

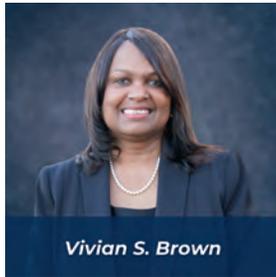


**PINNACLE
BANKSHARES**
CORPORATION

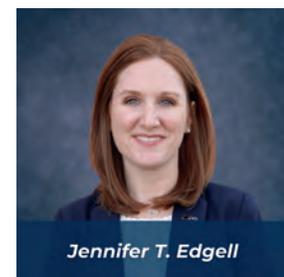
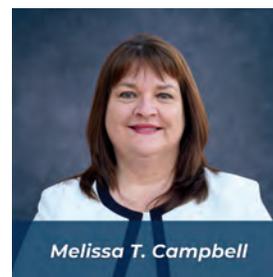


2025 ANNUAL REPORT

BOARD OF DIRECTORS



SENIOR MANAGEMENT



DEAR SHAREHOLDERS,

I am pleased to report that Pinnacle Bankshares Corporation, the one bank holding company for First National Bank, delivered a strong performance in 2025 with record high earnings accompanied by steady growth of total assets, loans, and deposits. We remained core funded with ample liquidity, further improved our net interest margin, and continued to maintain excellent credit quality. Additionally, we strengthened operational functions through talent acquisition to provide deeper oversight, better utilization of technology, and additional fraud prevention mechanisms, all with the objective of remaining relevant and viable in an ever-changing financial services environment. Our commitment to a community bank business model and our exceptional employees are driving growth of customer relationships, enhanced financial performance, and increased shareholder returns.

For 2025, Pinnacle generated net income of \$10.8 million, a record high, and a return on average assets of 1.05%. Net income increased \$1.6 million, or 17%, overall as compared to 2024 and \$2.4 million, or 28%, excluding bank-owned life insurance (BOLI) proceeds received the prior year. Net interest income increased \$4.7 million, or 13%, as our net interest margin expanded to 4.09% due to higher yields on earning assets, increased loan volume, and lower cost of funds. Additionally, non-interest income increased \$692,000, or 10%, net of BOLI proceeds, driven primarily by higher levels of revenue generated by First National Advisors and increased debit card interchange fees. Provision for credit losses decreased 59% to \$308,000 due to slower loan growth compared to 2024 and continued strong credit quality. Non-interest expense increased \$2.9 million, or 9%, as a result of higher salaries and benefits along with increased occupancy expense, including software and platforms, associated with growth of the company.

*Photograph: Ribbon cutting for the opening of our South Boston Branch.
Pictured (from left to right): Skyla Strohm, Parker Vaughan, Kathy Bane,
Ronnie Moore, Susan McLamb, and Todd Hall.*



As of December 31, 2025, Pinnacle had \$1.065 billion in total assets comprised primarily of \$740 million in loans, \$152 million in securities, and \$122 million in cash and cash equivalents. Total loans increased \$28.4 million, or 4%, during 2025, with Commercial, Dealer, and Retail lines all experiencing higher loan volume. Our securities portfolio declined \$23.4 million, or 13%, during the year with maturing issues utilized to partially fund loan growth. Total liabilities were \$976 million as of year-end 2025 and were mainly comprised of \$971 million in deposits, which increased \$20.4 million, or 2%, for the year.

¹ S&P Global / S&P Capital IQ – S&P Banks Select Index Total Return

² Performance Trust Capital Partners Rank The Banks Report – VA Q42025

*Photograph: Employees of First National Bank at the
2025 Fall All-Employee Event.*



Stockholders' equity totaled \$89.4 million as of December 31, 2025, an increase of \$11 million, or 14%, compared to the prior year-end. Correspondingly, our tangible book value per share increased \$4.82, or 14%, to \$39.59 over the same time period. The improvement was driven by profitability and a continued decline in unrealized losses associated with our securities portfolio. Pinnacle and First National Bank remain "well capitalized" per all regulatory definitions, with Bank capital absorbing the payoff of \$10 million in subordinated debt and a promissory note set to reprice at higher than market interest rates during 2025. As referenced in my letter to shareholders dated November 18, 2025, our financial strength and capital position provided the optionality to pay off this debt.

As mentioned, First National's credit quality continues to be strong. Net charge-offs decreased slightly during 2025 to \$157,000 and remained low as a percentage of average loans at .02%. As of December 31, 2025, we did not have any Other Real Estate Owned (OREO) and Non-Performing Loans to Total Loans along with Non-Performing Assets to Total Assets declined compared to the previous year to 0.20% and 0.14%, respectively. Our Allowance for Loan Losses was \$5.2 million as of year-end, which represented .71% of total loans outstanding and 349% of non-performing loans.

Pinnacle's stock price hit a record high of \$46.49 during 2025 and ended the year at \$45.50 per share, an increase of \$14.30, or 46%, compared to year-end 2024. Additionally, Pinnacle paid \$1.06 in cash dividends per share in 2025, an increase of \$0.06 per share, or 6%, compared to the prior year. Total return for 2025 was 49.23%, which outpaced the S&P Banks Select Index total return of 10%.¹ Based on the last market trade through February 27, 2026, Pinnacle's stock price was \$46.25 per share or 117% of year-end tangible book value. I am pleased our stock price reflects a premium to book, which has been driven in part by our performance compared to peers with First National Bank achieving the #5 overall performance ranking per the Performance Trust Rank-the-Banks Virginia Report as of December 31, 2025.² Earlier this year, we announced implementation of a Stock Repurchase Plan designed to facilitate potential share repurchases that may further enhance shareholder returns.



Photographs: Left: A bank teller interacts with a customer inside the lobby of our Main Office in Altavista, VA, in the early 1900s, Right: Cheria Taylor and Jeff Walker recreate the same photo in the present day inside the same lobby. **Pictured:** (Left photo) Unknown bank teller and customer (Right photo) Cheria Taylor (left) and Jeff Walker (right).

Our Annual Meeting of Shareholders will be conducted on Tuesday, May 12, 2026, beginning at 11:00 a.m., at Virginia Technical Institute, located at 201 Ogden Road, Altavista, VA 24517. The meeting will be followed by a luncheon provided for those in attendance. I hope you will join us for an informative session on Pinnacle's performance and direction.

In closing, I am pleased with Pinnacle's record performance in 2025, the improvement in our stock price, and our position moving forward. We remain adaptive and resilient in an extremely competitive financial services environment, while continuing to focus on growing relationships, taking care of our customers, and retaining the best employees. I am excited about our future and continue to appreciate your support, confidence, and trust.

Sincerely,

Aubrey H. Hall, III "Todd"
President & Chief Executive Officer

All forward looking information in this letter should be read with, and is qualified in its entirety by, the cautionary language regarding forward-looking statements contained in this Annual Report for the year ended December 31, 2025

Photograph: First National Bank employees volunteering at Park View Community Mission.

Pictured (from left to right): Amy Jenkins, Matt Stinson, Alison Ayers, Kristen Wagner, Sareenia Gunter, Janet Whitehead, Josie Santiago Cruz, Jenny Jones, Jackie Vaughan, Zach McCall, and Tim Marshall.



Photograph: Pam Adams celebrating 40 years of service in December 2025.

Pictured (from left to right): Rob Gilliam, prior President & CEO (left), Pam Adams (center), and Todd Hall, current President & CEO (right).



PINNACLE BANKSHARES CORPORATION
AND SUBSIDIARY

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Pinnacle Bankshares Corporation

Company Overview

Business

Pinnacle Bankshares Corporation (“Pinnacle” or the “Company”), a Virginia corporation, was organized in 1997 and is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended (the “BHCA”). Pinnacle is headquartered at 622 Broad Street in Altavista, Virginia and conducts all of its business activities through the branch offices of its wholly-owned subsidiary bank, First National Bank (“First National” or the “Bank”). Pinnacle was primarily established for the purpose of holding the stock of its subsidiary, First National Bank, and of such other subsidiaries as Pinnacle may acquire or establish. Information about the Company is available under the Investor Relation tab on First National Bank's website at www.1stnatbk.com. Information on the Bank's website is not part of, and is not incorporated into, this Annual Report.

Pinnacle is a locally managed community banking organization serving Central and Southern Virginia. The one-bank holding company of First National Bank serves market areas consisting primarily of all or portions of the Counties of Amherst, Bedford, Campbell, Halifax, and Pittsylvania, and the Cities of Charlottesville, Danville, and Lynchburg. The Company has a total of nineteen branches with one branch in *Amherst County* within the *Town of Amherst*, two branches in *Bedford County*; five branches in *Campbell County*, including two within the *Town of Altavista*, where the Bank was founded; one branch in the *City of Charlottesville*, three branches in the *City of Danville*; three branches in the *City of Lynchburg*; one branch and a commercial loan production office in *Halifax County* within the *Town of South Boston*, and three branches in *Pittsylvania County*, including one within the *Town of Chatham*. In 2026, First National Bank is celebrating its 118th year of operation.

With an emphasis on personal service and commitment to a community banking business model, First National Bank today offers a broad range of commercial and retail banking products and services including checking, savings and time deposits, individual retirement accounts, online banking, mobile banking, remote deposit capture, merchant bankcard processing, residential and commercial mortgages, home equity loans, consumer installment loans, agricultural loans, investment loans, small business loans, commercial loans, lines of credit, and letters of credit. First National Bank also offers a full range of investment, insurance and annuity products through its association with LPL Financial LLC, and Bearing Insurance Group, LLC.

First National Bank has two wholly-owned subsidiaries. FNB Property Corp., a Virginia corporation, was formed to hold title to hold real estate for future bank premises. First Properties, Inc., also a Virginia corporation, was formed to hold title to other real estate owned.

Pinnacle’s revenues are primarily derived from interest and fees received in connection with lending activities, and from interest and dividends from investment securities. Pinnacle also derives noninterest revenue from a variety of sources including, but not limited to, debit card interchange fees, service charges on deposit and loan accounts, commissions and fees from the sales of investment and insurance products, mortgage loan fees, and bank owned life insurance (BOLI). The principal sources of funds for Pinnacle’s lending activities are its deposits, repayment of loans, maturity of investment securities, available lines of credit from correspondent banks, and borrowings from the Federal Home Loan Bank of Atlanta (“FHLB”) and the Federal Reserve discount window if needed.

Pinnacle’s operations are influenced by general economic conditions and by related monetary and fiscal policies of regulatory agencies, including the Board of Governors of the Federal Reserve System (the “Federal Reserve”). As a national banking association, the Bank is supervised and examined by the Office of the Comptroller of the Currency (the “OCC”). Interest rates on competing investments and general market rates of interest influence deposit flows and costs of funds. Lending activities are affected by the demand for financing of real estate and other types of loans, which in turn is affected by market economic conditions, the interest rate environment and its impact on market demand and the availability of funds. The Bank faces strong competition in the attraction of deposits, its primary source of lendable funds, and in the origination of loans.

Competition

The banking business in central and southern Virginia is highly competitive with respect to both deposits and loans with a number of larger banks as well as other community banks operating in Pinnacle's market area. Pinnacle actively competes for all types of deposits and loans with other banks and nonbank financial institutions, including credit unions, finance companies, mortgage companies, insurance companies, financial technology companies, and other lending institutions. Many of Pinnacle's non-bank competitors are not subject to the same extensive federal regulations that govern bank holding companies and federally insured banks, which may allow them to offer greater lending limits and certain products and services that Pinnacle does not provide.

Institutions such as brokerage firms, credit card companies and even retail establishments offer alternative investment vehicles such as money market funds as well as traditional banking services. Other entities (both public and private) seeking to raise capital through the issuance and sale of debt or equity securities also represent a source of competition for Pinnacle with respect to the acquisition of deposits. Among the advantages that the larger banks have over Pinnacle is their ability to finance extensive advertising campaigns, to offer a wider range of products and services based on the scale of their operations, to offer high level of digital products and services and to allocate their investment assets to regions of highest yield and demand over a more diverse geographic area. Although larger banks have these competitive advantages over community banks, Pinnacle actively leverages its competitive advantage by soliciting customers who prefer the personal service offered by a community bank.

Pinnacle is not dependent upon a single customer or industry, the loss of which would have a material adverse effect on Pinnacle's financial condition. The markets Pinnacle serves benefit from both industrial and retail diversification.

Pinnacle believes that its prompt response to lending requests is a component of its competitive position in markets served. In addition, local decision-making and the accessibility of senior management to customers also distinguishes Pinnacle from other area financial institutions.

In order to compete with the other financial institutions in markets served, Pinnacle relies upon local promotional activities, personal contact by its directors, officers, and employees and its ability to offer specialized services to customers. Pinnacle's promotional activities emphasize the advantages of working with a community bank.

Common Stock and Dividends.

Pinnacle's Common Stock is traded on the OTCQX platform under the symbol "PPBN." As of December 31, 2025, there were approximately 2,225,276 shares of Common Stock outstanding held by approximately 442 active shareholders of record.

Substantially all of Pinnacle's retained earnings consist of undistributed earnings of First National Bank, which are restricted by various regulations administered by federal banking regulatory agencies. Under applicable federal laws, the OCC restricts, without prior approval, the total dividend payments of First National Bank in any calendar year to the net profits of that year, as defined, combined with the retained net profits for the two preceding years.

Under capital adequacy guidelines and the regulatory framework for prompt corrective action, Pinnacle and First National 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. Pinnacle and First National's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Employees

As of December 31, 2025, Pinnacle had 186 full-time and 2 part-time employees. Pinnacle's management believes that its employee relations are good, although recent growth and the current competitive jobs market has made hiring new, well qualified employees more challenging and retaining high-performing employees more important for Pinnacle's success.

Regulation and Supervision

General. Bank holding companies, banks and their affiliates are extensively regulated under both federal and state law. The following summary briefly describes significant provisions of currently applicable federal and state laws and certain regulations and the potential impact of such provisions. This summary is not complete and is qualified in its entirety by reference to the particular statutory or regulatory provisions or proposals.

Because regulation of financial institutions changes regularly and is the subject of constant legislative and regulatory debate, we cannot forecast how federal and state regulation and supervision of financial institutions may change in the future and affect Pinnacle and First National Bank's operations. In addition, changes in governmental representation may lead to significant changes to the existence, priorities, scope, practices and/or staffing levels of various federal regulatory agencies, which may have material effects on our business. We cannot predict these changes or their ultimate scope.

As a national bank, First National Bank is subject to regulation, supervision, and regular examination by the OCC. The prior approval of the OCC or other appropriate bank regulatory authority is required for a national bank to merge with another bank or purchase the assets or assume the deposits of another bank. In reviewing applications seeking approval of merger and acquisition transactions, the bank regulatory authorities will consider, among other things, the competitive effect and public benefits of the transactions, the capital position of the constituent organizations and the combined organization, the risks to the stability of the U.S. banking or financial system, the applicant's performance record under the Community Reinvestment Act (the "CRA"), fair lending laws, and fair housing initiatives, the data security and cybersecurity infrastructure of the constituent organizations and the combined organization, the applicant's risk management programs and processes, and the applicant's compliance with and the effectiveness of the subject organizations in combating money laundering activities and complying with Bank Secrecy Act Requirements.

The OCC announced on October 6, 2025, that its supervisory strategies for 2026 will focus on reducing regulatory burden for community banks, moving from mandatory activities to risk-based supervision focused on material financial risks, and modernizing supervision for the evolving system, all while maintaining safety and soundness. The OCC's 2026 supervisory plan provides the foundation for policy initiatives and supervisory strategies as applied to national banks, such as First National Bank, and OCC staff members use the plan to guide their priorities, planning, and resource allocations over the course of the coming fiscal year.

Each depositor's account with First National Bank is insured by the Federal Deposit Insurance Corporation (the "FDIC") to the maximum amount permitted by law.

First National Bank is also subject to certain regulations promulgated by the Federal Reserve and applicable provisions of Virginia law, insofar as they do not conflict with or are not preempted by federal banking law.

The regulations of the Federal Reserve, the OCC and the FDIC govern most aspects of Pinnacle's business, including deposit reserve requirements, investments, loans, certain check clearing activities, issuance of securities, payment of dividends, branching, and numerous other matters. Further, the federal bank regulatory agencies have adopted guidelines and released interpretive materials that establish operational and managerial standards to promote the safe and sound operation of banks and bank holding companies. These standards relate to the institution's key operating functions, including but not limited to internal controls, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, asset quality, earnings, compensation of management, information systems, data security and cybersecurity, and risk management. As a consequence of the extensive regulation of commercial banking activities in the United States, Pinnacle's business is particularly susceptible to changes in state and federal legislation and regulations, which may have the effect of increasing the cost of doing business, limiting permissible activities or increasing competition.

As a bank holding company, Pinnacle is subject to the BHCA, and regulation and supervision by the Federal Reserve. A bank holding company is required to obtain the approval of the Federal Reserve before making certain acquisitions or engaging in certain activities. Bank holding companies and their subsidiaries are also subject to restrictions on transactions with insiders and affiliates. As a Virginia bank holding company, Pinnacle is also subject to certain provisions of Virginia law regarding actions of interests in and control of financial institutions.

A bank holding company is required to obtain the approval of the Federal Reserve before it may acquire all or substantially all of the assets of any bank, and before it may acquire ownership or control of the voting shares of any bank if, after giving effect to the acquisition, the bank holding company would own or control more than 5.0% of the voting shares of such bank. The approval of the Federal Reserve is also required for the merger or consolidation of bank holding companies.

Pursuant to the BHCA, the Federal Reserve has the power to order any bank holding company or its subsidiaries to terminate any activity or to terminate its ownership or control of any subsidiary when the Federal Reserve has reasonable grounds to believe that continuation of such activity or ownership constitutes a serious risk to the financial soundness, safety or stability of any bank subsidiary of the bank holding company.

Pinnacle is required to file periodic reports with the Federal Reserve and provide any additional information the Federal Reserve may require. The Federal Reserve also has the authority to examine Pinnacle and its subsidiaries, as well as any arrangements between Pinnacle and its subsidiaries, with the cost of any such examinations to be borne by Pinnacle. Banking subsidiaries of bank holding companies are also subject to certain restrictions imposed by federal law in dealings with their holding companies and other affiliates.

Regulatory Environment. Banking and other financial services statutes, regulations and policies are continually under review by the U.S. Congress, state legislatures, and federal and state regulatory agencies.

Proposals to change the laws, regulations and policies governing the banking industry are frequently raised at both the state and federal levels. The likelihood and timing of any changes in laws and regulations, and the impact such changes may have on Pinnacle or First National, are difficult to predict and subject to rapid change. These laws and regulations impose compliance costs and create obligations, including in some cases reporting obligations, and compliance with these laws, regulations and obligations may require us to use significant resources. The specific impacts of legal or regulatory reforms cannot be fully predicted and will depend to a large extent on the specific reforms adopted.

In addition to laws and regulations, bank regulatory agencies may issue policy statements, interpretative letters and similar written guidance that is applicable to Pinnacle or First National Bank, and compliance therewith also may require us to use significant resources.

Capital Requirements and Prompt Corrective Action. The Federal Reserve, the OCC and the FDIC have adopted risk-based capital adequacy guidelines for bank holding companies and banks pursuant to the Federal Deposit Insurance Corporation Improvement Act of 1991 (“FDICIA”) and the Basel III Capital Accords. See the “Equity” section within “Results of Operations” for more detail.

The federal bank regulatory agencies have broad powers to take prompt corrective action to resolve problems of insured depository institutions. Under the FDICIA, there are five capital categories applicable to bank holding companies and insured institutions, each with specific regulatory consequences. The extent of the agencies’ powers depends on whether the institution in question is “well capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized” or “critically undercapitalized.” These terms are defined under uniform regulations issued by each of the federal bank regulatory agencies. If the appropriate federal bank regulatory agency determines that an insured institution is in an unsafe or unsound condition, it may reclassify the institution to a lower capital category (other than critically undercapitalized) and require the submission of a plan to correct the unsafe or unsound condition.

Failure to meet statutorily mandated capital guidelines or more restrictive ratios separately established for a financial institution could subject Pinnacle and its subsidiaries to a variety of enforcement remedies, including issuance of a capital directive, the termination of deposit insurance by the FDIC, a prohibition on accepting or renewing brokered deposits, limitations on the rates of interest that the institution may pay on its deposits, and other restrictions on its business. In addition, an institution may not make a capital distribution, such as a dividend or other distribution that is in substance a distribution of capital to the owners of the institution if following such a distribution the institution would be undercapitalized. Thus, if the making of such dividend would cause First National Bank to become undercapitalized, it could not pay a dividend to Pinnacle.

Basel III Capital Framework. The federal bank regulatory agencies have adopted rules to implement the Basel III capital framework as outlined by the Basel Committee on Banking Supervision and standards for calculating risk-weighted assets and risk-based capital measurements (collectively, the “Basel III Capital Rules”) that apply to banking institutions they supervise. For purposes of these capital rules, (i) common equity Tier 1 capital (“CET1”) consists principally of common stock (including surplus) and retained earnings; (ii) Tier 1 capital consists principally of CET1 plus non-cumulative preferred stock and related surplus, and certain grandfathered cumulative preferred stock and trust preferred securities; and (iii) Tier 2 capital consists of other capital instruments, principally qualifying subordinated debt and preferred stock, and limited amounts of an institution’s allowance for credit losses. Each regulatory capital classification is subject to certain adjustments and limitations, as implemented by the Basel III Capital Rules. The Basel III Capital Rules also establish risk weightings that are applied to many classes of assets held by community banks, including, importantly, applying higher risk weightings to certain commercial real estate loans.

