024 were approximately \$473,453 and \$487,578, respectively. Custodial escrow balances maintained in conjunction with serviced loans and included in cash and due from banks were approximately \$3,432 and \$3,152 at December 31, 2025 and 2024, respectively.

At December 31, 2025 and 2024, mortgage servicing rights, net of amortization, totaled approximately \$585 and \$790, respectively, and are carried as other assets. The fair value of mortgage servicing rights approximated \$4,593 and \$5,274 at December 31, 2025 and 2024, respectively. The mortgage servicing rights are applicable only to the Bank and evaluated and measured for impairment as a single class.

The following summarizes the activity pertaining to mortgage servicing rights, which is included in other assets, for the years ended December 31:

	<b>2025</b>	<b>2024</b>
Mortgage servicing rights:		
Balance at beginning of year	\$790	\$1,237
Mortgage servicing rights new/capitalized	269	218
Mortgage servicing rights amortized	(474)	(665)
Balance at end of year	\$585	\$790

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**(6) Mortgage Banking Commitments:**

The Company enters into commitments to fund residential mortgage loans (interest rate lock commitments, or IRLC) at specified times in the future, with the intention that these loans will be subsequently sold to third-party investors. A mortgage loan commitment binds the Company to lend funds to a potential borrower at a specified interest rate and within a specified period of time, generally up to 60 days after inception of the interest rate lock. These mortgage loan commitments are considered to be derivatives. As of December 31, 2025 and 2024, the Company had approximately \$20,814 and \$16,121 respectively, in interest rate lock commitments outstanding.

To protect against the price risk inherent in derivative loan commitments, the Company utilizes both “mandatory delivery” and “best efforts” forward loan sale commitments to mitigate the risk of potential decreases in the values of loans that would result from the exercise of the derivative loan commitments. During 2025 and 2024, the Mortgage Banking Company used both “best efforts” and “mandatory delivery”, and the Bank used “mandatory delivery” forward loan sale commitments. To facilitate the hedging of the loans, the Company has elected the fair value option for loans held for sale. Interest income is recorded based on the contractual terms of the loan and in accordance with the Company’s policy on loans held for investment. None of these loans are 90 days or more past due nor on non-accrual as of December 31, 2025.

As of December 31, 2025 and 2024, the aggregate fair value, contractual balance, and gain or loss were as follows:

	<b>2025</b>	<b>2024</b>
Aggregate fair value	\$12,688	\$9,010
Contractual balance	12,275	8,825
Gain	\$413	\$185

Changes in the fair value of loans held for sale, interest rate lock commitments and forward contracts are recorded in mortgage banking income in non-interest income.

Best efforts sale commitments are contracts to deliver certain mortgage loans to third-party investors at a specified date and price only if the underlying loan is funded. At December 31, 2025 and 2024, the Company had approximately \$2,728 and \$4,050 respectively, in best effort forward sale commitments outstanding.

Mandatory forward sale commitments are contracts to deliver a certain principal amount of mortgage loans to a third-party investor at a specified date and price. If the contractual amount of mortgages are not delivered, then a “pair-off fee” is assessed based on then-current market prices. At December 31, 2025 and 2024, the Company had approximately \$30,401 and \$19,814 respectively, in mandatory forward sale commitments outstanding.

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**(6) Mortgage Banking Commitments (continued):**

The following table provides the components of income from mortgage banking activities for the year ended December 31, 2025 and 2024:

	2025	2024
Gain on loans sold	\$10,925	\$10,290
Gain (loss) resulting from the change in fair value of loans held-for-sale	228	(245)
Gain (loss) resulting from the change in fair value of derivatives	164	(183)
Gain (loss) resulting from the change in forward contracts	(60)	62
Total	\$11,257	\$9,924

The fair value of mortgage banking derivatives reported as assets and included in other assets was approximately \$352 and \$188 at December 31, 2025 and 2024 respectively. Changes in the fair values of these mortgage banking derivatives are included in mortgage banking income.

The Company also enters into over-the-counter contracts for the future delivery of mortgage-backed securities. These contracts are fair value hedges, which are also used to offset the interest rate risk related to granting interest rate locks. It is the Company's practice not to deliver on these contracts for future delivery of mortgage-backed securities. Instead, these contracts are settled with a "pair-off" that is assessed based on then-current market prices. The notional amounts of these contracts were \$60,500 and \$31,000 as of December 31, 2025 and 2024 respectively. The fair value of these contracts included in other assets and liabilities was approximately \$(61) and \$62 as of December 31, 2025 and 2024 respectively. Changes in the fair values of these mortgage banking derivatives are included in mortgage banking income.

The IRLCs and forward contracts are not designed as accounting hedges and are recorded at fair value with changes in fair value reflected in non-interest income on the consolidated statements of income. The fair value of derivative instruments with a positive fair value are reported in other assets in the consolidated balance sheets, while derivative instruments with a negative fair value are reported in other liabilities in the consolidated balance sheets.

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**(6) Mortgage Banking Commitments (continued):**

The following table presents the notional amount and fair value of IRLCs and forward contracts utilized by the Company at December 31:

**Asset Derivatives**

	2025		2024	
	Notional Amount	Fair Value	Notional Amount	Fair Value
<u>Derivatives not designated as hedging instruments:</u>				
IRLCs	\$20,814	\$352	\$16,121	\$188
Forward contracts	0	0	31,000	62

**Liability Derivatives**

	2025		2024	
	Notional Amount	Fair Value	Notional Amount	Fair Value
<u>Derivatives not designated as hedging instruments:</u>				
Forward contracts	\$60,500	\$(60)	\$0	\$0

Fair values of IRLCs and forward contracts were estimated using changes in mortgage interest rates from the date the Company entered into the IRLC and the balance sheet date.

The following table summarizes the periodic changes in the fair value of the derivative financial instruments on the consolidated statements of income for the twelve months ended December 31:

Amount of (loss)/gain recognized in the twelve months ended:	2025	2024
<b>Asset Derivatives</b>		
<u>Derivatives not designated as hedging instruments</u>		
IRLCs	\$164	\$(183)
Forward contracts	(123)	(191)

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**(7) Bank Premises and Equipment:**

The cost of bank premises and equipment and the total accumulated depreciation at December 31 is as follows:

	<b>2025</b>	<b>2024</b>
Land	\$7,993	\$7,993
Buildings and improvements	28,862	28,754
Furniture and equipment	7,556	7,254
	44,411	44,001
Less accumulated depreciation	(20,081)	(18,657)
	\$24,330	\$25,344

**(8) Foreclosed Assets:**

Foreclosed assets consist of the following at December 31:

	<b>2025</b>	<b>2024</b>
Commercial real estate	\$101	\$920
Total	\$101	\$920

Residential real estate loans that are in the process of foreclosure totaled \$125 and \$221 at December 31, 2025, and 2024, respectively. Commercial real estate loans that are in the process of foreclosure totaled \$436 and \$611 at December 31, 2025 and 2024, respectively.

**(9) Income Taxes:**

The following table reflects the allocations of federal and state income taxes between current and deferred portions for the years ended December 31:

	<b>2025</b>	<b>2024</b>
Current tax expense (benefit):		
Federal	\$3,430	\$2,470
State	1,688	1,187
	5,118	3,657
Deferred tax expense:		
Federal	(224)	(171)
State	(84)	(58)
	(308)	(229)
Provision for income tax	\$4,810	\$3,428

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**(9) Income Taxes (continued):**

A reconciliation of the differences between the statutory federal income tax rate and the effective tax rates with the resulting dollar amounts for the years ending December 31 is shown in the following table:

	2025		2024	
	Dollar Amount	% of Pretax Income	Dollar Amount	% of Pretax Income
Income tax at statutory rate	\$3,879	21.0%	\$2,910	21.0%
Effect of:				
State taxes, net of federal benefit	1,267	6.9	892	6.4
Nontaxable items				
Tax-exempt interest income	(333)	(1.8)	(331)	(2.4)
BOLI	(121)	(0.7)	(114)	(0.8)
Nondeductible items				
TEFRA	101	0.5	61	0.4
Other	17	0.1	10	0.1
	<u>\$4,810</u>	<u>26.0%</u>	<u>\$3,428</u>	<u>24.7%</u>

State taxes in Illinois made up the majority (greater than 50 percent) of the tax effect in this category.

The components of the net deferred tax assets included in other liabilities are as follows at December 31:

	2025	2024
Deferred tax assets:		
Allowance for credit losses and warranty reserve	\$4,512	\$4,330
Unfunded commitment	259	278
Deferred compensation	1,637	1,605
Securities available-for-sale	2,433	4,068
Compensated absences and other	1,290	1,314
	<u>10,131</u>	<u>11,595</u>
Deferred tax liabilities:		
Property and equipment	(2,578)	(2,657)
Mortgage servicing rights	(149)	(204)
Acquisition accounting differences	(270)	(277)
Other	(303)	(299)
	<u>(3,300)</u>	<u>(3,437)</u>
	<u>\$6,831</u>	<u>\$8,158</u>

At December 31, 2025, the Company does not have federal net operating loss carryforwards. Deferred tax assets are recognized for net operating losses because the benefit is more likely than not to be realized.

The Company does not expect the total amount of unrecognized tax benefits to significantly increase or decrease in the next twelve months, and there is no reserve for uncertain tax positions.

With few exceptions, the Company is no longer subject to federal or state examinations by tax authorities for years before 2022.

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**(10) Employee Benefit Plans:**

The Bank and Mortgage Banking Company sponsor a 401(k) profit-sharing plan, covering substantially all full-time employees who meet eligibility requirements. The Bank and Mortgage Banking Company make discretionary contributions as approved annually by their respective Boards of Directors. The total amounts contributed and charged to expense by the Company were approximately \$2,351 and \$1,680 for the years ended December 31, 2025 and 2024, respectively.

The Bank has deferred compensation agreements with certain officers and directors. The accrued benefits were approximately \$5,804 and \$5,692 at December 31, 2025 and 2024, respectively, and the related expense for the years then ended was \$499 and \$481, respectively. The Bank has purchased life insurance contracts to assist in providing for these liabilities. The Bank is the owner and beneficiary of the life insurance policies, which provide an aggregate death benefit of approximately \$44,429 and \$44,272 at December 31, 2025 and 2024, respectively. These policies had cash surrender values of approximately \$20,844 and \$20,269 at December 31, 2025 and 2024, respectively.

**(11) Commitments and Contingencies:**

Loan commitments:

The Bank is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, credit lines, letters of credit, and overdraft protection. They involve, to varying degrees, elements of credit risk in excess of amounts recognized on the consolidated balance sheets.

The Bank's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit and letters of credit is represented by the contractual notional amount of those instruments. The Bank uses the same credit policies in making commitments and issuing letters of credit as it does for on-balance-sheet instruments.

A summary of the contract amount of the Bank's exposure to off-balance-sheet risk as of December 31 is approximately as follows:

	<b>2025</b>	<b>2024</b>
Commitments to extend credit	\$248,969	\$218,871
Committed credit-card lines	7,030	6,387
Standby letters of credit	6,873	6,737
	<u>\$262,872</u>	<u>\$231,995</u>

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**(11) Commitments and Contingencies (continued):**

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Commitments extended over varying periods of time with the majority being disbursed within a one-year period. Loan commitments at fixed rates of interest amounted to \$20,814 at December 31, 2025, with the remainder at floating market rates. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, crops, livestock, property and equipment, residential real estate, and income-producing commercial properties. Credit-card commitments are unsecured.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Standby letters of credit are considered financial guarantees under FASB guidance. The fair value of these financial guarantees is considered immaterial.

Contingencies:

Various legal claims arise from time to time in the normal course of business, which in the opinion of management will have no material effect on the Company's consolidated financial statements.