The Basel III Capital Rules also include a requirement that banks maintain additional capital (the “capital conservation buffer”). As fully phased in, the Basel III Capital Rules require banks and bank holding companies to maintain (i) a minimum ratio of CET1 to risk-weighted assets of at least 4.5%, plus a 2.5% capital conservation buffer (which is added to the 4.5% CET1 ratio, effectively resulting in a minimum ratio of CET1 to risk-weighted assets of at least 7.0%), (ii) a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the capital conservation buffer (which is added to the 6.0% Tier 1 capital ratio, effectively resulting in a minimum Tier 1 capital ratio of 8.5%), (iii) a minimum ratio of total (that is, Tier 1 plus Tier 2) capital to risk-weighted assets of at least 8.0%, plus the capital conservation buffer (which is added to the 8.0% total capital ratio, effectively resulting in a minimum total capital ratio of 10.5%) and (iv) a minimum leverage ratio of 4%, calculated as the ratio of Tier 1 capital to average total assets, subject to certain adjustments and limitations.

The Basel III Capital Rules provide deductions from and adjustments to regulatory capital measures, primarily to CET1, including deductions and adjustments that were not applied to reduce CET1 under historical regulatory capital rules. For example, mortgage servicing rights, deferred tax assets dependent upon future taxable income and significant investments in non-consolidated financial entities must be deducted from CET1 to the extent that any one such category exceeds 25.0% of CET1.

The capital ratios described above are the minimum levels that the federal bank regulatory agencies expect. Federal bank regulatory agencies have the discretion to require an institution to maintain higher capital levels based upon its concentrations of loans, the risk of its lending or other activities, the performance of its loan and investment portfolios, and other factors. Failure to maintain such higher capital expectations imposed at the supervisory discretion of federal bank regulatory agencies could result in a lower composite regulatory rating, which would impact the institution’s deposit insurance premiums and could affect its ability to borrow and costs of borrowing, and could result in additional or more severe enforcement actions. In respect of institutions with high concentrations of loans in areas deemed to be higher risk, or during periods of significant economic stress, regulators may require an institution to maintain a higher level of capital, and/or to maintain more stringent risk management measures, than those required by these regulations.

Small Bank Holding Company. The Economic Growth, Regulatory Relief, and Consumer Protection Act, known as the EGRRCPA, also expanded the category of bank holding companies that may rely on the Federal Reserve Board’s Small Bank Holding Company Policy Statement by raising the maximum amount of assets a qualifying bank holding company may have from \$1 billion to \$3 billion. Bank holding companies with less than \$3 billion in assets may rely on the Federal Reserve Board’s Small Bank Holding Company Policy Statement. In addition to meeting the asset threshold, a bank holding company must not engage in significant nonbanking activities, not conduct significant off-balance sheet activities, and not have a material amount of debt or equity securities outstanding and be registered with the Securities and Exchange Commission (the “SEC”) (subject to certain exceptions). The Federal Reserve Board may, in its discretion, exclude any bank holding company from the application of the Small Bank Holding Company Policy Statement if such action is warranted for supervisory purposes.

In August 2018, the Federal Reserve Board issued an interim final rule to apply the Small Bank Holding Company Policy Statement to bank holding companies with consolidated total assets of less than \$3 billion. The policy statement, which, among other things, exempts certain bank holding companies from minimum consolidated regulatory capital ratios that apply to other bank holding companies. As a result of the interim final rule, which was effective August 30, 2018, Pinnacle expects that it will be treated as a small bank holding company and will not be subject to regulatory capital requirements. The comment period on the interim final rule closed on October 29, 2018, and, to date, the Federal Reserve has not issued a final rule to replace the interim final rule. First National Bank remains subject to the regulatory capital requirements described above.

Limits on Dividends. Pinnacle is a legal entity that is separate and distinct from First National Bank. A significant portion of Pinnacle’s revenues result from dividends paid to it by First National Bank. Both Pinnacle and First National Bank are subject to laws and regulations that limit the payment of dividends, including limits on the sources of dividends and requirements to maintain capital at or above regulatory minimums. Federal Reserve supervisory guidance indicates that the Federal Reserve may have safety and soundness concerns if a bank holding company pays dividends that exceed earnings for the period in which the dividend is being paid. Generally, dividends paid by First National Bank during a year may not exceed the sum of the bank’s net income in that year and the bank’s retained earnings of the immediately preceding two calendar years without prior approval of the OCC. Further, the Federal Deposit Insurance Act (the “FDIA”) prohibits insured depository institutions such as First National Bank from making capital distributions, including paying dividends, if, after making such distribution, the institution would become undercapitalized as defined in the statute. The OCC may prevent First National Bank from paying a dividend if the OCC concludes such dividend would be an unsafe or unsound banking practice. We do not expect that any of these laws, regulations or policies will materially affect the ability of Pinnacle or First National Bank to pay dividends.

Insurance of Accounts, Assessments and Regulation by the FDIC. First National Bank’s deposits are insured by the Deposit Insurance Fund (the “DIF”) of the FDIC up to the standard maximum insurance amount for each deposit insurance ownership category. The basic limit on FDIC deposit insurance coverage is \$250,000 per depositor. Under the FDIA, the FDIC may terminate deposit insurance upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations as an insured institution, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC, subject to administrative and potential judicial hearing and review processes. Management is aware of no existing circumstances that could result in termination of the Bank’s deposit insurance.

Deposit Insurance Assessments. The DIF is funded by assessments on banks and other depository institutions calculated based on average consolidated total assets minus average tangible equity (defined as Tier 1 capital). As required by the Dodd-Frank Act, the FDIC has adopted a large-bank pricing assessment scheme, set a target “designated reserve ratio” (described in more detail below) of 2.0% for the DIF and, in lieu of dividends, provides for a lower assessment rate schedule when the reserve ratio reaches 2.0% and 2.5%. An institution’s assessment rate is based on a statistical analysis of financial ratios that estimates the likelihood of failure over a three-year period, which considers the institution’s weighted average capital adequacy, assets, management capability, earnings, liquidity, and sensitivity (“CAMELS”) component rating, and is subject to further adjustments including those related to levels of unsecured debt and brokered deposits (not applicable to banks with less than \$10 billion in assets). On December 31, 2025, total base assessment rates for institutions that have been insured for at least five years range from 2.5 to 32 basis points applying to banks with less than \$10 billion in assets.

Certain Transactions by Insured Banks with their Affiliates. There are statutory restrictions related to the extent bank holding companies and their non-bank subsidiaries may borrow, obtain credit from or otherwise engage in “covered transactions” with their insured depository institution (i.e., banking) subsidiaries. In general, an “affiliate” of a bank includes the bank’s parent holding company and any subsidiary thereof. However, an “affiliate” does not generally include the bank’s operating subsidiaries. A bank (and its subsidiaries) may not lend money to, or engage in other covered transactions with, its non-bank affiliates if the aggregate amount of covered transactions outstanding involving the bank, plus the proposed transaction, exceeds the following limits: (a) in the case of any one such affiliate, the aggregate amount of covered transactions of the bank and its subsidiaries cannot exceed 10.0% of the bank’s capital stock and surplus; and (b) in the case of all affiliates, the aggregate amount of covered transactions of the bank and its subsidiaries cannot exceed 20.0% of the bank’s capital stock and surplus. “Covered transactions” are defined to include a loan or extension of credit to an affiliate, a purchase of or investment in securities issued by an affiliate, a purchase of assets from an affiliate, the acceptance of securities issued by an affiliate as collateral for a loan or extension of credit to any person or company, the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate, securities borrowing or lending transactions with an affiliate that creates a credit exposure to such affiliate, or a derivatives transaction with an affiliate that creates a credit exposure to such affiliate. Certain covered transactions are also subject to collateral security requirements.

Covered transactions as well as other types of transactions between a bank and a bank holding company must be on market terms, which means that the transaction must be conducted on terms and under circumstances that are substantially the same, or at least as favorable to the bank, as those prevailing at the time for comparable transactions with or involving non-affiliates or, in the absence of comparable transactions, that in good faith would be offered to or would apply to non-affiliates. Moreover, certain amendments to the BHCA provide that, to further competition, a bank holding company and its subsidiaries are prohibited from engaging in certain tying arrangements in connection with any extension of credit, lease or sale of property of any kind, or furnishing of any service.

Federal Home Loan Bank of Atlanta. First National Bank is a member of the Federal Home Loan Bank (the “FHLB”) of Atlanta, which is one of 12 regional FHLBs that provide funding to their members for making housing loans as well as for affordable housing and community development loans. Each FHLB serves as a reserve, or central bank, for the members within its assigned region. Each FHLB makes loans to members in accordance with policies and procedures established by the Board of Directors of the FHLB. As a member, First National Bank must purchase and maintain stock in the FHLB. Additional information related to First National Bank’s FHLB stock can be found in Note 1(d) to Pinnacle’s consolidated financial statements attached hereto.

Community Reinvestment Act. Pinnacle is subject to the requirements of the CRA, which imposes on financial institutions an affirmative and ongoing obligation to meet the credit needs of their local communities, including low and moderate-income neighborhoods, consistent with the safe and sound operation of those institutions. A financial institution’s efforts in meeting community credit needs are assessed based on specified factors. These factors are also considered in evaluating mergers, acquisitions, and applications to open a branch or facility. At its last evaluation in 2023, First National Bank received a “Satisfactory” CRA rating.

Confidentiality and Required Disclosures of Consumer Information. Pinnacle is subject to various laws and regulations that address the privacy of nonpublic personal financial information of consumers. The Gramm-Leach-Bliley Act and certain regulations issued thereunder protect against the transfer and use by financial institutions of consumer nonpublic personal information. A financial institution must provide its customers, at the beginning of the customer relationship and annually thereafter, the institution’s policies and procedures regarding the handling of customers’ nonpublic personal financial information. These privacy provisions generally prohibit a financial institution from providing a customer’s personal financial information to unaffiliated third parties unless the institution discloses to the customer that the information may be so provided and the customer is given the opportunity to opt out of such disclosure.

Certain exceptions may apply to the requirement to deliver an annual privacy notice based on how a financial institution limits sharing of nonpublic personal information, and whether the institution’s disclosure practices or policies have changed in certain ways since the last privacy notice that was delivered.

Pinnacle is also subject to various laws and regulations that attempt to combat money laundering and terrorist financing. The Bank Secrecy Act requires all financial institutions to, among other things, create a system of controls designed to prevent money laundering and the financing of terrorism, and imposes recordkeeping and reporting requirements. The USA Patriot Act facilitates information sharing among governmental entities and financial institutions for the purpose of combating terrorism and money laundering, and requires financial institutions to establish anti-money laundering programs. OFAC, which is a division of the U.S. Department of the Treasury, is responsible for helping to ensure that United States entities do not engage in transactions with “enemies” of the United States, as defined by various Executive Orders and Acts of Congress. If First National Bank finds a name of an “enemy” of the United States on any transaction, account or wire transfer that is on an OFAC list, it must freeze such account or place transferred funds into a blocked account, file a suspicious activity report with the Treasury, and notify the Federal Bureau of Investigation.

Although these laws and programs impose compliance costs and create privacy obligations and, in some cases, reporting obligations, and compliance with all of the laws, programs, and privacy and reporting obligations may require significant resources of Pinnacle and First National Bank, these laws and programs do not materially affect First National Bank’s products, services or other business activities.

Corporate Transparency Act. On January 1, 2021, as part of the 2021 National Defense Authorization Act, Congress enacted the Corporate Transparency Act (“CTA”), which required by January 1, 2022, that the U.S. Department of the Treasury’s Financial Crimes Enforcement Network (“FinCEN”) issue regulations implementing reporting requirements for “reporting companies” (as defined in the CTA) to disclose beneficial ownership interests of certain U.S. and foreign entities. The CTA imposes additional reporting requirements on entities not previously subject to such beneficial ownership disclosure regulations and also contains exemptions for several different types of entities, including among others: (i) certain banks, bank holding companies, and credit unions; (ii) money transmitting businesses registered with FinCEN; and (iii) certain insurance companies.

On September 29, 2022, FinCEN issued the final rule (the Reporting Rule) to implement the beneficial ownership reporting requirements of the CTA, which was effective January 1, 2024, and would have required reporting of beneficial ownership for entities that were formed or first registered prior to 2024 by January 1, 2025.

Pinnacle will continue to monitor regulatory developments related to the CTA, including future FinCEN rulemakings, and will continue to assess the ultimate impact of the CTA on the Corporation and the Bank.

Cybersecurity. The federal bank regulatory agencies have adopted guidelines for establishing information security standards and cybersecurity programs for implementing safeguards under the supervision of a financial institution’s board of directors. These guidelines, along with related regulatory materials, increasingly focus on risk management and processes related to information technology and the use of third parties in the providing financial products and services. The federal bank regulatory agencies expect financial institutions to establish lines of defense and ensure that their risk management processes also address the risk posed by compromised customer credentials, and also expect financial institutions to maintain sufficient business continuity planning processes to ensure rapid recovery, resumption, and maintenance of the institution’s operations after a cyber-attack. If Pinnacle or First National Bank fails to meet the expectations set forth in this regulatory guidance, Pinnacle or First National could be subject to various regulatory actions and any remediation efforts may require significant resources of Pinnacle or First National. In addition, all federal and state bank regulatory agencies continue to increase focus on cybersecurity programs and risks as part of regular supervisory exams and the federal bank regulatory agencies have adopted rules to require a banking organization to notify its primary regulator no later than 36 hours after the banking organization determines a material cyber event has occurred and impose other related obligations.

If Pinnacle or First National Bank fail to meet regulatory expectations, each could be subject to various regulatory sanctions, including financial penalties and may be required to perform remediation efforts that demand significant resources. To date, neither Pinnacle nor First National Bank have experienced a significant compromise, significant data loss or any material financial losses related to cybersecurity attacks, but our respective systems (and those of our customers and third-party service providers) are under constant threat, and it is possible that a significant event could occur in the future. Risks and exposures related to cybersecurity attacks are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats, as well as due to the expanding use of internet banking, mobile banking, and other technology-based products and services by First National Bank and its customers.

With increased focus on cybersecurity, we are continuing to monitor legislative, regulatory, and supervisory developments related thereto. Pinnacle and First National Bank had no material cybersecurity incidents in 2025.

Real Estate Lending Standards and Guidance. The federal regulatory agencies have adopted regulations setting forth standards for extensions of credit that are secured by real estate. Under these regulations, First National Bank must adopt and maintain written policies establishing appropriate limits and standards for extensions of credit that are secured by real estate. These policies must establish loan portfolio diversification standards, prudent underwriting standards (including loan-to-value limits) that are clear and measurable, loan administration procedures and documentation, approval, and reporting requirements.

The federal regulatory agencies have also jointly issued guidance on “Concentrations in Commercial Real Estate Lending,” which defines commercial real estate (“CRE”) loans as exposures secured by raw land, land development and construction (including 1-4 family residential construction), multi-family property, and non-farm nonresidential property where the primary or a significant source of repayment is derived from rental income or the proceeds of the sale, refinancing, or permanent financing of the property. The guidance requires that appropriate processes be in place to identify, monitor, and control risks associated with real estate lending concentrations. If a concentration is present, management must employ heightened risk management practices that address key elements, including board and management oversight and strategic planning, portfolio management, development of

underwriting standards, risk assessment and monitoring through market analysis and stress testing, and maintenance of increased capital levels as needed to support the level of CRE lending. The guidance states that the following metrics may indicate a concentration of CRE loans, but that these metrics are neither limits nor a safe harbor: (1) total reported loans for construction, land development, and other land represent 100% or more of total risk-based capital; or (2) total reported loans secured by multi-family properties, nonfarm non-residential properties (excluding those that are owner-occupied), and loans for construction, land development, and other land represent 300% or more of total risk-based capital and the bank's CRE loan portfolio has increased 50% or more during the prior 36 months.

Consumer Laws and Regulations. Pinnacle is also subject to certain consumer laws and regulations that are designed to protect consumers in transactions with banks. While the list set forth herein is not exhaustive, these laws and regulations include the Truth in Lending Act, the Truth in Savings Act, the Electronic Funds Transfer Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act and the Fair Housing Act, among others. These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions transact business with customers. Pinnacle must comply with the applicable provisions of these consumer protection laws and regulations as part of its ongoing customer relations.

The Consumer Financial Protection Bureau (the "CFPB") is the federal regulatory agency responsible for implementing, examining and enforcing compliance with federal consumer financial laws for institutions with more than \$10 billion of assets and, to a lesser extent, smaller institutions. The CFPB supervises and regulates providers of consumer financial products and services and has rulemaking authority in connection with numerous federal consumer financial protection laws (for example, but not limited to, the Truth in Lending Act and the Real Estate Settlement Procedures Act). As a smaller institution (i.e., with assets of \$10 billion or less), most consumer protection aspects of the Dodd-Frank Act will continue to be applied to Pinnacle by the Federal Reserve and to First National Bank by the OCC. However, the CFPB may include its own examiners in regulatory examinations by a smaller institution's prudential regulators and may require smaller institutions to comply with certain CFPB reporting requirements. In addition, regulatory positions taken by the CFPB and administrative and legal precedents established by CFPB enforcement activities, including in connection with supervision of larger bank holding companies and banks, could influence how the Federal Reserve and the OCC apply consumer protection laws and regulations to financial institutions that are not directly supervised by the CFPB.

While Pinnacle and First National continue to monitor the CFPB's rulemaking actions, the precise effect of the CFPB's consumer protection activities on Pinnacle and First National Bank cannot be forecast at this time.

Mortgage Banking Regulation. In connection with making mortgage loans, First National Bank is subject to rules and regulations that, among other things, establish standards for loan origination, prohibit discrimination, provide for inspections and appraisals of property, require credit reports on prospective borrowers, in some cases, restrict certain loan features and fix maximum interest rates and fees, require the disclosure of certain basic information to mortgagors concerning credit and settlement costs, limit payment for settlement services to the reasonable value of the services rendered and require the maintenance, and disclosure of information regarding the disposition of mortgage applications based on race, gender, geographical distribution and income level. First National Bank's mortgage origination activities are subject to the Equal Credit Opportunity Act, Truth in Lending Act, Home Mortgage Disclosure Act, Real Estate Settlement Procedures Act, Home Ownership Equity Protection Act, and the regulations promulgated under these acts, among other additional state and federal laws, regulations, and rules.

First National Bank's mortgage origination activities are also subject to Regulation Z, which implements the Truth in Lending Act. Certain provisions of Regulation Z require mortgage lenders to make a reasonable and good faith determination, based on verified and documented information, that a consumer applying for a mortgage loan has a reasonable ability to repay the loan according to its terms. Alternatively, mortgage lenders can originate "qualified mortgages", which are generally defined as mortgage loans without negative amortization, interest-only payments, balloon payments, terms exceeding 30 years, and points and fees paid by a consumer equal to or less than 3.0% of the total loan amount. Under the EGRRCPA, most residential mortgages loans originated and held in portfolio by a bank with less than \$10 billion in assets will be designated as "qualified mortgages." Higher-priced qualified mortgages (e.g., subprime loans) receive a rebuttable presumption of compliance with ability-to-repay rules, and other qualified mortgages (e.g., prime loans) are deemed to comply with the ability-to-repay rules.

Call Reports and Examination Cycle. All institutions, regardless of size, submit a quarterly call report that includes data used by federal bank regulatory agencies to monitor the condition, performance, and risk profile of individual institutions and the industry as a whole. The EGRRCPA contained provisions expanding the number of regulated institutions eligible to use streamlined call report forms. In June 2019, the federal bank regulatory agencies issued a final rule to permit insured depository institutions with total assets of less than \$5 billion that do not engage in certain complex or international activities to file the most streamlined version of the quarterly call report, and to reduce data reportable on certain streamlined call report submissions.

In December 2018, consistent with the provisions of the EGRRCPA, the federal bank regulatory agencies jointly adopted final rules that permit banks with up to \$3 billion in total assets, that received a composite CAMELS rating of “1” or “2,” and that meet certain other criteria (including not having undergone any change in control during the previous 12-month period, and not being subject to a formal enforcement proceeding or order), to qualify for an 18-month on-site examination cycle.

Effect of Governmental Monetary Policies. As with other financial institutions, the earnings of Pinnacle and First National Bank are affected by general economic conditions as well as by the monetary policies of the Federal Reserve. Such policies, which include regulating the national supply of bank reserves and bank credit, can have a major effect upon the source and cost of funds and the rates of return earned on loans and investments. The Federal Reserve exerts a substantial influence on interest rates and credit conditions, primarily through establishing target rates for federal funds, open market operations in U.S. Government securities, varying the discount rate on member bank borrowings, and setting cash reserve requirements against deposits. Changes in monetary policy, including changes in interest rates, will influence the origination of loans, the purchase of securities, the generation of deposits, and rates received on loans and securities and paid on deposits. Fluctuations in the Federal Reserve’s monetary policies have had a significant impact on the operating results of Pinnacle and First National Bank and are expected to continue to do so in the future.