**(12) Federal Home Loan Bank Advances and Other Borrowings:**

Federal Home Loan Bank advances and letters of credit:

The Bank has a master contract agreement with the Federal Home Loan Bank (FHLB) which provides for borrowing up to the maximum of 76% of the book value of the Bank's 1-4 family real estate loans, 62% of the book value of the Bank's revolving home equity lines of credit, 62% of the book value of the Bank's 1-4 family second mortgages, 62% of the book value of the Bank's secured farmland loans, 73% of the book value of the multi-family loans and the amount of the Bank's securities pledged, and 72% of the commercial real estate first-lien loans. The total carrying value of the Bank's assets pledged for FHLB advances was approximately \$906,150 and \$892,193 at December 31, 2025 and 2024, respectively. At December 31, 2025, the Bank's available and unused portion of this borrowing agreement totaled approximately \$474,820, based on collateral pledged. The Bank may, however, have to purchase additional FHLB stock to support future draws.

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**(12) Federal Home Loan Bank Advances and Other Borrowings (continued):**

Federal Home Loan Bank advances and letters of credit (continued):

Variable rate advances are due on demand and interest is payable monthly. Various advances were obtained from the FHLB with total outstanding balances of \$0 at December 31, 2025 and 2024.

Fixed rate advances are due at the maturity date, with a prepayment penalty applying and interest payable monthly. Various advances were obtained from the FHLB with a total outstanding balance of \$77,917 and various interest rates from 0.00% to 4.46% at December 31, 2025 and a total outstanding balance of \$67,917, with various interest rates from 0.00% to 5.08% at December 31, 2024.

The Bank had four letters of credit totaling \$66,045 at December 31, 2025, with maturity dates through May 2026.

Federal Reserve Bank Discount Window:

The Bank maintains an operating line of credit with the Federal Reserve Bank Discount Window that is secured by commercial and agricultural loans. As of December 31, 2025 and 2024, the balance owed on the line was \$0. The Bank was eligible to borrow up to approximately \$92,003 and \$85,839, based on collateral of approximately \$112,294 and \$111,238 at December 31, 2025 and 2024, respectively.

At December 31, 2025, the scheduled maturities of Federal Home Loan Bank advances are as follows:

	<b>2025</b>
2026	\$47,000
2027	22,917
2028	0
2029	0
2030	8,000
	<b>\$77,917</b>

Bankers' Bank Borrowings:

During October 2024, Tri-County Financial Group entered into an operating line of credit with Bankers' Bank for \$10,000 at a variable interest rate based upon the Wall Street Journal Prime Rate, less 0.250 percentage points (6.75% and 7.50% prime interest rate at December 31, 2025 and 2024, respectively). The note is secured by 52,200 shares of the common stock of First State Bank, representing 100% of the issued and outstanding capital stock of the Bank and matures October 29, 2026. As of December 31, 2025 and 2024 the balance owed on the line was \$0. There were no draws on the operating line of credit at any point during the years ended December 31, 2025 and 2024.

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**(13) Securities Sold Under Agreements to Repurchase:**

The agreements to repurchase securities require the Company (seller) to repurchase identical securities as those that are sold. The securities underlying the agreements were under the Company's control. Information about the repurchase agreements at December 31 follows:

2025	
Remaining Contractual Maturity of the Agreements	Overnight and Continuous
Repurchase agreements secured by:	
U.S. Government sponsored agencies	\$12,846
Mortgage-backed	7,234
Collateralized mortgage obligations (CMOs)	3,025
Total securities sold under agreements to repurchase	\$23,105
2024	
Remaining Contractual Maturity of the Agreements	Overnight and Continuous
Repurchase agreements secured by:	
U.S. Government sponsored agencies	\$12,271
Mortgage-backed	5,304
Collateralized mortgage obligations (CMOs)	5,104
Total securities sold under agreements to repurchase	\$22,679

The maximum amount of outstanding agreements at any month end during 2025 and 2024 totaled \$32,965 and \$31,640 respectively, and the monthly average of such agreements totaled \$22,373 and \$22,551 for 2025 and 2024 respectively.

**(14) Subordinated Debentures:**

In October 2021, the Company issued \$10,000 in subordinated debentures bearing interest of 3.50% annually until October 15, 2026 at which time the rate will reset quarterly to an interest rate per year equal to the then current three-month SOFR, plus 266 basis points. The debt requires semi-annual interest payments until October 15, 2026, followed by quarterly interest payments until maturity. The Company may redeem the subordinate debentures, in whole or in part, on or after October 15, 2026, at 100% of the principal amount, plus accrued but unpaid interest and additional interest, if any. The subordinated debentures mature on October 15, 2031.

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**(14) Subordinated Debentures (continued):**

At December 31, 2025 and 2024, subordinated debentures are as follows:

	2025		2024	
	Principal	Unamortized Debt Issuance Costs	Principal	Unamortized Debt Issuance Costs
Subordinated debentures, due 2031 and 2026, respectively	\$10,000	\$141	\$10,000	\$166

Amortization of debt issuance costs recognized totaled \$25 and \$24 for the years ended December 31, 2025 and 2024, respectively. The remaining annual amortization expense is as follows:

2026	\$24
2027	24
2028	24
2029	24
2030	24
Thereafter	21
Total	\$141

**(15) Deposits:**

At December 31, 2025, the scheduled maturities of time deposits are as follows:

2026	\$435,163
2027	63,618
2028	10,274
2029	2,108
2030	382
Total	\$511,545

Brokered certificates were \$44,921 and \$49,223 at December 31, 2025 and 2024 respectively.

The aggregate amounts of time deposits (including certificates of deposit) in denominations that exceed the FDIC insurance limit of \$250 were approximately \$145,358 and \$131,874 as of December 31, 2025 and 2024 respectively.

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**(16) Transactions with Related Parties:**

Certain directors, executive officers, and principal shareholders of the Company, and their related interests, had loans outstanding in the aggregate amounts of approximately \$6,426 and \$7,494 at December 31, 2025 and 2024, respectively. During the year ended December 31, 2025, total principal additions were \$9,927 and total principal payments were \$10,995. Changes in related party composition during the year totaled an increase of \$0.

Deposit accounts with related parties totaled approximately \$4,659 and \$6,272 at December 31, 2025 and 2024, respectively.

In management's opinion, such loans and deposits were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve more than normal risk of collectability or present other unfavorable features.

**(17) Stock-Compensation Plans:**

The Company has a stock-option plan, which provides for grants of incentive stock options to employees and non-qualified stock options to non-employee directors whereby shares of common stock are made available for purchase. The maximum number of shares available for issuance under the Plan is 10.0% of the total shares of stock outstanding at any time. The Company has a policy of using previously authorized, but unissued shares of common stock to satisfy stock option exercises. Currently, the Company has a sufficient number of authorized common shares to satisfy expected stock option exercises.

Under the agreements, the exercise price of each option equals the market price of the Company's stock on the grant date. The maximum term of each option is ten years. The options vest on the third anniversary of the grant date.

For the years ended December 31, 2025 and 2024, the Company recognized approximately \$160 and \$161 in compensation expense for stock options, respectively. The total income tax benefit recognized was \$8 for the years ended December 31, 2025 and 2024.

As of December 31, 2025, stock-based compensation expense, net of anticipated tax effects, not yet recognized totaled \$0.

The fair value of each option award is estimated on the date of grant using a closed form option valuation (Black-Scholes) model that uses the assumptions noted in the table below. Expected volatilities are based on historical volatilities of the Company's common stock. The Company uses historical data to estimate option exercise and post-vesting termination behavior. The expected term of options granted is based on historical data and represents the period of time that options granted are expected to be outstanding, which takes into account that the options are not transferable. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

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**(17) Stock-Compensation Plans (continued):**

No options were granted in 2025 or 2024.

The total intrinsic value of options exercised during the years ended December 31, 2025 and 2024 was \$85 and \$234, respectively.

The following table summarizes the activity of options granted, exercised or forfeited for the year ended December 31, 2025:

	2025	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Shares under option, beginning of year	161,495	\$40.83	6.02	\$891
Granted during the year	0	0		
Forfeited and canceled during the year	(2,880)	44.71		
Exercised during the year	(5,745)	32.31		85
Shares under option, end of year	152,870	\$41.08	5.09	\$1,227
Options exercisable, end of year	152,870	\$41.08	5.09	\$1,227

The following table summarizes the activity for non-vested options for the year ended December 31, 2025:

	Number of Options	Weighted Average Market Value at Grant
Non-vested options, December 31, 2024	66,000	\$47.50
Granted during the year	0	0
Vested during the year	(63,120)	47.50
Forfeited or expired during the year	(2,880)	44.71
Non-vested options, December 31, 2025	0	\$47.50

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**(17) Stock-Compensation Plans (continued):**

The following table summarizes information about stock options outstanding at December 31, 2025:

Exercise Price	Number Outstanding At December 31, 2025	Remaining Contractual Life	Number Exercisable At December 31, 2025
\$26.00	20,920	1	20,920
\$42.20	27,350	3	27,350
\$34.00	28,700	5	28,700
\$47.50	75,900	7	75,900
	152,870		152,870

**(18) Minimum Capital Requirements:**

The Bank is subject to various regulatory capital requirements administered by the federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the 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 capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Furthermore, the Bank's regulators could require adjustments to regulatory capital not reflected in these financial statements.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum capital amounts and ratios (set forth in the table below). Management believes, as of December 31, 2025 and 2024, the Bank met all capital-adequacy requirements to which they are subject.

As of December 31, 2025, 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 Common Equity Tier 1 risk-based, total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since December 31, 2025 that management believes have changed this categorization.

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**(18) Minimum Capital Requirements (continued):**

The actual capital amounts and ratios for the Bank are also presented in the following table as of December 31, 2025 and December 31, 2024:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>As of December 31, 2025:</b>						
Common equity Tier 1 capital (to Risk-Weighted Assets)						
Bank	\$164,600	13.8%	≥ \$53,867	≥ 4.5%	≥ \$77,808	≥ 6.5%
Total Capital (to Risk-Weighted Assets)						
Bank	\$178,511	14.9%	≥ \$95,763	≥ 8.0%	≥ \$119,704	≥ 10.0%
Tier-I Capital (to Risk-Weighted Assets)						
Bank	\$164,600	13.8%	≥ \$71,823	≥ 6.0%	≥ \$95,763	≥ 8.0%
Tier-I Capital (To Average Assets)						
Bank	\$164,600	10.5%	≥ \$62,632	≥ 4.0%	≥ \$78,290	≥ 5.0%
<b>As of December 31, 2024:</b>						
Common equity Tier 1 capital (to Risk-Weighted Assets)						
Bank	\$155,252	13.4%	≥ \$52,170	≥ 4.5%	≥ \$75,357	≥ 6.5%
Total Capital (to Risk-Weighted Assets)						
Bank	\$167,534	14.5%	≥ \$92,747	≥ 8.0%	≥ \$115,934	≥ 10.0%
Tier-I Capital (to Risk-Weighted Assets)						
Bank	\$155,252	13.4%	≥ \$69,560	≥ 6.0%	≥ \$92,747	≥ 8.0%
Tier-I Capital (To Average Assets)						
Bank	\$155,252	10.3%	≥ \$60,519	≥ 4.0%	≥ \$75,648	≥ 5.0%

Consolidated capital amounts and ratios are not presented as they are not required for consolidated entities less than \$3 billion in assets and the Bank comprises approximately 90% of the consolidated assets of the Company.

The Basel III Capital Rules were fully phased in on January 1, 2020 and require the Bank to maintain: 1) a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of 4.5%, plus a 2.5% “capital conservation buffer” (resulting in a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of 7.0%); 2) a minimum ratio of Tier 1 capital ratio of 8.5%); 3) a minimum ratio of total capital to risk-weighted assets of 8.0%, plus the capital conservation buffer resulting in a minimum total capital ratio of 10.5%); and 4) a minimum Leverage Ratio of 4.0%. The net unrealized gain or loss on available-for-sale debt securities is not included in computing regulatory capital.

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**(18) Minimum Capital Requirements (continued):**

The payment of dividends by the Bank would be restricted if the Bank does not meet the minimum Capital Conservation Buffer as defined by Basel III regulatory capital guidelines and/or if, after payment of the dividend, the Bank would be unable to maintain satisfactory regulatory capital ratios.