Future Regulation. From time to time, various legislative and regulatory initiatives are introduced in Congress and state legislatures, as well as by regulatory agencies. Such initiatives may include proposals to expand or contract the powers of bank holding companies and depository institutions or proposals to substantially change the financial institution regulatory system. Such legislation could change banking statutes and the operating environment of Pinnacle in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. Pinnacle cannot predict whether any such legislation will be enacted, and, if enacted, the effect that it, or any implementing regulations, would have on the financial condition or results of operations of Pinnacle. A change in statutes, regulations or regulatory policies applicable to Pinnacle or First National Bank could have a material effect on our business.

First National Bank Full-Service and Loan Production Office Locations

| <i>Location</i> | <i>Address</i> | <i>Phone</i> |
|---|---|---------------------|
| Altavista Main Branch (Corporate Headquarters) | 622 Broad Street Altavista, Virginia 24517 | (434) 369-3000 |
| Amherst Branch | 130 South Main Street Amherst, Virginia 24521 | (434) 946-7814 |
| Brosville Station Branch | 10370 Martinsville Highway Brosville, Virginia 24541 | (434) 483-6606 |
| Charlottesville Ivy Road Branch | 2208 Ivy Road Charlottesville, Virginia 22903 | (434) 290-3498 |
| Chatham Branch | 55 North Main Street Chatham, Virginia 24531 | (434) 483-6604 |
| Danville Airport Branch | 1312 South Boston Road Danville, Virginia 24540 | (434) 483-6003 |
| Danville Main Branch | 336 Main Street, Danville, Virginia 24541 | (434) 483-6600 |
| Downtown Lynchburg Branch | 800 Main Street Lynchburg, Virginia 24504 | (434) 485-5999 |
| Forest Branch | 14417 Forest Road Forest, Virginia 24551 | (434) 534-0451 |
| Graves Mill Road Branch | 18077 Forest Road Forest, Virginia 24521 | (434) 473-6600 |
| Lynchburg Airport Branch | 14580 Wards Road Lynchburg, Virginia 24502 | (434)-237-3788 |
| Mt. Hermon Branch | 4080 Franklin Turnpike Danville, Virginia 24540 | (434) 483-6605 |
| Odd Fellows Road Branch | 3401 Odd Fellows Road Lynchburg, Virginia 24501 | (434) 333-6801 |
| Old Forest Road Branch | 3321 Old Forest Road Lynchburg, Virginia 24501 | (434) 385-4432 |
| Riverside Branch | 2600 Riverside Drive Danville, Virginia 24540 | (434) 483-6601 |
| Rustburg Branch | 1033 Village Highway Rustburg, Virginia 24588 | (434) 332-1742 |
| South Boston Branch | 4027 Halifax Road South Boston, Virginia 24592 | (434) 440-2100 |
| South Boston Loan Production Office | 97A Main Street South Boston, VA 24592 | (434) 483-6641 |
| Timberlake Branch | 20865 Timberlake Road Lynchburg, Virginia 24502 | (434) 237-7936 |
| Vista Branch | 1303 N. Main Street Altavista, Virginia 24517 | (434) 369-3001 |

Pinnacle Bankshares Corporation
Results of Operations
(In thousands, except ratios, share and per share data)

Net Income. Pinnacle generated net income of \$10,772 for 2025, which represents a \$1,594, or 17.37%, increase as compared to net income of \$9,178 for 2024. The increase in net income for 2025 was driven by higher net interest income and a lower provision for credit losses, partially offset by higher noninterest expense. Net interest income increased in 2025 due to higher yields on earning assets, an increase in average earning assets and lower rates paid on deposits. The provisions for credit losses decreased in 2025 compared to 2024 as a result of slower loan growth and lower net charge offs in 2025 compared to the prior year. Noninterest expense increased in 2025 due mainly to higher salary and benefits, and occupancy expenses, to include software and platforms, both associated with the growth of the Company.

Profitability. Profitability as measured by Pinnacle's return on average assets was 1.05% for 2025, which is a 13 basis points increase from the 0.92% produced in 2024. Return on average equity increased in 2025 to 12.78%, compared to 12.49% for the prior year.

The following table presents certain financial ratios for periods indicated.

RETURN ON AVERAGE EQUITY AND ASSETS

| | Year ended December 31, 2025 | Year ended December 31, 2024 |
|----------------------------------|---------------------------------|---------------------------------|
| Return on average assets | 1.05 % | 0.92 % |
| Return on average equity | 12.78 % | 12.49 % |
| Dividend payout ratio | 21.88 % | 24.10 % |
| Average equity to average assets | 8.18 % | 7.35 % |

Net Interest Income. Net interest income represents the principal source of earnings for Pinnacle. Net interest income is the amount by which interest and fees generated from loans, securities, and other interest-bearing assets exceed the interest expense associated with funding those assets. Changes in the amounts and composition of interest-earning assets and interest-bearing liabilities, as well as their respective yields and rates, have a significant impact on the level of net interest income. Changes in the interest rate environment and Pinnacle's cost of funds also affect net interest income.

Pinnacle produced \$40,124 in net interest income in 2025, which represents a \$4,676, or 13.19%, increase as compared to the \$35,448 generated in 2024 as the Company benefited from higher yields on average earning assets and a lower cost to fund earning assets. Interest income increased \$3,519, or 7.37%, in 2025, due to higher average assets and higher yields on earning assets, which was 5.22% in 2025 compared to 4.98% in 2024. Interest expense decreased \$1,157, or 9.41%, during the same period due primarily to lower cost to fund earning assets, which was 1.13% for 2025 compared to 1.28% in 2024.

The net interest spread increased to 3.55% in 2025 from 3.10% in 2024. In 2025, Pinnacle's earning asset yield increased and its cost of interest-bearing deposits decreased causing a higher interest rate spread. Pinnacle's earning yield was 25 basis points higher in 2025 than in 2024 and the cost of interest-bearing deposits was 20 basis points lower in 2025 than in 2024.

Pinnacle's net interest margin increased to 4.09% in 2025 from 3.70% in 2024. The higher net interest margin was due to higher yields from loans and securities due to new loans originated and securities purchased in a higher rate environment and repricing of existing accounts in 2025. Higher loan volume, upward loan and investment repricing, and loans made at higher rates in 2025, led to an increase in asset yields. Cost of funds declined due to fewer time deposits, repricing of matured time deposits, and lower rates offered on new deposit accounts. Pinnacle attempts to improve net interest margin by product pricing strategies, such as attracting deposits with longer maturities when rates are relatively low and attracting deposits with shorter maturities when rates are relatively high, all depending on our funding needs. While there is no guarantee of how rates may change in 2026, Pinnacle will price products that are competitive in the market, allow for growth and strive to maintain the net interest margin as much as

possible. Pinnacle also continues to seek new sources of noninterest income to combat the effects of volatility in the interest rate environment.

Provision for Credit Losses. Pinnacle's provision for credit losses was \$308 for 2025 representing a \$444, or 59.04%, decrease as compared to \$752 for 2024. Asset quality remained strong in 2025 with the Company experiencing only \$157, or 0.02% of average assets, in net chargeoffs for the year as compared to incurring \$163 in net chargeoffs from charged off loans for 2024. Pinnacle's nonperforming loans were \$1,500 as of December 31, 2025, a slight decrease compared to \$1,582 as of December 31, 2024. Due to lower nonperforming loans and the increase in loan volume, the Company's nonperforming loans-to-total loans ratio decreased to 0.20% as of December 31, 2025, from 0.22% as of the prior year-end. The Company continues to work to minimize its losses from its loan portfolio by practicing conservative and diligent loan underwriting practices.

Noninterest Income. Noninterest income decreased \$87, or 1.10%, in 2025 to \$7,792 from \$7,879 in 2024. The slight decrease was mainly due to a \$779 decrease in BOLI benefit proceeds partially offset by a \$298 increase in commissions mainly from the sale of investment and insurance products, a \$94 increase in debit card interchange fees, a \$55 increase in wire transfer fees, and a \$53 increase in fees generated from sales of mortgage loans. Excluding the BOLI benefit proceeds received in 2024, noninterest income increased \$692, or 9.75%, year-over-year.

Noninterest Expense. Noninterest expense for 2025 increased \$2,889, or 9.20%, to \$34,306 as compared to \$31,417 for 2024. The increase was mainly due to a \$1,960 increase in salaries and benefits and a \$667 increase in occupancy expense, to include software and platforms, all associated with growth, as well as a \$130 increase in capital stock tax, and a \$102 increase in dealer loan expenses.

Income Tax Expense. Income taxes on 2025 earnings amounted to \$2,530, resulting in an effective tax rate of 19.02%, compared to \$1,980, and an effective tax rate of 17.75% in 2024. The income tax rate increased in 2025 due to a decrease of \$779 in nontaxable BOLI benefit proceeds.

Assets. Total assets as of December 31, 2025, were \$1,065,228, up \$21,234, or 2.03% from \$1,043,994 as of December 31, 2024. The principal components of Pinnacle's assets as of December 31, 2025, were \$122,261 in cash and cash equivalents, \$152,452 in investment securities, and \$740,328 in total gross loans.

Cash and Cash Equivalents. Cash and cash equivalents as of December 31, 2025, totaled \$122,261 which is an increase of \$14,048, or 12.98%, from \$108,213, as of December 31, 2024. This increase was driven by maturing securities as Pinnacle continues to exhibit a strong liquidity position.

Securities. Pinnacle's securities portfolio is used primarily for investment income and secondarily for liquidity purposes. Pinnacle invests funds not used for lending purposes or capital expenditures in securities of the U.S. Government and its agencies, mortgage-backed securities, taxable and tax-exempt municipal bonds, and certificates of deposit. Obligations of the U.S. Government and its agencies include treasury notes and callable or non-callable agency bonds. The mortgage-backed securities include mortgage-backed security pools that are diverse in geography, rates, and maturity. Pinnacle has not invested in derivatives.

Securities as of December 31, 2025, totaled \$152,452, a decrease of \$23,364, or 13.29%, from \$175,816 as of December 31, 2024, due primarily to \$91,034 in maturities and paydowns partially offset by \$63,284 in purchases during 2025 as the Company sought to preserve its liquidity position, fund loan growth and benefit from rates paid on Federal funds sold. All securities were classified as Available-for-sale securities as of December 31, 2025, and 2024. The accumulated unrealized loss on the securities portfolio declined by \$4,272 in 2025.

Loans. Total loans as of December 31, 2025, totaled \$740,328, an increase of \$28,410, or 3.99%, from \$711,918, as of December 31, 2024, with the increase driven by new markets and growth of residential real estate, consumer, and commercial real estate loans. Pinnacle's net loans were \$734,128 as of December 31, 2025, an increase of \$28,104, or 3.98%, from \$706,024 as of December 31, 2024. Pinnacle's ratio of total loans to total deposits was 76.22% as of December 31, 2025, compared to 74.87% as of December 31, 2024.

Allowance for Credit Losses. The allowance for credit losses was \$5,235 as of December 31, 2025, which represented 0.71% of total loans outstanding. In comparison, the allowance for credit losses was \$5,084, or 0.71% of total loans outstanding as of December 31, 2024. Non-performing loans to total loans decreased to 0.20% as of December 31, 2025, compared to 0.22% as of year-end 2024. ACL coverage of non-performing loans was 349.00% as of December 31, 2025, compared to 321.37% as of December 31, 2024. As of December 31, 2025, management views the allowance balance as being sufficient to offset potential future losses in the loan portfolio.

Bank Premises and Equipment. Bank premises and equipment increased \$188, or 0.82%, in 2025 due mainly to small renovations of older facilities and new equipment purchases. Pinnacle was leasing the Downtown Lynchburg, Amherst, and Charlottesville branches as well as the South Boston loan production office as of December 31, 2025.

Liabilities. Total liabilities as of December 31, 2025, were \$975,820, up \$10,212, or 1.06%, from \$965,608, as of December 31, 2024. The small increase in liabilities was driven by an increase in total deposits partially offset by the payoff of Pinnacle's subordinated notes and other long term borrowings.

Deposits. The levels of demand deposits (including retail accounts) are influenced by such factors as customer service, service charges and the availability of banking services. No assurance can be given that Pinnacle will be able to maintain its current level of demand deposits. Competition from other banks and nonbank financial institutions, such as credit unions, some of which offer interest rates substantially higher than Pinnacle, could make it difficult for Pinnacle to maintain the current level of demand deposits. Management continually works to implement pricing and marketing strategies designed to control the cost of interest-bearing deposits and to maintain a stable deposit composition.

Total deposits increased \$20,391, or 2.14%, to \$971,310 as of December 31, 2025, from \$950,919 at December 31, 2024. Noninterest-bearing demand deposits increased \$17,365, or 6.61%, and represented 28.85% of total deposits as of December 31, 2025, compared to 27.64% as of December 31, 2024. Savings and NOW accounts increased \$9,104, or 1.83%, and represented 52.18% of total deposits as of December 31, 2025, compared to 52.34% as of December 31, 2024. Time deposits decreased \$6,078 or 3.19% and represented 18.97% of total deposits as of December 31, 2025, compared to 20.02% as of December 31, 2024. Pinnacle had no brokered deposits as of December 31, 2025, and December 31, 2024.

Average deposits were \$936,364 for 2025, an increase of \$22,466, or 2.47% compared to \$913,898 in average deposits for 2024. For 2025, average demand deposits were \$271,478, or 28.99% of average deposits compared to \$262,351, or 28.71% of average deposits in 2024. Average interest-bearing deposits were \$664,886, or 71.01% of average deposits for 2024 compared to \$651,547 or 71.29% of average deposits, in 2024. Deposit growth was minimal through the first three quarters of 2025. Pinnacle experienced much of its deposit growth in the last quarter of 2025, which was primarily driven by deposits of public entities and newer markets.

Equity. Total stockholders' equity as of December 31, 2025, was \$89,408 and consisted primarily of \$77,450 in retained earnings. In comparison, as of December 31, 2024, total stockholders' equity was \$78,386. The \$11,022 increase in stockholders' equity resulted primarily from net income of \$10,772 and a \$2,272 decrease in Pinnacle's unrealized accumulated other comprehensive losses on its available for sale securities portfolio and its retirement plans, less dividends paid to shareholders of \$2,357. Dividends paid to shareholders were \$1.06 per share paid in 2025 up from \$1.00 per share paid in 2024. Both Pinnacle and First National Bank remain "well capitalized" per all regulatory definitions.

In July 2013, the Federal Reserve Board approved and published the final Basel III Capital Rules establishing a new comprehensive capital framework for U.S. banking organizations. CET1 capital for Pinnacle and First National Bank consists of common stock, related paid in capital, and retained earnings. In connection with the adoption of the Basel III Capital Rules, we elected to opt out of the requirement to include most components of accumulated other comprehensive income in CET1. CET1 for Pinnacle and First National Bank is reduced by goodwill and other intangible assets, net of associated deferred tax liabilities and subject to transition provisions.

Basel III limits capital distributions and certain discretionary bonus payments if First National Bank does not hold a "capital conservation buffer" consisting of 2.50% of CET1 capital, Tier 1 capital and total capital to risk weighted assets in addition to the amount necessary to meet minimum risk-based capital requirements. The capital conservation buffer was fully implemented at 2.50% on January 1, 2019. Basel III was fully phased in on January 1, 2019, and now requires (i) a minimum ratio of CET1 capital to risk weighted assets of at least 4.50%, plus a 2.50% capital conservation buffer, (ii) a minimum ratio of Tier 1 capital to risk

weighted assets of at least 6.00%, plus the capital conservation buffer, (iii) a minimum ratio of total capital to risk weighted assets of at least 8.00%, plus the capital conservation buffer and (iv) a minimum leverage ratio of 4.00%.

Pinnacle exceeded all regulatory capital requirements that would apply under Basel III at December 31, 2025, if Pinnacle was not subject to the Federal Reserve’s small bank holding company policy statement. Pinnacle’s CET1 and Tier 1 Risk-based Capital Ratio was 12.83% and 11.83% as of December 31, 2025, and December 31, 2024, respectively. The Total Risk-based Capital Ratio was 13.55% and 12.54% as of December 31, 2025, and December 31, 2024, respectively. Pinnacle’s Tier 1 Leverage Ratio was 9.16% and 8.52% as of December 31, 2025, and December 31, 2024, respectively. See Note 14 “Dividend Restrictions and Capital Requirements” to Pinnacle’s audited consolidated financial statements, for additional information.

Pinnacle’s financial position as of December 31, 2025, reflects liquidity and capital levels management believes to be currently adequate to support anticipated funding needs and budgeted growth. Capital ratios are in excess of required regulatory minimums for a “well-capitalized” institution. The assessment of capital adequacy depends on a number of factors such as asset quality, liquidity, earnings performance, and changing competitive conditions and economic forces. The adequacy of Pinnacle’s capital is reviewed by management on an ongoing basis. Management seeks to maintain a capital structure that will ensure an adequate level of capital to support anticipated asset growth and to absorb potential losses.

Forward-Looking Statements

Certain statements in this Annual Report may constitute “forward-looking statements” within the meaning of federal securities laws. Forward-looking statements include, without limitation, projections, predictions, expectations, assumptions, or beliefs about future events or results that are not statements of historical fact. Such statements may also include statements about future financial and operating results, operating performance, market and industry conditions, absolute levels of and changes to interest rates, and Pinnacle’s plans, objectives, initiatives, and expectations. Such forward-looking statements are based on various assumptions as of the time they are made, and are inherently subject to known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements.

Forward-looking statements are often accompanied by words that convey projected future events or outcomes such as “expect,” “believe,” “estimate,” “plan,” “project,” “predict,” “anticipate,” “intend,” “will,” “would,” “should,” “may,” “view,” “opportunity,” “potential,” “possible” “target” or words of similar meaning or other statements concerning opinions or judgment of Pinnacle or its management about future events. Although Pinnacle believes that its expectations with respect to forward-looking statements are based upon reasonable assumptions within the bounds of its existing knowledge of its business and operations, there can be no assurance that actual results, performance, or achievements of Pinnacle will not differ materially from any projected future results, performance, or achievements expressed or implied by such forward-looking statements.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in or implied by forward-looking statements or from historical performance:

- changes in interest rates, inflation rates, deposit flows, loan demand, and real estate values;
- changes in consumer spending and saving habits that may occur, including as a result of increased inflation;
- changes in general business conditions, as well as conditions within the financial markets;
- changes in general economic conditions, including unemployment levels, inflation, supply chain disruptions, and slowdowns in economic growth;
- changes in general market conditions, including disruptions due to pandemics or significant health hazards, severe weather conditions, natural disasters, terrorist activities, financial crises, political crises, war, and other military conflicts or other major events, or the prospect of these events;
- changes in average loan yields and average costs of interest-bearing deposits;
- financial services industry conditions, including bank failures or concerns involving liquidity;

- attracting, hiring, training, motivating, and retaining qualified employees;
- changes in fiscal and monetary policies, and laws and regulations;
- changes in the quality or composition of the Company's loan portfolio and the value of the collateral securing loans;
- changes in macroeconomic trends and uncertainty and the potential for local and/or global economic recession;
- changes in demand for financial services in Pinnacle's market areas;
- increased competition from both banks and non-banks in Pinnacle's market areas;
- a deterioration in credit quality and/or a reduced demand for, or supply of, credit;
- increased information security risk, including cyber security risk, which may lead to potential business disruptions or financial losses;
- the introduction of new lines of business or new products and services;
- cyber threats, attacks or events;
- changes in accounting principles, standards, rules, and interpretations, and the related impact on our financial statements;
- an increase in liquidity risk, including as driven by changed in depositor behavior and preferences and changes in the amounts and sources of secondary liquidity that is available to Pinnacle and First National Bank;
- volatility in the securities markets generally, including in the value of securities in the Pinnacle's securities portfolio or in the market price of Pinnacle common stock specifically; and
- other factors, which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements.

These factors, and the risks and uncertainties discussed in more detail in this Annual Report should be considered in evaluating the forward-looking statements contained herein. All of the forward-looking statements made in this report are expressly qualified by the cautionary statements contained or referred to herein. The actual results or developments anticipated may not be realized or, even if substantially realized, they may not have the expected consequences to or effects on Pinnacle. Readers are cautioned not to rely too heavily on the forward-looking statements contained in this report. Forward-looking statements speak only as of the date they are made and Pinnacle undertakes any obligation to update, revise or clarify these forward-looking statements, whether as a result of new information, future events or otherwise.