The Mortgage Banking Company is also subject to capital requirements in connection with its mortgage banking activities. Failure to maintain minimum capital requirements could result in the Mortgage Banking Company's inability to originate mortgage loans for the respective investor and therefore could have a direct material effect on the Mortgage Banking Company's financial statements.

The Mortgage Banking Company's actual adjusted capital amounts and the minimum amounts required for capital adequacy purposed in accordance with the guidelines as required by the U.S. Department of Housing and Urban Development (HUD) for Non-Supervised Mortgagees as of December 31 are as follows:

	Actual Adjusted Capital	Minimum Capital Requirements
As of December 31, 2025:		
HUD	\$8,766	\$1,019
As of December 31, 2024:		
HUD	\$10,234	\$1,013

**(19) Intangible Assets:**

The following is a summary of intangible assets at December 31:

	2025		2024	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization -				
Core deposit intangible	\$900	\$818	\$900	\$796
Customer list	349	349	349	349
Total	\$1,249	\$1,167	\$1,249	\$1,145

Goodwill is not subject to amortization and was \$8,596 as of December 31, 2025 and 2024.

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**(19) Intangible Assets (continued):**

Amortization expense recognized on all amortizable intangibles totaled \$22 and \$23 for the years ended December 31, 2025 and 2024 respectively. The remaining annual amortization expense is as follows:

2026	\$21
2027	20
2028	19
2029	18
2030	4
Thereafter	0
<hr/>	
Total	\$82
<hr/>	

**(20) Earnings Per Common Share:**

For the years ended December 31 earnings per common share have been computed based on the following:

	<b>2025</b>	<b>2024</b>
Net income	\$13,663	\$10,429
<hr/>		
Income available to common stockholders	\$13,663	\$10,429
<hr/>		
Average number of common shares outstanding used to calculate basic earnings per common share	2,383,976	2,412,573
<hr/>		
Effect of dilutive securities:		
Stock options	26,354	26,182
	<hr/>	<hr/>
	26,354	26,182
<hr/>		
Average number of common shares outstanding used to calculate diluted earnings per common share	2,410,330	2,438,755
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Stock options for 0 and 78,800 shares of the Company's common stock were not considered in computing diluted earnings per common share for the years ended December 31, 2025, and 2024 respectively, because they were anti-dilutive.

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(21) **Fair Value Measurements:**

Accounting standards define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices (unadjusted) or identical assets or liabilities in active markets that the Company has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect the Company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The following is a description of valuation methodologies used for assets recorded at fair value:

Debt securities available for sale: The fair values of the Company's debt securities available for sale are primarily determined by quoted prices in active markets (Level 1) and matrix pricing (Level 2), which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for specific debt securities, but rather by relying on the debt securities' relationship to other benchmark quoted securities. The values determined by matrix pricing are considered Level 2 fair value measurements.

Mortgage loans held for sale: The fair values of the Company's mortgage loans held for sale are based on quotes from third party investors.

Derivatives: Derivatives instruments such as interest rate lock commitments and forward contracts are valued by means of pricing models based on readily observable market parameters such as interest rate yield curves and option pricing volatilities.

Collateral-dependent impaired loans: The Company does not record loans at fair value on a recurring basis. However, from time to time, fair value adjustments are recorded on these loans to reflect (1) partial write-downs, through charge-offs or specific reserve allowances, that are based on the current appraised or market-quoted value of the underlying collateral or (2) the full charge-off of the loan carrying value. The fair value of collateral dependent impaired loans is generally based on recent real estate appraisals. Adjustments are routinely made in the appraisal process by independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification. Non-real estate collateral may be valued using an appraisal, net book value of the borrower's financial statements or aging reports, adjusted or discounted based on management's expertise and knowledge of the borrower and borrower's business. Fair value measurements prepared internally are based on management's comparisons to sales of comparable assets but include significant unobservable data and are therefore considered Level 3 measurements.

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**(21) Fair Value Measurements (continued):**

Foreclosed assets: Real estate acquired through or in lieu of loan foreclosure is not measured at fair value on a recurring basis. However, other real estate is initially measured at fair value (less estimated costs to sell) when it is acquired and may also be measured at fair value (less estimated costs to sell) if it becomes subsequently impaired. The fair value measurement for each property must be obtained from an independent appraiser or prepared internally. Fair value measurements obtained from independent appraisers generally utilize a market approach based on sales of comparable assets and/or an income approach. Such measurements are usually considered Level 2 measurements. However, management routinely evaluates fair value measurements of independent appraisers by comparing actual selling prices to the most recent appraisals. If management determines significant adjustments should be made to the independent appraisals based on these evaluations, these measurements are considered Level 3 measurements. Fair value measurements prepared internally are based on management's comparisons to sales of comparable assets, but include significant unobservable data and are therefore considered Level 3 measurements.

The following table presents the Company's approximate fair value hierarchy for assets measured at fair value as of December 31:

	2025			
	Total	Fair Value Measurements at Reporting Date Using		
		(Level 1)	(Level 2)	(Level 3)
Assets and liabilities measured at fair value on a recurring basis:				
Assets:				
Debt securities available for sale	\$154,207	\$17,485	\$136,722	
Mortgage loans held for sale	\$12,688		\$12,688	
Derivative assets	\$352		\$352	
Liabilities:				
Forward contracts	\$60		\$60	
Assets measured at fair value on a non-recurring basis:				
Assets:				
Collateral-dependent loans, net of specific reserves	\$6,153			\$6,153
Foreclosed assets	\$101			\$101

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**(21) Fair Value Measurements (continued):**

	2024			
	Total	Fair Value Measurements at Reporting Date Using		
		(Level 1)	(Level 2)	(Level 3)
Assets measured at fair value on a recurring basis:				
Assets:				
Debt securities available for sale	\$143,735	\$24,598	\$119,137	
Mortgage loans held for sale	\$9,011		\$9,011	
Derivative assets	\$188		\$188	
Forward contracts	\$62		\$62	
Assets measured at fair value on a non-recurring basis:				
Assets:				
Collateral-dependent loans, net of specific reserves	\$6,460			\$6,460
Foreclosed assets	\$920			\$920

Collateral-dependent impaired loans, which are measured for impairment using the fair value of collateral, had approximate carrying values of \$7,202 and \$7,258 with specific reserves of approximately \$1,049 and \$798 as of December 31, 2025 and 2024, respectively. Losses of \$0 were recognized in December 31, 2025 and 2024.

Foreclosed assets which are measured at the lower of carrying or fair value less costs to sell, had an approximate carrying amount of \$101 and \$920 which is comprised of the outstanding balance of approximately \$101 and \$920, net of an allowance for losses of \$0 as of December 31, 2025 and 2024. Losses of \$0 were recognized in December 31, 2025 and 2024.

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at December 31:

	2025			
	Fair Value	Valuation Technique	Unobservable Input	Weighted Average Discount
Assets measured at fair value on a non-recurring basis:				
Collateral-dependent impaired loans, net of specific reserves	\$3,237	Sales comparison approach	Appraised values	31.1%
Foreclosed assets	\$101	Sales comparison approach	Appraised values	52.6%

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(21) **Fair Value Measurements (continued):**

	2024			
	Fair Value	Valuation Technique	Unobservable Input	Weighted Average Discount
Assets measured at fair value on a non-recurring basis:				
Collateral-dependent impaired loans, net of specific reserves	\$2,039	Sales comparison approach	Appraised values	56.1%
Foreclosed assets	\$920	Sales comparison approach	Appraised values	52.6%

There were no transfers between Level 1 and Level 2 during 2025 or 2024.

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined by quoted market prices; however, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or valuation techniques. Those techniques are significantly affected by assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair-value estimates may not be realized in an immediate settlement of the instrument. Accounting standards exclude certain financial instruments and all non-financial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments as of December 31:

	2025	Fair Value Measurements at Reporting Date Using			
		Carrying Amount	(Level 1)	(Level 2)	(Level 3)
<b>Financial assets:</b>					
Cash and cash equivalents	\$49,639	\$49,639			\$49,639
Securities available for sale	154,207	17,485	136,722		154,207
Federal Home Loan Bank stock	3,572			3,572	3,572
Mortgage loans held for sale	12,688		12,688		12,688
Loans, net	1,300,302			1,283,910	1,283,910
Accrued interest receivable	8,222	8,222			8,222
Mortgage servicing rights	585		4,593		4,593
Derivative assets	352		352		352
<b>Financial liabilities:</b>					
Deposits	\$1,303,923	\$891,827		\$412,629	\$1,304,456
FHLB advances and other borrowings	77,917			77,917	77,917
Securities sold under agreements to repurchase	23,105	23,105			23,105
Accrued interest payable	2,648	2,648			2,648
Forward commitments	61		61		61

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(21) **Fair Value Measurements (continued):**

	2024				
	Carrying Amount	Fair Value Measurements at Reporting Date Using			Total
		(Level 1)	(Level 2)	(Level 3)	
<b>Financial assets:</b>					
Cash and cash equivalents	\$44,976	\$44,976			\$44,976
Securities available for sale	143,735	24,598	119,137		143,735
Federal Home Loan Bank stock	3,420			3,420	3,420
Mortgage loans held for sale	9,011		9,011		9,011
Loans, net	1,261,965			1,219,281	1,219,281
Accrued interest receivable	7,474	7,474			7,474
Mortgage servicing rights	790		5,274		5,274
Derivative assets	188		188		188
Forward commitments	62		62		62
<b>Financial liabilities:</b>					
Deposits	\$1,273,296	\$865,392		\$408,560	\$1,273,952
FHLB advances and other borrowings	67,917			67,917	67,917
Securities sold under agreements to repurchase	22,679	22,679			22,679
Accrued interest payable	2,899	2,899			2,899

(22) **Leases:**

*Lessee Arrangements*

The Mortgage Banking Company leases its facilities under operating leases in Bloomington, IL; Pekin, IL; Champaign, IL; Oakbrook Terrace, IL; and Sussex, WI. The Bank leases facilities in Geneva, IL and Champaign, IL. The Company enters into leases in the normal course of business primarily for mortgage servicing centers, information technology equipment, and land for ATMs and parking lots. The Company's leases have remaining terms ranging from one to three years, some of which include renewal or termination options to extend the lease for up to five years.

The Company includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain the Company will exercise the option. In addition, the Company has elected to account for any non-lease components in its real estate leases as part of the associated lease component. The Company has also elected not to recognize leases with original lease terms of 12 months or less (short-term leases) on the Company's balance sheet.

Leases are classified as operating or finance leases at the lease commencement date. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease.

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**(22) Leases (continued):**

Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

The Company uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known. The Company's incremental borrowing rate is based on the FHLB amortizing advance rate, adjusted for the lease term and other factors.

Right-of-use assets and lease liabilities by lease type, and the associated balance sheet classifications as of December 31 are as follows:

		<b>Balance Sheet Classification</b>	
		<b>2025</b>	<b>2024</b>
Right-of-use assets:			
Operating leases	Other assets	\$1,014	\$842
Lease liabilities:			
Operating leases	Accrued interest payable and other liabilities	\$1,013	\$842

The total consolidated lease expense was approximately \$490 and \$573 for the years ended December 31, 2025 and 2024, respectively. The expense paid is the same as the amount paid.

***Lease Obligations***

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2025 are as follows:

2026	\$435
2027	391
2028	219
2029	0
2030	0
<hr/>	
Total undiscounted lease payments	\$1,045
Less: imputed interest	(32)
<hr/>	
Net lease liabilities	\$1,013

***Supplemental Lease Information***

	<b>2025</b>	<b>2024</b>
Operating lease weighted average remaining lease term (years)	2.52 years	3.20 years
Operating lease weighted average discount rate	2.79%	2.02%

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**(23) Revenue from Contracts with Customers:**

All of the Company's revenue from contracts with customers in the scope of ASC 606 is recognized within non-interest income. The following table presents the Company's sources of non-interest income for the twelve months ended December 31, 2025. Items outside the scope of ASC 606 are noted as such.