PINNACLE BANKSHARES CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
December 31, 2025, and December 31, 2024
(In thousands of dollars, except share data)

| | <u>2025</u> | <u>2024</u> |
|--|---------------------|---------------------|
| Assets | | |
| Cash and cash equivalents: | | |
| Cash and due from banks | \$ 122,261 | \$ 108,213 |
| Certificates of deposits | 250 | 250 |
| Securities: | | |
| Available-for-sale, at fair value | 152,452 | 175,816 |
| Federal Reserve Bank stock, at cost | 898 | 889 |
| Federal Home Loan Bank stock, at cost | 752 | 733 |
| Loans, net of allowance for credit loss of \$5,235 as of December 31, 2025 and \$5,084 as of December 31, 2024 | 734,128 | 706,024 |
| Bank premises and equipment, net | 23,090 | 22,902 |
| Accrued interest receivable | 3,236 | 3,243 |
| Bank owned life insurance | 20,504 | 16,941 |
| Goodwill | 539 | 539 |
| Core deposit intangible | 773 | 933 |
| Other assets | 6,345 | 7,511 |
| Total assets | <u>\$ 1,065,228</u> | <u>\$ 1,043,994</u> |
| Liabilities and Stockholders' Equity | | |
| Liabilities: | | |
| Deposits: | | |
| Demand | \$ 280,199 | \$ 262,834 |
| Savings and NOW accounts | 506,845 | 497,741 |
| Time | 184,266 | 190,344 |
| Total deposits | <u>971,310</u> | <u>950,919</u> |
| Subordinated notes payable | — | 8,000 |
| Other long-term borrowings | — | 2,000 |
| Accrued interest payable | 1,274 | 1,588 |
| Other liabilities | 3,236 | 3,101 |
| Total liabilities | <u>975,820</u> | <u>965,608</u> |
| Commitments, contingencies, and other matters | | |
| Stockholders' equity: | | |
| Common stock, \$3 par value. Authorized 3,000,000 shares, issued and outstanding 2,225,276 shares in 2025 and 2,212,270 shares in 2024 | 6,542 | 6,501 |
| Capital surplus | 12,508 | 12,214 |
| Retained earnings | 77,450 | 69,035 |
| Accumulated other comprehensive loss, net | (7,092) | (9,364) |
| Total stockholders' equity | <u>89,408</u> | <u>78,386</u> |
| Total liabilities and stockholders' equity | <u>\$ 1,065,228</u> | <u>\$ 1,043,994</u> |

See accompanying notes to consolidated financial statements.

PINNACLE BANKSHARES CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2025, and 2024
(In thousands of dollars, except per share data)

| | 2025 | 2024 |
|---|-----------|-----------|
| Interest income: | | |
| Interest and fees on loans | \$ 42,393 | \$ 37,830 |
| Interest on securities: | | |
| U.S. Government agencies | 3,885 | 4,596 |
| States and political subdivisions (taxable) | 509 | 515 |
| States and political subdivisions (tax-exempt) | 271 | 268 |
| Other | 4,204 | 4,534 |
| Total interest income | 51,262 | 47,743 |
| Interest expense: | | |
| Interest on deposits: | | |
| Savings and NOW accounts | 5,360 | 5,781 |
| Time | 5,778 | 6,514 |
| Total interest expense | 11,138 | 12,295 |
| Net interest income | 40,124 | 35,448 |
| Provision for credit losses | 308 | 752 |
| Net interest income after provision for credit losses | 39,816 | 34,696 |
| Noninterest income: | | |
| Service charges and fees from deposit accounts | 3,576 | 3,465 |
| Commissions and fees | 1,265 | 967 |
| Mortgage loan fees | 429 | 376 |
| Service charges and fees from loan accounts | 468 | 451 |
| Other operating income | 2,054 | 2,620 |
| Total noninterest income | 7,792 | 7,879 |
| Noninterest expense: | | |
| Salaries and employee benefits | 18,322 | 16,362 |
| Occupancy expense | 1,768 | 1,688 |
| Furniture and equipment expense | 2,671 | 2,084 |
| Core system expense | 3,841 | 3,779 |
| Dealer loan expense | 718 | 616 |
| Office supplies and printing | 369 | 273 |
| Federal deposit insurance premiums | 611 | 580 |
| Capital stock tax | 651 | 521 |
| Advertising expense | 291 | 284 |
| Other operating expenses | 5,064 | 5,230 |
| Total noninterest expense | 34,306 | 31,417 |
| Income before income tax expense | 13,302 | 11,158 |
| Income tax expense | 2,530 | 1,980 |
| Net income | \$ 10,772 | \$ 9,178 |
| Basic net income per share | \$ 4.85 | \$ 4.15 |
| Diluted net income per share | \$ 4.85 | \$ 4.15 |

See accompanying notes to consolidated financial statements.

PINNACLE BANKSHARES CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2025, and 2024
(In thousands of dollars)

| | 2025 | 2024 |
|--|------------------|------------------|
| Net income | \$ 10,772 | \$ 9,178 |
| Other comprehensive income, net of related income taxes: | | |
| Unrealized gains on available-for-sale securities | | |
| Before tax | 4,272 | 3,125 |
| Income tax expense | (897) | (650) |
| Changes in plan assets and benefit obligation of defined benefit pension plan | | |
| Before tax | (1,455) | 914 |
| Income tax (expense) benefit | 306 | (192) |
| Changes in plan assets and benefit obligation of supplemental executive retirement plan (SERP) | | |
| Before tax | 58 | (615) |
| Income tax (expense) benefit | (12) | 129 |
| Total other comprehensive gain (loss) | 2,272 | 2,711 |
| Comprehensive income | <u>\$ 13,044</u> | <u>\$ 11,889</u> |

See accompanying notes to consolidated financial statements.

PINNACLE BANKSHARES CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2025, and December 31, 2024
(In thousands of dollars, except share and per share data)

| | <u>Common Stock</u> | | <u>Capital Surplus</u> | <u>Retained Earnings</u> | <u>Accumulated Other Comprehensive Income (Loss)</u> | <u>Total</u> |
|--|---------------------|------------------|----------------------------|------------------------------|--|------------------|
| | <u>Shares</u> | <u>Par Value</u> | | | | |
| Balances, December 31, 2023 | <u>2,198,158</u> | <u>\$ 6,460</u> | <u>\$ 11,951</u> | <u>\$ 62,069</u> | <u>\$ (12,075)</u> | <u>\$ 68,405</u> |
| Net income | | | | 9,178 | | 9,178 |
| Other comprehensive gain | | | | | 2,711 | 2,711 |
| Issuance of restricted stock and related expense | 14,112 | 41 | 263 | | | 304 |
| Cash dividends declared by | | | | | | |
| Bankshares (\$1.00 per share) | | | | (2,212) | | (2,212) |
| Balances, December 31, 2024 | <u>2,212,270</u> | <u>\$ 6,501</u> | <u>\$ 12,214</u> | <u>\$ 69,035</u> | <u>\$ (9,364)</u> | <u>\$ 78,386</u> |
| Net income | | | | 10,772 | | 10,772 |
| Other comprehensive gain, net of deferred taxes | | | | | 2,272 | 2,272 |
| Issuance of restricted stock and related expense | 13,006 | 41 | 294 | | | 335 |
| Cash dividends declared by | | | | | | |
| Bankshares (\$1.06 per share) | | | | (2,357) | | (2,357) |
| Balances, December 31, 2025 | <u>2,225,276</u> | <u>\$ 6,542</u> | <u>\$ 12,508</u> | <u>\$ 77,450</u> | <u>\$ (7,092)</u> | <u>\$ 89,408</u> |

See accompanying notes to consolidated financial statements.

PINNACLE BANKSHARES CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2025, and 2024

| | 2025 | 2024 |
|---|----------------|-----------------|
| Cash flows from operating activities: | | |
| Net income | \$ 10,772 | \$ 9,178 |
| Adjustments to reconcile net income to net cash flows from operating activities: | | |
| Depreciation of bank premises and equipment | 1,189 | 1,075 |
| Amortization of intangible assets | 160 | 160 |
| Amortization of unearned fees, net | 153 | 172 |
| Net accretion of premiums and discounts on securities | (114) | (34) |
| Provision for credit losses | 308 | 752 |
| Provision for deferred income taxes | 78 | 276 |
| Stock based compensation expense | 335 | 304 |
| Increase in cash value of bank owned life insurance | (563) | (453) |
| Accretion of purchased credit-impaired loans | (151) | (391) |
| Net decrease in: | | |
| Accrued interest receivable | 7 | 12 |
| Other assets | 485 | 4,039 |
| Net increase (decrease) in: | | |
| Accrued interest payable | (314) | 728 |
| Other liabilities | (1,261) | (1,419) |
| Net cash flows from operating activities | 11,084 | 14,399 |
| Cash flows from investing activities: | | |
| Purchases of available-for-sale securities | (63,284) | — |
| Proceeds from maturities and calls of available-for-sale securities | 83,225 | 56,615 |
| Proceeds from paydowns and maturities of available-for-sale mortgage-backed securities | 7,809 | 4,308 |
| Purchase of Federal Reserve Stock | (9) | (9) |
| Purchase of Federal Home Loan Bank Stock | (19) | (32) |
| Purchase of bank owned life insurance | (3,000) | — |
| Proceeds from bank owned life insurance | — | 1,829 |
| Net increase in loans made to customers | (28,415) | (70,269) |
| Purchases of bank premises and equipment | (1,377) | (2,480) |
| Net cash used in investing activities | (5,070) | (10,038) |
| Cash flows from financing activities: | | |
| Net increase (decrease) in demand, savings, and NOW deposits | 26,469 | (5,195) |
| Net increase (decrease) in time deposits | (6,078) | 23,670 |
| Repayments of subordinated notes | (8,000) | — |
| Repayments of other long term borrowings | (2,000) | — |
| Cash dividends paid | (2,357) | (2,212) |
| Net cash flows from financing activities | 8,034 | 16,263 |
| Net increase in cash and cash equivalents | 14,048 | 20,624 |
| Cash and cash equivalents, beginning of year | 108,213 | 87,589 |
| Cash and cash equivalents, end of year | \$ 122,261 | \$ 108,213 |
| Supplemental disclosure of cash flows information | | |
| Cash paid during the year for: | | |
| Income taxes (net of refunds received) | \$ 2,100 | \$ 1,850 |
| Interest on deposits | 11,452 | 11,567 |
| Supplemental schedule of noncash investing and financing activities: | | |
| Unrealized gains on available-for-sale securities | 4,272 | 3,125 |
| Defined benefit plan adjustment per ASC topic <i>Compensation-Retirement Benefits</i> | (1,455) | 914 |
| SERP adjustment per ASC topic <i>Compensation-Retirement Benefits</i> | 58 | (615) |

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
(In thousands, except ratios, share and per share data)

(1) Summary of Significant Accounting Policies and Practices

The accounting and reporting policies of the Pinnacle Bankshares Corporation and its wholly-owned subsidiary (“Pinnacle” or the “Company”) conform to generally accepted accounting principles in the United States of America (“GAAP”) and general practices within the banking industry. As of December 31, 2025, the most recent notification from the OCC categorized Pinnacle and First National Bank as “well capitalized” under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed Pinnacle and the First National Bank’s category.

The following is a summary of the more significant accounting policies and practices:

(a) Consolidation

The consolidated financial statements include the accounts of Pinnacle and First National Bank. All material intercompany balances and transactions have been eliminated.

(b) Use of Estimates

In preparing the consolidated financial statements in accordance with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the dates of the consolidated balance sheets and revenues and expenses for the years ended December 31, 2025 and 2024. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant changes in the near term relate to the determination of the allowance for credit losses, payments/obligations under benefit and pensions plans, other real estate owned, and fair value of securities.

(c) Securities

Pinnacle classifies its securities in three categories: (1) debt securities that Pinnacle has the positive intent and ability to hold to maturity are classified as “held-to-maturity securities” and reported at amortized cost; (2) debt securities that are bought and held principally for the purpose of selling them in the near term are classified as “trading securities” and reported at fair value, with unrealized gains and losses included in net income; and (3) debt securities not classified as either held-to-maturity securities or trading securities are classified as “available-for-sale securities” and reported at fair value, with unrealized gains and losses excluded from net income and reported in accumulated other comprehensive income, a separate component of stockholders’ equity, net of deferred taxes. Fair value is determined from quoted prices obtained and reviewed by management. Held-to-maturity securities are stated at cost, adjusted for amortization of premiums and accretion of discounts on a basis, which approximates the level yield method. As of December 31, 2025 and 2024, Pinnacle had no trading securities. Gains or losses on disposition are based on the net proceeds and adjusted carrying values of the securities called or sold, using the specific identification method on a trade date basis.

Provision and Allowance for Credit Losses - Securities: Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type. The Company had no held-to-maturity securities as of December 31, 2025, and 2024.

For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If the Company intends to sell the security, or it is more likely than not that the Company will be required to sell the security before recovering its cost basis, the entire impairment loss would be recognized in earnings. If the Company does not intend to sell the security, and it is not more likely than not that the Company will be required to sell the security, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the

extent to which fair value is less than amortized costs, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. Projected cash flows are discounted by the current effective interest rate. 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. The remaining impairment related to all other factors, the difference between the present value of the cash flows expected to be collected and fair value, is recognized as a charge to Accumulated Other Comprehensive Income.

Changes in the allowance for credit losses are recorded as provision for (or recapture of) credit losses. Losses are charged against the allowance when management believes the non-collectability of an available-for-sale or held-to-maturity security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

(d) *Restricted Equity Investments*

As a member of the Federal Reserve Bank (“FRB”) and the FHLB, Pinnacle is required to maintain certain minimum investments in the common stock of the FRB and FHLB, which are carried at cost. Required levels of investment are based upon Pinnacle’s capital and a percentage of qualifying assets.

In addition, Pinnacle is eligible to borrow from the FHLB with borrowings collateralized by qualifying assets, primarily residential mortgage loans, and Pinnacle’s capital stock investment in the FHLB.

Management’s determination of whether these investments are impaired is based on its assessment of the ultimate recoverability of cost rather than by recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability of cost is influenced by criteria such as (1) the significance of any decline in net assets of the FHLB as compared to the capital stock amount for the FHLB and the length of time this situation has persisted, (2) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance of the FHLB, (3) the impact of legislative and regulatory changes on institutions and, accordingly, the customer base of the FHLB, and (4) the liquidity position of the FHLB.

(e) *Provision and Allowance for Credit Losses - Loans*

The methodology for determining the allowance for credit losses - loans is considered a critical accounting estimate by management because of the high degree of judgment involved, the subjectivity of the assumptions used, and the potential for changes in the economic environment that could result in changes to the amount of the recorded allowance for credit losses - loans. Among the material estimates required to establish the allowance for credit losses - loans are: a reasonable and supportable forecast; a reasonable and supportable forecast period and reversion period; value of collateral; strength of guarantors; the amount and timing of future cash flows for loans individually evaluated; and determination of the qualitative loss factors. All of these estimates are susceptible to significant change. The allowance for credit losses - loans is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. The Bank has elected to exclude accrued interest receivable from the amortized cost basis in their estimate of the allowance for credit losses - loans. The provision for credit losses reflects the amount required to maintain the allowance for credit losses - loans at an appropriate level based upon management’s evaluation of the adequacy of collective and individual loss reserves. The Company has established systematic methodologies for the determination of the adequacy of the Company’s allowance for credit losses - loans. The methodologies are set forth in a formal policy and take into consideration the need for a valuation allowance for loans evaluated on a collective (pool) basis which have similar risk characteristics as well as allowances that are tied to individual loans that do not share risk characteristics.

The Company increases its allowance for credit losses - loans by charging the provision for credit losses. Losses related to specific assets are applied as a reduction of the carrying value of the assets and charged against the allowance for credit loss reserve when management believes the uncollectability of a loan balance is confirmed. Recoveries on previously charged off loans are credited to the allowance for credit losses-loans.

Management estimates the allowance for credit losses - loans using relevant information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The allowance for credit losses - loans is maintained at a level sufficient to provide for expected credit losses over the life of the loan based on evaluating historical credit loss experience and adjusting historical loss information for differences in the specific risk characteristics in the current loan portfolio. These factors include, among others, changes in the size and composition of the loan portfolio, differences in underwriting standards, delinquency rates, actual loss experience and current economic conditions.

The allowance for credit losses - loans is measured on a collective (pool) basis when similar risk characteristics exist. In estimating the component of the allowance for credit losses for loans that share common risk characteristics, loans are pooled based on loan type and areas of risk concentration. For loans evaluated collectively, the allowance for credit losses is calculated using life of loan historical losses adjusted for economic forecasts and current conditions.

Management uses the roll-rate method often referred to as "migration analysis" to calculate the allowance for credit losses - loans. Roll rates are determined by predicting credit losses by segmentation of the loan portfolio. An assessment of the roll rate is made (the percentage of balances of the number of accounts which move from one delinquency stage to the next). Once a roll rate is determined for each segment, it is applied to the balance in each category to estimate the amount that will migrate to the next category. The total migrations across all categories are aggregated to determine the estimate of credit losses.

For loans evaluated collectively, management uses qualitative factors such as changes in lending policies and procedures, changes in national and local economic conditions, changes in the concentrations of credit, changes in experience of lenders and the loan department, and other factors as may apply in its allowance for credit loss calculation. Each qualitative factor is evaluated and applied to each segment of loan in Pinnacle's portfolio and a percentage of each loan is reserved as allowance. Loans are charged against the allowance for credit losses when management believes the principal is uncollectible.

Loans that do not share risk characteristics with other loans in the portfolio are individually evaluated for impairment and are not included in the collective evaluation. Factors involved in determining whether a loan should be individually evaluated include, but are not limited to, the financial condition of the borrower and the value of the underlying collateral. Expected credit losses for loans evaluated individually are measured based on the present value of expected future cash flows discounted at the loan's original effective interest rate or when the Bank determines that foreclosure is probable, the expected credit loss is measured based on the fair value of the collateral as of the reporting date, less estimated selling costs, as applicable. As a practical expedient, the Bank measures the expected credit loss for a loan using the fair value of the collateral, if repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulty based on the Bank's assessment as of the reporting date.

In both cases, if the fair value of the collateral is less than the amortized cost basis of the loan, the Bank will recognize an allowance as the difference between the fair value of the collateral, less costs to sell (if applicable) at the reporting date and the amortized cost basis of the loan. If the fair value of the collateral exceeds the amortized cost basis of the loan, any expected recovery added to the amortized cost basis will be limited to the amount previously charged-off. Subsequent changes in the expected credit losses for loans evaluated individually are included within the provision for credit losses in the same manner in which the expected credit loss initially was recognized or as a reduction in the provision that would otherwise be reported.

While management uses available information to recognize losses on loans, future additions to the allowance for credit losses may be necessary based on changes in economic conditions or Pinnacle's recent loss experience. It is reasonably possible that management's estimate of credit losses and the related allowance may change materially in the near term. However, the amount of change that is reasonably possible cannot be estimated. In addition, various regulatory agencies, as an integral part of their examination process, periodically review Pinnacle's allowance for credit losses. Such agencies may require Pinnacle to recognize additions to the allowance for credit losses based on their judgments about information available to them at the time of their examinations.

Loans are charged against the allowance when, in management's opinion, they are deemed doubtful, although Pinnacle usually continues to aggressively pursue collection. Pinnacle considers a number of factors to determine the need for and timing of charge-offs including the following: whenever any commercial loan becomes past due for 120 days for any scheduled principal or interest payment and collection is considered unlikely; whenever foreclosure on real estate collateral or liquidation of other collateral does not result in full payment of the obligation and the deficiency or some portion thereof is deemed uncollectible, the uncollectible portion shall be charged-off; whenever any installment loan becomes past due for 120 days and collection is considered unlikely; whenever any repossessed vehicle remains unsold for 60 days after repossession; whenever a bankruptcy notice is received on any installment loan and review of the facts results in an assessment that all or most of the balance will not be collected, the loan will be placed in non-accrual status; whenever a bankruptcy notice is received on a small, unsecured, revolving installment account; and whenever any other small, unsecured, revolving installment account becomes past due for 180 days.

Loans are generally placed in non-accrual status when the collection of principal and interest is 90 days or more past due unless the obligation relates to a consumer or residential real estate loan or is both well-secured and in the process of collection. All interest accrued, but not collected, for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Generally, loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured, which usually requires a minimum of six months of sustained repayment performance.

An allowance for credit losses - unfunded loan commitments is maintained at a level that, in the opinion of management, is adequate to absorb expected credit losses associated with the contractual life of the Bank's commitments to lend funds under existing agreements such as letters or lines of credit. The Bank uses a methodology for determining the allowance for credit losses-unfunded loan commitments that applies the same segmentation and loss rate to each pool as the funded exposure adjusted for probability of funding. Draws on unfunded loan commitments that are considered uncollectible at the time funds are advanced are charged to the allowance for credit losses on off-balance sheet exposures. Changes in the allowance for credit losses-unfunded loan commitments are recognized as provision for (or recapture of) credit loss expense and added to the allowance for credit losses - unfunded loan commitments, which is included in other liabilities in the Consolidated Balance Sheets.