	2025	2024
Non-interest income		
Trust department income	\$242	\$268
Customer-service fees		
Overdraft fees	980	918
Other	326	326
Mortgage banking <sup>(1)</sup>	11,257	9,924
Insurance services	1,752	1,406
Other <sup>(2)</sup>	2,677	2,790
	\$17,234	\$15,632

<sup>(1)</sup> Not within the scope of ASC 606

<sup>(2)</sup> The Other category includes ATM fees, wire transfer fees, safe deposit rentals and check order fees and gain/loss on sale of OREO, totaling \$1,934 and \$2,083 for 2025 and 2024, respectively, which is within the scope of ASC 606; the remaining balance of \$743 and \$707 for 2025 and 2024, respectively, represents loan & collection income, life insurance income, and gain on sale, which is outside the scope of ASC 606.

A description of the Company's revenue streams accounted for under ASC 606 follows:

**Customer-service fees:** The Company earns fees from its deposit customers for transaction-based, account maintenance and overdraft services. Transaction-based fees, which include services such as ATM fees, stop payment charges, statement rendering and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

**Interchange income:** The Company earns interchange fees from debit and credit cardholder transactions conducted through the Visa and MasterCard payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.

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**(23) Revenue from Contracts with Customers (continued):**

Trust department income: The Company earns income from its contracts with trust customers to manage assets for investment and/or to transact on their accounts. These fees are primarily earned over time as the Company provides the contracted monthly or quarterly services and are generally assessed based on a tiered scale of the market value of assets under management at month-end. Fees that are transaction-based, including trade execution services, are recognized at the point in time that the transaction is executed, i.e., the trade date. Other related services are provided and the fees the Company earns, which are based on a fixed fee schedule, are recognized when the services are rendered.

Insurance services: The Company earns fees from insurance services provided to its customers. These fees are primarily earned and assessed each month as the Company provides the contracted monthly service.

Gains/Losses on Sales of OREO: The Company records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Company finances the sale of OREO to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the OREO asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Company adjusts the transaction price and related gain (loss) on sale if a significant financing component is present.

**(24) Segments:**

The Company is divided into two reportable segments: Commercial Banking and Mortgage Banking. Commercial Banking provides a full range of loan and deposit products to individual consumers and businesses in all markets through retail lending, deposit services, online banking mobile banking, private banking, commercial lending, commercial real estate lending, agricultural lending, and other banking services. Mortgage banking provides residential mortgage banking products through five offices in Illinois and one office in Wisconsin through our Mortgage Banking Company. The majority of the loans are sold with servicing released.

Financial information for each business segment reflects that which is specifically identifiable. Income taxes are allocated based on the effective federal tax rate adjusted for any tax-exempt activity. All tax-exempt activity and provision have been fully allocated to the commercial banking segment. Measurement of performance of business segments is based on the management structure of the Company and is not necessarily comparable with similar information for any other financial institution. Information presented is also not necessarily indicative of the segments' operations if they were independent entities.

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**(24) Segments (continued):**

Principally, all of the net assets of the Company are involved in the commercial banking segment. Goodwill of approximately \$6 million resulting from acquisitions has been assigned to the commercial banking segment, and goodwill of approximately \$2 million has been assigned to the mortgage banking segment as a result of First State Mortgage's formation. Assets assigned to the mortgage banking primarily consist of mortgage loans held for sale and net premises and equipment.

The Company's chief operating decision maker is comprised of the Chief Executive Officer of the Company, the Chief Executive Officer of First State Bank, and Chief Executive Officer/Chief Operating Officer of First State Mortgage. The individuals consider net interest income, non-interest income, and budget-to-actual variances on a monthly basis for profit measures when making decisions about allocating capital and personnel to the operating segment.

Selected financial information by business segment is as follows for the year ended December 31, 2025:

<b>2025</b>	<b>Commercial</b>	<b>Mortgage Banking</b>	<b>Eliminations</b>	<b>Total</b>
Net interest income	\$49,854	\$291	\$(49)	\$50,096
Recovery of credit loss expense	659	0	0	659
Mortgage banking revenues	1,259	9,914	84	11,257
All other non-interest income	5,605	0	372	5,977
Non-interest expenses	36,610	11,751	(163)	48,198
Income (loss) before income tax expense	19,449	(1,546)	570	18,473
Income tax expense (benefit)	5,239	(429)	0	4,810
Net income (loss)	14,210	(1,117)	570	13,663

Selected financial information by business segment is as follows for the year ended December 31, 2024:

<b>2024</b>	<b>Commercial</b>	<b>Mortgage Banking</b>	<b>Eliminations</b>	<b>Total</b>
Net interest income	\$42,618	\$337	\$(47)	\$42,908
Recovery of credit loss expense	(1,284)	0	0	(1,284)
Mortgage banking revenues	974	8,869	81	9,924
All other non-interest income	5,708	0	0	5,708
Non-interest expenses	34,437	11,686	(156)	45,967
Income (loss) before income tax expense	16,459	(2,480)	(122)	13,857
Income tax expense (benefit)	4,137	(709)	0	3,428
Net income (loss)	12,322	(1,771)	(122)	10,429

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**(25) Condensed Financial Information (Parent Company Only):**

Presented below is condensed financial information as to financial position, results of operations, and cash flows of the Company as of and for the years ended December 31, 2025 and 2024:

<i>Condensed Balance Sheets</i>	<b>2025</b>	<b>2024</b>
<i>Assets:</i>		
Cash and cash equivalents	\$768	\$1,685
Investments in subsidiary	165,184	150,955
Premises and equipment, net	1,317	1,317
Other assets	1,112	504
<b>Total assets</b>	<b>\$168,381</b>	<b>\$154,461</b>
<i>Liabilities:</i>		
Dividends payable	\$607	\$611
Accrued interest and other liabilities	144	822
Subordinated debt, net	9,859	9,834
<b>Total liabilities</b>	<b>10,610</b>	<b>11,267</b>
<b>Stockholders' Equity</b>	<b>157,771</b>	<b>143,194</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$168,381</b>	<b>\$154,461</b>