(f) *Loans Acquired*

Loans acquired in business combinations are recorded at their fair value at the acquisition date. Establishing the fair value of acquired loans involves a significant amount of judgment, including determining the credit discount based upon historical data adjusted for current economic conditions and other factors. If any of these assumptions are inaccurate actual credit losses could vary significantly from the credit discount used to calculate the fair value of the acquired loans. Acquired loans are evaluated upon acquisition and classified as either purchased credit-deteriorated or purchased non-credit-deteriorated. Purchased credit-deteriorated (PCD) loans have experienced more than insignificant credit deterioration since origination. For PCD loans, an allowance for credit losses is determined at the acquisition date using the same methodology as other loans. The initial allowance for credit losses determined on a collective basis is allocated to individual loans. The loan's fair value is grossed up for the allowance for credit losses and becomes its initial amortized cost basis.

The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan. Subsequent changes to the allowance for credit losses are recorded through a provision for credit losses.

For purchased non-credit-deteriorated loans, the difference between the fair value and unpaid principal balance of the loan at the acquisition date is amortized or accreted to interest income over the life of the loan. While credit discounts are included in the determination of the fair value for non-credit-deteriorated loans, since these discounts are expected to be accreted over the life of the loans, they cannot be used to offset the allowance for credit losses that must be recorded at the acquisition date. As a result, an allowance for credit losses is determined at the acquisition date using the same methodology as other loans and is recognized as a provision for credit losses. Any subsequent deterioration (improvement) in credit quality is recognized by recording (recapturing) a provision for credit losses.

(g) *Loan Origination and Commitment Fees and Certain Related Direct Costs*

Loan origination and commitment fees and certain direct loan origination costs charged by Pinnacle are deferred, and the net amount amortized as an adjustment of the related loan's yield. Pinnacle amortizes these net amounts over the contractual life of the related loans or, in the case of demand loans, over the estimated life. Fees related to standby letters of credit are recognized over the commitment period.

(h) *Bank Premises and Equipment*

Bank premises and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed by the straight-line and declining-balance methods over the estimated useful lives of the assets. Depreciable lives include 15 years for land improvements, 39 years for buildings, and 3 to 7 years for equipment, furniture and fixtures. The cost of assets retired and sold and the related accumulated depreciation are eliminated from the accounts and the resulting gains or losses are included in determining net income. Expenditures for maintenance and repairs are charged to expense as incurred, and improvements and betterments are capitalized.

(i) *Bank Owned Life Insurance*

Pinnacle has purchased life insurance policies on certain current and past key employees and directors where the insurance policy benefits and ownership are retained by the employer. 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 adjusted for other charges or other amounts due that are probable at settlement. Income from these policies and changes in the net cash surrender value are recorded within noninterest income within Other Operating Income.

(j) *Goodwill and Other Intangible Assets*

Business combinations are accounted for using the acquisition method of accounting. Identifiable intangible assets are recognized separately and are amortized over their estimated useful lives, which for Pinnacle has generally been ten years. Goodwill is recognized in business combinations to the extent that the price paid exceeds the fair value of the net assets acquired, including any identifiable intangible assets. Goodwill is not amortized and is subject to fair value impairment tests on at least an annual basis.

Pinnacle performs a goodwill impairment analysis on an annual basis as of December 31st. Additionally, Pinnacle performs a goodwill impairment evaluation on an interim basis when events or circumstances indicate impairment potentially exists. During 2025 and 2024, Pinnacle reviewed its goodwill for impairment and determined that goodwill is not impaired. Management will continue to monitor the relationship of Pinnacle's market capitalization to both its book value and tangible book value, which management attributes

to factors that are both Company-specific and that affect the financial services industry-wide, and to evaluate the carrying value of goodwill.

(k) Other Real Estate Owned

Foreclosed properties consist of properties acquired through foreclosure or deed in lieu of foreclosure. At time of foreclosure, the properties are recorded at the fair value less costs to sell. Subsequently, these properties are carried at the lower of cost or fair value less estimated costs to sell. Losses from the acquisition of property in full or partial satisfaction of loans are charged against the allowance for credit losses. Subsequent write-downs, if any, are charged to expense. Gains and losses on the sales of foreclosed properties are included in determining net income in the year of the sale.

(l) Impairment or Disposal of Long-Lived Assets

Pinnacle's long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used, such as bank premises and equipment, is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of, such as foreclosed properties, are reported at the lower of the carrying amount or fair value less costs to sell.

(m) Pension Plan

Pinnacle maintains a noncontributory defined benefit pension plan, which covers substantially all of its employees. The net periodic pension expense includes a service cost component, interest on the projected benefit obligation, a component reflecting the actual return on plan assets, the effect of deferring and amortizing certain actuarial gains and losses, and the amortization of any unrecognized net transition obligation on a straight-line basis over the average remaining service period of employees expected to receive benefits under the plan. Pinnacle's funding policy is to make annual contributions in amounts necessary to satisfy the Internal Revenue Service's funding standards, to the extent that they are tax-deductible.

Accounting Standards for defined benefit plans require a business entity to recognize the overfunded or underfunded status of a single-employer defined benefit postretirement plan as an asset or liability in its consolidated balance sheets and to recognize changes in that funded status in comprehensive income in the year in which the changes occur. Accounting standards also require a business entity to measure the funded status of a plan as of the date of its year-end consolidated balance sheets, with limited exceptions.

(n) Revenue Recognition

Pinnacle recognizes revenue from contracts with customers. Noninterest revenue streams such as service charges on deposit accounts and commissions and fees are recognized in accordance with Accounting Standards Codification ("ASC") Topic 606. Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans, securities, and mortgage banking. In addition, certain noninterest income streams such as financial guarantees, derivatives, and certain credit card fees are outside the scope of the guidance. Noninterest revenue streams within the scope of Topic 606 are discussed below.

Service Charges and Fees from Deposit Accounts

Service charges and fees from deposit accounts consist of monthly service fees, overdraft and nonsufficient funds fees, and VISA debit card interchange fees. Pinnacle's performance obligation for monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided.

Payment for service charges on deposit accounts is primarily received immediately or at the end of each month through a direct charge to customers' accounts. Overdraft and nonsufficient funds fees and other deposit account related fees are transactional based, and therefore, Pinnacle's performance obligation is satisfied, and related revenue recognized, at a point in time when the service is delivered. Debit card fees are primarily comprised of interchange fee income. Interchange fees are earned whenever Pinnacle's debit cards are processed through the VISA network. Pinnacle's performance obligation for interchange fee income is satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month. Interchange income for vendors using terminals Pinnacle has sold and commissions from VISA related to Pinnacle's principal status are also included in other operating income. Pinnacle's performance obligation is satisfied, and the related revenue recognized, when the commissions or fees are earned and are generally based on a percentage of activity.

Commissions and Fees

Commissions and fees consist of commissions received on investment products and insurance policies sales. For insurance sales referred to Bearing Insurance Group, LLC, Pinnacle receives a certain percentage of the insurance agency's commission for each policy sold. For investment products sales through LPL Financial LLC, revenue to Pinnacle consists of advisory account fees, and; commissions from sales of mutual funds and other investments. Fees and commissions that total \$1,265 and \$967 for 2025 and 2024, respectively, on the consolidated statements of income includes \$187 and \$172 in loan late fees that are out-of-scope of Topic 606.

Other Operating Income

Included in other operating income are various transaction based revenue streams such as wire transfer fees, foreign ATM fees, ACH origination fees, cashier check fees and miscellaneous services provided such as assistance with balancing a customer's checking account or making copies. Each of these fees are transactional based, and therefore, Pinnacle's performance obligation is satisfied, and related revenue recognized, at a point in time when the service is delivered.

The following presents noninterest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for 2025 and 2024, respectively:

| | Years Ended December 31, | |
|---|---------------------------------|-----------------|
| | 2025 | 2024 |
| Non-interest Income | | |
| <i>In-scope of Topic 606:</i> | | |
| Service charges and fees from deposit accounts | \$ 3,576 | \$ 3,465 |
| Commissions and fees | 1,079 | 794 |
| Other operating income | 1,348 | 1,241 |
| Non-interest Income (in-scope of Topic 606) | \$ 6,003 | \$ 5,500 |
| Non-interest Income (out-of-scope of Topic 606) | 1,789 | 2,379 |
| | <u>\$ 7,792</u> | <u>\$ 7,879</u> |

(o) Net Income per Share

Basic net income per share excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue common stock that are not anti-dilutive were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of Pinnacle.

The following is a reconciliation of the numerators and denominators of the basic and diluted net income per share computations for the periods indicated:

| Year ended December 31, 2025 | Net income (numerator) | Shares (denominator) | Per share amount |
|-------------------------------------|-----------------------------------|---------------------------------|-----------------------------|
| Basic net income per share | \$ 10,772 | 2,222,543 | \$ 4.85 |
| Effect of dilutive stock options | — | — | |
| Diluted net income per share | \$ 10,772 | 2,222,543 | \$ 4.85 |

| Year ended December 31, 2024 | Net income (numerator) | Shares (denominator) | Per share amount |
|-------------------------------------|-----------------------------------|---------------------------------|-----------------------------|
| Basic net income per share | \$ 9,178 | 2,211,828 | \$ 4.15 |
| Effect of dilutive stock options | — | — | |
| Diluted net income per share | \$ 9,178 | 2,211,828 | \$ 4.15 |

(p) Consolidated Statements of Cash Flows

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash on hand, amounts due from banks (with original maturities of three months or less), and federal funds sold. Generally, federal funds are purchased and sold for one-day periods.

(q) Comprehensive Income

ASC Topic 220, *Comprehensive Income*, requires Pinnacle to classify items of “Other Comprehensive Income” (such as net unrealized gains (losses) on available-for-sale securities) by their nature in a financial statement and present the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position. Pinnacle’s other comprehensive income consists of net income, and net unrealized gains (losses) on securities available-for-sale, net of income taxes, and adjustments relating to its defined benefit plan, net of income taxes.

(r) Fair Value Measurements

ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a framework for using fair value. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

In accordance with *Fair Value Measurements and Disclosures*, Pinnacle groups its financial assets and financial liabilities in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The most significant instruments that Pinnacle measures at fair value are available-for-sale securities. As of December 31, 2024, all available-for-sale securities fell into Level 2 fair value hierarchy and remained at Level 2 as of December 31, 2025. Valuation methodologies for the fair value hierarchy are as follows:

Level 1 – Valuations are based on quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2 – Valuations for assets and liabilities are obtained from readily available pricing sources via independent providers for market transactions involving similar assets or liabilities, model-based valuation techniques, or other observable inputs.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and are not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining fair value assigned to such assets and liabilities.

(s) *Stock-based Compensation*

Restricted stock awards compensation cost is based on the fair value of the award, which is the closing price of Pinnacle's common stock on the date of the grant. Restricted stock awards issued by Pinnacle typically have vesting periods with service conditions. Compensation cost is recognized as expense over the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period. Because of the insignificant amount of forfeitures Pinnacle has experienced, forfeitures are recognized as they occur.

(t) *Loan Commitments and Related Financial Instruments*

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

(u) *Operating Segments*

While the Chief Executive Officer, as the chief operating decision maker (“CODM”), monitors the revenue streams of the various products and services, operations are managed, and financial performance is evaluated on a Company-wide basis. Operating segments are aggregated into one as operating results for all segments are similar. Accordingly, all financial service operations are considered by management to be aggregated in one reportable operating segment.

(v) *Current Accounting Developments*

In December of 2023 the FASB issued *ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments in this Update enhance the transparency and decision usefulness of income tax disclosures. This Update requires that public business entities disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. All entities will be required to disclose 1) the amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes; 2) the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than five percent of total income taxes paid (net of refunds received). The amendments also require entities to disclose 1) income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign and 2) income tax expense (or benefit) from continuing operations disaggregated by federal (national), state, and foreign.

For public entities, the amendments in this Update are effective for annual periods beginning after December 15, 2024. This standard should be applied on a prospective basis, but retrospective application is permitted. The adoption of this standard did not have a material effect on Pinnacle's operating results or financial condition.

In November of 2024, the FASB issued *ASU2024-03 Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40) - Disaggregation of Income Statement Expenses*. The amendments in this Update require disclosure, in the notes to the financial statements, of specified information about certain costs and expense. The amendments require that at each interim and annual reporting period an entity:

- Disclose the amounts of (a) purchases of inventory, (b) employee compensation, (c) depreciation, (d) intangible asset amortization, and (e) depreciation, depletion, and amortization recognized as part of oil and gas producing activities included in each relevant expense caption.
- Disclose a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively.
- Disclose the total amount of selling expenses and, in annual reporting periods, an entity's definition of selling expenses.

The amendments in this Update are effective for annual reporting periods beginning December 15, 2026 and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The amendments should be applied (1) prospectively to financial statements issued for reporting periods after the effective date of the Update or (2) retrospectively to any or all prior periods presented in the financial statements. The adoption of this standard is not expected to have material effect on Pinnacle's operating results or financial condition.

(2) Restrictions on Cash

Per Federal Reserve regulations, the average reserve requirement for the week including December 31, 2025, and the week of December 31, 2024, has been \$0.

(3) Securities

The amortized costs, gross unrealized gains, gross unrealized losses and fair values for securities as of December 31, 2025, and 2024 are as follows:

| | 2025 | | | |
|--|-------------------|------------------------|-------------------------|----------------|
| | Amortized costs | Gross unrealized gains | Gross unrealized losses | Fair values |
| Available-for-Sale | | | | |
| U.S. Treasury securities and obligations of | | | | |
| U.S. Government corporations and agencies | \$ 55,583 | 14 | (949) | 54,648 |
| Obligations of states and political subdivisions | 38,917 | 5 | (3,512) | 35,410 |
| Mortgage-backed securities – government | 65,494 | 4 | (3,104) | 62,394 |
| Total available-for-sale | <u>\$ 159,994</u> | <u>23</u> | <u>(7,565)</u> | <u>152,452</u> |

Pinnacle had no held-to-maturity securities as of December 31, 2025.

| | 2024 | | | |
|--|-------------------|------------------------|-------------------------|----------------|
| | Amortized costs | Gross unrealized gains | Gross unrealized losses | Fair values |
| Available-for-Sale | | | | |
| U.S. Treasury securities and obligations of | | | | |
| U.S. Government corporations and agencies | \$ 88,838 | — | (2,412) | 86,426 |
| Obligations of states and political subdivisions | 39,002 | — | (5,314) | 33,688 |
| Mortgage-backed securities – government | 59,793 | 1 | (4,092) | 55,702 |
| Total available-for-sale | <u>\$ 187,633</u> | <u>1</u> | <u>(11,818)</u> | <u>175,816</u> |

Pinnacle had no held-to-maturity securities as of December 31, 2024.

The following table shows the gross unrealized losses and fair value of Pinnacle’s securities, aggregated by security category and length of time that individual securities have been in a continuous unrealized loss position, as of December 31, 2025:

| Description of Securities | Less than 12 months | | More than 12 months | | Total | |
|--|---|-------------------------|---------------------|-------------------------|------------------|-------------------------|
| | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses | Gross Fair value | Gross unrealized losses |
| | U.S. Treasury securities and obligations of | | | | | |
| U.S. Government corporations and agencies | \$ 9,921 | 1 | 24,808 | 948 | 34,729 | 949 |
| Obligations of states and political subdivisions | 362 | 1 | 34,009 | 3,511 | 34,371 | 3,512 |
| Mortgage-backed securities-government | 13,453 | 187 | 47,787 | 2,917 | 61,240 | 3,104 |
| Total | <u>\$ 23,736</u> | <u>189</u> | <u>106,604</u> | <u>7,376</u> | <u>130,340</u> | <u>7,565</u> |

Pinnacle does not consider the unrealized losses other-than-temporary losses based on the volatility of the securities market price involved, the credit quality of the securities, and Pinnacle’s ability, if necessary, to hold the securities until maturity. As of December 31, 2025, the securities included 6 bonds that had continuous losses for less than 12 months and 97 bonds that had continuous losses for more than 12 months. There were no realized gains and losses in 2025.

The following table shows the gross unrealized losses and fair value of Pinnacle’s securities, aggregated by security category and length of time that individual securities have been in a continuous unrealized loss position, as of December 31, 2024:

| Description of Securities | Less than 12 months | | More than 12 months | | Total | |
|--|---|-------------------------|---------------------|-------------------------|------------------|-------------------------|
| | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses | Gross Fair value | Gross unrealized losses |
| | U.S. Treasury securities and obligations of | | | | | |
| U.S. Government corporations and agencies | \$ — | — | 86,426 | 2,412 | 86,426 | 2,412 |
| Obligations of states and political subdivisions | 1,051 | 5 | 32,637 | 5,309 | 33,688 | 5,314 |
| Mortgage-backed securities-government | 413 | 1 | 55,289 | 4,091 | 55,702 | 4,092 |
| Total | <u>\$ 1,464</u> | <u>6</u> | <u>174,352</u> | <u>11,812</u> | <u>175,816</u> | <u>11,818</u> |

For 2024, the securities included 4 bonds that had continuous losses for less than 12 months and 113 bonds that had continuous losses for more than 12 months. There were no realized gains or losses in 2024.

The amortized costs and fair values of available-for-sale securities as of December 31, 2025, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

| | 2025 | |
|--|--------------------|----------------|
| | Available-for-Sale | |
| | Amortized costs | Fair values |
| Due in one year or less | \$ 38,815 | 38,646 |
| Due after one year through five years | 39,187 | 37,431 |
| Due after five years through ten years | 16,498 | 13,981 |
| Due after ten years | — | — |
| | <u>94,500</u> | <u>90,058</u> |
| Mortgage-backed securities | 65,494 | 62,394 |
| Totals | <u>\$ 159,994</u> | <u>152,452</u> |

Securities with amortized costs of approximately \$65,614 (fair value of \$64,457) as of December 31, 2025, were pledged as collateral for public deposits. Also, securities with amortized costs of approximately \$12,389 (fair value of \$11,989) as of December 31, 2025, were pledged as collateral for the Federal Reserve's term funding program. Securities with amortized costs of approximately \$56,627 (fair value of \$55,008) as of December 31, 2024, were pledged as collateral for public deposits. Also, securities with amortized costs of approximately \$35,276 (fair value of \$34,191) as of December 31, 2024, were pledged as collateral for the Federal Reserve's term funding program.

(4) Loans, Allowance for Credit Losses and Credit Quality

A summary of loans as of December 31, 2025, and December 31, 2024, follows:

| | 2025 | 2024 |
|---|-------------------|-------------------|
| Real estate loans: | | |
| Residential-mortgage | \$ 237,999 | \$ 198,412 |
| Residential-construction | 14,749 | 18,778 |
| Commercial | 251,543 | 250,737 |
| Loans to individuals for household, family and other consumer expenditures | 133,769 | 129,944 |
| Commercial and industrial loans | 102,268 | 114,047 |
| Total loans, gross | <u>740,328</u> | <u>711,918</u> |
| Less unearned income and fees | (965) | (810) |
| Loans, net of unearned income and fees | <u>739,363</u> | <u>711,108</u> |
| Less allowance for credit losses | (5,235) | (5,084) |
| Loans, net | <u>\$ 734,128</u> | <u>\$ 706,024</u> |

In the normal course of business, First National Bank has made loans to executive officers and directors. As of December 31, 2025, loans and extensions of credit to executive officers and directors totaled \$769 as compared to \$805 as of December 31, 2024. During 2025, one line of credit for \$110 was made to a director in which \$36 was outstanding as of December 31, 2025. The loan was made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with unrelated persons, and, in the opinion of management and the Board, do not involve more than normal risk of collectability or present other unfavorable features.

Loans in the amount of \$50,480 were pledged as collateral for Pinnacle's available FHLB line of credit as of December 31, 2025.

The following section presents information on Pinnacle's allowance for credit losses and recorded investment in loans. The total allowance reflects management's estimate of credit losses inherent in the loan portfolio at the balance sheet date. While portions of the allowance are attributed to specific portfolio segments, the entire

allowance is available to absorb credit losses inherent in the total loan portfolio. The following tables summarize the activity related to allowance for credit losses under the CECL methodology.

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

| | Commercial | Commercial Real Estate | Consumer | Residential | Total |
|---|-------------------|-----------------------------------|-----------------|--------------------|--------------|
| Allowance for Credit Losses: | | | | | |
| Beginning balance | \$ 976 | 1,912 | 795 | 1,401 | 5,084 |
| Charge-offs | (60) | — | (340) | (3) | (403) |
| Recoveries | 58 | — | 171 | 16 | 245 |
| (Recovery of) Provision for credit losses | 76 | (257) | 191 | 299 | 309 |
| Ending Balance | <u>\$ 1,050</u> | <u>1,655</u> | <u>817</u> | <u>1,713</u> | <u>5,235</u> |

**Allowance for Loan Losses and Recorded Investment in Loans
For the Year Ended December 31, 2024**

| | Commercial | Commercial Real Estate | Consumer | Residential | Total |
|-----------------------------------|-------------------|-----------------------------------|-----------------|--------------------|--------------|
| Allowance for Loan Losses: | | | | | |
| Beginning balance | \$ 944 | 1,570 | 824 | 1,173 | 4,511 |
| Charge-offs | (42) | — | (327) | (15) | (384) |
| Recoveries | 11 | — | 197 | 13 | 221 |
| Provision for loan losses | 63 | 342 | 101 | 230 | 736 |
| Ending Balance | <u>\$ 976</u> | <u>1,912</u> | <u>795</u> | <u>1,401</u> | <u>5,084</u> |

The allowance for credit losses-unfunded loan commitments, included in Other liabilities on the Consolidated Balance Sheets, totaled \$138 as of December 31, 2025, and was \$139 as of December 31, 2024.

Pinnacle utilizes a risk rating matrix to assign a risk grade to each of its loans. A description of the general characteristics of the risk grades is as follows:

Pass – These loans have minimal or acceptable credit risk.

Special Mention – These loans have potential weaknesses that deserve management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan at some future date.

Substandard – These loans are inadequately protected by the net worth or paying capacity of the obligor or collateral pledged, if any. Loans classified as substandard must have a well-defined weakness, or weaknesses, which jeopardize the liquidation of the debt. A substandard loan is characterized by the distinct probability that Pinnacle will sustain some loss if the deficiencies are not corrected.

Doubtful – These loans have all of the weakness inherent in one classified as substandard with the added characteristic that the weaknesses make collection liquidation in full, on the basis of the currently existing facts, conditions and values, highly questionable and improbable.

The following table illustrates Pinnacle’s credit quality indicators:

**Credit Quality Indicators
As of December 31, 2025**

| Credit Exposure | Commercial | | | | Total |
|------------------------|-------------------|--------------------|-----------------|--------------------|----------------|
| | Commercial | Real Estate | Consumer | Residential | |
| Pass | \$ 101,405 | 243,733 | 133,487 | 252,095 | 730,720 |
| Special Mention | 527 | 5,316 | 2 | 416 | 6,261 |
| Substandard | 336 | 2,494 | 280 | 237 | 3,347 |
| Doubtful | — | — | — | — | — |
| Total | \$ 102,268 | 251,543 | 133,769 | 252,748 | 740,328 |

**Credit Quality Indicators
As of December 31, 2024**

| Credit Exposure | Commercial | | | | Total |
|------------------------|-------------------|--------------------|-----------------|--------------------|----------------|
| | Commercial | Real Estate | Consumer | Residential | |
| Pass | \$ 112,942 | 245,474 | 129,645 | 216,454 | 704,515 |
| Special Mention | 692 | 4,756 | 12 | 429 | 5,889 |
| Substandard | 413 | 507 | 287 | 307 | 1,514 |
| Doubtful | — | — | — | — | — |
| Total | \$ 114,047 | 250,737 | 129,944 | 217,190 | 711,918 |

The following table presents the Company's recorded investment in loans by credit quality indicators by year of origination as of December 31, 2025:

| | Loans by Year of Origination | | | | | | Prior | Total |
|--------------------------------------|------------------------------|---------|--------|---------|---------|---------|---------|-------|
| | 2021 | 2022 | 2023 | 2024 | 2025 | | | |
| Total Recorded Investment | \$ 87,107 | 112,030 | 78,413 | 140,859 | 194,322 | 127,597 | 740,328 | |
| Total Current period gross chargeoff | 23 | 82 | 74 | 138 | 62 | 24 | 403 | |
| Commercial | | | | | | | | |
| Pass | 18,299 | 16,651 | 9,386 | 12,306 | 27,297 | 17,466 | 101,405 | |
| Special Mention | 189 | 161 | 100 | — | 15 | 62 | 527 | |
| Substandard | — | — | — | 78 | — | 258 | 336 | |
| Total | 18,488 | 16,812 | 9,486 | 12,384 | 27,312 | 17,786 | 102,268 | |
| Current period gross chargeoff | — | — | — | 32 | 28 | — | 60 | |
| Commercial Real Estate | | | | | | | | |
| Pass | 40,024 | 46,693 | 23,668 | 56,332 | 33,394 | 43,622 | 243,733 | |
| Special Mention | — | — | 1,250 | — | — | 4,066 | 5,316 | |
| Substandard | — | — | — | 2,494 | — | — | 2,494 | |
| Total | 40,024 | 46,693 | 24,918 | 58,826 | 33,394 | 47,688 | 251,543 | |
| Current period gross chargeoff | — | — | — | — | — | — | — | |
| Consumer | | | | | | | | |
| Pass | 3,812 | 19,525 | 19,915 | 31,461 | 56,306 | 2,468 | 133,487 | |
| Special Mention | 2 | — | — | — | — | — | 2 | |
| Substandard | 33 | 169 | — | 74 | — | 4 | 280 | |
| Total | 3,847 | 19,694 | 19,915 | 31,535 | 56,306 | 2,472 | 133,769 | |
| Current period gross chargeoff | 23 | 82 | 74 | 106 | 31 | 24 | 340 | |
| Residential | | | | | | | | |
| Pass | 24,748 | 28,811 | 24,094 | 38,114 | 77,310 | 59,018 | 252,095 | |
| Special Mention | — | — | — | — | — | 416 | 416 | |
| Substandard | — | 20 | — | — | — | 217 | 237 | |
| Total | 24,748 | 28,831 | 24,094 | 38,114 | 77,310 | 59,651 | 252,748 | |
| Current period gross chargeoff | — | — | — | — | 3 | — | 3 | |

The following table presents the Company's recorded investment in loans by credit quality indicators by year of origination as of December 31, 2024:

| | Loans by Year of Origination | | | | | | | Total |
|--------------------------------------|------------------------------|---------|---------|---------|---------|---------|---------|-------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | Prior | | |
| Total Recorded Investment | \$ 51,936 | 106,432 | 139,641 | 106,920 | 194,446 | 112,543 | 711,918 | |
| Total Current period gross chargeoff | 22 | 21 | 77 | 180 | 60 | 24 | 384 | |
| Commercial | | | | | | | | |
| Pass | 6,610 | 26,823 | 20,888 | 16,540 | 21,796 | 20,287 | 112,944 | |
| Special Mention | 20 | — | 671 | — | — | — | 691 | |
| Substandard | — | — | — | — | 93 | 319 | 412 | |
| Total | 6,630 | 26,823 | 21,559 | 16,540 | 21,889 | 20,606 | 114,047 | |
| Current period gross chargeoff | — | — | — | 42 | — | — | 42 | |
| Commercial Real Estate | | | | | | | | |
| Pass | 22,712 | 46,084 | 54,138 | 27,823 | 56,685 | 38,032 | 245,474 | |
| Special Mention | 370 | — | — | 412 | — | 3,974 | 4,756 | |
| Substandard | — | — | — | 507 | — | — | 507 | |
| Total | 23,082 | 46,084 | 54,138 | 28,742 | 56,685 | 42,006 | 250,737 | |
| Current period gross chargeoff | — | — | — | — | — | — | — | |
| Consumer | | | | | | | | |
| Pass | 5,915 | 7,410 | 33,726 | 31,024 | 49,367 | 2,203 | 129,645 | |
| Special Mention | — | 10 | — | — | — | 2 | 12 | |
| Substandard | 11 | 45 | 157 | — | 74 | — | 287 | |
| Total | 5,926 | 7,465 | 33,883 | 31,024 | 49,441 | 2,205 | 129,944 | |
| Current period gross chargeoff | 22 | 21 | 77 | 138 | 60 | 9 | 327 | |
| Residential | | | | | | | | |
| Pass | 16,232 | 26,060 | 30,061 | 30,614 | 66,431 | 47,056 | 216,454 | |
| Special Mention | — | — | — | — | — | 429 | 429 | |
| Substandard | 66 | — | — | — | — | 241 | 307 | |
| Total | 16,298 | 26,060 | 30,061 | 30,614 | 66,431 | 47,726 | 217,190 | |
| Current period gross chargeoff | — | — | — | — | — | 15 | 15 | |

The following table represents an age analysis of Pinnacle’s past due loans:

**Age Analysis of Past Due Loans
As of December 31, 2025**

| | 30-59 Days Past Due | 60-89 Days Past Due | Greater Than 90 Days | Total Past Due | Current | Total Loans | Non- accrual with no Allowance | Total Non- accrual | Recorded Investment 90 Days and Accruing |
|---------------------------|------------------------------------|------------------------------------|-------------------------------------|-------------------------------|----------------|------------------------|---|-----------------------------------|---|
| Commercial | \$ 60 | — | — | 60 | 102,208 | 102,268 | — | — | — |
| Commercial real estate | — | — | — | — | 251,543 | 251,543 | 68 | 68 | — |
| Consumer | 280 | 1 | — | 281 | 133,488 | 133,769 | 81 | 81 | — |
| Residential | — | — | 3 | 3 | 252,745 | 252,748 | 1,348 | 1,348 | — |
| Total | \$ 340 | 1 | 3 | 344 | 739,984 | 740,328 | 1,497 | 1,497 | — |

**Age Analysis of Past Due Loans
As of December 31, 2024**

| | 30-59 Days Past Due | 60-89 Days Past Due | Greater Than 90 Days | Total Past Due | Current | Total Loans | Non- accrual with no Allowance | Total Non- accrual | Recorded Investment 90 Days and Accruing |
|---------------------------|------------------------------------|------------------------------------|-------------------------------------|-------------------------------|----------------|------------------------|---|-----------------------------------|---|
| Commercial | \$ 1 | — | — | 1 | 114,046 | 114,047 | — | — | — |
| Commercial real estate | 70 | — | — | 70 | 250,667 | 250,737 | — | 534 | — |
| Consumer | 110 | 27 | — | 137 | 129,807 | 129,944 | 24 | 24 | — |
| Residential | — | 473 | — | 473 | 216,717 | 217,190 | 1,024 | 1,024 | — |
| Total | \$ 181 | 500 | — | 681 | 711,237 | 711,918 | 1,048 | 1,582 | — |

The Company did not modify any loans for borrowers experiencing financial difficulty during 2025. Accordingly, the Company did not have any loans made to borrowers experiencing financial difficulty that were modified during 2025 that subsequently defaulted. A default on a modified loan is defined as being past due 90 days or being out of compliance with the modification agreement.

Pinnacle had one loan modification totaling \$105 as of December 31, 2025, compared to three loan modifications totaling \$109 as of December 31, 2024.

Pinnacle offers a variety of modifications to borrowers. The modification categories offered can generally be described in the following categories.

Rate Modification is a modification in which the interest rate is changed.

Term Modification is a modification in which the maturity date, timing of payments or frequency of payments is changed.

Interest Only Modification is a modification in which the loan is converted to interest only payments for a period of time.

Payment Modification is a modification in which the dollar amount of the payment is changed, other than an interest only modification described above.

Combination Modification is any other type of modification, including the restructuring of two or more loan terms through the use of multiple categories above.

There were no additional commitments to extend credit related to these loan modifications that were outstanding as of December 31, 2025.

The following tables present loan modifications as of December 31, 2025, and December 31, 2024:

| December 31, 2025 | | | |
|--------------------------|---------------------------|-------------------------------|-------------------------------|
| | Accrual Status | Non-Accrual Status | Loan Modifications |
| Commercial | \$ — | — | — |
| Commercial real estate | — | — | — |
| Consumer | — | — | — |
| Residential | 105 | — | 105 |
| Total | <u>\$ 105</u> | <u>—</u> | <u>105</u> |

| December 31, 2024 | | | |
|--------------------------|---------------------------|-------------------------------|-------------------------------|
| | Accrual Status | Non-Accrual Status | Loan Modifications |
| Commercial | \$ — | — | — |
| Commercial real estate | — | — | — |
| Consumer | — | — | — |
| Residential | 109 | — | 109 |
| Total | <u>\$ 109</u> | <u>—</u> | <u>109</u> |

For 2025, Pinnacle had no new loan modifications and no loans with modifications that experienced payment defaults.

(5) Bank Premises and Equipment

Bank premises and equipment, net was comprised of the following as of December 31, 2025, and 2024:

| | 2025 | 2024 |
|------------------------------------|------------------|------------------|
| Land improvements | \$ 985 | \$ 939 |
| Buildings | 22,091 | 21,656 |
| Equipment, furniture, and fixtures | 11,203 | 10,120 |
| | <u>34,279</u> | <u>32,715</u> |
| Less accumulated depreciation | <u>(16,225)</u> | <u>(15,036)</u> |
| | 18,054 | 17,679 |
| Land | 4,859 | 4,648 |
| Construction in progress | 177 | 575 |
| Bank premises and equipment, net | <u>\$ 23,090</u> | <u>\$ 22,902</u> |

(6) Goodwill and Other Intangible Assets

The following is a summary of the gross carrying amount and accumulated amortization of amortizable intangible assets as of December 31, 2025, and December 31, 2024, and the carrying amount of unamortizable intangible assets as of the same dates.

| | December 31, 2025 | | December 31, 2024 | |
|---|-----------------------|--------------------------|-----------------------|--------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Amortizable Intangible Assets: | | | | |
| Core Deposit Intangible | \$ 1,600 | 827 | \$ 1,600 | 667 |
| Unamortizable Intangible Assets: | | | | |
| Goodwill | \$ 539 | | \$ 539 | |

Amortization expense of all other intangible assets totaled \$0 for the years ended December 31, 2025 and 2024, respectively.

The following table presents the estimated amortization expense schedule related to acquisition-related amortizable intangible assets for each of the five calendar years ending December 31, 2030, and the estimated amount amortizable thereafter. These estimates are subject to change in future periods to the extent management determines it is necessary to adjust the carrying value or estimated useful lives of amortizable intangible assets.

| | Estimated Amortization Expense |
|-------|--------------------------------|
| 2026 | \$ 160 |
| 2027 | 160 |
| 2028 | 160 |
| 2029 | 160 |
| 2030 | 133 |
| Total | \$ 773 |

(7) Deposits

A summary of deposits as of December 31, 2025, and December 31, 2024:

| | 2025 | 2024 |
|-------------------------------------|------------|------------|
| Noninterest-bearing demand deposits | \$ 280,199 | \$ 262,834 |
| Interest-bearing: | | |
| Savings and money market accounts | 375,651 | 366,019 |
| NOW accounts | 131,194 | 131,722 |
| Time deposits – under \$250,000 | 161,876 | 163,135 |
| Time deposits – \$250,000 and over | 22,390 | 27,209 |
| Total interest-bearing deposits | 691,111 | 688,085 |
| Total deposits | \$ 971,310 | \$ 950,919 |

As of December 31, 2025, the scheduled maturity of time deposits is as follows: \$167,579 in 2026; \$5,087 in 2027; \$4,879 in 2028, \$3,558 in 2029 and \$3,163 in 2030.

In the normal course of business, First National Bank has received deposits from executive officers and directors. As of December 31, 2025, and December 31, 2024, deposits from executive officers and directors were approximately \$17,028 and \$10,144, respectively. All such deposits were received in the ordinary course of business on substantially the same terms and conditions, including interest rates, as those prevailing at the same time for comparable transactions with unrelated persons.

(8) Borrowings

As of December 31, 2025, and December 31, 2024, Pinnacle's available borrowing limit with the FHLB was approximately \$305,750 and \$245,712, respectively. Pinnacle had \$0 in borrowings from the FHLB outstanding at December 31, 2025. Additionally, Pinnacle has liquidity borrowing capabilities with three correspondent banks totaling \$48,000 with \$0 outstanding as of December 31, 2025.

On September 30, 2025, Pinnacle paid off \$8,000, in private placement Notes that were originated on September 21, 2020. The Notes were fixed-to-floating rate subordinated notes that were originally due September 30, 2030 (the "Notes"). The interest rate on the Notes was 5.25% per annum, beginning September 18, 2020, to, but excluding September 30, 2025.

Also on September 30, 2025, Pinnacle paid off a \$2,000 fixed-to-floating rate promissory note borrowed in 2020 and due in 2030 (the "Promissory Note"). The interest rate on the Promissory Note was 5.25% per annum, beginning December 18, 2020, until the Promissory Note was repaid on September 30, 2025.

The early repayment of these borrowings was made possible by Pinnacle's continued financial strength and prudent balance sheet management.

(9) Employee Benefit Plans

First National Bank maintains a noncontributory defined benefit pension plan that covers substantially all of its employees. Benefits are computed based on employees' average final compensation and years of credited service. Pension expenses amounted to approximately \$607 and \$550 in 2025 and 2024, respectively.

The components of net pension benefit cost under the plan for the year ended December 31, 2025, and 2024 is summarized as follows:

| | 2025 | 2024 |
|---|------------------|------------------|
| Change in Benefit Obligation | | |
| Benefit obligation at beginning of year | \$ 15,435 | \$ 14,754 |
| Service cost | 795 | 830 |
| Interest cost | 793 | 677 |
| Actuarial income gain/(loss) | 2,430 | (644) |
| Benefits paid | (795) | (182) |
| Benefit obligation at end of year | <u>\$ 18,658</u> | <u>\$ 15,435</u> |
| Change in Plan Assets | | |
| Fair value of plan assets at beginning of year | 15,944 | 12,898 |
| Actual return on plan assets | 2,058 | 1,228 |
| Employer contribution | 2,000 | 2,000 |
| Benefits paid | (795) | (182) |
| Projected fair value of plan assets at the end of the year | <u>19,207</u> | <u>15,944</u> |
| Funded Status at the End of the Year | 549 | 509 |
| Amounts Recognized in the Balance Sheet | | |
| Other liabilities, accrued pension | 549 | 509 |
| Amounts Recognized in Accumulated Other Comprehensive Income Net of Tax Effect | | |
| Unrecognized actuarial (gain)/loss | 781 | (683) |
| Prior service cost | 110 | 119 |
| Income tax effect | (187) | 119 |
| Benefit obligation included in accumulated other comprehensive income | <u>\$ 704</u> | <u>\$ (445)</u> |
| Funded Status | | |
| Benefit obligation | (18,658) | (15,435) |
| Fair value of assets | \$ 19,207 | \$ 15,945 |
| Unrecognized net actuarial (gain)/loss | 780 | (684) |
| Unrecognized prior service cost | 110 | 119 |
| Funded Status at December 31 | <u>\$ 1,439</u> | <u>\$ (55)</u> |
| Weighted Average Assumptions as of December 31, 2025 and 2024 : | | |
| | 2025 | 2024 |
| Discount rate used for net periodic pension cost | 5.45% | 4.75% |
| Discount rate used for disclosure | 5.30% | 5.45% |
| Expected long-term return on plan assets used for net periodic pension cost | 7.25% | 7.25% |
| Rate of compensation increase for disclosure | 4.00% | 3.00% |

The estimated portion of prior service cost and net transition obligation included in accumulated other comprehensive income that will be recognized as a component of net periodic pension cost over the next fiscal year is \$747.

First National selects the expected long-term rate-of-return-on-assets assumption in consultation with its investment advisors and actuary. This rate is intended to reflect the average rate of return expected to be earned on the funds invested or to be invested to provide plan benefits. Historical performance is reviewed especially with respect to real rates of return (net of inflation) for the major asset classes held or anticipated to be held by the trust, and for the trust itself. Undue weight is not given to recent experience, which may not continue over the measurement period, and higher significance is placed on current forecasts of future long-term economic conditions.

Because assets are held in a qualified trust, anticipated returns are not reduced for taxes. Further, solely for this purpose, the plan is assumed to continue in force and not terminate during the period during which assets are invested. However, consideration is given to the potential impact of current and future investment policy, cash flow into and out of the trust, and expenses (both investment and non-investment) typically paid from plan assets (to the extent such expenses are not explicitly estimated within periodic cost).

The components of net pension benefit cost under the plan for the years ended December 31, 2025, and 2024 is summarized as follows:

| | Pension Benefits | |
|--|-------------------------|-----------------|
| | 2025 | 2024 |
| Service cost | \$ 795 | \$ 830 |
| Interest cost | 793 | 677 |
| Expected return on plan assets | (1,092) | (968) |
| Amortization of Prior Service Cost | 9 | 9 |
| Recognized net loss due to settlement | — | — |
| Recognized net actuarial loss | — | — |
| Net pension benefit cost | \$ 505 | \$ 548 |
| Gross (gain) loss recognized in other comprehensive income | 1,455 | (914) |
| Total Recognized in Net Pension Benefit Cost and Other Comprehensive Income | \$ 1,960 | \$ (366) |

Projected Benefit Payments

The projected benefit payments under the plan are summarized as follows for the years ending December 31:

| | | |
|-----------|----|--------|
| 2026 | \$ | 2,273 |
| 2027 | | 133 |
| 2028 | | 484 |
| 2029 | | 389 |
| 2030 | | 434 |
| 2031-2035 | | 13,253 |

Plan Asset Allocation

Plan assets are held in a pooled pension trust fund administered by the Virginia Bankers Association. The pooled pension trust fund is sufficiently diversified to maintain a reasonable level of risk without imprudently sacrificing return, with a targeted asset allocation of 37% fixed income and 63% equities. The Investment Manager selects investment fund managers with demonstrated experience and expertise, and funds with demonstrated historical performance, for the implementation of the pension plan's investment strategy. The Investment Manager will consider both actively and passively managed investment strategies and will allocate funds across the asset classes to develop an efficient investment structure.