<i>Condensed Statements of Income and Comprehensive Income</i>	<b>2025</b>	<b>2024</b>
<i>Income</i>		
<b>Total income</b>	<b>\$0</b>	<b>\$0</b>
<i>Expense:</i>		
Other expenses	\$1,945	\$1,189
<b>Total expense</b>	<b>1,945</b>	<b>1,189</b>
<b>Loss Before Income Tax and Equity in Undistributed</b>		
Income of Subsidiary	(1,945)	(1,189)
Benefit for Income Taxes	(555)	(339)
<b>Loss Before Equity in Undistributed Income of Subsidiary</b>	<b>(1,390)</b>	<b>(850)</b>
<b>Equity in Undistributed Income of Subsidiary</b>	<b>15,053</b>	<b>11,279</b>
<b>Net Income</b>	<b>\$13,663</b>	<b>\$10,429</b>
<b>Comprehensive Income</b>	<b>\$17,765</b>	<b>\$10,373</b>

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**(25) Condensed Financial Information (Parent Company Only):**

<i>Condensed Statements of Cash Flows</i>	<b>2025</b>	<b>2024</b>
<b>Cash flows from operating activities:</b>		
Net income	\$13,663	\$10,429
Items not requiring (providing) cash		
Amortization of debt issuance costs	25	24
Stock-based compensation expense	160	161
Net change in other liabilities	(682)	(157)
Net change in other assets	(608)	556
Equity in undistributed earnings from subsidiary	(15,053)	(11,279)
Net cash used in operating activities	(2,495)	(266)
<b>Cash flows from financing activities:</b>		
Dividends received from subsidiary	2,543	2,252
Purchases of common stock	(1,151)	(1,915)
Proceeds from stock options	186	482
Net cash used in financing activities	1,578	819
<b>Net Change in Cash and Cash Equivalents</b>	<b>(917)</b>	<b>553</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>1,685</b>	<b>1,132</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$768</b>	<b>\$1,685</b>

**26) Subsequent events:**

The Company has evaluated subsequent events for recognition and disclosure through March 6, 2026, which is the date the financial statements were available to be issued.

# Subsidiaries



## **FIRST STATE INSURANCE**

Mendota | Earlville



## **FIRST STATE MORTGAGE**

*a subsidiary of* **FIRST STATE BANK**

Headquartered in Bloomington, IL

# Locations

Mendota  
Batavia  
Bloomington  
Champaign  
Geneva  
LaMoille  
McNabb  
North Aurora  
Ottawa  
Peru  
Princeton  
Rochelle  
St. Charles  
Shabbona  
Streator  
Sycamore  
Waterman  
West Brooklyn

# Commercial Banking Staff

Kirk Ross	President/CEO	Dustin Miller	Commercial/Ag Loan Officer
Lana Eddy	CFO/Cashier	Jessica Newcomer	Retail Loan Officer
Cory Biers	Senior Vice President, Loans	Brent Ohlinger	Community President, Rochelle
Jordan Carpenter	Community President, Bloomington	Leslie Pool	Vice President, Compliance
Grant Goltz	President, North Operations	Sheela Prahlad	Senior Vice President, Commercial Lending
Jan Phalen	Chief Marketing Officer	Deborah Rogers	Vice President, Human Resource Officer
Jill Summerhill	Vice President, Operations	James Rosenlund	Vice President, Commercial Lending
Christin Atherton	Security Officer	Ashley Rzasa	Loan Officer/Branch Manager
Gabrielle Barkman	Training and Development Officer	Veronica Schmitt	Assistant Vice President, Operations
Michelle Barkman	Treasury Management Officer	Ellyn Schoenholz	Vice President, Loan Servicing
Joel Bejster	Credit Officer	Stephanie Small	Vice President, Internal Audit/ISO
Michael Bokus	Vice President, Information Technology	Mark Stamberger	Marketing/eSupport Officer
Steven Brykczynski	Controller	Dan Stephenitch	Community President, West Brooklyn
Dominik Chandler	Information Technology Officer	Donna Stephenitch	Vice President, Loan Operations
Jacob Cook	Commercial Loan Officer	Lisa Studebaker	Vice President, Teller Supervisor/CSR
Melissa Doll	Human Resource Officer	Robert Suarez	Community President, Peru
David Eckhardt	Vice President, Loans	Tom Sullivan	Trust Officer
John Gehant	Vice President, Commercial/Ag Lending	John Theisinger	Vice President, Commercial/Ag Lending
Tracy Grimmer	Community President, Princeton	Hillary Torrance	Assistant Vice President, Operations
Blake Hartman	Loan Officer/Credit Analyst	Jeff Townsend	Vice President, Ag Lending
Adam Holdenrid	Commercial/Ag Loan Officer	Thomas Walsh	Community President, Ottawa
Chris Holdenrid	Senior Vice President, Mortgages		
Evan Ibsen	Loan Officer/Credit Analyst	First State Insurance	
Edward Klemm	Vice President, Commercial Loans	Michael Wasmer	Vice President, Operations
Cassandra Leibham	Credit Officer		
Tom Lentz	Commercial Loan Servicing Manager	First State Mortgage	
Kyle Lewis	Vice President, BSA-AML	Rene Shaffer	President/CEO/COO
Linda Lutes	Assistant Vice President/Branch Manager, McNabb		
Jana Marquez	Accounting Manager		
Melissa Maurice	Loan Officer/Branch Manager, Peru		
Joseph Mayszak	Vice President, Risk		
Brian McGorty	Vice President, Senior Credit Officer		
Edward Michels	Vice President, Commercial Lending		

# Our Vision

Our vision is to be the dominant provider of financial services in North Central Illinois. We will remain an independent community bank committed to the security of our depositors by maintaining high capital standards.

We also recognize our civic responsibility to the communities we serve and the rewards of providing a challenging work environment for our employees.

# First State Bank

Since 1940, First State Bank has been a locally owned bank committed to providing value-added offerings, backed by exceptional service to the local communities we serve. We do so by providing a combination of cutting edge banking products and conveniences and also employing local professionals who take the time to get to know each customer's banking needs on an individual basis.