It is the responsibility of the Virginia Bankers Association to administer the investments of the pooled pension trust fund within reasonable costs, being careful to avoid sacrificing quality. These costs include, but are not limited to, management and custodial fees, consulting fees, transaction costs and other administrative costs.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds-fixed income and equity funds: Valued at the net asset value of shares held at year-end.

Cash and equivalents: Valued at cost which approximates fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Pinnacle believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement as of December 31, 2025, and 2024.

The following table presents the fair value of the assets, by asset category, as of December 31, 2025, and 2024.

| | <u>2025</u> | <u>2024</u> |
|----------------------------|------------------|------------------|
| Mutual funds-fixed income | \$ 7,107 | \$ 5,900 |
| Mutual funds-equity | 12,100 | 10,045 |
| Total assets at fair value | <u>\$ 19,207</u> | <u>\$ 15,945</u> |

The following table sets forth by level, within the fair value hierarchy, the assets carried at fair value as of December 31, 2025, and 2024.

| | <u>Assets at Fair Value as of December 31, 2025</u> | | | |
|----------------------------|---|----------------|----------------|---------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Mutual funds-fixed income | \$ 7,107 | — | — | 7,107 |
| Mutual funds-equity | 12,100 | — | — | 12,100 |
| Total assets at fair value | <u>\$ 19,207</u> | <u>—</u> | <u>—</u> | <u>19,207</u> |

| | <u>Assets at Fair Value as of December 31, 2024</u> | | | |
|----------------------------|---|----------------|----------------|---------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Mutual funds-fixed income | \$ 5,900 | — | — | 5,900 |
| Mutual funds-equity | 10,045 | — | — | 10,045 |
| Total assets at fair value | <u>\$ 15,945</u> | <u>—</u> | <u>—</u> | <u>15,945</u> |

First National also maintains a supplemental executive employee retirement plan ("SERP") that covers its Chief Executive Officer and Chief Financial Officer. Benefits are computed based on employees' average final compensation and years of credited service. SERP expenses amounted to approximately \$153 in 2025.

The components of net SERP benefit cost under the plan for the year ended December 31, 2025, and 2024, are summarized as follows:

| Change in Benefit Obligation | 2025 | 2024 |
|---|-----------------|----------------|
| Benefit obligation at beginning of year | \$ 658 | \$ — |
| Service cost | 29 | 21 |
| Interest cost | 36 | 22 |
| Actuarial income (loss) | 30 | — |
| Benefits paid | — | — |
| Increase in obligation due to plan amendment | — | 615 |
| Settlement Gain | — | — |
| Benefit obligation at end of year | <u>\$ 753</u> | <u>\$ 658</u> |
| Change in Plan Assets | | |
| Fair value of plan assets at beginning of year | — | — |
| Actual return on plan assets | — | — |
| Employer contribution | — | — |
| Benefits paid | — | — |
| Projected fair value of plan assets at end of year | — | — |
| Funded Status at the End of the Year | (753) | (658) |
| Amounts Recognized in the Balance Sheet | | |
| Other liabilities, accrued pension | (753) | (658) |
| Amounts Recognized in Accumulated Other Comprehensive Income Net of Tax Effect | | |
| Unrecognized actuarial (gain)/loss | 30 | — |
| Prior service cost | 527 | 615 |
| Income tax effect | (117) | (129) |
| Benefit obligation included in accumulated other comprehensive income | <u>\$ 440</u> | <u>\$ 486</u> |
| Funded Status | | |
| Benefit obligation | (753) | (658) |
| Fair value of assets | \$ — | \$ — |
| Unrecognized net actuarial (gain)/loss | 30 | — |
| Unrecognized prior service cost | 527 | 615 |
| Funded Status at December 31 | <u>\$ (196)</u> | <u>\$ (43)</u> |
| Weighted Average Assumptions as of December 31, 2025 and 2024: | 2025 | 2024 |
| Discount rate used for net periodic pension cost | 5.50% | 4.85% |
| Discount rate used for disclosure | 5.30% | 5.50% |
| Rate of compensation increase for disclosure | 4.00% | 3.00% |
| Rate on compensation increase for net periodic pension cost | 3.00% | 3.00% |

The estimated portion of prior service cost and net transition obligation included in accumulated other comprehensive income that will be recognized as a component of net periodic SERP cost over the next fiscal year is \$159.

The components of net SERP benefit cost under the plan for the years ended December 31, 2025, is summarized as follows:

| | <u>2025</u> | <u>2024</u> |
|--|--------------|---------------|
| Projected benefit obligation, beginning of year | \$ — | \$ — |
| Service cost | 29 | 21 |
| Interest cost | 36 | 22 |
| Amortization of prior service cost | 88 | — |
| Benefits paid | — | — |
| Increase in obligation due to plan amendment | — | — |
| Settlement (gain)/loss | — | — |
| Projected benefit obligation, end of year | \$ 153 | \$ 43 |
| Gross gain (loss) recognized in other comprehensive income | (58) | 615 |
| Total Recognized in Net Pension Benefit Cost and Other Comprehensive Income | <u>\$ 95</u> | <u>\$ 658</u> |

Projected Benefit Payments

The projected benefit payments under the plan are summarized as follows for the years ending December 31:

| | | |
|-----------|----|-----|
| 2026 | \$ | 2 |
| 2027 | | 4 |
| 2028 | | 7 |
| 2029 | | 11 |
| 2030 | | 18 |
| 2031-2035 | | 342 |

Contributions

First National contributed \$2,000 to its pension plan on December 30, 2025, \$1,000 on December 16, 2024, and \$1,000 on January 17, 2024.

First National also has a 401(k) plan under which Pinnacle matches employee contributions to the plan. In 2025 and 2024, First National matched 100% of the first 1% of salary deferral and 50% of the next 5% of salary deferral to the 401(k) plan. The amount expensed for the 401(k) plan was \$406 during the year ended December 31, 2025, and \$329 during the year ended December 31, 2024.

(10) Income Taxes

Income before income tax expense is as follows:

| | 2025 | |
|----------|-------------|---------------|
| Domestic | \$ | 13,302 |
| Foreign | | — |
| Total | \$ | <u>13,302</u> |

Income tax expense attributable to income before income tax expense for the years ended December 31, 2025, and 2024 is summarized as follows:

| | 2025 | | 2024 | |
|--------------------------|-------------|--------------|-------------|--------------|
| Current expense | \$ | 2,452 | \$ | 1,704 |
| Federal | | 2,452 | | 1,704 |
| Deferred | | 78 | | 276 |
| Federal | | 78 | | 276 |
| Total income tax expense | \$ | <u>2,530</u> | \$ | <u>1,980</u> |

Income tax for 2025 at its statutory rate of 21% and the effects of differences to the effective tax rate are presented below:

| | 2025 | |
|-----------------------------------|-----------------|----------------|
| | Amount | Percent |
| Federal statutory income tax | \$ 2,793 | 21.00% |
| Effect of: | | |
| Nontaxable or nondeductible items | (263) | -1.98% |
| Reported income tax expense | <u>\$ 2,530</u> | <u>19.02%</u> |

Reported income tax expense for the year ended December 31, 2024, differed from the amounts computed by applying the U.S. Federal income tax rate of 21% for 2024 to income before income tax expense as a result of the following:

| | 2024 | |
|--|-------------|--------------|
| Computed at statutory Federal tax rate | \$ | 2,343 |
| Increase (reduction) in income tax expense resulting from: | | |
| Tax-exempt interest | | (126) |
| Disallowance of interest expense | | 18 |
| Earnings from company owned life insurance | | (258) |
| Other, net | | 3 |
| Reported income tax expense | \$ | <u>1,980</u> |

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2025, and 2024 are as follows:

| | 2025 | 2024 |
|--|-----------------|-----------------|
| Deferred tax assets: | | |
| Loans, principally due to allowance for credit losses | \$ 1,099 | \$ 1,068 |
| Defined benefit plan valuation adjustments | 304 | 11 |
| Accrued pension | — | 12 |
| Net unrealized losses on available-for-sale securities | 1,582 | 2,479 |
| Other | 236 | 184 |
| Total gross deferred tax assets | <u>3,221</u> | <u>3,754</u> |
| Deferred tax liabilities: | | |
| Bank premises and equipment, due to differences in depreciation | (1,277) | (1,385) |
| Accrued pension | (261) | — |
| Other | (283) | (286) |
| Total gross deferred tax liabilities | <u>(1,821)</u> | <u>(1,671)</u> |
| Net deferred tax asset (included in Other assets in Consolidated Balance Sheets) | <u>\$ 1,400</u> | <u>\$ 2,083</u> |

Pinnacle did not recognize any interest or penalties related to income tax during the years ended December 31, 2025, and 2024. Pinnacle does not have an accrual for uncertain tax positions as deductions taken and benefits accrued are based on widely understood administrative practices and procedures and are based on clear and unambiguous tax law. Pinnacle does not pay any income taxes to states or foreign entities. Tax returns for all years from 2021 and thereafter are subject to future examination by tax authorities.

(11) Financial Instruments with Off-Balance-Sheet Risk

Pinnacle is a 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 mortgage sale lock commitments, commitments to extend credit and standby letters of credit. These instruments may involve, to varying degrees, credit risk in excess of the amount recognized in the balance sheets. The contract amounts of these instruments reflect the extent of involvement First National Bank has in particular classes of financial instruments.

Credit risk is defined as the possibility of sustaining a loss because the other parties to a financial instrument fail to perform in accordance with the terms of the contract. Pinnacle’s maximum exposure to credit loss under commitments to extend credit and standby letters of credit is represented by the contractual amount of these instruments. Pinnacle uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Pinnacle requires collateral to support financial instruments when it is deemed necessary. First National Bank evaluates such customers’ creditworthiness on a case-by-case basis. The amount of collateral obtained upon extension of credit is based on management’s credit evaluation of the counterparty. Collateral may include deposits held in financial institutions, U.S. Treasury securities, other marketable securities, real estate, accounts receivable, inventory, and property, plant and equipment.

Financial instruments whose contract amounts represent credit risk:

| | Contract amounts at December 31, | |
|------------------------------|---|-------------|
| | 2025 | 2024 |
| Commitments to extend credit | \$ 134,416 | \$ 131,806 |
| Standby letters of credit | \$ 6,832 | \$ 6,983 |

In the ordinary course of business, Pinnacle may enter into mortgage rate lock commitments that are subsequently funded by Pinnacle. Pinnacle then sells the mortgage loan to a secondary market bank that had underwritten the mortgage loan before Pinnacle funded the loan. The secondary market bank pays a fee that was agreed upon on the lock commitment date to Pinnacle and buys the loan within five days of the initial funding by Pinnacle.

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. Each client’s creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management’s credit evaluation of the client. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, and income producing commercial properties. The Company’s allowance for credit losses - unfunded loan commitments was \$138 and \$139, at December 31, 2025, and 2024, respectively.

Standby letters of credit are conditional commitments issued by First National Bank to guarantee the performance of a customer to a third party. These guarantees are primarily issued to support public and private borrowing arrangements, including bond financing and similar transactions. Unless renewed, substantially all of Pinnacle’s standby letters of credit commitments as of December 31, 2025, will expire within one year. Management does not anticipate any material losses as a result of these transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers.

(12) Leases

Pinnacle's leases are recorded under ASC Topic 842 "Leases." The right-of-use assets and lease liabilities are included in other assets and other liabilities, respectively, in the Consolidated Balance Sheets. Lease liabilities represent Pinnacle's obligation to make lease payments and are presented at each reporting date as the net present value of the remaining contractual cash flows. Cash flows are discounted at the Pinnacle's incremental borrowing rate in effect at the commencement date of the lease. Right-of-use assets represent Pinnacle's right to use the underlying asset for the lease term and are calculated as the sum of the lease liability and if applicable, prepaid rent, initial direct costs and any incentives received from the lessor. Pinnacle currently leases three of its operating locations under long-term leases (greater than 12 months). These locations are classified as operating leases. Generally, operating leases provide for one or more renewal options on the same basis as current rental terms. Certain leases require increased rentals under cost-of-living escalation clauses. The lease agreements do not provide for residual value guarantees and have no restrictions or covenants that would impact dividends or require incurring additional financial obligations. Lease expense for all leases was \$362 in 2025 and \$344 in 2024.

Pinnacle entered into a lease of the Amherst branch facility in 2009 with an entity in which a prior director of Pinnacle has a 50% ownership interest. The original term of the lease is twenty years and may be renewed at Pinnacle's option for two additional terms of five years each. Pinnacle's current rental payment under the lease is currently \$178 annually.

The following table represents information about Pinnacle's leases.

| | December 31, 2025 | |
|---|--------------------------|------------|
| Short-term lease liability (included in Other liabilities on Consolidated Balance Sheets) | \$ | 321 |
| Long-term lease liability (included in Other liabilities on Consolidated Balance Sheets) | \$ | 636 |
| Right-of-use assets (included in Other assets on Consolidated Balance Sheets) | \$ | 927 |
| Weighted average remaining lease term | | 3.15 years |
| Weighted average discount rate | | 1.80% |

The following are future minimum lease payments as required under the agreements:

| Year | Payments | |
|------------------------------|-----------------|------|
| 2026 | \$ | 335 |
| 2027 | | 333 |
| 2028 | | 191 |
| 2029 | | 125 |
| 2030 | | — |
| Thereafter | | — |
| Total | \$ | 984 |
| Less: present value discount | | (27) |
| Total lease liabilities | \$ | 957 |

(13) Concentrations of Credit Risk and Contingencies

Pinnacle grants commercial, residential and consumer loans to customers primarily in the central and southern regions of Virginia. As a whole, the portfolio is affected by general economic conditions in the central and southern regions of Virginia.

Pinnacle's commercial and real estate loan portfolios are diversified, with no significant concentrations of credit other than the geographic focus on the central and southern regions of Virginia. The installment loan portfolio consists of consumer loans primarily for automobiles and other personal property. Overall, Pinnacle's loan portfolio is diversified and is not concentrated within a single industry or group of industries, the loss of any one or more of which would generate a materially adverse impact on the business of Pinnacle.

Pinnacle has established operating policies relating to the credit process and collateral in loan originations. Loans to purchase real and personal property are generally collateralized by the related property. Credit approval is primarily based on the creditworthiness of the borrower, the ability to repay and the value of the collateral pledged.

At times, Pinnacle may have cash and cash equivalents at a financial institution in excess of insured limits. Pinnacle places its cash and cash equivalents with high credit quality financial institutions whose credit rating and financial condition are monitored by management to minimize credit risk.

In the ordinary course of business, various claims and lawsuits are brought by and against Pinnacle. In the opinion of management, there is no pending or threatened proceeding in which an adverse decision could result in a material adverse change in Pinnacle's consolidated financial condition or results of operations.

(14) Dividend Restrictions and Capital Requirements

Pinnacle's principal source of funds for dividend payments is dividends received from its subsidiary Bank. For 2025 and 2024, dividends from the subsidiary Bank totaled \$12,991 and \$2,966, respectively. The \$12,991 in dividends from the subsidiary Bank in 2025 included \$10,000 to payoff the subordinated notes.

Substantially all of Pinnacle's retained earnings consist of undistributed earnings of its subsidiary Bank, which are restricted by various regulations administered by federal banking regulatory agencies. Under applicable federal laws, the Comptroller of the Currency restricts, without prior approval, the total dividend payments of First National Bank in any calendar year to the net profits of that year, as defined, combined with the retained net profits for the two preceding years.

Pinnacle and First National Bank are subject to various regulatory capital requirements administered by the federal bank regulatory 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 Pinnacle's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, Pinnacle and First National 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. Pinnacle and First National Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Beginning January 1, 2015, Pinnacle and First National Bank became subject to the Basel III Capital Rules. In addition, a new ratio, Common Equity Tier 1 or “CET 1” Risk-Based Capital Ratio, is now measured and monitored. Pinnacle and First National Bank's actual regulatory capital amounts and ratios as of December 31, 2025 and 2024, are listed below. The disclosure below reflects Pinnacle’s consolidated capital as determined under regulations that apply to bank holding companies that are not small bank holding companies and minimum capital requirements that would apply to Pinnacle if it were not subject to the Statement (as defined below):

| Regulatory Capital Ratios as of December 31, 2025 | Pinnacle Consolidated | | First National Bank | |
|---|------------------------------|--------------|----------------------------|--------------|
| | Amount | Ratio | Amount | Ratio |
| Total Risk-Based Capital Ratio (to Risk Weighted Assets) | \$ 101,333 | 13.55% | \$ 98,300 | 13.18% |
| CET 1 Risk Based Capital Ratio (to Risk Weighted Assets) | \$ 95,960 | 12.83% | \$ 92,927 | 12.46% |
| Tier 1 Risk-Based Capital Ratio (to Risk Weighted Assets) | \$ 95,960 | 12.83% | \$ 92,927 | 12.46% |
| Tier 1 Leverage Capital Ratio (to Average Assets) | \$ 95,960 | 9.16% | \$ 92,927 | 8.89% |

| Regulatory Capital Ratios as of December 31, 2024 | Pinnacle Consolidated | | First National Bank | |
|---|------------------------------|--------------|----------------------------|--------------|
| | Amount | Ratio | Amount | Ratio |
| Total Risk-Based Capital Ratio (to Risk Weighted Assets) | \$ 92,432 | 12.54% | \$ 99,377 | 13.52% |
| CET 1 Risk Based Capital Ratio (to Risk Weighted Assets) | \$ 87,210 | 11.83% | \$ 94,155 | 12.81% |
| Tier 1 Risk-Based Capital Ratio (to Risk Weighted Assets) | \$ 87,210 | 11.83% | \$ 94,155 | 12.81% |
| Tier 1 Leverage Capital Ratio (to Average Assets) | \$ 87,210 | 8.52% | \$ 94,155 | 9.21% |

The Basel III Capital Rules limit capital distributions and certain discretionary bonus payments if the banking organization does not hold a “capital conservation buffer” consisting of 2.50% of CET1 capital, Tier 1 capital and total capital to risk weighted assets in addition to the amount necessary to meet minimum risk-based capital requirements. Basel III requires (i) a minimum ratio of CET1 capital to risk weighted assets of at least 4.50%, plus a 2.50% capital conservation buffer, (ii) a minimum ratio of Tier 1 capital to risk weighted assets of at least 6.00%, plus the capital conservation buffer, (iii) a minimum ratio of total capital to risk weighted assets of at least 8.00%, plus the 2.50% capital conservation buffer and (iv) a minimum leverage ratio of 4.00%.

First National Bank was considered “well capitalized” as of December 31, 2025, and December 31, 2024.

In August 2018, the Board of Governors of the Federal Reserve System updated the Small Bank Holding Company Policy Statement (the “Statement”). The Statement, among other things, exempts qualifying bank holding companies with consolidated assets of less than \$3 billion from reporting consolidated regulatory capital ratios and from minimum regulatory capital requirements. Pinnacle expects that it will be treated as a small bank holding company and will not be subject to regulatory capital requirements on a consolidated basis. At December 31, 2025, Pinnacle’s regulatory capital ratios exceeded all minimum capital requirements that would have applied to Pinnacle if it were not a small bank holding company.

(15) Disclosures about Fair Value of Financial Instruments

GAAP requires Pinnacle to disclose estimated fair values of its financial instruments.

The following methods and assumptions were used to estimate the approximate fair value of each class of financial instrument for which it is practicable to estimate that value.

(a) *Securities*

The fair value of securities is estimated based on bid prices as quoted on national exchanges or bid quotations received from securities dealers. The fair value of certain state and municipal securities is not readily available through market sources other than dealer quotations; so fair value estimates are based on quoted market prices of similar instruments, adjusted for differences between the quoted instruments and the instruments being valued.

(b) *Loans*

Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type such as commercial, real estate - residential, real estate - commercial, loans to individuals and other loans. Each loan category is further segmented into fixed and adjustable-rate interest terms.

The fair value of fixed rate loans is calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect the credit and interest rate risk inherent in the loan as well as estimates for prepayments. The estimate of maturity is based on Pinnacle's historical experience with repayments for each loan classification, modified, as required, by an estimate of the effect of current economic and lending conditions.

(c) *Deposits*

The fair value of demand deposits, NOW accounts, and savings deposits is the amount payable on demand. The fair value of fixed maturity time deposits, certificates of deposit is estimated by discounting scheduled cash flows through the estimated maturity using the rates currently offered for deposits or borrowings of similar remaining maturities.

(d) *Commitments to Extend Credit and Standby Letters of Credit*

The only amounts recorded for commitments to extend credit and standby letters of credit are the deferred fees arising from these unrecognized financial instruments. These deferred fees are not deemed significant as of December 31, 2025 and December 31, 2024, and as such, the related fair values have not been estimated.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time Pinnacle's entire holdings of a particular financial instrument. Because no market exists for a significant portion of Pinnacle's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on and off-balance sheet financial instruments without attempting to estimate the value of anticipated funding needs and the value of assets and liabilities that are not considered financial instruments. Significant assets that are not considered financial assets include deferred tax assets and premises and equipment and other real estate owned. In addition, the tax ramifications related to the

realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

(e) Fair Value Methodologies

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value.

Available-for-Sale Securities

Available-for-sale securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available, and would in such case be included as a Level 1 asset. As of December 31, 2025, and December 31, 2024, Pinnacle currently carried no Level 1 securities. If quoted prices are not available, valuations are obtained from readily available pricing sources from independent providers for market transactions involving similar assets or liabilities. Pinnacle's principal market for these securities is the secondary institutional markets, and valuations are based on observable market data in those markets. These would be classified as Level 2 assets. Pinnacle's entire available-for-sale securities portfolio was classified as Level 2 securities at December 31, 2025, and December 31, 2024. As of December 31, 2025, and December 31, 2024, Pinnacle carried no Level 3 securities for which fair value would be determined using unobservable inputs.

Loans

For 2025 and 2024, Pinnacle did not record loans at fair value on a recurring basis. However, from time to time, loans are individually evaluated and a specific allowance for credit losses may be established for that loan. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are individually evaluated. The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of a similar debt, liquidation value and discounted cash flows. Loans individually evaluated not requiring an allowance represent loans at which fair value of the expected repayments or collateral exceed the recorded investments in such loans. As of December 31, 2025, and 2024, substantially all loans individually evaluated were evaluated based on the fair value of the collateral.

Other Real Estate Owned

Other real estate owned is adjusted to fair value less estimated selling costs upon transfer of the loans to foreclosed assets. Subsequently, other real estate owned is carried at the lower of carrying value or fair value less estimated selling costs. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on observable market price or a current appraised value, Pinnacle records the foreclosed asset as a nonrecurring Level 2 asset. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, Pinnacle records the other real estate owned as a nonrecurring Level 3 asset. There were no other real estate owned properties as of December 31, 2025.

The following tables present information about certain assets and liabilities measured at fair value:

| Fair Value Measurements on December 31, 2025 | | | | | |
|---|--|--|---|--|--|
| Description | Total Carrying Amount in The Consolidated Balance Sheet | Assets/Liabilities Measured at Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Available-for-sale securities | \$ 152,452 | \$ 152,452 | \$ — | \$ 152,452 | \$ — |
| Individually evaluated loans | \$ 1,860 | \$ 1,860 | \$ — | \$ — | \$ 1,860 |

| Fair Value Measurements on December 31, 2024 | | | | | |
|---|--|--|---|--|--|
| Description | Total Carrying Amount in The Consolidated Balance Sheet | Assets/Liabilities Measured at Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Available-for-sale securities | \$ 175,816 | \$ 175,816 | \$ — | \$ 175,816 | \$ — |
| Individually evaluated loans | \$ 2,010 | \$ 2,010 | \$ — | \$ — | \$ 2,010 |

The following table sets forth a summary of changes in the fair value of Pinnacle's nonrecurring Level 3 assets for the period ended December 31, 2025, and 2024:

| Level 3 Assets Year Ended December 31, 2025 | | |
|--|---|--|
| | Individually evaluated loans | Other Real Estate Owned |
| Balance, beginning of the year | \$ 2,010 | \$ — |
| Purchases, sales, issuances, and settlements (net) | (150) | — |
| Balance, end of year | <u>\$ 1,860</u> | <u>\$ —</u> |

| Level 3 Assets Year Ended December 31, 2024 | | |
|--|---|--|
| | Individually evaluated loans | Other Real Estate Owned |
| Balance, beginning of the year | \$ 2,287 | \$ — |
| Purchases, sales, issuances, and settlements (net) | (277) | — |
| Balance, end of year | <u>\$ 2,010</u> | <u>\$ —</u> |

The carrying amounts and estimated fair values of financial instruments not carried at fair value, at December 31, 2025, and 2024 are as follows:

| Fair Value Measurements on December 31, 2025 | | | | | |
|---|--|--|---|--|--|
| Description | Total Carrying Amount in The Consolidated Balance Sheet | Assets/Liabilities Measured at Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Financial Assets | | | | | |
| Loans, net | \$ 734,128 | \$ 721,859 | \$ — | \$ — | \$ 721,859 |
| Financial Liabilities | | | | | |
| Deposits | \$ 971,310 | \$ 802,887 | \$ — | \$ — | \$ 802,887 |

| Fair Value Measurements on December 31, 2024 | | | | | |
|---|--|--|---|--|--|
| Description | Total Carrying Amount in The Consolidated Balance Sheet | Assets/Liabilities Measured at Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Financial Assets | | | | | |
| Loans, net | \$ 706,024 | \$ 691,255 | \$ — | \$ — | \$ 691,255 |
| Financial Liabilities | | | | | |
| Deposits | \$ 950,919 | \$ 761,821 | \$ — | \$ — | \$ 761,821 |
| Subordinates notes payable | \$ 8,000 | \$ 7,548 | \$ — | \$ — | \$ 7,548 |
| Other long-term borrowings | \$ 2,000 | \$ 1,887 | \$ — | \$ — | \$ 1,887 |

(16) Parent Company Financial Information

Condensed financial information of Pinnacle (“Parent”) is presented below:

Condensed Balance Sheets

| | Assets | December 31, | |
|---|--------|------------------|------------------|
| | | 2025 | 2024 |
| Cash due from subsidiary | | \$ 18 | \$ 24 |
| Investment in subsidiary, at equity | | 87,137 | 86,251 |
| Other assets | | 2,393 | 2,264 |
| Total assets | | \$ 89,548 | \$ 88,539 |
| Liabilities and stockholders' equity | | | |
| Notes payable | | \$ — | \$ 10,000 |
| Other liabilities | | 140 | 153 |
| Total liabilities | | \$ 140 | \$ 10,153 |
| Stockholders' equity | | | |
| Common stock of \$3 par value, authorized 3,000,000 shares; issued and outstanding 2,225,276 shares in 2025 and 2,212,270 in 2024 | | \$ 6,542 | \$ 6,501 |
| Capital surplus | | 12,508 | 12,213 |
| Retained earnings | | 77,450 | 69,035 |
| Accumulated other comprehensive loss, net | | (7,092) | (9,363) |
| Total stockholders' equity | | \$ 89,408 | \$ 78,386 |
| Total liabilities and stockholders' equity | | \$ 89,548 | \$ 88,539 |

Condensed Statements of Income

| | Years ended | |
|--|------------------|-----------------|
| | December 31, | |
| | 2025 | 2024 |
| Income: | | |
| Dividends from subsidiary | \$ 12,991 | \$ 2,966 |
| Equity in undistributed net income of subsidiary | (4,123) | 5,071 |
| Total Income | 8,868 | 8,037 |
| Expenses: | | |
| Interest accrued on subordinated debt | 309 | 420 |
| Interest on long-term borrowings | 77 | 105 |
| Other expenses | 240 | 314 |
| Income before income tax benefit | 8,242 | 7,198 |
| Applicable income tax benefit | 2,530 | 1,980 |
| Net income | \$ 10,772 | \$ 9,178 |

Condensed Statements of Cash Flows

| | Years ended December 31, | |
|---|-----------------------------|----------|
| | 2025 | 2024 |
| Cash flows from operating activities: | | |
| Net income | \$ 10,772 | \$ 9,178 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Equity in undistributed net income of subsidiary | 4,123 | (5,071) |
| Increase in other assets | (129) | (197) |
| Increase (decrease) in other liabilities | (13) | 37 |
| Net cash flows from operating activities | 14,753 | 3,947 |
| Cash flows from investing activities: | | |
| Increase in investment of subsidiary | (2,402) | (1,752) |
| Net cash used in investing activities | (2,402) | (1,752) |
| Cash flows from financing activities | | |
| Cash dividends paid | (2,357) | (2,212) |
| Payoff of notes payable | (10,000) | — |
| Net cash flows used in financing activities | (12,357) | (2,212) |
| Net decrease in cash from subsidiary | (6) | (17) |
| Cash due from subsidiary, beginning of year | 24 | 41 |
| Cash due from subsidiary, end of year | \$ 18 | \$ 24 |

(17) Stock Based Compensation

On April 8, 2014, shareholders approved the 2014 Incentive Stock Plan (the “2014 Plan”), pursuant to which Pinnacle’s Board of Directors may grant stock options, restricted stock, and other equity-based awards to directors, officers and key employees. The 2014 Plan authorizes grants of up to 150,000 shares of Pinnacle’s authorized, but unissued common stock. All stock options are granted with an exercise price equal to the stock’s fair market value at the date of the grant.

On May 1, 2022, 9,700 shares of restricted stock were granted to employees pursuant to the 2014 Plan. These shares vested on May 1, 2025.

On January 12, 2023, 5,547 shares of restricted stock were granted to Pinnacle’s Directors in lieu of cash for 2022 director fees. These shares vested on January 12, 2024.

On May 1, 2023, 16,050 shares of restricted stock were granted to employees pursuant to the 2014 Plan. 14,300 of the shares granted will vest on May 1, 2026, and 1,750 of the shares granted were forfeited due to termination of employment.

On January 9, 2024, 3,538 shares of restricted stock were granted to Pinnacle’s Directors in lieu of cash for 2023 director fees. These shares vested on January 9, 2025.

On April 1, 2024, 11,250 shares of restricted stock were granted to employees pursuant to the 2014 plan. 10,750 shares will vest on May 1, 2027, and 500 of the shares granted were forfeited due to termination of employment.

On May 14, 2024, shareholders approved the 2024 Incentive Stock Plan (the “2024 Plan”), pursuant to which Pinnacle’s Board of Directors may grant stock options, restricted stock and other equity-based awards to directors, officers and key employees. The 2024 Plan authorizes grants of up to 200,000 shares of Pinnacle’s authorized, but unissued common stock. All stock options are granted with an exercise price equal to the stock’s fair market value at the date of the grant.

On September 3, 2024, 335 shares of restricted stock were granted to an employee pursuant to the 2024 plan. These shares will vest on May 1, 2027.

On January 14, 2025, 4,346 shares of restricted stock were granted to Pinnacle's Directors in lieu of cash for 2024 director fees pursuant to the 2024 Plan. These shares vested on January 14, 2026.

On May 1, 2025, 11,800 shares of restricted stock were granted to employees pursuant to the 2014 plan. These shares will vest on May 1, 2028.

On January, 13, 2026, 2,114 shares of restricted stock were granted to Pinnacle's Directors in lieu of cash for 2025 director fees. These shares will vest on January 13, 2027.

As of December 31, 2024, and 2025, no options for shares were outstanding under the 2024 or 2014 Plans.

Pinnacle expensed \$313 in 2025 in compensation expense as a direct result of granting, 9,700 shares of restricted stock to employees in 2022, 16,000 shares of restricted stock to employees in 2023, 11,585 shares of restricted stock to employees in 2024, and 11,800 shares of restricted stock to employees in 2025. Pinnacle expects to expense \$258 in 2026, \$163 in 2027 and \$43 in 2028 on such restricted stock.

Stock option activity during the years ended December 31, 2025, and 2024 is as follows:

| | Number of Shares | Weighted Average Exercise Price |
|---------------------------------|---------------------------------|--|
| Balance as of December 31, 2023 | 8,000 | \$ 15.70 |
| Forfeited | 1,500 | — |
| Exercised | 6,500 | 23.17 |
| Granted | — | — |
| Balance as of December 31, 2024 | — | \$ — |
| Forfeited | — | — |
| Exercised | — | \$ — |
| Granted | — | — |
| Balance as of December 31, 2025 | — | \$ — |

(18) Accumulated Other Comprehensive Income (Loss)

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

| | Unrealized Gains and Losses on Available-for Sale Securities | Defined Benefit Pension Items | SERP Items | Total |
|--|---|--|-------------------|-------------------|
| December 31, 2025 | | | | |
| Beginning Balance | \$ (9,323) | \$ 445 | \$ (486) | \$ (9,364) |
| Other Comprehensive income before reclassification | 3,375 | (1,156) | 116 | 2,335 |
| Amounts reclassified from accumulated other comprehensive income | — | 7 | (70) | (63) |
| Net current period other comprehensive income | 3,375 | (1,149) | 46 | 2,272 |
| Ending balance | \$ <u>(5,948)</u> | \$ <u>(704)</u> | \$ <u>(440)</u> | \$ <u>(7,092)</u> |

| | Unrealized Gains and Losses on Available-for Sale Securities | Defined Benefit Pension Items | SERP Items | Total |
|--|---|--|-------------------|-------------------|
| December 31, 2024 | | | | |
| Beginning Balance | \$ (11,798) | \$ (277) | \$ — | \$ (12,075) |
| Other Comprehensive income before reclassification | 2,475 | 715 | (486) | 2,704 |
| Amounts reclassified from accumulated other comprehensive income | — | 7 | — | 7 |
| Net current period other comprehensive income | 2,475 | 722 | (486) | 2,711 |
| Ending balance | \$ <u>(9,323)</u> | \$ <u>445</u> | \$ <u>(486)</u> | \$ <u>(9,364)</u> |

(19) Subsequent Events

Pinnacle has evaluated all other subsequent events for potential recognition and/or disclosure in the December 31, 2025, consolidated financial statements through March 24, 2026, the date the consolidated financial statements were available to be issued.

Management's Report on Financial Reporting and Compliance

Management Report

In this management report, the following subsidiary institution of Pinnacle Bankshares Corporation (the "Company") that is subject to Part 363 is included in the statement of management's responsibilities; the report on management's assessment of compliance with the Federal laws and regulations pertaining to insider loans and the Federal and, if applicable, State laws and regulations pertaining to dividend restrictions; and the report on management's assessment of internal control over financial reporting: First National Bank.

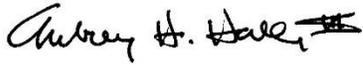
Statement of Management's Responsibilities

The management of Pinnacle Bankshares Corporation (the Company) is responsible for preparing the Company's annual consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; for establishing and maintaining an adequate internal control structure and procedures for financial reporting, including controls over the preparation of regulatory financial statements in accordance with instructions for the Parent Company Only Financial Statements for Small Bank Holding Companies (Form FR Y-9SP); and for complying with the Federal laws and regulations pertaining to insider loans and the federal and, if applicable, state laws and regulations pertaining to dividend restrictions.

Management's Assessment of Compliance with Designated Laws and Regulations

The management of the Company has assessed the Company's compliance with the Federal laws and regulations pertaining to insider loans and the Federal and, if applicable, state laws and regulations pertaining to dividend restrictions during the fiscal year that ended on December 31, 2025. Based upon its assessment, management has concluded that the Company complied with the Federal laws and regulations pertaining to insider loans and the Federal and, if applicable, state laws and regulations pertaining to dividend restrictions during the fiscal year that ended on December 31, 2025.

Pinnacle Bankshares Corporation



Aubrey H. (Todd) Hall, III
President and Chief Executive Officer
March 24, 2026



Bryan M. Lemley
Secretary, Treasurer & Chief Financial Officer
March 24, 2026

Report of Independent Auditor

To the Board of Directors and Stockholders
Pinnacle Bankshares Corporation and Subsidiary
Altavista, Virginia

Opinion

We have audited the accompanying consolidated financial statements of Pinnacle Bankshares Corporation and Subsidiary (collectively, the “Company”), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of income, comprehensive income, changes in stockholders’ equity, and cash flows for each of the years then ended, and the related notes to the consolidated financial statements (collectively, 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 the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matter

We also audited, in accordance with GAAS, the Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the Federal Financial Institutions Examination Council Instructions for Consolidated Reports of Condition and Income (Call Report) and with the instructions to the Parent Company Only Financial Statements for Small Bank Holding Companies (Form FY Y-9SP), as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Our report dated March 25, 2025, expressed an unmodified opinion on the effectiveness of the Company's internal control over financial reporting based on criteria established in *Internal Control – Integrated Framework* (2013) issued by COSO. We were not engaged to perform an audit of the Company's internal control over financial reporting as of December 31, 2025.

Cherry Bekaert LLP

Louisville, Kentucky
March 24, 2026

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BOARD OF DIRECTORS

James E. Burton, IV, Chairman
Donald W. Merricks, Vice Chairman
Aubrey H. (Todd) Hall, III
Elton W. Blackstock
Vivian S. Brown
Connie S. Burnette
Judson H. Dalton
Robert L. Finch, Jr.
Robert Hurt
Dr. Robert L. Johnson, II
Michael E. Watson
James O. Watts, IV, Esq.
Ramsey W. Yeatts

EXECUTIVE OFFICERS OF PINNACLE BANKSHARES CORPORATION

Aubrey H. (Todd) Hall, III
President & Chief Executive Officer
Bryan M. Lemley
Secretary, Treasurer & Chief Financial Officer

SENIOR MANAGEMENT OF FIRST NATIONAL BANK

Aubrey H. (Todd) Hall, III
President & Chief Executive Officer
Bryan M. Lemley
Executive Vice President & Chief Financial Officer
Melissa T. Campbell
Senior Vice President & Chief Retail Officer
Jennifer T. Edgell
Senior Vice President & Chief Credit Officer
Tracie A. Gallahan
Senior Vice President & Chief Customer Experience Officer
Michelle M. Gaydica
Senior Vice President & Chief Operating Officer
Krystal D. Harris
Senior Vice President & Chief Human Resources Officer
Shawn D. Stone
Senior Vice President & Chief Lending Officer

CORPORATE INFORMATION

CORPORATE OFFICES

622 Broad Street
P.O. Box 29
Altavista, VA 24517

INVESTOR RELATIONS

Bryan M. Lemley
bryanlemley@1stnatbk.com
(434) 477-5882

STOCK TRANSFER AGENT

Computershare
(201) 680-3626
118 Fernwood Ave.
Edison, NJ 08837

INDEPENDENT AUDITORS

Cherry Bekaert, LLP
200 South 10th Street, Suite 900
Richmond, VA 23219

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders will be held at:
Virginia Technical Institute
201 Ogden Road
Altavista, VA 24517
11 a.m. Eastern Time
May 12, 2026

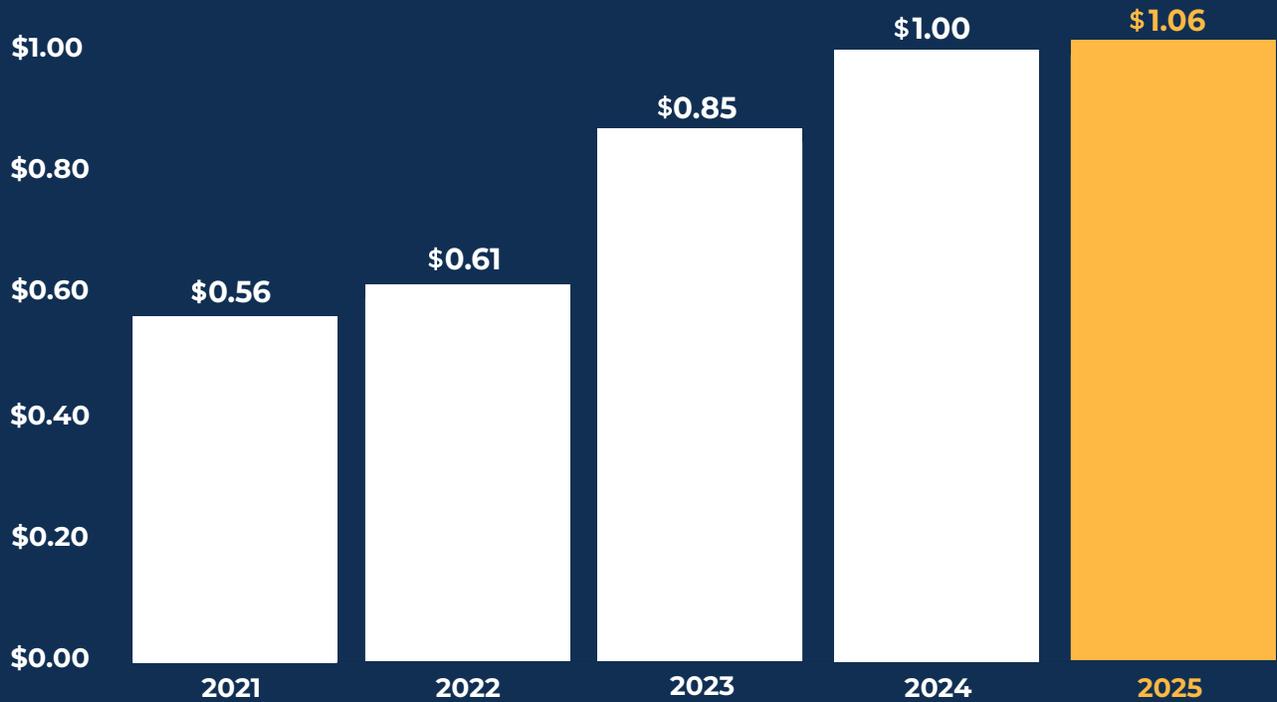
Only shareholders of record at the close of business on March 20, 2026, the record date, will be entitled to vote at the Annual Meeting.

We refer you to the 2026 Proxy Statement for further information.

COMMON STOCK

OTCQX: PPBN

DIVIDENDS PER SHARE



PINNACLE
BANKSHARES
CORPORATION



SHARE PRICE IN 2025



**622 Broad Street
Post Office Box 29
Altavista, Virginia 24517**

(434) 369-3000